SENATE—*Thursday, February 5, 1981*

(Legislative day of Monday, January 5, 1981)

The Senate met in executive session at 9:15 a.m., on the expiration of the recess, and was called to order by the Honorable S. I. HAYAKAWA, a Senator from the State of California.

PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray.

Gracious God, at a time when the people's level of expectation is high, grant to Thy servants in public life the wisdom to do the work of legislation, administration, and justice for the common good.

When criticism comes from the people who expect miracles and from those of the press who look for weakness, give to Members of the Senate, their families, and their staffs the grace of patience and love. Help them to heed criticism that is constructive and to grow by it. Help them to be compassionate and forgiving toward the critics who would tear down and destroy. Grant to them courage to live above hostility and to be faithful to their task when circumstances are discouraging and negative.

Brace them in Thy strength against the enervating effects of frustration and futility. Give them the confidence that "God works in everything for good to them who love Him and are called according to His purposes."

Bless them, Lord, with love and laughter and life, through Him who by His death gives life to all who believe. 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. THURMOND).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., February 5, 1981.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable S. I. HAYAKAWA, a Senator from the State of California, to perform the duties of the Chair.

STROM THURMOND,
President pro tempore.

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

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the majority leader is recognized, as in legislative session.

Mr. BAKER. Mr. President, I thank the Chair.

THE JOURNAL

Mr. BAKER. Mr. President, as in legislative session, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I inquire of the Chair if there are special orders for this morning.

The ACTING PRESIDENT pro tempore. There are several of them.

ORDER FOR THE TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, as in legislative session, I ask unanimous consent that, following the speeches provided for by special orders, there be a period for the transaction of routine morning business not to extend beyond 1 hour, in which Senators may speak for not more than 15 minutes each.

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, after the time allocated to the two leaders under the standing order and the special orders and morning business, what will be the business before the Senate?

The ACTING PRESIDENT pro tempore. The nomination of Vice Adm. B. R. Inman, to be the Deputy Director of Central Intelligence, and to have the rank of admiral while so serving.

Mr. BAKER. Mr. President, I thank the Chair.

Mr. President, I have no further need for my time under the standing order. I am prepared to yield it now to any Senator or to the distinguished minority leader if he requires additional time.

RECOGNITION OF THE MINORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the minority leader is recognized, as in legislative session.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished majority leader.

Mr. President, I would be happy if the Senator would yield me some of his time. I want to yield it to Mr. PROXMIRE.

Mr. BAKER. Mr. President, I am happy to yield the time I have remaining under the standing order to the distinguished minority leader.

Mr. ROBERT C. BYRD. Mr. President, I thank the majority leader.

Mr. President, I yield such time as he may require to Mr. PROXMIRE.

Mr. PROXMIRE. Mr. President, I thank my good friend, the minority leader.

SENATE APPROPRIATIONS COMMITTEE HEARINGS ON THE ECONOMY

Mr. PROXMIRE. Mr. President, last week the Senate Appropriations Committee had a series of hearings on the economy. It was most appropriate. Chairman HATFIELD deserves great credit for having called these hearings where he invited the most distinguished witnesses on the economy to appear. We had a message that was very clear and I would like to present that this morning.

Mr. President, you had to be blind, deaf and dumb, especially dumb—as well as obtuse to miss the message before the Appropriations Committee last week. We heard from the top economic figures in the Reagan administration and the top economists—including liberal officials appointed to key economic jobs by Democratic Presidents. And what did they tell us? They all sang the same song. The key was C sharp, C for cut. And the lyric? One word: The same—cut. The only variations I heard were slash, abolish, eliminate. Of course, Secretary Regan and OMB Director Stockman sang the song. What is new? And it was not surprising when Federal Reserve Board Chairman Paul Volcker joined in the chorus as did such regulars as Alan Greenspan and Michael Evans. But how about Otto Eckstein? Mr. President, do you know who Otto Eckstein is? Do you know who appointed him to the Council of Economic Advisers? President Lyndon Johnson.

Eckstein has a fine reputation as an economist. No one would accuse him of being a doctrinaire anything, particularly a doctrinaire small Government man. But Otto was right there with the rest bellowing out the chorus—"Cut, cut, cut, cut, cut". And, Mr. President, if there is a guru for the spenders, that guru would have to be that brilliant, former Chairman of John Kennedy's Council of Economic Advisers—Walter Heller. Walter has the marvelous knack of writing like George Bernard Shaw; and thinking big—especially when it comes to Government projects—has been his forte.

I think he is the finest sheer writer on economics that we have in the country today and, of course, he is an eminent economist.

But there was a vote of confidence from the economic profession that was about as overwhelming as it could be. What was that overwhelming sentiment? It was this:

Under present circumstances the right economic medicine for this country today—as I say, of economists of all persuasions and of all backgrounds and of

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

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all record experience agreeing—the right medicine for this country today begins with spending reductions.

He is not afraid of recommending big spending and has done it regularly. And he certainly must be rated as one of the most respected economists in the country. Now, what did Walter Heller recommend? Listen. Said Walter: "There are many areas of the budget where cuts are desirable and possible." Coming from Greenspan that would not surprise me. Coming from Heller, I was startled.

Mr. President, nothing in economics comes out unanimously. Rudy Oswald of the AFL–CIO did not throw in the sponge. Oswald favored continued spending, as he always has and as the AFL–CIO has done, and that made him all alone. So reducing spending did not simply enjoy a vote of confidence from the economic profession.

Spending reductions have become the order of business as anyone who can count to 19 or 20 and look at the prime rate must recognize, or for the advanced student count to $935 billion and look at the national debt.

Here was a message—not just for the Appropriations Committee. We are no longer the only game in town on spending. In recent years the Finance Committee has come on like the Marines with social security, medicare, revenue sharing, and tax expenditures generally. And certainly the entitlement programs falling under the jurisdiction of the authorizing committee have helped shove the budget sky high. So the message came through—like a thunder clap—absolutely unmistakable: Cut spending, cut spending. A healthy economy depends on cutting spending. Does the reducing of the interest rate depend on Volcker or whoever happens to be chairman of the Fed? No. Then what does it depend on? Answer: on reducing spending. Should reducing inflation depend on wage-price controls? Answer: a unanimous: "No."

None of the economists said that wage-price controls would work under present circumstances or were desirable.

Should it depend on tighter monetary policy? Answer: No. A tighter monetary policy absent rigorous spending reduction means simply higher interest rates. Should reducing inflation depend on increasing production and supply by stimulating tax cuts? Answer: Yes, but only, only if the tax cuts are accompanied by bigger and deeper spending cuts, and I mean accompanied at the same time. With the exception of the new Treasury Secretary, Mr. Regan, the expert witnesses all argued that tax reductions without spending reductions are a sure and swift forerunner of much worse inflation. Dr, Eckstein put it this way—after reading the testimony of Secretary Regan who argued for tax cuts first, said Eckstein: "The Reagan administration is looking at a $100 billion deficit." A hundred billion dollar deficit, Mr. President. Do you know what that would mean? It would mean 20 percent inflation and a 30 percent prime. It would paralyze and then destroy this great economy of ours.

Mr. President, we can whimper and wail and dream up alibis. We can kite the national debt to $985 billion, as this body will do in the next day or two. We can denounce the Federal Reserve. But high interest rates and inflation will continue on, unless we cut spending, and cut it ruthlessly and everywhere—no exceptions, except for national defense.

Will people in this country suffer from these cuts? Of course people will suffer. We will have to cut funds for education. for health, for transportation, for housing, for the cities.

I think, unfortunately, that too many people are given the impression that we can make these reductions by cutting waste and fraud and not hurting anybody, and not reducing any programs. Nonsense. No way. There is no way we can make these cuts without sacrifices on the part of many, many people, without cruel sacrifices in some cases.

Will these cuts do the job in a year or two? No way. We must continue and persist in these reductions year after year, at least through the decade of the eighties.

Mr. President, we have to realize that this increase in spending has put us on this inflationary, high interest rate path, and has been going on not for a year or 10 or 20 years, but for 50 years, ever since the early 1930's.

So we have one very clear obligation, a difficult obligation, an historic obligation, certainly a challenging obligation, and that is to cut spending, cut it sharply, and cut it everywhere in sight. We must get on with the job and get on with the job now.

APPROPRIATIONS COMMITTEE HEARINGS

Mr. ROBERT C. BYRD subsequently said: Mr. President, I rise to join the distinguished senior Senator from Wisconsin (Mr. PROXMIRE) in his remarks. It is commendable for the Appppropriations Committee, under the chairmanship of the able and distinguished senior Senator from Oregon (Mr. HATFIELD) to have conducted such thorough and far-reaching oversight hearings. Undoubtedly, these hearings will be helpful in setting the stage for the work of the Appropriations Committee this session. I am impressed that so many of the new members of the committee took the time to participate in the hearings. I commend the content of the hearings to all of the Members of the Senate and their staffs who have a desire to stay abreast of the constantly shifting economy.

● Mr. SPECTER. Mr. President, during the past week, the Senate Appropriations Committee heard testimony from a wide variety of witnesses on the state of the economy and the Federal budget. Testimony was received from the Secretary of the Treasury, Director of the Office of Management and Budget, Chairman of the Federal Reserve Board, Director of the Congressional Budget Office, two panels of distinguished economists, the Comptroller General and various public witnesses. Both the chairman and the committee staff are to be commended for their efforts in organizing the hearings and the caliber of the witnesses.

The hearings focussed on two central themes.

First, given the present rates of taxation, tax cuts are needed to encourage investment and improve productivity. Without any congressional action to reduce taxes, there will be $30 billion in built-in, new taxes this year, including payroll tax hikes, inflation produced increases in personal income taxes and the windfall profits tax. Evidence presented at the hearings supported the principle that tax cuts would expand the economy and would likely yield an increase in Federal revenues, even with lower tax rates which would be applied to a much larger base.

Specifically, tax reductions will increase savings and funds for investment, thus increasing capital formation and lowering interest rates. With the current slack in the economy and weak demand, the economy will expand and production increase. Productivity, the key determinant of real growth and inflation, should improve significantly. A critical, early priority of this Congress must be the enactment of the requisite tax reductions.

Second, reductions in Government spending are important if the economy is to improve, with maximum care that any budget cuts enacted by the Congress take into account basic social and human needs. Waste, fraud, and mismanagement must be the first focus of reductions and nonessential programs the second priority for cuts. Across-the-board reductions and selective dismemberment of programs whose political constituencies are weakest must be avoided. In the next few weeks it is essential that the Congress, the administration, and the various interest groups target cuts which can be made without reductions in basic human services.

Deciding what should be the magnitude and nature of these cuts is a problem complicated by the unanimous consensus that the Carter budget significantly understates the size of the deficits for both fiscal year 1981 and fiscal year 1982. Even taking into account additional revenues that might be received as the result of a tax cut, significant reductions must be considered even to stay within the projected deficits in the Carter budget.

These two steps—tax cuts and spending reductions—are necessary to curb the inflationary expectations which have dried up savings, decreased productivity, led to greater and greater budget deficits, and stagnated the economy. With appropriate deliberation, we must take these two actions quickly in order to achieve the significant improvement in the economy which our Nation needs.●

MADISON, WIS.—A MODEL SCHOOL DISTRICT IN EDUCATING THE HANDICAPPED

Mr. PROXMIRE. Mr. President, the current issue of the Department of Education's magazine American Education features an article on the fine job the Madison, Wis., school district is doing

in serving the needs of its handicapped children.

The article points out that:

Madison has been continually cited by ED's Office for Civil Rights as being among a half-dozen school districts in the country doing a sound job of educating the handicapped according to the new federal guidelines that mandate equal opportunities for public education for all children regardless of handicap severity.

There are real concerns over the costs, paperwork, and confusion generated by the sweeping mandate contained in the Education of All the Handicapped Act. Therefore, it is important to review how one school district is successfully dealing with the problem.

I ask unanimous consent that the article, entitled "Taking the Tough Route of Fairness," be printed at this point in the RECORD.

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

TAKING THE TOUGH ROUTE OF FAIRNESS

In a corner of the gym, 26 seven-year-olds were learning the skill of catching a big rubber ball. Up and catch, up and catch, up and . . . whoops. "Look at me," one child calls to the teacher. "Look at me," another signs to her friend. So many are signing that it is impossible to pick out the six hearing-impaired youngsters except for a few who wear conspicuous ear-pieces.

Little Peggy runs over to two adult observers standing quietly in a corner, asking their names. A classmate joins her, asking "Can you sign?" When the observers say no, Peggy tries to teach them to sign their names.

Before she joins the other children, Peggy says, "We're having a Halloween party tomorrow and the handicapped kids are coming to our class." Then she is off to practice her catching skill.

The handicapped kids. That's how Peggy refers to the four classes of severely and profoundly retarded and multiply-handicapped youngsters who attend the Glendale Elementary School of the Madison (Wisconsin) Metropolitan School District. Ranging in age from four to 18 years, most of those children function below a two-year-old level. The hard-of-hearing kids in Peggy's class? Nobody—not even the kids themselves—thinks of these youngsters any more as being handicapped.

A MODEL SCHOOL DISTRICT

Madison has been continually cited by ED's Office for Civil Rights as being among a half-dozen school districts in the country doing a sound job of educating the handicapped according to the new federal guidelines that mandate equal opportunities for public education for all children—regardless of handicap severity. A sweeping mandate, the guidelines have caused confusion and, in some cases, division among populations of many cities and towns.

In Madison schools, the handicapped are getting the chance to learn. To understand why, it is necessary to understand first of all the lake-surrounded city of about 160,000 in south-central Wisconsin. Madison is not only a marketplace and shopping center for the rural population that surrounds it; it is the state capital. In addition, fully one-fourth of its population is the student body of the University of Wisconsin's sprawling campus. Chief among several small factories is an Oscar Mayer food-processing plant.

The broad mix of students, professors, plant workers, and farmers—elsewhere sometimes a divisive factor—tends to make Madison an accepting community that takes tolerantly in stride the political, economic, and culture differences among its citizens. It's not surprising that the city leads not only in de-institutionalizing its handicapped residents but in providing them with housing, transportation, and access to public facilities.

GETTING AN EARLY START

Well before the federal mandate took effect in 1980, Madison schools had begun landmark programs for the handicapped. An early identification program, started as far back as 1974 with the help of the university's school of education, actively seeks out handicapped children from birth on. Hospitals, pediatricians, and social workers all refer parents to the program.

Once identified, infants between birth and 22 months come into the schools regularly with their parents—anywhere from almost daily to biweekly, depending on need—for individual or small-group education and training sessions. Parents, the primary educators of infants, are taught tasks and games that will make the most of each child's resources. Home visits reinforce learning and, most important, provide a great deal of support for the parents themselves.

By the time these handicapped children come into Madison's early childhood classes, which serve special education children from about age two, their skills as well as their disabilities have been identified. Early identification, contend special educators, can be a critical factor in how much these youngsters will be able to learn in school. By the time the children reach kindergarten, about one out of three is ready to go into a regular classroom program—thanks to early identification program.

THE DIFFERENCE IS SUPPORT

The hearing-impaired program of total communication for schoolage children (signing, finger-spelling, speech) is even older, begun in 1971 as a self-contained classroom within a regular school. Helped by university researchers, the school district has shaped a sound program. In Glendale School, where most of these hearing-impaired elementary children are taught with the full range of communication techniques, most are fully integrated into regular classrooms.

Three conditions help the integration. Nearly every teacher these hearing-impaired children come in contact with speaks and understands sign language. The children and their nonhandicapped classmates take classes together in signing and finger-spelling. Finally, team teaching enables a special education teacher to sign for these youngsters whenever a regular teacher is instructing them.

The emphasis for all students in these integrated classes is total communication. By the time they reach middle school, the needs of the hearing-impaired have generally been pared down to some help with new vocabulary, emotional counseling, and—where necessary—an itinerant interpreter in their academic classrooms. By this time, their educational and, equally important, social integration into normal school life is a fact.

THE SEVERELY HANDICAPPED

But perhaps the real test for a school district is how much it can help the severely or profoundly retarded and multi-handicapped. For these youngsters—who, until recently, spent their lives behind institution walls—Madison's program is particularly admirable. As early as 1968, many of these youngsters lived at home or in community-based group homes and came to a segregated school building, Badger School, along with moderately and somewhat severely retarded students, for therapy and training. At the same time, the school district was becoming increasingly committed to the belief that interaction between handicapped and nonhandicapped students benefits both groups. Thus gradually the moderately and severely retarded were moved into regular schools. As that happened, students with greater and greater handicaps were accepted into Badger School.

When Badger was closed in 1977, profoundly disabled students were moved into regular education buildings. The move was not a budget-cutting decision or an enforced, gun-at-the-temple mandate by civil rights authorities—as has happened in many school districts. It was a natural phase in the school district's own commitment to the philosophy of "one instructional program for all, with appropriate options, in the least restrictive environment," in the words of its superintendent, Donald Hafeman.

For these students, many labeled uneducatable in the past, the rewards have been inestimable. An 18-year-old functioning at about an 18-month-old level is beginning to pattern her behavior after the six-year-olds she sees in the lunchroom every noon. A 14-year-old who normally seems to recognize nothing "gets a twinkle in his eye when he goes to music class with the regular kids." Several dozen youngsters from regular classes volunteer to come in to feed, play with, or help by just watching these students, if needed. Their questions, "Is it catching?" "Will he die?" "What's wrong with her?" are answered honestly. They have learned not to cringe, not to fear.

THE WIDE RANGE OF DISABILITIES

Madison has among the 24,000 students in its public schools every one of the special kinds of students that have been identified as handicapped—the disadvantaged (Title I), the learning disabled, the emotionally disturbed, the autistic, the hearing-impaired, the visually-impaired, the physically impaired, the speech or language impaired, the pregnant teenagers, the mildly or moderately mentally retarded, and the multiple-handicapped and severely or profoundly mentally retarded. Madison's handicapped youngsters number about 2,000 and the school district has a plan for each. Every group or category has an assigned program coordinator and an impressive team of support personnel: teachers, aides, and specialists such as audiologists, physical therapists, occupational therapists, psychologists, and social workers. Combined with the special services it receives, each group spends at least a part of its day with students in the regular program.

At LaFollette High School, for example, kids chatter amiably about the two students in wheelchairs who drag-raced down the hall, while a special education teacher tells that nearly a dozen regular teachers—in the art department, industrial arts, and the business courses—on their own initiative returned to school for some special ed coursework.

GETTING A FAIR CHANCE

At another high school, a senior tells how she herself moved to Madison this year for its learning disabled program, which found her a "real eight-hour job, not a three-hour one like I had in my old school's CETA program."

In Schenk Middle School, two students assigned to the trainable mentally retarded class, until this year were in a class for the profoundly retarded. "I moved them up because I thought they could learn from these kids' example," teacher Patty Rogan says, "and they have."

Rogan's students have "jobs" across the street at a local church. They "punch in" for work by marking a line after their names on a chart. Those unable to hold a pencil (a fine-motor skill) insert a peg (a large-motor

one) after their names on a special handmade board.

The philosophy behind Madison's program is clear: Broad goals are the same for every student, regular or special. Each is placed in an age-appropriate situation, with age not necessarily defined in rigidly chronological terms. A profoundly retarded student of 18 who measures at less than two years is in a different setting from one who functions at the six-year-old level. Trainable mentally retarded teenage students who are small for their age may be kept in the middle-school setting until about age 16, when they move to high school to remain until age 21.

HOW THE PROGRAM WORKS

Every moderately and severely retarded student is instructed in four curricular areas: vocational, community, leisure recreational and domestic. With these in mind, educators make a thorough assessment of each individual's strengths and weaknesses and then plan a program. Within each disability, children are grouped according to how much they seem able to learn in each area. A learning-disabled or emotionally disturbed child, therefore, may be placed in a regular academic class with a regular or modified academic program. In that class the student's special education teacher may act as an observer or an advisor to the teacher, or may actually work with the teacher to prepare modified texts and tests.

Or, at the other end of the spectrum, the child may be placed in a self-contained learning disabled or emotionally disturbed class integrating into the regular program only during lunch, music, phys ed, and whatever other activities the student can handle.

In middle school, the student may take specially designed career courses that teach self-sufficiency skills such as checkwriting and skills needed for job preparation. By eighth grade—if everyone including parents are in agreement—the youngster will spend some time at a job site learning work skills. Twenty-seven Madison workplaces have already joined the schools in providing occupational training, and disabled young people from most subgroupings have been placed in these job sites.

For an educable mentally retarded student, the goals may be the same as for the learning disabled student; but the teaching strategies and content change in that self-sufficiency and occupational skills are given more attention earlier. For a trainable mentally retarded student, instructional strategies are again altered to meet learning needs. One mother described how her trainable mentally retarded son was taught to use a calculator and to go grocery shopping and to a restaurant. "He punches the numbers from a food package or a menu item into the calculator," she explains. "Then he presses the add button and the calculator tells him how much money the items total to." Students go marketing and to restaurants week after week until they fully understand how to handle these tasks.

WHERE THE MONEY COMES FROM

Such programs are expensive, but the school district is aggressive at finding funds for them. First of all, the state department of public instruction reimburses 70 percent of the costs of teachers and of transportation for all special education students. "It comes to about 60 percent of our total special education costs," says Dr. Lee Gruenewald, director of the Madison district's department of specialized educational services. Gruenewald says it costs the district between $6,000 and $8,000, on average, per year per student. But, he points out, it can cost the state $20,000 a year or more to keep a handicapped person in an institution.

The federal government provides only about $175 per exceptional student for special education costs through various aid formulas. But, in addition, the school district has federal demonstration, research, and training grants. Specifically, Public Law 94–142 funds have been used for staff development, audiology tests, and other services, and for running the early identification program. With the University of Wisconsin, the district received a joint contract from ED's Office of Special Education and Rehabilitative Services to develop curricular materials and teaching strategies for the education of moderately and seriously retarded students in a natural environment. From that project has come the remarkable community-centered program.

PROBLEMS COME WITH PROGRESS

There are still problems, even in this model school district. Although Gruenewald says, "We've got the best, most caring special ed teachers I've ever seen," he admits that stress is inescapable and teacher burnout is a problem here as elsewhere. While staff replacement is less of a problem with the university right next door, the emphasis is not on hiring new teachers but on finding better ways to support the staff.

Most of Madison's regular teachers accept special students in their classes, many of them going out of their way to help design programs and materials for these youngsters. Even the most severely handicapped have been accepted into the schools. "In fact, when the severe-and-profound students started coming into the schools, our emotionally disturbed and learning disabled youngsters suddenly seemed less aberrant, and all the teachers' reservations about them vanished," reports one special education administrator.

There are still a few holdouts like the regular teacher in one high school who failed three learning disabled girls because, despite their passing work, she expected they'd fail. But there are checks and balances, too. A resource teacher assigned to monitor these students was on top of the situation. She will go down and talk about goals with the teacher and, if the problems cannot be resolved, the students' schedules will be changed.

Like many school districts, Madison's declining student population has led to school consolidation in the past several years, and the exceptional education advisory committee—a consortium of specialized parent groups—is concerned that some special education students have been transferred from building to building too often. "Let's face it, a class of six kids is easier to move than a class of 27," one administrator concedes. One building principal, though, wouldn't allow his severely handicapped class to be moved to another school because he felt their presence was educationally valuable for the nonhandicapped students.

THE PAPER BURDEN FOR TEACHERS

From the teachers' point of view, paperwork presents the biggest problem right now. The Individualized Education Programs (IEPs) that teachers must fill out at the beginning of each school year have become gigantic stumbling-blocks for many. One problem may be finding mutually convenient times to meet with parents and other team members.

But at the heart of the matter, contend some teachers, is the fact that the triplicate forms are all so official. They need parental signatures and one copy must be filed with central administration. The legality of it all intimidates some teachers, whose strengths are in dealing with children, not in writing reports. No one would advocate doing away with IEPs. Most Madison teachers feel they are genuinely useful in setting year-long goals for each handicapped child. Many would like released time or some other compensation for the long hours spent filling them out.

"We're refining the assessment process this year," says Gruenewald. He hopes this will reduce problems in both the process and the paperwork load.

While much has been accomplished in the school district in educating all its handicapped students, Gruenewald cites some goals still to be met. He hopes for better transition programs and more community involvement so that independent and semi-independent living will be possible for all the handicapped, school age and through maturity. He will continue to push for deinstitutionalization of severe cases and to refine administrative work in the direction of one unified instructional program with appropriate modifications—in the healthy interest of bringing together special and regular education as much as possible.

Equally important Gruenewald intends more staff training for both special and regular teachers to sharpen skills in assessment and program strategies, with emphasis on discovering how all children learn and under what conditions each one learns best.

While these may sound like ambitious goals, particularly during belt-tightening times, Madison's concern with educating all its handicapped children is real, having begun long before laws were passed to ensure these children's rights. It is reasonable, then, that its schools should be models for the rest of the nation.

THE TRAGEDY OF EAST TIMOR

Mr. PROXMIRE. Mr. President, in this Chamber often concerned with international matters, with worldwide ramifications, today I think we should focus on the story of a small Pacific tropical island far removed from the concerns of the civilized world.

The tiny island of East Timor has had a stormy recent history. I think it is important when we consider the Genocide Convention.

In 1975, Portugal withdrew from the small island after centuries as colonial landlord of its territory. Soon, Portugese Timor was proclaimed independent as East Timor.

Its neighbors, Indonesia, feared its independence and overran the island on December 7, 1975, and proceeded to establish a blockade to cut off food and supplies.

Mr. President, most of us associate genocide with simply the cruel, premeditated, hideous destruction of the Jews in Europe before and during World War II by Adolph Hitler. But genocide is something that has been with us for hundreds of years and has persisted as recently, as I pointed out today, as the 1970's.

Over the course of the year after 1975, in 1976, Indonesia overran the island, established a blockade, and cut off food supplies. Nearly one-half or 270,000 of East Timor's 600,000 citizens died as a result of the blockade. Think of that. Half of all the citizens in the entire little country perished. It is a sad story.

It reminds us how easy it is for us to treat human tragedies in remote settings lightly when they are far removed from our own problems. We must stop such cruel assaults on civilian populations by ratifying the Genocide Convention.

Mr. President, there is no earthly reason why this body should continue to blockade that convention, the only major country in the world that is doing so.

Secretary of State Haig has called upon us to ratify the Genocide Convention, as have Secretaries of State in every previous administration since the Genocide Convention was adopted at our behest by the United Nations back in 1949.

For 32 years, we have waited for this, or the country has waited for it, the world has waited for it. For 32 years, the U.S. Senate, only the U.S. Senate, has held it up, in opposition to every President from Truman to Reagan.

APPROPRIATIONS COMMITTEE CUTS THE PRESIDENT'S BUDGET

Mr. ROBERT C. BYRD. Mr. President, the Appropriations Committees of the Senate and House of Representatives have an enviable record of spending control. Throughout 36 of the past 37 years, during Republican as well as Democratic administrations, the Appropriations Committees have demonstrated their utility in achieving spending control by cutting the President's budget requests.

Mr. President, the Appropriations Committees do not review the entire budget as proposed by the President. Only about 60 percent of the President's budget comes before the Appropriations Committee each year. The remainder of the President's budget is dealt with by the other committees of Congress. Nonetheless, as I have already indicated in 36 out of the last 37 years, the appropriations enacted into law in bills from the Appropriations Committees have been under the President's budget. This, I believe is an often overlooked fact. It should remind all who read this record that the Appropriations Committees are fully prepared to continue to deal responsibly with control of Federal expenditures.

Mr. President, I ask unanimous consent that a table showing the estimates in the President's budget as compared with the amounts enacted during the years 1943 through 1979 be printed in the RECORD at this point.

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

REGULAR ANNUAL, SUPPLEMENTAL, AND DEFICIENCY APPROPRIATION BILLS, COMPARISON OF ESTIMATES AND AMOUNTS ENACTED

Calendar year	Estimates	Amounts enacted	Increase (+) or decrease (−)
1943	$115,041,366,395	$110,634,660,785	−$4,406,705,618
1944	63,513,471,020	61,257,906,152	−2,255,564,868
1945	62,453,310,868	61,042,345,331	−1,410,965,537
1946	30,051,109,870	28,459,502,172	−1,591,607,693
1947	33,367,507,923	30,130,762,141	−3,236,745,782
1948	35,409,550,523	32,699,846,731	−2,709,703,792
1949	39,545,529,108	37,825,026,214	−1,720,502,894
1950	54,316,658,423	52,427,926,629	−1,888,731,794
1951	96,340,781,110	91,059,713,307	−5,281,067,803
1952	83,964,877,176	75,355,434,201	−8,609,442,975
1953	66,568,694,353	54,539,342,491	−12,029,351,862
1954	50,257,490,985	47,642,131,205	−2,615,359,780
1955	55,044,333,729	53,124,821,215	−1,919,512,514
1956	60,892,420,237	60,647,917,590	−244,502,647
1957	64,638,110,610	59,589,731,631	−5,048,378,979
1958	73,272,859,573	72,653,476,248	−619,383,325
1959	74,859,472,045	72,977,957,952	−1,881,514,093
1960	73,845,974,490	73,634,335,991	−211,638,498
1961	91,597,448,053	86,606,487,273	−4,990,960,780
1962	96,803,292,115	92,260,154,659	−4,543,137,456
1963	98,904,155,136	92,432,923,132	−6,471,232,004
1964	98,297,358,556	94,162,918,996	−4,134,439,560
1965	109,448,074,896	107,037,566,896	−2,410,508,000
1966	131,164,926,586	130,281,568,480	−883,358,106
1967	147,804,557,929	141,872,346,664	−5,932,211,265
1968	147,908,612,996	133,339,868,734	−14,568,744,262
1969	142,701,346,215	134,431,463,135	−8,269,883,080
1970	147,765,358,434	144,273,528,504	−3,491,829,930
1971	167,874,624,937	165,225,661,865	−2,648,963,072
1972	185,431,804,552	178,960,106,864	−6,471,697,688
1973	177,959,504,255	174,901,434,304	−3,058,059,951
1974	213,667,190,007	204,012,311,514	−9,654,878,493
1975	267,224,774,434	259,852,322,212	−7,372,452,222
1976	282,142,432,093	282,536,694,665	+394,262,572
1977	364,867,240,174	354,025,780,783	−10,841,459,391
1978	348,506,124,701	337,859,466,730	−10,646,657,971
1979	388,311,676,432	379,244,865,439	−9,066,810,993

CAUTION ON KEMP-ROTH

Mr. ROBERT C. BYRD. Mr. President, the numerous witnesses that appeared before the Appropriations Committee—Treasury Secretary Regan; OMB Director Stockman; Federal Reserve Chairman Volcker; and CBO Director Rivlin, among others—agreed that tax cuts must go hand in hand with budget cuts. Subsequent witnesses sounded a note of caution, however. Budget reductions of the magnitude required to offset a tax reduction are difficult to achieve.

Tax reductions, however, tend to be easy to enact. The great danger is that Congress will be stampeded into cutting taxes too much and too fast and "just bet somehow it will all work out." Maybe it will not. Economist Otto Eckstein predicted that if the Congress votes a more realistic defense budget, enacts a capital formation tax reduction, and then piles a Kemp-Roth tax cut on top of all that, the deficit would be between $100 and $115 billion in fiscal 1983. The scenario would—in the words of Federal Reserve Chairman Volcker—cause us to be "swamped by inflation and high interest rates."

BLACK LUNG CUTS VERSUS KEMP-ROTH CUTS

Finally, Mr. President, there is the matter of equity and compassion in balancing the need for expenditure reductions against the need for personal income tax reductions. I believe the point is best made by citing an example.

I am reminded there are currently in fiscal year 1981, 209,000 black lung beneficiaries receiving $584,000,000 in payments. This is an average payment, then, of $2,794 per year; or $232 per month; $54 per week, $7.65 per day.

Some of the witnesses appearing before the Committee on Appropriations suggested that indexed programs such as black lung benefits should be cut back by either eliminating the indexing or changing the indexing so that it advances slower than the Consumer Price Index.

Of course, it is going to be difficult to explain to a black lung beneficiary who is trying to keep body and soul together on $7.65 a day that his Government believes that his meager benefits should be curbed to pay for a $1,000 Kemp-Roth tax cut to an individual already making $40,000 a year.

ORDER OF PROCEDURE

VITIATION OF TWO ORDERS FOR RECOGNITION

Mr. ROBERT C. BYRD. Mr. President, there are two orders for the recognition of Mr. CRANSTON and Mr. MATSUNAGA. I ask unanimous consent that that time be vitiated and placed under my control.

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

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum and ask that the time be charged against the time under my control.

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

The legislative clerk proceeded to call the roll.

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

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

ORDER RESERVING REMAINDER OF TIME OF MINORITY LEADER

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that I may reserve the remainder of my time. I believe I have about 10 minutes remaining.

The ACTING PRESIDENT pro tempore. The Senator has 9 minutes and 30 seconds remaining.

Without objection, it is so ordered.

ORDER TRANSFERRING TIME TO THE CONTROL OF SENATOR SCHMITT

Mr. SCHMITT. Mr. President, I ask unanimous consent that the time allotted to Senators HATFIELD, BAKER, STEVENS, TOWER, and SYMMS be under the control of the Senator from New Mexico.

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

THE ECONOMY

Mr. SCHMITT. Mr. President, the Appropriations Committee of the Senate has completed an historic series of hearings on the economy and the impact of the committee's ability to control Federal spending and increase service and programs under its jurisdiction.

The distinguished chairman of the committee, Senator HATFIELD, has pro-

vided this opportunity for all members of the committee to hear a broad range of distinguished witnesses on the subject of the basic economy and what can be done to repair the damage to it that has occurred over the many years previous.

The extraordinarily substantive participation of Secretary of the Treasury Regan and Director Stockman, the Director of the Office of Management and Budget, was extremely useful in preparing the committee and my Labor, Health and Human Services and Education Subcommittee for viewing our task in the context of overall fiscal policy. In addition, the independent perspectives of Federal Reserve Board Chairman Paul Volcker and many other private and Government witnesses gave us the background from which our basic budget strategies can be established.

This overall fiscal review by the committee has been absent in recent years. Its absence, I believe, has contributed to the lack of a workable fiscal policy in the Congress. It can be said that the Budget Act and the normal appropriations process under which we have been working in recent years are fundamentally incompatible, that the intent of the Budget Act was to have concurrent budget resolutions that basically put into general perspective the actions of the Appropriations Committee and other committees of the Congress.

Unfortunately, the lack of appropriations action on many bills prior to the second concurrent budget resolution has clearly shown the process has not worked.

It is my belief and, I think, the belief of the chairman and the majority on our committee, that it can work if the Appropriations Committee begins to exercise its traditional role.

Mr. President, in the course of these hearings it became apparent that there is a general fiscal strategy on which most witnesses could agree, and which would represent only modest modifications to the strategy the Reagan administration is apparently considering.

Let me commend this fiscal strategy to the Senate as follows:

First. Enact significant tax incentives, retroactive to January 1, 1981, to encourage new capital formation and thus new productivity, lower costs of production and create new jobs.

Second. Enact a general income tax cut of about $30 billion for calendar year 1982, $40 billion for 1983 and $50 billion for 1984 with indexing of tax rates to inflation in following years.

Third. Enact cuts in Federal spending that reduce the growth of Federal spending to zero by the end of fiscal year 1982 and reduce the annual amount of Federal borrowing—deficit plus presently off-budget borrowing—from $138 billion in fiscal year 1980 to $130 billion in fiscal year 1981, $90 billion in fiscal year 1982, $50 bililon in fiscal year 1983 and zero in fiscal year 1984.

Fourth. Stop the growth of regulatory costs by the end of fiscal year 1981 and build in a 10-percent annual rate of decrease in these costs by the end of fiscal year 1982.

Fifth. Adopt some alternative to the current use of the CPI for indexing benefits under various entitlement programs.

Mr. President, let me go back and discuss in more detail each of these elements of strategy.

First, enact significant tax incentives, retroactive to January 1, 1981, to encourage new capital formation and thus new productivity, lower costs of production, and create new jobs. There is general approval of some kind of investment incentive tax cut. Secretary Regan, as lead witness, sought "an improved tax climate for capital formation" so as to "(equip) our growing labor force with more and better plants and machinery" and achieve significant gains in productivity.

OMB Director Stockman proposed "orderly reduction of Federal tax rates." Among private witnesses' testimony, economist Otto Eckstein gave first place to the need for "an acceleration of capital formation to allow industry to modernize its plant and equipment" and increase the quantity per worker. In his forecast, he presumed "corporate tax cuts retroactive to January 1, 1981," and "lower-effective depreciation lifetimes by roughly 40 percent." Economist Walter Heller proposed that the 1981 tax cut should be restructured "to put much more emphasis on tax incentives for investment and cost cutting." Economic forecaster Michael Evans presented, as the first two items in his "optional tax reduction package, a 40-percent reduction in depreciation lives for plant and equipment and an increase in the exclusion of long-term capital gains income from 60 percent to 70 percent."

Second, enact a general income tax cut of about $30 billion for calendar year 1982, $40 billion for 1983 and $50 billion for 1984 with indexing of tax rates to inflation in following years. While Treasury Secretary Regan was not specific in his endorsement of "reduction in tax rates for individuals," he made this point on the matter of timing: "This tax program cannot wait until budget outlays are reduced." OMB Director Stockman also noted—

> That diminished budget growth, lower tax rates, reduced regulatory burdens and declining money growth, must be enacted simultaneously.

In the testimony of economic experts, Alan Greenspan did not outline his tax cut preferences in his prepared remarks, but in exchanges with committee members favored the Roth-Kemp tax cuts. Michael Evans specifically proposed "a 10-percent across-the-board reduction in personal income tax rates for each of the next 3 years," as well as "reduction in the marriage penalty and lower taxes for Americans living abroad" citing "improve(d) incentives to work and labor productivity and efficiency" as justification. Evans claimed that the 30-percent reduction in tax rates "need not increase the budget deficit or raise inflation provided that Government spending is held in line."

Third. Enact cuts in Federal spending that reduce the growth of Federal spending to zero by the end of fiscal year 1982 and reduce the annual amount of Federal borrowing—deficit plus presently off-budget borrowing—from $138 billion in fiscal year 1980 to $130 billion in fiscal year 1981, $90 billion in fiscal year 1982, $50 billion in fiscal year 1983 and zero in fiscal year 1984. The issue on Federal spending was well put by Chairman Volcker, who said—

> I see no escape from the central proposition that, to make room for tax reductions and for private credit demands—both required to support economic growth and productivity gains—Federal expenditures and off-budget credit programs will have to be cut back sharply from current projections. The problem is not limited to the current fiscal year. The time has come to take a hard look at the built-in spending programs that are not readily—or at all—controllable by the annual appropriation process. This process of spending control should begin immediately, with the aim of achieving very substantial gains over a period of several years. The need is all the more urgent in the light of the broad consensus that defense spending must rise.

Chairman Volcker went on to express the sentiments of most witnesses by saying—

> I also know that it is easy (and right) for me to say that the decisions about what should be cut back are properly yours and the President's, not mine. But I also must emphasize that, in the interests of a healthy economy and moderating tensions in financial markets, I see no alternative to large spending cuts. In that connection, I need not linger over the desirability of prudent tax reduction and restructuring. As things stand, Federal taxes are absorbing a rising share of aggregate personal and corporate income, and the sheer size of that tax burden adds to costs and impairs incentives. But I must convey to you my conviction that decisions for substantial tax reduction must not run ahead of the harder decisions to achieve large cuts in spending programs. If these decisions are not in harness, the potential benefits of tax reduction could all too easily be swamped by inflationary forces and congested credit markets, damaging the very incentives and investment sought.

Fourth. Stop the growth of regulatory costs by the end of fiscal year 1981 and build in a 10 percent annual rate of decrease in these costs by the end of fiscal year 1982. Treasury Secretary Regan included "lightening the regulatory burden" in his economic recovery plan, but did not elaborate on this item in his prepared remarks.

OMB Director Stockman, likewise, did not elaborate, although he endorsed the general concept of regulatory reduction and control. The administration, however, by its recent actions to freeze the issuance of new regulations and rescind costly and burdensome education regulations, shows that actions speak louder than words. The administration has also indicated its support for increased congressional control over new regulations through the legislative veto process.

Fifth. And finally, adopt some alternative to the current use of the CPI for indexing benefits under entitlement pro-

grams. The Federal programs that are subject to indexation, of which social security payments are the greatest single component, account for over 50 percent of the Federal budget. The use of the Consumer Price Index (CPI) has in the recent past substantially overstated the actual rise in the cost of shelter because it includes the increasing cost of purchasing a home and also the increasing rate of interest on presently contracted mortgages—for the people who actually have bought a home. Nevertheless, there is no assurance that the CPI will continue to overstate the cost of homeownership, for example, if mortgage interest rates were to decline; in fact under such conditioning the CPI may begin to understate the true rate of inflation.

The use of the CPI for full 100-percent indexing is subject to more general objections: First, any "fixed-weight" price index is incapable of taking account of changes in spending habits that cause consumers to buy less goods whose prices are rising most rapidly; and second, there is overcompensation if those high-priced goods are imports, for example, petroleum, because benefits that compensate for full cost of living changes are not sustainable for the economy as a whole.

Mr. President, there is a need to adopt some alternative system of indexing. Options mentioned to the committee include:

The use of an alternative index, for example, CPI–X1, as proposed by the outgoing Carter administration, which compensates for the interest rate problem. Even if this is a "technically better index," it is still likely to suffer the same disadvantages as the CPI at some future time.

The use of the lower of the cost of living index or a wage-level index.

The reduction of the level of assistance, either by placing a cap on programs or by applying an automatic partial adjustment, for example, 85 percent of total adjustment.

And finally, a change in eligibility criteria.

Mr. President, the five actions summarized here would appear to offer the best balance in simultaneously reducing taxes, spending and regulatory costs. They certainly represent a general consensus that this Senator saw among the witnesses appearing before the Appropriations Committee. At the same time, the timing of these actions must be such as to maximize increases in growth, employment, confidence and long-term revenues while minimizing the short-term conflict between tax cuts, spending cuts and reductions in interest rates still pushed by excessive Federal borrowing.

Mr. President, let me turn now to a summary of our witnesses' estimates of the rates of inflation, unemployment, GNP growth, and interest for fiscal years 1981 and 1982. Our final budget must build in realistic estimates of these rates or our efforts to control spending are doomed to failure in advance.

INFLATION

There was little divergence by the witnesses on the estimates for 1981. In the absence of oil disturbances or grain shortages, the GNP deflator is expected to rise about 10.4 percent, according to Eckstein, or 9 to 9½ percent, according to Evans, and the Consumer Price Index 11.5 percent, according to Eckstein, or 11 to 12 percent, according to Evans. Other witnesses under questioning tended to support these figures. Both of these witnesses offered conditional estimates, however, of a slight decline in inflation in 1982 but declined themselves to be specific.

UNEMPLOYMENT

It was estimated by Eckstein that the unemployment rate would decline to 7.6 percent in the fourth quarter of 1981, after a mild downturn earlier this year, and would be 7 percent in the fourth quarter of 1982. Evans, more bullish, offered an estimate of 7 percent by the end of 1981 and an acceleration of the decline thereafter in 1982. The Congress assumptions had better be on the pessimistic side if we are going to really find control possible in the budget.

GNP

The 1981 estimates were affected primarily by whether the witness envisaged a mild downturn early in the year. Alan Greenspan saw no "evidence of a broad across-the-board weakening." Evans regarded real growth as "sluggish in the first half of 1981" without an actual decline, but expected a 4- to 5-percent annual rate in the second half. Eckstein foresaw a later acceleration in growth, with a real increase of only 0.8 percent from fourth quarter 1980 to fourth quarter 1981, but 3.9 percent in the following 4 quarters.

So, generally, Mr. President, with respect to the growth of the economy, even without actions by the Congress, the witnesses before the committee were mildly optimistic. Certainly their testimony indicated that, with the proper tax policy, spending rate restrictions, and regulatory reform, growth rate can increase.

INTEREST

There was wide divergence in the estimates of future interest rates ranging from a rapid decrease to 13- or 15-percent prime rate in 1981 by Mr. Evans to continued high rates by most other witnesses. Chairman Volker's declared intention to maintain the Federal Reserve Board's tight money policy may be our best indication of what is to come: That is, prime rates near 20 percent until Congress and the administration can restore economic confidence by strong and effective action.

TAX CUTS, SPENDING CUTS, AND REGULATORY REFORM

Mr. President, this synthesis of recent economic and budgetary ideas, which the Appropriations Committee of the Senate has received, shows a remarkable consensus.

Congress would ignore that consensus not only at its political peril but at the peril of the Nation. I am pleased to say that the committee, under the distinguished chairmanship of Senator HATFIELD, has made a good start for playing its pivotal role in restoring tax spending and regulatory commonsense to the Federal Government.

Mr. President, I suggest the absence of a quorum and ask that the time be charged to the time available to the committee.

The PRESIDING OFFICER (Mr. STAFFORD). Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SCHMITT. 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. SCHMITT. Mr. President, I ask unanimous consent that the remainder of the time under my control be yielded to the Senator from Oregon (Mr. HATFIELD), the distinguished chairman of the Committee on Appropriations of the Senate.

The PRESIDING OFFICER. The Chair informs the Senator that he has the right and he may yield that time to the Senator from Oregon.

APPROPRIATIONS COMMITTEE ECONOMIC OVERVIEW HEARINGS

Mr. HATFIELD. Mr. President, I appreciate very much the opportunity to join with the Senator from New Mexico (Mr. SCHMITT) in sharing with the Senate the experience of the Committee on Appropriations over 4 days of hearings that were held relating to the economy and the Federal budget.

Mr. President, there was a brief conversation that I held with the Senator from New Mexico (Mr. SCHMITT) one day in the early part of this session, when we were talking about the organization and the duties and responsibilities that we were about to assume as the majority party in relation to our membership on the Appropriations Committee.

Senator SCHMITT suggested that we might have an oversight hearing, an overview of the economy, inviting various and sundry experts, as well as representatives of the administration, to make known their views. He indicated that he thought it would be a most important and fruitful hearing.

It had immediate appeal to me. It was also about this time that the Senator from the State of Wisconsin (Mr. PROXMIRE), the ranking Democratic member of our Appropriations Committee, discussed this matter with Senator SCHMITT. Out of this consensus, it seemed the right thing to do. I am convinced now that this will be, in the minds of the members of the Committee on Appropriations, probably one of the most meaningful hearings we shall have held during this entire Congress. So I am in debt to the creative mind and the ag-

gressive persistent character embodied in Senator SCHMITT. He is indeed one of the most valued members of that committee and I lean very heavily upon him.

During the 4 days of the hearings, Mr. President, we received testimony from an excellent selection of witnesses. I should like to name some of the distinguished men and women who appeared before our committee: Treasury Secretary Donald Regan, OMB Director David Stockman, Federal Reserve Board Chairman Paul Volcker, CBO Director Alice Rivlin, distinguished economists such as Walter Heller, Alan Greenspan, Otto Eckstein, and Michael Evans; GAO Comptroller General Elmer Staats; former CEA Chairman Charles Schultze, former OMB Associate Director Bowman Cutter, and representatives of the NAACP, AFL–CIO, Chamber of Commerce, the Heritage Foundation, and the National Federation of Independent Businesses, among others. All in all, I think anyone would admit it was a most impressive group.

I believe that, in all my 14 years in the U.S. Senate, I have not heard a hearing in which each witness presented such a high degree of careful thought and ideas and expertise, each one making such a valuable contribution to our proceedings, as in this particular hearing. I think all of us have had the experience of seeing quite a variation in quality of testimony in various and sundry hearings, but in this particular hearing, there was a consistent high level of excellence represented in each person's testimony.

I think, also, it is very important to note at this moment that we had excellent attendance of the committee members at all 4 days of hearings. I thank each member of the Appropriations Committee, both Republican and Democratic, for their participation. I think it does augur well for the role of the Appropriations Committee and this Congress as we seek to conquer the common enemy—that is, inflation, high interest rate, and all the other factors that constitute our economic problem.

We had as many as 15 members of our committee attending at one time. I think that is an outstanding achievement, an indication of high interest in this subject.

In calling the overview hearings, the Appropriations Committee revived a long-standing but recently neglected tradition, with the new twist of considering not only that part of the budget within the committee's jurisdiction, but also attempting to view all fiscal policy and the national economic situation which it affects and by which it is affected. I believe it is fitting and proper for the committee to have done so; for, despite the very significant functions of the Budget Committee under the Budget Act, and the expanded role of authorizing committees in the creation of Federal spending programs outside the jurisdiction of the Appropriations Committee, the committee and the 13 annual appropriations bills it must produce to fund the operations of our Government remain the focus of congressional and public attention in determining which Federal programs are to be funded, and at what levels.

In the prepared statements of the witnesses and the hearing record generated by the questions of the committee members, a considerable amount of significant information was gathered. I will not attempt to recite all that data now. Instead, I ask unanimous consent that several of the prepared statements of the witnesses be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. HATFIELD. Mr. President, the entire hearing record will be printed and distributed to all Members as soon as possible; but in today's RECORD, which will be available tomorrow, the Members may have a preliminary view of the dimension and the extent to which these hearings went into the economic situation.

My main conclusion from the hearings is this: Congressional creation of spending programs requiring payments mandatory under the law beyond the annual scrutiny of Congress is depriving Congress of its constitutional control over the Federal purse and the effect on the economy that results. Seventy-six percent of the fiscal year 1982 budget proposed by President Carter is classified as "relatively uncontrollable" due to entitlement programs, prior-year obligations, interest on the national debt, and other payments mandated by laws the Congress has enacted. In the past 2 fiscal years, according to OMB Director Stockman, actual spending by the Federal Government has exceeded estimates by nearly $100 billion. That fiscal overrun was not caused by an urgent national need to which Congress responded with a massive infusion of the taxpayers' dollars, but by an array of so-called "uncontrollable" programs that are driven by changing economic conditions, poorly constructed eligibility criteria, and administrative decisions governed more by short-term political considerations than by long-term economic policy.

John Maynard Keynes dismissed the long-term effects of deficit financing with the remark, "In the long run, we are all dead." But by continually postponing the day of reckoning, we have accumulated in the past 10 years a Federal deficit of more than a half trillion dollars. That has happened despite a growing public consensus and a congressional awareness that the Federal budget deficit and the high interest rates that result are poisoning our economy; robbing businesses of the capital they need to grow and the taxpayer of the income he needs to shelter and provide the needs of a family, and to have hope for the future.

I realize that many of the entitlement programs Congress has created over the years were established to insure that the poor, the old, and the sick, and not only the prosperous, would be able to enjoy shelter, food, and hope. In my years of Government service I have supported those programs. I have no intention of abandoning that commitment now, and I do not expect the new administration or this Congress does, either.

Ever-increasing Federal spending will not honor that commitment, however; it will cheapen it. The number of Americans whose hope dwindles with each announcement of higher prices and higher taxes grows larger every time Congress and the President appear unable or unwilling to control the tendency to throw money at problems without regard to consequences.

Defense spending is a case in point. Ever since the New Deal, Republicans have chastized Democrats for attempting to solve domestic social problems by spending more Federal dollars. The accusation has been that they treat symptoms, not causes. I believe the new Republican majority of the Senate and the Reagan administration will be equally chastized if they say to the American people that the security of our Nation will be guaranteed by the amount of money lavished on the Department of Defense. Our national security has never been dependent on the amount of money we spend to protect ourselves; it is dependent on the value of what we protect. The Puritans who came to this country in 1620 sought to establish a "city on the hill" not by force of arms, but by force of purpose. President Reagan has called for a renewal of this purpose, to build anew our city on the hill. We will not build that city, or convey its purpose to our fellow citizens in the other nations of this world, if we neglect what we are defending by spending too much time and money on defense. In their testimony, Secretary Regan and OMB Director Stockman agreed with this principle.

The Preamble of the Constitution of the United States speaks of national security: It charges the Government to "secure the blessings of liberty to ourselves and our posterity," and for that reason this Government was created. Our Nation thrives on opportunity, but opportunity cannot thrive if tomorrow's goals are sacrificed to pay today's bills. The people cannot be secure in the blessings of liberty if they cannot be confident that the Government they have created and paid for with their tax dollars is unsure of itself, and unable to control the amount of those tax dollars it spends.

What is needed, I believe, is a clear commitment by this Congress and the administration to the principle that no program is uncontrollable, whether by virtue of statute or politics, and that we will not only take effective action now when budget-cutting fever is running high, but that we will persevere in our commitment over the long term. If we do so, then we can restore the people's confidence in the future, and the predictability needed for a stable economy.

I am not arguing for predictability and control achieved by a constitutional amendment, or by a statute requiring that Federal spending not exceed a certain percentage of the GNP. I do not propose that the Budget Act undergo radical surgery, that the President be given impoundment powers, that entitle-

ment programs be abolished, that the Consumer Price Index be restructured, that the Appropriations Committee have jurisdiction over all spending, or that defense spending be reduced to zero.

What I believe the Appropriations Committee hearings and the November elections have said is something less simplistic, more nebulous, and more important. What I am proposing is that the Congress must be more judicious, more deliberate, more consistent, and convey to the people we serve that like the authors of the Constitution, we want to secure the blessings of liberty not just for ourselves, but for our posterity. In the Appropriations Committee and here on the floor of the Senate, I will do my best to achieve those goals.

EXHIBIT 1

WITNESS LIST—ECONOMIC OVERVIEW HEARINGS

January 27, 1981—10:00 AM, 318 Russell Senate Office Building:

Donald T. Regan, Secretary of the Treasury.

David Stockman, Director, Office of Management & Budget.

Paul Volcker, Chairman, Federal Reserve Board.

Alice Rivlin, Director, Congressional Budget Office.

January 28, 1981—10:00 AM, 318 Russell Senate Office Building:

Alan Greenspan. President, Townsend-Greenspan, Inc., New York City.

Otto Eckstein, President, Data Resources, Inc., Lexington, Massachusetts.

Walter Heller, Regents Professor of Economics, University of Minnesota.

Michael Evans, President, Evans Economics, Washington, D.C.

January 29, 1981 (Panel I)—10:00 AM, 1114 Dirksen Senate Office Bldg.:

Alice Rivlin, Director, Congressional Budget Office.

Janet Norwood, Commissioner, Bureau of Labor Statistics.

Elmer Staats, Comptroller General of the United States.

January 29, 1981 (Panel II)—10:00 AM, 1114 Dirksen Senate Office Bldg.:

Rudolph Penner, Director, Tax Policy Studies, American Enterprise Institute.

Elmer Staats, Comptroller General of the United States.

Charles Schultze, Former Chairman, Council of Economic Advisers.

W. Bowman Cutter, Former Executive Director for Budget, Office of Management & Budget.

January 30, 1981—10:00 a.m., 1114 Dirksen Senate Office Building:

Richard W. Rahn, Vice-President and Chief Economist, U.S. Chamber of Commerce.

Rudolph Oswald, Director of Economic Research, AFL-CIO.

William S. Johnson, Director of Federal Legislation, National Association of Independent Business.

Eugene McAllister, Walker Fellow in Economics, The Heritage Foundation.

William A. Shaker, Executive Vice-President, The National Tax Limitation Committee.

William Worthen, Legislative Director, The National Tax Limitation Committee.

Althea Simmons, Director of the Washington Bureau, NAACP.

TESTIMONY OF THE HONORABLE DONALD T. REGAN, SECRETARY OF THE TREASURY, BEFORE THE SENATE APPROPRIATIONS COMMITTEE

Mr. Chairman and members of the committee: It is a pleasure to be here today to discuss with you the current condition of the economy, the administration's view on how that came to pass, and our hopes that the administration, the Congress, and this committee might work together to find a solution to our economic problems.

Since this is my initial foray into the halls of Congress as Secretary of the Treasury, I think it may be appropriate to indicate an immediate observation I have coming from the private sector and my Wall Street background. Since arriving in Washington some 30 days ago, and having been the Secretary of the Treasury for all of three and one-half business days, I have been struck by the obsession that people have with economic forecasts in spite of their consistent failure. However, my concern is that a wide variety of public policy makers seem to be analyzing and utilizing individual numbers as if they have come down from the mount on stone tablets rather than from some computer with software programmed by a mortal of flesh and blood.

While I am continually impressed with the highly talented career people in government, I am equally uneasy about the way government collects its data, how it is analyzed, and how it is utilized to make policy decisions. Indeed, during my tenure here I promise to make a concerted effort to improve the quality of analyses and the data that we provide you. So at this point, I do have to express some skepticism as to the precision of the individual figures often picked up by the press and played up in the national headlines as opposed to the more important longer term trends that are so often ignored.

Rather than relying on specious forecasts, our approach will be to develop economic scenarios which embody the president's program for revitalizing the economy. Making these scenarios reality will depend on the success with which we—the administration and the Congress—implement the President's program and gain the help of the Federal Reserve.

With this in mind, let me turn to the current situation and give you just a few numbers, while continuing to emphasize the importance of turning around the long term trends that confront us.

CURRENT SITUATION

The economy is struggling through a very difficult and dangerous period. We have an economy making a valiant effort to stay on its feet under increasingly burdensome taxes, regulation, inflation, and government spending. As these trends continue, there will be no straw that breaks the camel's back, no sudden collapse. The beast is far too smart for that. At some point, it will simply settle into the sand and refuse to move, until a lighter burden provides sufficient incentive for forward progress.

I am not here to give you a detailed forecast. Forecasters are not exactly a unanimous bunch. The only certainty I have is that private forecasters expect 1981 to be an uncertain year.

Depending on your favorite forecast, 1981 will see negligible, slight, or modest real growth, in a variety of quarterly patterns, wih either negligible, slight, or modest progress on some or all of unemployment, inflation, and interest rate trends. Each forecaster is certain of his own permutation and combination of all of the above.

However, the most important point is that the present condition of the economy is unsatisfactory, and several more years of it are unacceptable. Let me review why:

Unemployment on a quarterly average has been stuck in the 7.4 to 7.6 percent range for the last three quarters, and traditional forecasts of traditional policies predict no major improvements for several years.

Inflation has accelerated in 1980, with an increase in the gross national product deflator of 9.9 percent (fourth quarter 1980 over fourth quarter 1979), and 11.2 percent for the last quarter, compared to 8.1 percent in the corresponding period a year earlier and 6.1 percent in 1977 (fourth quarter over 1976 fourth quarter).

The Consumer Price Index showed only slight improvement over 1979, rising 12.4 percent from December 1979 to December 1980, accelerating to a 12.8 percent rate during the fourth quarter, down only slightly from the 13.3 percent from December 1978 to December 1979. Again, traditional forecasts of past policies predict no major improvement for several years.

These distressing developments for workers and consumers were accompanied by unprecedented turmoil in financial markets. The last two years have witnessed startling and wrenching swings both in monetary growth rates and interest rates. Last spring's slowdown in monetary growth was accompanied by a sharp drop in interest rates across the board. Unhappily the surge of monetary expansion in the summer and fall rekindled inflation expectations which were promptly reflected in soaring interest rates. They have had severe consequences for investment and productivity, and particularly the interest sensitive sectors of the economy, such as autos, housing, and consumer durables. This simply cannot continue.

Over the last dozen years, economic policy has been used to fight short-term swings in economic activity rather than to promote long-term growth. Those short-term policies have clearly not succeeded.

When we have fought recession in the past, we have usually increased federal spending and monetary growth. The result has been more inflation, higher taxes, less saving and investment, and in reaction a reduced rate of long-term growth of productive capacity, productivity, and real wages.

Each effort to fine tune the economy in the short run has extracted a terrible price in terms of our long-term objectives. These consequences were unintended. And what is worse, they were unexpected. Traditional theories have proven inadequate and caused the drift into the current low-incentive, slow-growth stagflation economy.

The fact is, Mr. Chairman, that we must reexamine the very basis of the prevailing theories of economic cause and effect which have been used to make policy these many years. The economic rules of thumb of the post-war period have been proved wrong by the overwhelming empirical evidence of the last three decades. The time has come to reexamine all of our assumptions about fiscal policy, monetary policy, taxes, and productivity. If we fail to do this now we will not serve the American people well, and the message of the November election will have been ignored.

We must continually question each action, each theory, each econometric model, each analysis, and each data series used for economic policy-making. What we need is a new approach to building a strong, vigorous, fiercely competitive economy both domestically and internationally that will carry America into the 21st century.

The first step is to stop trying to fix things in the short run, and concentrate on providing a climate or environment for long-range solutions. Our economic malaise did not come in a month or a year, and it cannot be cured in a month or a year. What is needed is to reform our thinking toward the long-term solutions that are necessary. Consistent policy is a prerequisite. We may not know all the problems yet, let alone all the answers. But we do know that what we have been doing is very, very wrong, and that trends are moving against us.

It is no longer possible to claim, as prevailing theories have done for years, that there is any long-term trade-off between inflation and unemployment. The data show that the trends of unemployment and in-

flation are steadily higher. In fact, inflation is a major cause of slow growth and unemployment.

Inflation has retarded growth by adversely affecting the incentives of businesses and individuals to work, save, and invest by greatly increasing risk, uncertainty, and real marginal tax rates. This results in reduced real rewards for saving, investing, and working. Thus, inflation strikes at businesses and individuals through the tax code and the financial markets.

For businesses, inflation increases tax liabilities by causing the real cost of equipment and inventory to be substantially understated for tax purposes, with a corresponding overstatement of real profit. This sharply increases the tax rates faced by business, reducing both the desire and the ability to invest, as rates of return and cash flow both suffer. For example, from 1960 to 1969, the rate of return on net stocks of reproducible capital (equipment, residential and nonresidential structures, and inventories, all valued at replacement cost) was 6.6 percent after taxes. By 1977 to 1979, the rate of return was down to 3.4 percent, in large measure due to higher inflation. Only recently as the securities and exchange commission (SEC) has begun to require the largest firms to report their real profits on an inflation-adjusted basis, has the full magnitude of the problem become clear. This SEC action was a clear government recognition of the problem of relying on historical data in a highly inflationary economy.

For individuals, inflation and the progressive tax code combine to push taxpayers into higher tax brackets, even when they have received no increase in real income. Over the last decade the percentage of tax returns that fell into or above the 25 percent, 30 percent, 36 percent, 40 percent, and 50 percent brackets at least tripled. The result is a reduced after-tax reward for additional effort. This is particularly true for saving, since today marginal tax rates on interest and dividend income reach the prohibitive levels of 50 to 70 percent.

For both businesses and individuals, inflation has sharply increased tax rates on capital gains. Much of what we tax as a capital gain, when adjusted for inflation, is a real capital loss. For many taxpayers, the capital gains tax exceeds the real capital gain, resulting in a tax rate in excess of 100 percent of the real profit. The response to the 1978 reduction in the tax on capital gains clearly indicates the potential for increasing the willingness of individuals to invest in American business once confiscatory taxation is reduced. Such measures also open the door to a surge of venture capital into those rapidly growing firms on the leading edge of new technology.

In the money markets, inflation is the major component of the high nominal interest rates we see today. As high as these rates are, they do not encourage saving because after taxes and inflation they do not represent a large real reward to investors. At the same time, considerable damage is being done to long-term projects, as firms and consumers face serious cash-flow problems meeting current interest charges. In addition, because of great uncertainty over future inflation, interest rates, and cash flow, it becomes nearly impossible to calculate the profitability of long-term projects. Increased risk means less investment and slower economic growth.

Government spending has contributed its share to our inadequate levels of real growth in recent years. From fiscal year 1972 to fiscal year 1981 (prior administration estimates), total Federal outlays have grown 12.0 percent per year, while GNP has risen only 10.5 percent per year. Defense outlays have risen only 8.4 percent, and are little changed in real terms from fiscal year 1972. Payments for individuals, however, have grown at a 14.6 percent rate, and are up 60 percent in real terms.

In part, this rise in transfer payments reflects a weaker economy in which reduced economic opportunty has generated increased welfare and unemployment spending. However, in large part, this rise in total spending and transfers has helped cause the unsatisfactory economic situation.

Those who pay taxes to cover the increased Federal spending find the rewards to work effort and saving sharply reduced. Some of those who receive transfers, and who might otherwise be induced to accept work, find there is insufficient difference between after-tax wages and tax-exempt transfers to make a return to work worthwhile. The proper and humane way out of this paradox is to restore the reward to work effort and to generate increased economic opportunity through tax rate reduction, thereby reducing the need and demand for assistance. Furthermore, in light of demographic changes and changes in the composition of the labor force, it may be proper to reexamine some of the concepts of unemployment on which many of our programs are based.

In fact, we intend, and we strongly solicit your support and assistance, to conduct a rigorous examination of every spending program to insure that it does not reduce economic growth by diverting resources from more productive uses in the private sector. When spending leads to deficit finance, it diverts scarce private sector saving from financing investment to financing the Federal debt. Insofar as this puts pressure on the Federal Reserve to increase money growth, it contributes to inflation, which further weakens the real economy.

This administration is committed to reducing the budget deficit. Control of spending is the most important step the Government could take to reduce the deficit and free-up private sector saving for investment and growth. However, tax rate increases to balance the budget would be counterproductive. The adverse impact of higher tax rates on saving and investment would wholly negate the benefits of a reduced deficit. We see this today, as tax rate increases are occurring automatically at record rates due to inflation without any action on the part of the Congress or the President.

During 1977–1980 nominal GNP grew by 38 percent, but Federal spending (not counting off-budget items) increased by 44 percent and individual income tax revenues rose by 55 percent. In spite of the growth in revenues, the budget deficits over the period totaled $136 billion. The large addition to the public debt did not result from tax cuts, but from Federal spending growing faster than the growth of the economy. The new administration intends to rely on the growth of the private economy, rather than on the growth of the Federal budget, to provide full employment.

The prior administration's budget for FY 1982, which we will be revising, projects tax revenue increases of 16.8 percent in FY 1981, 17.2 percent in FY 1982, 13.7 percent in FY 1983, 14 percent in FY 1984, and 14.1 percent in FY 1985. Nominal GNP, however, is projected to be growing at much slower rates—10.8 percent in FY 1981, 13.0 percent in FY 1982, 12.4 percent in FY 1983, 11.9 percent in FY 1984, and 11.2 percent in FY 1985. President Carter's budget projects that taxes as a percent of GNP continually rise over the period. In contrast, we hope to lower the tax burden as a percent of GNP by achieving higher real economic growth.

WHAT SHOULD BE DONE

This administration has two major goals: A major reduction in inflation and a resurgence of economic growth. It is our firm belief that these goals are not only compatible, but inseparable. We further believe that those are the goals of the Congress and the American people.

We are absolutely determined to fight inflation and insure a growing prosperity with a three-pronged approach which will:

1. Reduce the growth of Federal spending and lead to a balanced budget;
2. Reduce the oppressive tax rates on the American people; and
3. Restore a stable monetary policy.

The spending and tax changes will require close cooperation with the Congress. The monetary program is the job of the Federal Reserve. In fact, the President and the Congress will be unable to achieve their basic goals unless the Federal Reserve provides stable, moderate, and predictable money growth.

To achieve these dual goals requires the appropriate use of a variety of policy weapons, each trained on the target it is best designed to hit. We cannot achieve real growth by putting all policies on "stop" to fight inflation. We cannot fight inflation by putting all policy tools on "go" to stimulate growth.

We cannot think of fiscal policy as a monolithic block revolving around a supposedly stimulative deficit, where spending cuts and tax increases are supposed to go together to fight inflation, and spending increases and tax cuts are supposed to go together to fight recession. Spending policy and tax policy are separate tools with varied uses. This is not the time for traditional programs which think of policy in traditional ways.

The administration will shortly propose a bold, innovative economic recovery plan integrating the classical economic principles of sound budget policy, sound tax policy, and sound money. The plan will be a clear break with past policy. The principal elements of the plan will include slowing budget growth, reducing tax rates, curbing and stabilizing monetary growth, and lightening the regulatory burden. This program is designed to reduce the uncertainty and long-term inflationary expectations that are gripping the public and paralyzing the economy. The result will be a speedy recovery of the financial markets, accelerated real growth, and reduced inflation, as saving and investment rise, deficits fall, and the market system works more efficiently.

A stronger economy will put us in far better shape to bear the adjustment to higher cost energy. When the economy is weak, our dependence on foreign oil is a difficult burden. If the economy were efficient, dynamic, and competitive, we would be better able to cope with our energy problems. Exports would be stronger to pay for needed imports. Meanwhile, we would be generating more investment capital to work toward greater energy independence. And finally, wages and incomes would be higher, helping our people to meet higher energy costs.

In fact, the entire economic package should strengthen the dollar at home and abroad. Declining inflationary expectations and rising U.S. productivity should boost confidence in the dollar and strengthen its vis a vis other currencies. It will attract foreign capital by making the U.S. a better place in which to invest. A strong dollar will pay substantial dividends in reduced import prices, including oil.

This plan will require close cooperation among the Congress, the Federal Reserve, and the Executive Branch. We have already started this consultation process with the Congress and the Federal Reserve, and hope to accelerate this process in the days ahead.

Inflation is primarily a monetary phenomenon. Stable prices are impossible if money growth rates outstrip the growth of goods and services year in and year out, as they have done, on average for more than a decade. The major contribution of the Federal Reserve must be to bring down the growth rates of the monetary aggregates, reducing inflation, inflationary expectations, and interest rates. There is no alternative to this fundamental reform. The President's tax,

spending, and regulatory program cannot succeed unless inflation is brought under control.

Mr. Chairman, let me emphasize our recognition of the crucial role that the Federal Reserve plays in helping the President provide an environment in which sustained economic growth can once more take place. Because the economic program we will be proposing is a comprehensive, integrated package that includes consistent appropriate levels of money supply management, the role of the Federal Reserve is crucial. To that end, the President, who recognizes this, as one of his first official acts in Washington has already met with Chairman Volcker of the Federal Reserve. I too have been meeting with Chairman Volcker on a regular basis.

While we recognize the independence of the Federal Reserve, and its special relationship with the Congress, we are extremely pleased by the constructive, cooperative climate of our initial meetings and the opportunity to work with Chairman Volcker on our mutual problems and their long-term solutions.

While stable, predictable, and moderate monetary policy will primarily reduce inflation, it will have salutary effects on the real economy as well. Lower inflation will reduce pressure on Federal spending and the deficit, as debt service and cost-of-living adjustments are lowered. The interaction of inflation and the tax code will become less distorting and the harmful effects on saving, investment, and real growth will abate. In short, a firm Federal Reserve policy, widely understood and believed, will expand production and employment, not curtail them.

Spending restraint is an essential ingredient. It is needed to free-up resources for the private sector to invest, to lower the deficit, and restore confidence to the financial markets. It is particularly essential to alter the built-in "uncontrollables," many of which erect significant barriers to effective participation in the labor force.

Finally, tax policy must be used to restore incentives for work, saving, and investment. This will require reducing marginal tax rates for individuals and improved capital recovery provisions for business to encourage the acquisition of financial assets, plant and equipment, and to spur labor force participation and the acquisition of skills and education.

Each of the elements of this program is essential and each must be promptly undertaken. We must not make the mistake of assigning a higher priority to balancing the budget than to revitalization of the economy. We simply cannot fix the budget prior to fixing the economy. The budget cannot be dealt with in isolation: The hemorrhaging of the budget is an outcome of the economy's poor performance. A weak economy feeds Federal income support programs, inflation spurs increases in indexed transfer and entitlement payments, and high interest rates increase Federal outlays in servicing the debt. To provide the real basis for bringing the budget under control, we must markedly improve the performance of the U.S. economy. To this end, the key element in the President's program is reduction in tax rates for individuals and an improved tax climate for capital formation. This tax program cannot wait until budget outlays are reduced. The economy is now in a precarious position. If we promptly and certainly launch the right tax program, we can confidently look for real economic progress which will contribute importantly to balancing the budget. If we are unsure and hesitant about tax policy, we can confidently expect the economy to fall back into a renewed recession with accentuation of our budget difficulties.

One of the most distressing symptoms of the economy's ailments has been the failure to achieve any significant gains in productivity and real wage rates. We cannot overcome this sickness by more Government spending. Recovery must occur in the private sector. It will depend in large part on equipping our growing labor force with more and better plants and machinery. The expansion of total income which this increase in production potential will make possible is an essential ingredient of a constructive strategy for balancing the budget.

Both spending restraint and tax policy are aimed chiefly at bolstering growth in the real economy. Yet both will assist the Federal Reserve to reduce inflation. They will reduce costs and expand the supply of goods and services, helping to hold the line on prices. Spending restraint will lower the deficits, and tax rate reduction will encourage the savings needed to finance a deficit without inflationary money creation.

Thus, tax rate cuts, budget cuts, and monetary control are complementary policies. When enacted, this program will increase real growth and reduce inflation at the same time. Consequent reductions in transfer payments and recession-related spending will substantially reduce budget deficits. Again, we assume that monetary policy is appropriately managed.

The economic revitalization program must also address the problem of regulation. It is the intention of this Administration to cut through the regulatory tangle, to streamline and simplify wherever possible. The Vice President's Task Force on Regulation has already been established. The Treasury Department is a part of that task force. It is my goal to see to it that IRS regulations will be issued quickly, simply, clearly, and concisely. Rulings and regulations will be written to implement rather than to make tax policy.

The success of these policies can be enhanced by immediate and clear announcement of a multiyear commitment, and by a cooperative and determined spirit among the Congress, the Federal Reserve, and the Executive. The subsequent collapse of inflationary expectations and the resulting release of the talent and energy of the American people will make this truly a better climate for the American people.

REMARKS OF DAVID A. STOCKMAN

Mr. Chairman and Members of the Committee: During the past decade or so one of the most disappointing aspects of economic policy and economic performance has been the breakdown of fiscal policy, a continually deteriorating process which in my judgment has been one of the principal contributing influences to the stagnation of economic growth and the associated rise in national inflation. The contemporary malaise of fiscal policy has produced permanent budget deficits which have subsequently grown into permanently larger budget deficits. The permanent deficit has engendered continuous increases in inflationary expectations and consequently large increases in market interest rates. Further, the incidence of permanent budget deficits has substantially interfered with the proper conduct of monetary policies and accordingly must be considered as a key influence on the unnecessarily large rate of money supply growth which has occurred during the past 10 years.

During the recent period of accelerating growth in Federal expenditures and deficits, the strong economic performance resulting from the more fiscally prudent early 1960's has given way to the more recent quagmire of stagflation which has characterized the 1970's and spilled over into the early 1980's. During the 1960's real output growth advanced at an average annual rate of 4.2%, whereas during the 1970's real GNP growth declined to slightly more than 3%, thereby recording a loss of real output growth of nearly 30%.

In the case of the nation's capital stock, the performance is just as disappointing. Real capital growth averaged 4.5% during the 1960's but fell to 3% during the 1970's, a loss of growth of nearly one-third. The formation of new capital, predicated of course on a continuous supply of new savings and investment, is the crucial determinant of national productivity. With this in mind it is not surprising that the decline in real capital growth has been mirrored by a decline in the rate of productivity. During the 1960's output per manhour expended to a 2.6 average annual rate while in the 1970's this rate fell to an average annual rate of increase of 1.4%, representing a decline of over 40% in the productivity rate during the past decade.

Along with the decline in the growth of real output, real capital and productivity, the average inflation rate jumped from 2.5% during the 1960's to 6.5% during the 1970's, an increase of 160%. Also, the average 3 month Treasury bill rate during the two periods moved from 4.0% to 6.3%, while average Treasury bond rates shifted from 4.7% to 7.5%.

In the past few years the economic situation has eroded even more dramatically. During the period from 1979 through 1980, real output growth increased by less than 1% and productivity actually declined by about 1.5%. During these past two years it should be noted that total Federal outlays jumped at an average annual rate of nearly 16%, with transfer payments leading the way with an average annual rate of growth of more than 18%. These economic and budget trends demonstrate a direct link between the expansion of the Federal budget and an associated rise in Federal deficits and borrowing requirements on one hand, and a sustained reduction in savings and investment, productivity, real output and physical potential on the other.

During the past four years, from FY 1977 through FY 1981, Federal new cash borrowing has increased at an average annual rate of $58.4 billion. By way of contrast, through the first half of the 1970's Federal new cash requirements increased at an average annual rate of $35.2 billion, and during the 1960's the government's new borrowing requirement increased at an average annual rate of only $4.5 billion. Hence, the recent performance represents a sizeable increase in net credit demand when compared with the first half of the decade and a staggering increase when compared with net credit demands in the 1960's.

Moreover, as a proportion of total credit market activity, the data indicates that the government has substantially increased its share of financial savings. During the 1960's the Federal debt held by the public as a proportion of total credit market debt stood at a modest 7.0%. During the 1970's however the government credit share jumped to 14%. These explosive Federal credit demands have had a debilitating effect on investment and economic growth. Hundreds of billions of dollars of scarce productive resources have been removed from the private sector to be used by the considerably less efficient and less productive government sector. The vast proportion of Federal spending financed through credit market activity has been channeled into non-productive uses, the bulk of which constitutes transfer payments.

In earlier years it could have been argued that spending was directed more toward investment where, for example, during the first half of the 1960's Federal investment as a proportion of total Federal expenditures registered about 40%. During the 1970's however government investment as a ratio of total government spending fell to 15%, a sizeable drop-off. Therefore, far from generating more investment, more growth and more productivity, the announced policy goals, recent fiscal trends have served instead as a major depressant on investment and all forms of economic growth.

In classical economic terms this process is characterized as capital consumption, but what would be far more desirable is a much

different fiscal policy aimed at capital expansion. The classical economists have labeled this capital consumption process of excessive government spending and borrowing as a transmission of "fiscal inflation." Moreover, to paraphrase Adam Smith, "what is always good and right for a small family should be no different for a great kingdom." In the present case, however, unlike any prudent family, the U.S., through the breakdown of its fiscal policy, has embarked on the dangerous path of consuming its own capital and living off its own savings. And it seems clear that part of the erosion of public confidence today stems from the ever widening gap between government budget practices and family budget practices.

Elsewhere, the erratic nature of fiscal policy is evidenced by frequent changes in fiscal year outlays and revenue estimates. During fiscal year 1980, for example, the first budget resolution indicated cash outlays of $532 billion. During the second resolution outlays were raised to $547.6 billion. During the third resolution the ante was raised again to $572.65 billion, and finally Federal expenditures were raised to $579.6 billion, representing a 9-percent increase totaling $48 billion.

In fiscal year 1981 the situation was much the same. The first resolution was $613.6 billion, the second resolution indicated a spending level of $632.4 billion and the current estimate has been raised to $662.7 billion, an overrun of $49.1 billion or 8 percent above the initial projection. When taken together the budget process governing fiscal years 1980 and 1981 produced a total overrun of nearly $100 billion.

ESTIMATES OF FISCAL YEAR 1980 AND 1981 OUTLAYS

[Dollar amounts in billions]

	Fiscal year—	
	1980	1981
First Budget Resolution	$532.0	$613.6
Second Budget Resolution	547.6	632.4
Third Budget Resolution	572.7	NA
Final estimate	579.6	662.7
Overrun	47.6	49.1

As a consequence of fiscal management of this sort, where spending projections are constantly revised and each revision seems always substantially higher than the last, we have created a significant decline in confidence of the management of the nation's finances. This loss of confidence in financial management is not merely an academic issue, but, it is a very real problem in the minds of participants in all sectors of the economy, labor, business and financial people and household members alike. Frequent announcements from Washington regarding increased budget growth and borrowing needs have created a damaging psychology of intensified inflationary expectations.

Those expectations have fostered numerous behavioral and structural changes in the economy, and these behavioral and structural changes have in no way contributed to general economic health. Rather, the intensification of inflationary expectations and the acceleration of actual inflation rates have produced in general terms a drying up of financial savings, a decline in the value of money and a depressing influence on productivity and real output.

The loss of confidence generated by profligate budget policy is mirrored by the rise of inflationary fears and sensitivities. This stems directly from the breakdown of the budget process and the inability of policy makers to deliver on their fiscal promises. Taken together, all this has undermined the vitality of economic growth and the quality of economic performance. And the qualitative notion is important because, in some ways, even as damaging as the quantitative or statistical effects of budgetary excess, it is the psychological effects of the budget breakdown which in the end are the most enduring.

A restoration of confidence is an essential ingredient if there is to be any reversal in recent economic performance. But confidence is always a psychological phenomenon. And although there may be numerous ways to improve confidence, we can all agree that one of the most important factors in changing the current atmosphere of skepticism would be a more stable, reliable and dependable budget process.

Turning again to more specific examples of the loss of fiscal control and credibility, the problem is again illustrated by the many changes in official estimates for the FY 1981 deficit which have occurred since the original 1976 estimates were first published. Initially a budget surplus of $75.5 billion was estimated on a Presidential policy basis. The surplus estimate was subsequently revised to $26.1 million in 1978, $8.6 billion in 1979, then a deficit of $1.2 billion, then a deficit of $15.8 billion, and finally a deficit of $55.2 billion. This represents a swing of $130.7 billion during five years. It is not only a change in magnitude, but even more important it represents a major change in direction and policy. Without beating a dead horse, it is necessary to reiterate the principle that unreliable budgetary announcements erode confidence and reinforce the negative psychology which has seemed to permeate every nook and cranny of our economy in recent years.

ESTIMATES OF THE FISCAL YEAR 1981 BUDGET DEFICIT

[Dollar amounts in billions]

	Budget surplus or deficit
January Budget Document:	
1977	+$75.5
1978	+26.1
1979	+8.6
1980	−1.2
1981	−15.8
1982	−55.2
Swing	130.7

Looking briefly at the budget deficits themselves, it is interesting to note that the trend of rising deficits has occurred despite the incidence of continuous and sizeable tax increases. As regards the tax increases, it must be noted that the sharpest increases have accompanied the slump in economic growth of the past 10 years. Just to benchmark the growing burden of taxation, in FY 1955 tax receipts as a proportion of GNP registered 17.3%, slightly below the 1965 ratio of 17.9%. By 1973 however the ratio had jumped to 19%, and current estimates indicate that the ratio is expected to rise to 21.4% in FY 1981, 22.4% in FY 1982, 22.8% in FY 1984 and 24.0% in FY 1986.

In addition to the rise in average tax rates, the economy has also experienced a significant rise in marginal tax rate for a median income family with four persons. These rates include that burden of social security tax increases for both employers and employees. In 1965, median income of $5,000 experienced a marginal tax rate of 23%, and 10 years later with a median income revalued at $8,000 the marginal rate was unchanged at 23%. However, by 1975 a median family income of $16,775 was subjected to a marginal tax rate of 32%. In 1981 a median income of $28,793 will be taxed at about a rate of 35%, and it is projected that by 1985 a median income of $41,389 will be taxed at a whopping rate of 43%, an increase of 34% over the 10 year period.

MARGINAL FEDERAL TAX RATES FOR MEDIAN INCOME FAMILY OF 4 PERSONS[1]

		Tax rates (percent)	
	Income	Income tax	Income tax plus FICA
1955	$5,017	20	23
1965	8,083	17	23
1975	16,775	22	32
1981	28,793	24	35
1985 (projected)	41,389	32	34

[1] Income and taxes include both employee and employer shares of FICA. Rates including FICA reflect threshold effects of the wage cap. Itemized deductions are assumed to equal 23 percent of adjusted gross income.

The data on average and marginal tax rates suggest two broad points. First, we are incurring sizeable budget deficits even with substantial increases in the tax burden. Second, there appears to be a close association between the heightened tax burden occurring during the 1970's and projected throughout 1980's and the deteriorating base of economic growth which has occurred in the 1970's and is usually forecasted to continue into the 1980's. Despite all the best and most loudly proclaimed intentions, it would again appear that rather than improving economic performance, fiscal policy has instead become a major impediment to economic growth.

The increases in spending, deficits and tax rates produced by incorrect fiscal policies appear to be a major inhibiting influence on economic growth during the 1970's. In turn, the slowdown in economic growth has undermined efforts to create a disciplined and reliable budget. In effect the budget has become a captive of the economy rather than its manager, and it is becoming clear that one of the chief barriers to the realization of a balanced budget is the disappointing performance of the economy.

All this stands traditional Keynesian fiscal theory right on its head. The standard theory suggests that by changing tax, spending and other fiscal parameters it becomes possible to shift the course of the economy, but the new reality is the economic deterioration which is changing the course of the tax, spending and other fiscal parameters. By way of example, during the past year nearly all branches of government, along with the public, reached a consensus to restrain fiscal and monetary policies in order to curb inflation and record interest rates. Partly as a consequence of present policy and partly as a consequence of the dramatic rise in oil prices—a development not wholly unrelated to past fiscal and monetary policies—the economy experienced a deep recession during the winter and spring months of 1980. One of the consequences of this recession was a sharp increase in the rate of unemployment and a sizeable loss of production throughout the economy. As a result, the loss of production and jobs triggered a significant expansion of permanently authorized and automatically released government assistance programs. The budgetary trigger produced a major increase in both the level and rate of growth of Federal outlays despite the best intentions of policy makers to curb government spending. At the same time, the slump in business conditions induced a falloff in tax revenues.

The recessionary combination of rising outlays and diminished receipts enlarged the budget deficit and the Federal borrowing requirement by a considerable magnitude even though all participants, in both political parties, and in both the executive and legislative branches, sincerely opposed such a development. Meanwhile, as financial markets observed the budgetary movement and the resultant rise in Federal credit demands, interest rates again began to adjust higher.

Quite clearly financial markets were anticipating renewed future inflation as a consequence of the hemorrhaging Federal budget and the sharply increased net borrowing requirements. So inflationary expectations were reignited, and interest rates were driven higher.

Complicating matters the Federal Reserve attempted to stabilize rising interest rates through repeated liquidity injections during the spring and summer months. This merely exacerbated the inflationary psychology and drove interest rates still higher. As a result of these various influences the interest expense of the Federal debt began to skyrocket. Heightened interest expense payouts of course served only to expand cash outlays, deficits, inflationary expectations and so forth. And this rounded out the now familiar vicious circle whereby the economic slump expanded the budget, the enlarged budget absorbed more scarce resources from the economy, the resources were put to non-productive and inefficient use, and economic and investment growth was consequently retarded at the very moment when unfettered growth renewal was most important.

The vicious circle of more spending, more deficits, more inflationary fears, rising interest rates, worsened economic performance, then more spending, more deficits and so on seems an interminable and insoluble problem. None of the standard Keynesian policy models, with government as the central instrument for economic improvement, seem to work. We appear caught in a quagmire which is undermining national morale and vitality. But by now it should be evident that past fiscal policy has substantially inhibited all forms of economic growth, and the very failure to achieve economic growth has compounded the inhibiting effects of the incorrect fiscal policy. Yet by itself this is an unacceptable conclusion. Not only is the fiscal malaise unacceptable, but the atmosphere of defeatism surrounding the policy process is similarly unacceptable.

Contrary to popular belief, it will be possible to break the vicious circle, to restabilize fiscal policy and to regenerate economic growth through a combination of new policy proposals consistent with the classical economic principles of sound budgets, sound tax policies and sound money. Further, these principles argue strongly that the surest, most effective and quickest route to a balanced budget lies with a restoration of incentives for savings, investment and work effort in order to produce sustainable and non-inflationary economic growth during the 1980's. With this in mind, it will be possible to create a credible and reliable future economic agenda to restore financial market stability, increase investment and economic growth, reduce the rate of inflation and strengthen the value of the dollar.

Programmatically, I propose immediate and substantial reform of the Federal spending code, orderly reduction of Federal tax rates, prudent relief of Federal regulatory burdens and dependable reduction in the rate of growth of the nation's money supply. These four points, diminished budget growth, lower tax rates, reduced regulatory burdens and declining money growth embody an integrated and complementary policy regime. This approach must be enacted simultaneously in order to achieve the desirable and likely effects of improved investment and economic growth, accompanied by lower inflation and interest rates, all leading to a balanced budget. Such a policy should be announced clearly and immediately so that Washington can send unambiguous signals throughout the U.S. and the world economy of a major change in the principles and the framework of financial and economic policy.

Clear signals will make an important and immediate contribution to the restoration of confidence so necessary to improve the general economic climate, and central to the objective of new economic credibility and a balanced budget is the commitment to economic growth. To achieve this goal will require a considerable correction of the policy failures of the past 15 or so years. As part of the recodification of the budget area it will be necessary to come to grips with the ever-growing portion of the Federal budget dominated by entitlements and permanent authorizations. These permanent authorizations accounted for 35.9% of total outlays in fiscal year 1967, rose to 49.3% of total outlays in fiscal year 1972 and by fiscal year 1981 jumped to 60.6%, a 69% increase in slightly less than 15 years.

Unexpended authorized programs already in the pipeline have become so enormous that severe authority reductions in fiscal year 1981 and fiscal year 1982 will be necessary if we are to persuade the public of a serious attempt to restrain budget growth, deficits, government borrowings and inflation. The rapid growth of new direct loan obligations through the Federal Finance Bank also must be sharply curtailed, and the reduction must include FFB loan assets, FFB direct loans as well as on budget direct loans.

Additionally, aggregate Federal spending growth must be placed on a path which falls somewhat below the GNP deflator. This suggests a significant rate of decline for non-defense spending in future years and it also suggests that the government spending share of GNP must be reduced from the all time high of 23.3% expected in fiscal year 1981 to less than 20% during the next several fiscal years.

Other spending reforms and budgetary recodification will be needed to reverse the deeply embedded expectation that government budgets are out of control and the inflationary outlook is hopeless. But regarding future inflation expectations, nothing would be more helpful than a clear understanding that budgetary expansion is an economic growth impediment, not a stimulant. It is time to unmask the optical illusion that government spending is somehow a force of economic growth. Instead, rigorous and honest analysis indicates that Federal spending absorbs valuable resources from the economy, manages these precious resources in a highly inefficient and non-productive fashion, and the excessive budget trends of recent years have acted on the economy in the same fashion as an increase in taxes. Indeed, government spending is itself an important indication of the national tax burden, and the combination of rising marginal tax rates and expanding Federal budgets have served both to reduce economic growth and sustain massive budget deficits.

And finally, the program to restore economic growth, a balanced budget and new sense of national confidence will not be possible unless other key economic policy reforms are enacted simultaneously. The budget is only one element in the program. Complementing budget reform are additional proposals to reduce tax rates, to lessen regulatory burdens and to stabilize monetary policy. These reforms encompassing the budget, taxes, regulatory burdens and monetary policy should be viewed as one comprehensive package to restore confidence, to enhance economic growth and to improve the quality of American life.

STATEMENT BY PAUL A. VOLCKER

I am pleased to participate in this hearing and to outline some of the key issues for economic policy in 1981 and beyond. The inauguration of a new President and the installation of a new Congress provide a prime opportunity to reassess Federal budgetary trends, and in particular, the role that fiscal policy can play in solving the economic problems that confront us. Coming from the Federal Reserve, I will naturally want to focus special attention on the interrelations among fiscal policy, monetary policy, and conditions in the capital markets.

I have spoken often of the importance of breaking the inflationary momentum that grips our economy. That seems to me the pre-eminent objective of economic policy, partly because prospects for sustained growth rest on success in that effort.

As you know, inflationary pressures remain intense today even though the level of economic activity is little higher now than it was in early 1979, unemployment has been high for almost a year, and appreciable excess capacity persists in many important industries. Indeed, the underlying inflation rate today appears at least as high, and probably higher, than a year ago. Declining productivity has compounded the effects of growing wage increases in pushing up unit labor costs. Moreover, as we look to the months ahead, the possibility of a renewed surge in energy and food prices represents a serious source of concern.

I believe that the public is acutely aware of the dangers of continuously escalating prices and recognizes that combating inflation must be our top economic priority. That perception is an important first step in moving toward price stability. But the general perception will be meaningless unless it is accompanied by a sustained commitment to concrete policies that will, in fact, reduce inflation, even when those policies entail risks and strains for particular groups or for the economy as a whole in the short run. Given the deeply ingrained patterns of inflationary behavior and expectations that now characterize our attitudes and our institutions, we should not assume that changes in those behavior patterns or expectations will come easily. To underestimate the challenge would be to miss the opportunity to set the economy on a new direction. In the wake of missed opportunity we would only face more prolonged, and ultimately more painful, adjustments.

Conversely, if we truly face up to the job, and successfully turn the corner on inflation and inflationary expectations, then I believe that progress will come more readily. The baleful interactions among inflation, low savings, congested capital markets, low growth, deteriorating productivity and budgetary deficits can potentially give way to a benign process of mutually reinforcing growth, investment, and a return to price stability.

As part of that process, the Federal Reserve has been, and will continue to be, guided by the need to maintain a disciplined monetary policy. Our various "targets" for monetary and credit growth are an important means of expressing that intent.

At the beginning of last year, we adopted objectives for the monetary aggregates that were generally agreed to be broadly appropriate with the need to encourage a return to a more stable economic environment. Over the course of the year, growth of the various measures of money and credit was—on balance—close to or only slightly above the upper ends of the announced ranges. With the quick and surprisingly strong recovery in business activity in the latter part of the year, the expansion of money and credit was not sufficient to meet all the demands for financing the combination of real growth and rising prices. Even though monetary aggregates for a time exceeded targeted growth, interest rates returned to historically high levels, placing heavy burdens on the more credit-sensitive areas of the economy and threatening the continuation of the recovery.

Looking at that immediate situation, the point can and has been made that high interest rates and strained capital markets may dim prospects for business expansion and private job creation that would otherwise be desirable. Certainly, housing, some smaller businesses, and others particularly dependent on credit feel particularly strong

pressures. But the problem cannot usefully be viewed in the single dimension of monetary policy, and our sights must extend beyond the next few months.

I see no alternative to continued restraint of excessive money and credit growth if we are to break the inflationary momentum. If that momentum is not broken, interest rates will remain high indefinitely. In that connection, expectational factors can be particularly important. To the extent that economic trends and public policies are perceived as consistent with more inflation rather than less and government financing needs are expected to remain high, savings are discouraged and borrowing encouraged. In an already inflating economy, the net result of trying to bridge the gap by excessive money and credit creation would be to validate the inflationary expectations and inflationary trends that give rise to the problems in the first place. The way to get interest rates lower, and keep them there, is to deal with inflation first.

The events of the past several months demonstrate clearly that heavy reliance on monetary policy in that effort focuses the immediate strains and risks on financial markets and those most dependent upon them. Strong complementary actions in other areas are essential for a balanced effective program to produce the earliest possible impact on inflationary behavior and to clear the way for sustained, full, and broad-based expansion in real activity.

The first—and perhaps the most important—of these other instruments is the fiscal posture of the Federal Government. As recently as last spring, a substantial effort was made by the Administration and the Congress to reduce the growth of expenditures and to restore budgetary discipline. In spite of that effort, trends in Federal spending continue to exceed growth in the inflating nominal GNP. For instance, the budget submitted by the outgoing Administration projected Federal spending (including off-budget outlays) of over 24 percent of the GNP during the current fiscal year, fully one percentage point higher than last year and appreciably above any earlier year of the post-war period. To be sure, a significant part of this year's higher spending and the enlarged deficit reflects higher unemployment. But the underlying trend reflected in "out year" budget projections—which have almost always fallen short of subsequent reality—remains excessive, even without taking account of needed tax reductions.

I see no escape from the central proposition that, to make room for tax reductions and for private credit demands—both required to support economic growth and productivity gains—Federal expenditures and off-budget credit programs will have to be cut back sharply from current projections.

The problem is not limited to the current fiscal year. The time has come to take a hard look at the "built-in" spending programs that are not readily—or at all—controllable by the annual appropriation process. This process of spending control should begin immediately, with the aim of achieving very substantial gains over a period of several years. The need is all the more urgent in the light of the broad consensus that defense spending must rise.

I know the task is difficult in the best of circumstances—and those difficulties are multiplied by the institutional setting in which you work, where the focus has been more on the current or next fiscal years effects of appropriations than on the longer term budgetary consequences of the so-called entitlement programs.

What must justify the effort is its central importance. I have some sense of what you know more directly—that every Federal program has some legitimate purpose and a well-entrenched constituency; that particular groups—including those that clearly support reductions in the aggregate—will argue that its program is the exception; that one man's concept of fluff and fat is another man's perceived sacrifice; that a general consensus on a broad objective can dissolve in the process of allocating cuts. I also know that it is easy (and right) for me to say that the decisions about what should be cut back are properly yours and the President's, not mine. But I also must emphasize that, in the interests of a healthy economy and moderating tensions in financial markets, I see no alternative to large spending cuts.

In that connection, I need not linger over the desirability of prudent tax reduction and restructuring. As things stand, Federal taxes are absorbing a rising share of aggregate personal and corporate income, and the sheer size of that tax burden adds to costs and impairs incentives. But I must convey to you my conviction that decisions for substantial tax reduction must not run ahead of the harder decisions to achieve large cuts in spending programs. If these decisions are not in harness, the potential benefits of tax reduction could all too easily be swamped by inflationary forces and congested credit markets, damaging the very incentives and investment sought. And, appraisals of the beneficial effects of tax reduction on economic growth, and therefore the revenue "feedback," need to be realistic in the light of experience.

Beyond the budgetary process itself, but often related to it, are the myriad of government programs that tend to raise costs or insulate sectors of the economy from market forces. Indeed, I believe a substantial part of the inflationary bias built into our economy over the past quarter century comes from such programs.

I recognize that some of those programs reflect a conviction that, within our market-oriented system those experiencing financial and business reverses not entirely or primarily of their own making are entitled to an economic "safety net." There is a legitimate view that—at a time of economic pressure and strain—the dependence of one sector of the economy or another may at times require cushioning pressures of the weakest links in the system so that its problems do not infect others. Other programs reflect valid concerns about the environment, health, and safety. What is so necessary is to achieve a better balance between those continuing objectives and the requirements of a well-functioning competitive economy, and particularly examination of those regulations and policies that may not even serve well their immediate objectives.

Accomplishing these goals will require an enormous effort by the Congress and the Administration in the months and years ahead. We are talking about changing behavior patterns that are grounded in an assumption that inflation will continue—an assumption that has been years in the making. Achieving that change is not a simple process. But neither is it beyond our collective capacity, working together with the understanding of what is at stake. The result will repay the effort many times over. It is that understanding that is critical to success, and that I hope will underlie your deliberations and actions in the weeks and months ahead.

STATEMENT OF ALICE M. RIVLIN

Mr. Chairman, I am pleased to appear before this Committee as you prepare to consider appropriation requests for fiscal year 1982 and proposed supplementals and rescissions for the current fiscal year.

As the Congress reexamines the 1981 budget and begins work on 1982, the serious difficulties of the current economic and budgetary situation are apparent.

Federal spending has grown rapidly in the last several years. Unified budget outlays grew by 17.4 percent in 1980, and they are expected to grow by over 14 percent in 1981. Total outlays would grow by another 12 percent in 1982 under President Carter's spending proposals. Outlays as a percentage of GNP are projected at 23 percent for 1982 in the Carter budget, a full 2 percentage points higher than the goal set by President Carter when he took office.

Budget deficits have persisted in good years and bad. The federal budget has not been in balance since 1969. During the last six years, the cumulative budget deficit has been $306 billion. If spending by the Federal Financing Bank (FFB) and other off-budget entities is included, the total budget deficit since 1975 has been $368 billion. The 1981 budget is now projected to have a deficit of at least $55 billion—$78 billion if off-budget outlays are included. As a result of these deficits, as well as a further deficit in 1982, the federal debt is projected to exceed $1 trillion during the next fiscal year.

Half of the growth in outlays since 1975 has been in Social Security and other payments for people. Most of these payments are mandatory entitlements under current law, and are indexed directly or indirectly for inflation. They now consitute almost 50 percent of the budget. CBO projects that these payments will grow by $240 billion over the next five years under current law, as the retired population expands and adjustments are made for increases in the cost of living.

Increased benefit payments coupled with desired and built-in spending, will make it extremely difficult to slow spending growth. CBO's preliminary projections of federal outlays over the next five years suggest that spending growth will average at least 10.5 percent a year under current policies. Both the Congress and the new Reagan Administration have expressed a strong commitment to expand the rate of defense spending, which under current policy is already projected to increase by an average of over 12 percent annually. The growth in benefit payments for individuals is projected to average 11.5 percent. Reductions in entitlement benefits and other nondefense spending programs have proved very difficult to achieve in the past.

The current outlook for a sluggish economy and continued high inflation means that only drastic action by the Congress can reduce spending growth and budget deficits. Most economists expect slow economic growth during the next year, and some project a renewed recission in the first part of 1981. This would have the effect of maintaining relatively high levels of spending for unemployment compensation and reducing federal revenues. Inflation is expected to come down only slowly; thus, spending for indexed benefit programs will continue to grow at a healthy clip. The longer-term outlook for the economy is very uncertain; an escalation of inflation because of large oil price increases, another year of bad crops, or more severe unemployment could worsen the budgetary outlook.

This is a grim outlook for the budget. It presents a serious dilemma for the Congress in pursuing the goals of sustained tax cuts, real growth in defense spending, and a balanced budget within the next few years. Achieving these goals will require sizable cuts in nondefense spending programs.

In past years Appropriations Committees consistently have been able to reduce the President's requests for annual appropriations. But the growth in indexed benefits and other mandatory spending has allowed an increasing share of the federal budget to escape the annual competition with other programs for federal dollars.

During the past 10 years, the relative control over federal outlays that can be exerted through the annual appropriations process has fallen sharply. In fiscal year 1970, the Appropriations Committees could exert control on 59 percent of federal outlays. By 1980, this control had fallen to 41 percent, of which about half was for defense spending. If the growth of federal spending is to

be reduced in the future it is clear that committees of the Congress that have jurisdiction over entitlements and other mandated spending will have to play a greater role in achieving budgetary savings.

In the remainder of my statement, I will discuss in more detail the budget and economic outlook for both the current fiscal year and 1982.

THE CHANGING OUTLOOK FOR THE 1981 BUDGET

Less than one year ago, the Congress planned to balance the budget in fiscal year 1981. The latest estimates from the Carter Administration suggest that the 1981 budget could have a deficit of over $55 billion, almost the same size as the 1980 budget. Most of the deficit can be attributed to higher spending than was contemplated by the first resolution, not to lower revenues. As shown in Table 1, the first resolution set an outlay target of $613.3 billion. President Carter's 1982 budget submitted 12 days ago estimates 1981 outlays at $662.7 billion, almost $50 billion higher.

TABLE 1.—FEDERAL BUDGET TOTALS FOR FISCAL YEAR 1981

[In billions of dollars]

	First Budget Resolution	Second Budget Resolution	President Carter's budget
Revenues	613.8	605.0	607.5
Outlays	613.3	632.4	662.7
Surplus or deficit (−)	.5	−27.4	−55.2
Budget authority	697.2	694.6	726.5
Debt subject to limit	934.4	978.6	987.3

Most of the increase in 1981 spending estimates resulted from events over which the Congress has little or no control under current laws. While the first resolution was being debated, the economy declined more than expected as a result of tight monetary policy and credit controls. During the April-June quarter, the economy declined in real terms at a 9.9 percent annual rate, the sharpest single-quarter contraction of the post-World War II period. This pushed up unemployment to higher levels than expected, and triggered extended unemployment insurance benefits. The automobile industry was particularly hard hit, and trade adjustment benefits were provided to unemployed auto workers. As a result, unemployment benefit costs rose sharply in 1980, and are projected to remain at fairly high levels in 1981. This accounts for over $7 billion of the increase in estimated spending from the first resolution.

Higher interest rates during the last several months account for an even larger part of the increase in 1981 estimated outlays. Net interest costs are now projected to be over $8 billion higher than assumed for the first resolution. The increase in interest rates also means that the cost of student loan insurance will be higher, that fewer federal loan assets will be sold to the public, and that federal assistance to failing thrift institutions will be more than expected a year ago. This adds another $3 billion to the 1981 outlay estimates.

Spending for various indexed benefit payments and other transfer programs that are affected by inflation and high unemployment is now projected to be almost $8 billion higher than estimated for the first budget resolution. The largest increases are for federal employee retirement benefits and health care services, partly as a result of the failure of the 96th Congress to achieve the cost savings contemplated for these programs in the first resolution.

Defense spending is also up about $7 billion from the level assumed for the first budget resolution. Part of this increase results from a larger October 1980 pay raise for both military and civilian employees than was assumed for the resolution. Most of the increase, however, is the result of higher spending rates for procurement of weapon systems, together with stepped-up defense activities and fuel costs.

Unexpected events also cause increases in federal spending. For example, disaster assistance and Corps of Engineers spending will be about $2 billion higher in 1981 than expected because of Mt. Saint Helens and other natural disasters last year. The heavy influx of Cuban/Haitian entrants last year will also cause 1981 spending for refugee assistance to be higher than expected a year ago. The recent Penn Central settlement will add another $2.1 billion to federal spending in 1981.

On the revenue side, expected receipts have fallen off slightly because of lower incomes than were assumed for the first budget resolution. Current law revenues for 1981 are now projected to be about $605 billion. President Carter's 1982 budget proposes a net tax increase of $2.5 billion in 1981, largely as a result of his proposal for a 10-cents-per-gallon increase in the federal gasoline tax. The second budget resolution approved in November, however, assumed a 1981 tax cut that would reduce fiscal year 1981 receipts by $10 billion. If such a tax cut were passed, with little or no reductions in spending and no other tax changes, the 1981 budget deficit could approach $70 billion. Some spending reductions can still be made in 1981, but time is rapidly running out to achieve savings of any great magnitude.

THE ECONOMIC OUTLOOK

The Carter Administration's budget estimates for fiscal year 1982 are based on a forecast of weak economic growth for a recovery period with very modest improvement in inflation. This view of the economic outlook is generally in line with the consensus forecast of business economists (see Table 2). Nevertheless, the economic outlook is very uncertain.

An acceleration of inflation and record interest rates in the last quarter of 1980 have caused most forecasters to predict a sharp slowdown, if not a decline, in economic growth together with rising unemployment during the first half of 1981. Some economists expect that the economy will bounce back vigorously after midyear, partly because of the enactment of tax cuts. Others believe that economic growth will be very weak during the next few years, given the momentum of inflation and the expectation that the Federal Reserve will pursue stringent monetary policies until the rate of inflation shows a substantial improvement.

Inflation generally is expected to remain at double-digit levels in 1981, with some moderation during 1982. The unemployment rate is generally projected to drift higher in the first half of 1981 and then decline slowly for the next 18 months. Interest rates are expected to be volatile but to remain at relatively high average levels throughout the forecast period.

TABLE 2.—CARTER ADMINISTRATION'S ECONOMIC FORECAST, CBO'S PRELIMINARY PROJECTIONS, AND THE FORECAST RANGE OF 4 COMMERCIAL FORECASTERS, 1981–82

	Carter administration forecast [1]	CBO preliminary projections [2]	Range for commercial forecasts [3]
Nominal GNP (percent change):			
1980:4 to 1981:4	12.3	12.8	11.3 to 12.6.
1981:4 to 1982:4	12.6	14.1	12.1 to 15.4.
Real GNP (percent change):			
1980:4 to 1981:4	1.7	2.2	1.0 to 3.2.
1981:4 to 1982:4	3.5	4.0	3.7 to 5.8.
Inflation (percent change in GNP deflator):			
1980:4 to 1981:4	10.4	10.3	9.1 to 10.2.
1981:4 to 1982:4	8.8	9.7	8.0 to 10.2.
Consumer Price Index (percent change):			
1980:4 to 1981:4	12.6	10.0	10.9 to 12.4.
1981:4 to 1982:4	9.6	9.7	8.8 to 10.4.
Unemployment rate (percent):			
1981:4	7.7	7.9	7.1 to 8.2.
1982:4	7.4	7.1	6.1 to 8.2.

[1] Budget of the U.S. Government, Fiscal Year 1982, p. 3.
[2] CBO's preliminary projections, prepared in late November, for analyzing the Carter administration's budget. CBO is currently working on its forecast for 1981–82.
[3] The models and dates of forecasts are: Chase Econometrics, Inc., Jan. 7, 1981; Data Resources, Inc., Dec. 24, 1980; Evans Economics, Jan. 7, 1981; Wharton Economic Forecasting Associates, Inc., Dec. 3, 1980.

Note: The forecasts are not directly comparable because of differences in economic and policy assumptions and differences in forecast dates.

Comparisons of the Carter Administration's forecast with other economic forecasts should, however, be interpreted with caution. Different fiscal policy assumptions underlie the various forecasts. In particular, all of the commercial forecasts assume some cuts in individual income taxes in 1981, and none assume an increase in the gasoline tax or withholding of taxes on interest and dividends, which are incorporated in the Carter Administration forecast. Three of the four commercial forecasts expect economic growth to be from 1.0 to 1.8 percent in 1981. That is close to the Carter Administration's estimate, but these forecasts would likely be below the Carter Administration's if they used the same assumptions for tax policy.

THE 1982 BUDGET OUTLOOK

The budget outlook for 1982 is little better than that for the current year. The growth in revenues under current law is expected to accelerate to 17.2 percent in 1982, for an increase of $104 billion, as a result of legislated increases in Social Security taxes, continued high inflation that pushes people into higher tax brackets, real economic growth, and increases in corporate and other taxes. CBO's preliminary projections for 1982 outlays under current policies show a falling off in spending growth to about 12.5 percent. The projected deficit under these assumptions declines to about $34 billion, as shown in Table 3.

The budget presented by President Carter stresses increased spending for national defense; tax cuts and spending increases to encourage capital formation and increased industrial productivity; and various measures, including a 10-cents-a-gallon increase in motor fuel taxes, to encourage energy conservation. To help offset the rise in Social Security taxes, the Carter budget proposes that individuals and employers be given an 8 percent income tax credit. Various budget reductions and proposed legislative savings would offset most of the recommended spending increases above current policy levels.

TABLE 3.—FEDERAL BUDGET TOTALS FOR FISCAL YEAR 1982

[In billions of dollars]

	CBO baseline projections	President Carter's 1982 budget	CBO reestimate of Carter budget
Revenues	708.5	711.8	711.8
Outlays	742.9	739.3	745.0
Deficit (−)	−34.4	−27.5	−33.2

The net effect of the Carter budget proposals would be a small increase in both revenues and outlays above CBO's baseline projections. CBO's analysis of President Carter's budgetary proposals, which was prepared at the request of the House Appropriations Committee and is being released today, suggests that they would result in a $33.2 billion budget deficit in 1982, compared to the $27.5 deficit estimated by the Carter Administration.

All of these budget estimates are based on relatively optimistic assumptions about the economy during the next two years. As I mentioned earlier, there is a great deal of uncertainty about how the economy will perform over this period. Two of the most important sources of uncertainty are inflation and monetary policy. Another sizable boost in oil prices above those assumed in the forecasts, or a year of bad crops, would substantially alter the outlook for the worse. With respect to monetary policy, the Federal Reserve faces the very difficult challenge of reducing inflation. Many believe that its policies are likely to choke off or delay the projected economic recovery.

Most of the risks for the budget seem to be on the pessimistic side; that is, if economic growth is slower than forecast, revenues could be much lower than currently projected and outlays higher. The size of the budget deficit will also depend to a large extent upon how large a tax cut is enacted and how much the built-in growth in federal spending can be reduced.

About half of the projected $83 billion increase in estimated outlays in CBO's baseline projections for 1982 can be attributed to cost-of-living adjustments and to the growth in recipients of various benefit payment programs that are directly or indirectly indexed for inflation. These account for $40 billion, or 48 percent of the projected increase in total outlays between 1981 and 1982 under current policies. Defense spending, other than for retired pay and projected pay raises, is estimated to increase by $10 billion in 1982 as a result of decisions made by the 96th Congress. Net interest costs are also projected to rise about $10 billion in 1982. The remaining increase is almost entirely accounted for by discretionary inflation adjustments for defense and other federal programs, and by projected pay raises for federal civilian and military employees. These adjustments would add an estimated $21 billion to outlays in 1982.

Given these built-in increases, and the pressures for increased defense spending, it will be very difficult to reduce 1982 outlays much lower than $740 billion. This does not mean that I consider such reduction an impossible task. On the contrary, I believe that considerable reductions can be made in federal spending, but that it will take a massive effort on the part of all the committees in the Congress. It is not a task that can be done by the Appropriations Committees alone, for the reasons I made clear in my introductory remarks. The CBO will shortly present a report to the Budget Committees that discusses a large number of possible actions the Congress can take to reduce the growth in federal spending.

Unless significant cuts are made in outlays in 1982, the budget deficit could easily exceed $70 billion if taxs are cut by $40 billion or more as contemplated in the second budget resolution. If the economy performs more poorly than forecast, because of poor crops or higher than projected oil price increases or a more restrictive monetary policy, the 1982 deficit could be even higher.

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

Mr. HATFIELD. I yield.

Mr. SCHMITT. Mr. President, I once again compliment the distinguished Senator and chairman of the Appropriations Committee for his actions as well as his statement today.

It is clear that we are going to have an objective and clear thinking approach to chairmanship of this important committee, and it is also clear that he is inspiring subcommittee chairmen to move forward rapidly to insure that we are prepared for the evaluation of whatever proposals the new administration may make and to apply the necessary windage, as he has described, on those proposals.

Certainly no program in the Federal Government must be considered as immune from the scrutiny of our committee, of Congress, or of the administration.

The only way that we are going to see true economic reform, true economic recovery, and true adherence to the principles that he has just stated and restated so articulately is to apply an across-the-board view of the activities of the Federal Government and where they, in fact, are activities that are truly constitutional in their purpose, that is, they adhere to the intent of the Constitution, and that other activities must be reserved for other means of accomplishment.

It does not mean we can turn the clock around and turn the whole wagon around in one fell swoop, as the expression goes, but it means that we can begin, and I think the chairman has stated that so clearly not only by word today but by his actions in committee.

Certainly, I join and appreciate the opportunity to serve with him, and I appreciate his very kind remarks earlier in his statement.

Mr. HATFIELD. Mr. President, I wish to respond briefly, but before I do I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, that was a very thoughtful speech that the Senator from Oregon made today. I enjoyed it, and I will study it very carefully.

Mr. HATFIELD. Mr. President, I appreciate the remarks made by the Senator from New Mexico (Mr. SCHMITT).

I wish to underscore again by agreement that we have and a likemindedness that we enjoy here on this issue that when he speaks to the issue we are not going to be able to totally reform and make the needed changes within the next few weeks and months. In fact, in all probability, the ultimate goals that we hold in common and which I feel the Reagan administration similarly holds in common, will be achieved through not a single fiscal year but by an economic blueprint that will probably entail at least a 4-year program.

I think that one of our difficulties in the past has been that we have annualized our mentality in approaching this whole budget question. We have thought in increments of 12 months, not recognizing that some of the problems we are trying to deal with have a 50-year history and a cumulative impact.

I think we can say that we are reaping the whirlwind of some of the economic decisions that were made in the depression years of 1933 and 1934. Those decisions may have served well the needs of that day but they have lingered on through an inordinate period of time. We have not only remnants but we have programs that were created at that time in full force with all of the legislative, administrative, and regulatory embroidery that has occurred during that 30-year period.

So we are dealing with forces here that have had that kind of acceleration and escalation over a long period of time.

But I also feel very strongly, to underscore another one of the statements made by the Senator from New Mexico, that as we review these programs, whether they be entitlements or whether they be programs that are budgeted on through the appropriations process, we must apply the same demand for efficiency. We must use the same magnifying glass as we carefully review the track record in terms of cost effectiveness of all programs across-the-board, whether they be programs dealing with food stamps, educational grants, aid to the needy, housing programs, water projects, all of which the Senator and I are deeply committed and involved and concerned about, but it must include as well those others that we are equally concerned about but perhaps less directly involved in by the fact of our committee assignments, such as the programs of defense.

I have for a long while felt that the Defense establishment has enjoyed a sort of special sacrosanct status in terms of appropriations and allocations of resources, and yet when we go back to that record we find that in contractual work there have been consistent overruns, some going as high as 400, 500, or 600 percent overruns.

Therefore, it seems to me that we have to be just as concerned about the efficiency of that agency as we are the others.

As the Senator knows, if we take a temporary target of $650 billion and extrapolate the defense expenditures of $150 billion and extrapolate entitlements, as the Senator knows, the Appropriations Committee has about $100 billion remaining in terms of actual maneuvering room in budgetary allocation and resource distribution.

I think, also, that the American people are willing to tighten their belts to whatever status they occupy in this great mosaic of the American Nation, provided they are convinced that every other segment of our population is making some adjustment and belt tightening as well.

So, I think we have the responsibility on this Appropriations Committee to demand that same care in the use of the taxpayer's dollar in all agencies.

I do not focus only on the Defense Department because there are other sacrosanct agencies around this Federal Government. Some run social programs. The Senator from New Mexico mentioned the school lunch program, and that is another program that no one challenges.

I happen to be one of the most enthusiastic supporters of the school lunch program. But I see private schools in which free lunches are provided, even though those same schools may be charging $1,500 tuition, which I think indicates that the families of the students at those schools have adequate financial resources

to pay for the lunches themselves. This weakens the entire program, when maybe some of the public schools in some of our worst ghettos really need a higher per pupil resource for providing school lunches.

In other words, I think we have illustrations that we can show the committee and this Senate out of these hearings and other data that we will acquire that every single agency of Government, without question, without exception, can undergo better and closer scrutiny than they have been receiving in the past by the Appropriations Committee.

Mr. SCHMITT. Mr. President, if the Senator will yield, I think we are well on our way to doing that not only in discussions but in informal hearings. The Senator from Oregon mentioned the school lunch program. There are many discussions I have had in the last few weeks as well as the last few years with educators in New Mexico that have convinced me that even though the aims of that program are extraordinarily worthy——

The PRESIDING OFFICER. The Chair informs the distinguished Senators that Senator HATFIELD's time has expired.

There is a special order for the Senator from Idaho (Mr. SYMMS). The Chair does not see him here at this time.

Mr. SCHMITT. Mr. President, I ask unanimous consent that the Senator from Oregon and the Senator from New Mexico be allowed to use 5 minutes of Senator SYMMS' time.

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

Mr. SCHMITT. The school lunch program, with worthy aims, is probably one of the basic ways we teach discrimination today because by the eligibility requirements we have in that program we are teaching kids that there are some kids who get free lunches, some who get 90 percent, and some who get 30 percent, and they know. You cannot hide it from them. All you have to do is to eat with them in their cafeterias, which I have done, and they know exactly the situation.

Not only that, there is a tremendous administrative burden that is borne by the States and the educational system to administer the program.

Another thing we discussed is not just the development and the production of the MX missile systems, which many, including myself, think is necessary, hopefully, as the last missile system for a national defense major intercontinental ballistic missile system, but when you look at the deployment advocated by the last administration, we are looking at tens of billions of dollars, which would be an extravagant use of money. There are much more efficient ways to utilize that system for our national defense.

This last week of hearings in which my Subcommittee on Labor, Health and Human Resources has begun its detailed look at the various programs, we have already seen within the CETA program that there is no comparison between the effectiveness of programs like the Job Corps, other vocational education programs and self-help programs which have come generally under the CETA banner; although they have had problems, they are extraordinarily effective; whereas the jobs programs has almost no effectiveness in solving the hard-core structural unemployed problems, hard-core individuals and, particularly, youths in this country.

Yesterday we explored OSHA and the mine safety and health program. There we see a sharp contrast between the effectiveness of those two programs. The mine safety and health program seems to be gradually working the bugs out. They are into training and planning and prevention now far more than they are into enforcement apparently, whereas over in the OSHA area they are still primarily in the enforcement area, and they still do not seem to be solving the basic problems of health and safety in the workplace; whereas in the mines we are starting to see a steady decline in accident rates.

So we have to look at those things. We are already gaining insight by which we can emphasize or deemphasize the various programs, and not only actually save the amounts in the budget and reduce the level of Federal spending, but we can improve services. That should be our aim, to do both, and I firmly believe we can do that.

I thank the Senator again for his cooperation in this matter.

Mr. HATFIELD. Mr. President, the Senator from New Mexico has focused upon some excellent examples which have emerged from the very early hearings he is holding, and in one of the busiest and most overburdened subcommittees of our Appropriations Committee. We are fortunate to have his energy at our disposal in carrying out our responsibilities.

I would add one last thought in the minute we have remaining. It seems to me that we must recognize the social security system has financial problems. The unemployment compensation fund has had difficulties and, as he has said, we must strengthen programs for those who are really the targets and who are really the ones in need of the resources.

We have proliferated and we have frittered away through criteria or lack of criteria of eligibility a lot of those dollars going to people who were less in need, and denying those who are the truly needy who were supposed to be the initial recipients and the continuing recipients in some instances.

So we must not only cut back where we can but also strengthen as he has indicated, the programs for those truly in need.

ORDER OF BUSINESS

The PRESIDING OFFICER (Mr. ABDNOR). The Senator from Tennessee.

Mr. BAKER. Is there further morning business? Have the special orders been concluded?

The PRESIDING OFFICER. They have not. There is still time remaining.

Mr. BAKER. Mr. President, I am advised that the Senator from Idaho (Mr. SYMMS) does not require the time allocated to him under the special order, and I yield it back.

The PRESIDING OFFICER. Does the Senator from West Virginia care to use his remaining time?

Mr. ROBERT C. BYRD. I do not. I yield it back.

The PRESIDING OFFICER. All time is yielded back.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of routine morning business for not to exceed 1 hour with Senators permitted to speak therein up to 15 minutes each.

THE REVEREND EDWARD L. R. ELSON, CHAPLAIN, U.S. SENATE

Mr. JACKSON. Mr. President, I want to take this occasion to pay a short tribute to the Reverend Edward Elson.

Those of us who have known Chaplain Elson during all of the 12 years of his service in the Senate are especially going to miss him. We have stood together during difficult times for the Nation. With undiscourageable faith he has encouraged the democratic values and the humanitarian spirit which are the special mark of the American people.

Dr. Elson was ordained on April 27, 1930 in the Presbyterian Church of Santa Monica, Calif. in which he served as assistant pastor until September 1931. From 1931–41 he was pastor of the Presbyterian Church of La Jolla, Calif.

Commissioned a chaplain in the U.S. Army Reserve in 1930 he was on extended active duty in the Army from early 1941–46 serving in the European Theatre. He has been awarded sixteen military decorations including the Legion of Merit, the Bronze Star Medal, the French Croix-de-Guerre avec Palme, and three other foreign decorations.

In 1946 he became pastor of the National Presbyterian Church in Washington, and led in the final establishment and the erection of the new National Presbyterian Church and Center. In January 1969 he became Chaplain of the U.S. Senate.

Dr. Elson served two terms as president of the Washington Federation of Churches, two terms as president of the Military Chaplains Association and two terms as National Chaplain of the Disabled American Veterans.

It has been a great satisfaction to count Dr. Elson as loyal friend and wise counselor. I join with my Senate colleagues in wishing him the very best in the years ahead in whatever challenging tasks he undertakes.

AUTHORIZATION FOR COMMITTEE ON ENERGY AND NATURAL RESOURCES TO CONTINUE MEETING UNTIL 1 P.M. TODAY

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to continue to meet on Thursday, February 5, 1981, after 11:15 a.m. until not later than 1 p.m. for a hearing and business meeting on the nomi-

nation of Donald P. Hodel as Under Secretary of the Department of the Interior.

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

Is there further morning business?

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

SRI LANKA

Mr. BOSCHWITZ. Mr. President, February 4 was the anniversary of the independence of Sri Lanka. Following four centuries of Portuguese, Dutch, and British rule, Sri Lanka had to address the demands and responsibilities of independence. While facing many of the problems of other newly independent societies of Africa and Asia, the people of Sri Lanka have managed to avoid most of the difficulties. The often difficult problem faced with transfer of power has been accomplished on six occasions each following the precepts of their constitution.

While a nation of limited resources, Sri Lanka also has managed to improve the standard of living of its people. Food consumption has increased by about 15 percent to 2,200 calories per capita; life expectancy has risen to 68 years; and infant mortality has declined to 43/1000.

Equally impressive has been the willingness of the Sri Lanka Government to institute necessary reforms to maintain its economic growth. After two decades of state-directed development, the economy faltered. By the mid-1970's previous gains were being undermined by an economic decline in deteriorating public services. With the return to power in July 1977 of the United National Party under the leadership of J. R. Jayewardene, immediate measures were taken to remedy the growing economic ills. President Jayewardene took steps to free the economy from government domination and to encourage private investment. Excessive government controls were eliminated, consumer subsidies were reduced, production incentives established, and private sector savings encouraged.

The Sri Lanka Government also has sought private international investment and international assistance to build the Sri Lankan economy. Considerable success has been achieved. In 1976 they had a net loss of nearly $4 million in the private sector investment. This year the private capital flow is expected to be nearly $60 million. Sri Lanka has also benefited from substantial increases in loans and grants from a consortium of Western democracies and international financial institutions.

Sri Lanka is setting an example for much of the developing world by pursuing a policy of greater political and economic freedom and less government interference in the lives of its people. I commend President Jayewardene and the people of Sri Lanka on the success of these policies and honor them upon the completion of 32 years of independence.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

EXTENSION OF ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, the request I am about to make has been cleared with the distinguished minority leader, I understand.

I ask unanimous consent that the time for the transaction of routine morning business, under the terms previously provided, be extended until the hour of 12:30 p.m.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

(The remarks of Mr. DANFORTH and Mr. BENTSEN in connection with the introduction of legislation are printed under "Statements on Introduced Bills and Joint Resolutions.")

THE DEBT CEILING INCREASE

Mr. MOYNIHAN. Mr. President, in this quiet morning hour I take the opportunity to speak to the question of the increase in the debt ceiling which we are going to be discussing later today and on which we will be voting.

I wish to explore just several aspects of this question, acknowledging that it has been politicized in a way that I think has not been to the advantage of Government or much less our understanding of Government in the Nation and with the hope that after the debate that now ensues we can perhaps reach some agreement between the parties that we are not going to behave like this in the future.

The point is that in making a political issue out of an elemental obligation of Government the majority party in this body has brought about very considerable confusion, I believe, in the public mind as to just what is involved here. The basic confusion is to associate the increase in Federal spending with an increase in the debt ceiling as if increasing the ceiling leads to an increase in spending rather than the reverse.

The responsibility of the U.S. Government to pay its debt to meet its obligations is elemental, and a refusal to allow the debt ceiling to increase is in effect a proposal to cancel debt, to repudiate debt. One can easily see it as a proposal appropriate to the councils of the Bolsheviks in Petrograd in 1918 or indeed the Ayatollah Khomeini in Tehran in 1979. But one does not associate the idea of repudiating the debt of the United States with the Republican Party and one does not associate it with any responsible party.

But beyond that I wish to speak to a specific which has been very little understood and perhaps we should be more open about, and that is to say that a very considerable portion of the American debt in recent years comes about simply because the Federal Government has agreed to provide financing for what are entirely private purposes or essentially private purposes in States with quintessentially Republican representatives in this body.

For example, take the Farmers Home Administration which helps farmers buy feed, fertilizer, and seed for the 1981 growing season, which provides for the construction of single-family homes and sewage treatment facilities in towns of fewer than 10,000 persons, and which has activities all across the Great Plains. This year the Farmers Home Administration will make loans to farmers and to small towns. In order to make those loans, the Farmers Home Administration must borrow from the Federal Financing Bank which must borrow in turn from the Treasury, which must borrow from the public. The total debt of the Farmers Home Administration will increase by $12.4 billion—to do good things, to build single-family houses and sewage treatment plants and to buy seed for the coming crop season. That is a lot of money $12.4 billion. A billion minutes ago St. Peter was 10 years dead. If I may say, very precious little of that money comes to the State of New York. It is to the contrary. And there is a cost to that money, the Federal interest cost, and New Yorkers have unknowingly perhaps but not unwillingly been making those payments to help the Farmers Home Administration. The Senator from New York has had to stand on the floor and vote to keep those obligations while Senators from the States that have enjoyed the benefit had the pleasure of voting against the obligations and not just voting against them but saying anyone who voted for them was doing something irresponsible.

May I point out that rural electric and rural telephone systems involved the Federal Financing Bank last year in some $4.2 billion. Almost none of it was spent in my State. Almost all of it was spent in the States of those Senators who chose to vote no in keeping those obligations, seeing that those rural electrical systems do not go bankrupt and that those rural telephone systems do not fail to meet their obligations. Those are the Senators who voted no and who said to vote yes was irresponsible.

The problem is that no one back home connected that rural electrification project with his Senator's vote and we did not either, which was perhaps our mistake.

The Tennessee Valley Authority is a program of which any New Yorker might be proud because it was first proposed by President Roosevelt, but it is not in New York. It is in a place called the Tennessee Valley.

Now, this year there will be added $2.5 billion to the Federal debt in the form of the acceptance of bonds issued by the Tennessee Valley Authority. What that means is that the Tennessee Valley Authority can borrow money at a lesser rate than it would on the open market, and build enterprises in the Tennessee Valley, in that region, which benefit those people and, in turn, however, the Federal Government has to borrow money to lend to them through the Federal Financing Bank.

In the confirmation hearings on David Stockman, who is now, of course, the Director of the Office of Management and Budget, my very good friend, the distinguished junior Senator from Tennessee, said—

Surely, you do not believe the Federal Financing Bank should be restricted in its activities when it is so important to the TVA and the people of my State?

And David Stockman responded that well, yes, he believed in helping the TVA. He also believed in double-entry bookkeeping. He said what you save here somebody pays over there, and he said that the people of New York and Massachusetts—he volunteered those examples—are paying to subsidize activities in the Tennessee Valley.

Yet when we had to vote on the debt limit last June 26, I am sorry to say that it was not possible to find anybody from the State of Tennessee voting to extend the debt limit. They want the TVA to borrow $2.5 billion through the Federal Financing Bank and the U.S. Treasury, but they certainly do not want to be held responsible for meeting those obligations.

I think that is an unfair distribution of burden. If all the benefits are there and all the burdens are here, well, perhaps, we can do without the TVA.

I know a distinguished Member of this body who in 1964 suggested it be sold. I will not name him, but he knows who he is. In point of fact, he is present.

I did not think that was such a good idea in 1964, but age and experience are opening me to new perspectives.

It is not bad; I am willing to let the Government borrow for the TVA, but I do not know why I should be driven from the Senate for doing so.

At this point, Mr. President, I would with some reluctance, but I see no alternative, put into the RECORD a newsletter published by the National Republican Senatorial Committee entitled "Targets of Opportunity" issued about this time last spring. The newsletter said, "Look out, a good opportunity is coming up."

It said: "the Democrats will vote for an increase in the national debt later this spring," and it is a good chance to jump on them.

Well, we did vote for it later that spring, because we wanted the Tennessee Valley Authority to be able to borrow from the Federal Government and build at a lower cost to the region. Can it be that nobody from Tennessee wanted that? No one from Tennessee voted for it, which I regret.

Mr. President, I ask unanimous consent that this paper be printed in the RECORD.

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

TARGETS OF OPPORTUNITY

SMOKESCREENS, HOGWASH, MIRRORS, INFLATION, SPENDING AND THINGS THAT FLY IN THE NIGHT

If you want to learn more, read on. . . .

By now you've probably seen your Democratic opponent's press release about how he voted last week for a balanced budget, to decrease taxes and to limit spending.

He will probably be home from April 4th through the 15th waving his press release about how fiscally responsible he is.

How do you, as a Republican challenger, answer these claims?

The purpose of this target is to give you a bit of history and some facts to refute those claims. If government spending is going to be the major issue this year, then you would be well advised to get on board. The Democrats have already created "their bus" and will attempt to ride it to victory.

The first thing you might do is get your hands on the Congressional Record of Tuesday, March 25, and set aside a few hours to read the debate on SJR 380, the Roth Resolution aimed at limiting 1981 spending to 21 percent of the gross national product. Notice how Majority Leader Byrd, Budget Chairman Muskie and Democrats used every parliamentary tactic to keep the Roth Resolution from coming to an "up-or-down" vote.

Rumor has it that the Democratic leadership was so desperate to hold the Democrats in line that Committee assignments were threatened. The tactics worked because only four Democrats broke rank, to vote with Republicans on the crucial vote to table the Muskie "smokescreen" substitute. It lost 45–52, so four more votes would have changed the outcome.

Of the Democrats up for reelection this year, only Stone and Talmadge voted with the Republicans, so the rest are fair game. On final passage of the Muskie, "House of Mirrors" substitute only Stone held his ground. Magnuson switched to vote with the Republicans against the Muskie substitute.

Some Facts . . .

The Roth Resolution would limit fiscal 1981 spending (October 1, 1980-September 30, 1981) to 21 percent of GNP, or, according to Senator Roth to $596 billion. Muskie said 21 percent would amount to $584 billion.

President Carter and the Democrats want to "balance the budget" at $613 billion. In fiscal 1980 spending was set at $547.6 billion, a figure which will almost certainly be changed within the next few months. We are predicting an increase of about $20 billion more than the figure that was agreed on last December in the final binding budget resolution.

The Democrats want to use about $58 billion more in taxes, including the new Windfall Profits Tax (passed March 27), increases of at least $387 on every worker in increased social security taxes beginning 1981 (right after the elections), Carter's new oil import fees (they will increase the gasoline prices 10 cents per gallon) and taxflation (see Target No. 5) to balance the budget.

The Republicans, by holding spending to a lower level, hope to root out waste, fraud and abuse, and return surpluses to taxpayers to provide some equity against inflation.

The difference in the Roth approach ($596 billion) and the Muskie approach ($613 billion) is $17 billion that could go for tax relief.

As you read this bulletin, the Democrats on the Budget Committee are running a preview of what they will do next Spring regardless of what the spending limit is—they are busting through the spending limits they agreed on only 100 days ago. They are showing their disregard for any statutory limit and their lack of commitment to budget restraints.

Senator Roth has pledged he will continue to offer his substitute throughout this session. Only when the Democrats become worried enough politically will they come over to the Roth side.

Interest on the national debt in the 1981 budget is $85.2 billion. Over 20 percent of that, or about $17 billion will be paid to foreign nationals. Yet the Democrats will vote for an increase in the national debt later this Spring if new taxes do not offset the increase in spending for 1980.

Three times on March 27, the Democrats on the Budget Committee had a chance to vote for fiscal restraint in spending that is going on right now. They rejected two attempts to hold the 1980 spending at the previously acceptable $547.6 billion level. Then they rejected a compromise to increase that level by over $10 billion.

An example of the hypocrisy which is going on is Gary Hart.

More facts . . .

On March 25th, Senator Hart voted for the Muskie substitute thereby endorsing the idea of new taxes, including the Windfall Profits Tax, to balance the budget at $613 billion.

Then on March 27th, he voted against the Windfall Profits Tax thereby removing that source of revenue. The Windfall Profits Tax passed by a wide margin.

Within hours, in Committee, he opposed holding the line on the 1980 budget twice, and even opposed increasing it by only $10 billion. He had voted only 100 days earlier for the $547.6 billion level.

Others may fall into the same category. And other votes can be identified to make a case against your opponent's fiscal irresponsibility.

Excerpts from the March 25, 1980 Congressional Record, pp. S2911–S2959:

Senator ROTH. This substitute (Muskie's) to balance the budget with higher taxes will not stop inflation. But it will allow the big spenders and the big taxers off the hook.

This proposal is nothing but a smokescreen substitute—a smokescreen to hide the attempt to balance the budget with paper spending cuts and enormous tax increases.

Senator MUSKIE. In short, achieving the 21 percent of GNP target suggested by Senate Resolution 380 (Roth's) may be theoretically possible in 1981. But to seriously attempt it would be unacceptable to most Americans and most Members of the Senate.

Senator PERCY. The Resolution before us will require cuts of about $25 billion in next year's budget. The $13 billion in cuts the President has recommended are not sufficient—without a tax increase—to bring the budget into balance. It is time we told the American people this truth and ceased play-

ing games with them. This President plans to balance the budget with tax increases when taxes are already at their highest level since World War II.

Senator WEICKER. This balanced budget is going to be achieved principally by the application of massive new revenues, and how that will solve inflation is beyond me.

Senator MCCLURE. We here today propose a clear, decisive, definitive step to take charge again of that Government, and I long to have the people know what we, on this side think and say and want to do to bring that Government under control, at long last.

Anticipated Senate Floor Votes

Some interesting Senate floor votes on the railroad industry during the week of March 31 could provide some targets of opportunity.

Monday, March 31: No action.

Tuesday, April 1: The Senate will take up the railroad deregulation bill under a time agreement.*

The purpose of the bill is to reform economic regulation of railroads by revising ratemaking provisions, changing the structure of the railroad industry, clarifying ICC's powers, and making other changes. Amendments are expected.

Wednesday, April 2: Possible consideration of a bill designed to expedite the issuing of patents.

Thursday, April 3: Although the Easter recess is from April 4 through the 14th, it's likely that the Senate will also be out on April 3.

Special note: Sometime next week all campaigns will receive the "Issues '80" book from Senator Heinz. This material was prepared by the House Republican Conference Committee and contains some dynamite issues including the "Misery Index" and the "Dollar's Decay."

This book is must reading! We were lucky to receive a limited number of copies. It will help win elections.

SENATE COMMITTEE MEETINGS AND HEARINGS

Democratic opponent, date, committee.

Hollings, Magnuson, Eagleton, Inouye, Bumpers: March 31.—Appropriations Committee. State, Justice, Commerce and the Judiciary Subcommittee hearings on the proposed budget estimate for the Chrysler loan guarantee program.

Inouye, Leahy: April 1.—Foreign Operations Subcommittee hearings on proposed budget estimates for fiscal year 1981 for foreign assistance programs.

Magnuson, Hollings, Hart: March 31–April 3.—Budget Committee. Mark-up session continues on the First Budget Resolution for fiscal year 1981.

Nelson, Eagleton, Cranston: April 1.—Labor and Human Resources. The full committee continues its oversight hearings on OSHA.

Cranston, Talmadge, Stone, Durkin: April 2.—Veterans' Affairs Committee. Hearings on the recruitment and retention of qualified health-care professionals to staff the Veterans' Administration's health care facilities.

Nelson, Long: April 3.—Finance Committee. Subcommittee on Social Security will hold hearings on the Social Security retirement test.

Eagleton, Glenn: April 3.—Governmental Affairs Committee. Hearings on a bill to establish a Commission on the international application of antitrust laws.

The Senate will be in recess from April 4 to April 14, 1980.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that, along with my previous submission, there be printed in the RECORD the voting record of the debt-limit vote that came in June.

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

SENATE VOTING RECORD No. 257

Bill No.: H.J. Res. 569.

Subject: Passage of the bill which extends the public debt limit through February 28, 1931 at an increased amount equal to $525 billion, which combined with the $400 billion permanent level, makes a total public debt of $925 billion. (See also Vote Nos. 159, 173–175 on prior extensions.)

Note: H.J. Res. 569 became Public Law 96–286, approved June 28, 1980.

H.J. Res. 569: Vote Nos. 255–257.

Result: Joint resolution passed.

YEAS (54)

Democrats (46 or 84%):

Baucus, Bayh, Bentsen, Biden, Bradley, Bumpers, Burdick, Byrd, Robert C., Chiles, Church, Cranston, Culver, Durkin, Eagleton, Exon, Ford, Glenn, Gravel, Hart, Hollings, Huddleston, Inouye, Jackson, Johnston, Leahy, Levin, Long, Magnuson, Matsunaga, McGovern, Melcher, Metzenbaum, Mitchell, Morgan, Moynihan, Nelson, Pell, Randolph, Riegle, Sarbanes, Stennis, Stevenson, Stewart, Stone, Tsongas, Williams.

Republicans (8 or 21%):

Bellmon, Chafee, Danforth, Javits, Mathias, Packwood, Stafford, Weicker.

NAYS (39)

Democrats (9 or 16%):

Boren, Byrd, Harry F., Jr., DeConcini, Heflin, Nunn, Proxmire, Pryor, Sasser, Zorinsky.

Republicans (30 or 79%):

Armstrong, Baker, Boschwitz, Cochran, Cohen, Dole, Domenici, Durenberger, Garn, Hatch, Hatfield, Hayakawa, Heinz, Helms, Humphrey, Jepsen, Kassebaum, Laxalt, McClure, Percy, Pressler, Roth, Schmitt, Schweiker, Stevens, Thurmond, Tower, Wallop, Warner, Young.

NOT VOTING (7)

Democrats (4):

Cannon—2, Kennedy—2, Ribicoff—2AY, Talmadge—2.

Republicans (3):

Goldwater—3, Lugar—2, Simpson—2AN.

Explanation of absence: 1—Official Business, 2—Necessarily Absent, 3—Illness, 4—Other.

Symbols: AY—Announced Yea, AN—Announced Nay, PY—Paired Yea, PN—Paired Nay.

ANALYSIS OF ISSUE VOTED ON:

Party cohesion:
Democrats—84 percent.
Republicans—79 percent.
Measure of Party Support on Issue as Voted on:
For (54):
Democrats—46 or 85 percent.
Republicans—8 or 15 percent.
Against (39):
Democrats—9 or 23 percent.
Republicans—30 or 77 percent.

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

Mr. MOYNIHAN. I am happy to yield to my friend from Arizona.

Mr. GOLDWATER. I have been enthralled sitting here listening to my good friend from New York. It seems like I was sitting some place 16 or 17 years ago.

The peculiar thing here about the Tennessee Valley Authority is you will recall that when the Hoover Commission was formed in the late 1940's, they made recommendations. One of the recommendations was—

Sell the Tennessee Valley Authority if you can only get a dollar for it.

The argument, I think today, is a very sound one. If I lived in Tennessee I would want my State to own the Tennessee Valley Authority or have some private company own it that could pay my State taxes for operating it.

That would help my people, it would help build schools, it would help build roads. But, no, as the Senator suggests they continue to borrow money. He did not mention the interest rate. I am not sure what the rate is, but I do not think it is 20.5 percent.

Mr. MOYNIHAN. The rates are lower, may I say, because they borrow from the Federal Treasury, and get that subsidy.

Mr. GOLDWATER. The Senator is so absolutely right in his arguments. I agree with everything the Senator has said.

I think if we are going to get on top of this inflation problem, if we are going to ever hope to balance the budget, we are going to have to begin to say to some of our privileged Americans—

We have gone far enough. Now it is time you go it on your own.

It is going to be rough, it is going to be tough, but I would rather have it rough and tough on a relatively few people than rough and tough on 230 million people.

As a Republican I want to thank my Democratic friend for preaching the gospel to my party. I hope we listen.

(Mr. SYMMS assumed the chair.)

Mr. MOYNIHAN. I thank my friend, the distinguished chairman of the Intelligence Committee.

There is a story of the English clergyman Sidney Smith, who met a friend in Fleet Street one day and he said—

I am just on my way to St. Paul's to pray for you, but with very little expectation of success.

I do not know whether the majority party in this body can be converted but, Mr. President, I do not mind so much voting to allow borrowing by the Tennessee Valley Authority and the rural electric co-ops and telephones and sewage systems in small towns in Kansas and Nebraska, but I do kind of resent the people for whom one is voting trying to get rid of those of us in the Senate who vote for them.

The majority party had better watch out. If they succeed and drive us from this body one by one there will be nobody to vote for their programs in the future. They do not vote for them. They insist that we do, and they will look up one day and there will not be anybody in this body who will vote for the TVA, and then how will they explain that back home?

Prudence, gentlemen and ladies. You need us over here, and that is why, Mr. President, I ask unanimous consent at this point in the RECORD that we print a

*An agreement between the Majority and Minority Leaders on when the vote will be taken, how long the debate will be, how many amendments will be considered, etc.

statement by the National Conservative Political Action Committee which targets 20 Senators—I have to tell you I am one of them—for 10 grievously wrong votes in the last Congress, and among these grievously wrong votes was the June 26 increase in the national debt of $46 billion.

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

NCPAC LOOKS AHEAD TO 1982

WASHINGTON, D.C.—With the 1980 election exactly one week old, the National Conservative Political Action Committee (NCPAC) today announced a list of 20 liberal senators as "potential" targets for the 1982 Senatorial elections.

John T. (Terry) Dolan, Chairman of NCPAC, in announcing the list, said: "These politicians have consistently opposed tax cuts, voted against balanced budgets and against a strong national defense. And of course, almost all of these Senators voted to give away America's Panama Canal."

Among those Senators on the target list were Ted Kennedy of Massachusetts, Howard Metzenbaum of Ohio, Don Riegle of Michigan, Paul Sarbanes of Maryland, and Harrison Williams of New Jersey.

Dolan said that the final list of targeted Senators would be determined after analyzing election and polling results and polling NCPAC's contributors to determine the most important targets. NCPAC also intends to explore the possibility of attempting to defeat the Senators in primaries as well as in general election contests. The possibility of targeting key liberal leaders in the House of Representatives like Morris Udall, Majority Leader Jim Wright and Phillip Burton is also being considered.

Dolan added that there was nothing "personal" about the campaign against the liberal Senators. "We feel that they are loyal Americans with good intentions who are simply wrong. Wrong because the policies they support have given America record inflation, unemployment and high interest rates. Wrong because the policies they support have weakened America's national defense. And wrong because these 20 Senators simply do not represent the mainstream of American politics or the states they represent."

Dolan said that no determination has been made about budgets for the targeting program, but said that the amount would certainly exceed the $1.2 million NCPAC spent on its independent effort in 1980.

Senators		Panama Canal (1)	Kemp-Roth (2)	New York City bail-out (3)	B-1 bomber (4)	Aid to Nicaragua (5)	Neutron bomb (6)	$88 billion tax increase (7)	Salt II (8)	Increase national debt (9)	Department of Energy (10)
Kennedy	6.5	Wrong	Wrong	Wrong	Wrong		Wrong				
Riegle	7.75	Wrong	Wrong		Wrong		Wrong	Wrong	Wrong	Wrong	
Metzenbaum	8.25	Wrong	Wrong		Wtong	Wrong	Wrong	Wrong	Wrong	Wrong	Wrong.
Sarbanes	9.0	Wrong	Wrong		Wrong	Wrong	Wrong	Wrong	Wrong	Wrong	Wrong.
Williams	12.0	Wrong	Wrong	Wrong	Wrong	Wrong	Wrong	Wrong		Wrong	Wrong.
Jackson	15.75	Wrong	Wrong	Wrong	Wrong	Wrong	Right	Wrong	Wrong	Wrong	Wrong.
Burdick	17.5	Right	Wrong	Right	Wrong	Right	Right	Wrong	Wrong	Wrong	Wrong.
Moynihan	19.0	Wrong	Wrong		Wrong	Wrong	Right	Wrong	Wrong	Wrong	Wrong.
Melcher	21.75	Right	Wrong	Wrong	Wrong	Right	Wrong	Wrong	Wrong	Wrong	
Matsunaga	22.75	Wrong	Wrong		Wrong	Wrong	Wrong	Wrong	Wrong	Wrong	Wrong.
Stafford	24.5	Wrong	Wrong	Wrong		Wrong	Right	Wrong		Wrong	Wrong.
Chafee	24.5	Wrong	Right		Wrong	Wrong	Wrong	Wrong	Wrong	Wrong	
Weicker	34.75	Wrong	Wrong	Wrong	Right	Wrong	Wrong	Wrong	Right	Wrong	Wrong.
Proxmire	34.75	Wrong	Right	Wrong	Wrong	Right	Wrong	Right	Wrong	Right	Wrong.
Byrd	38.75	Wrong	Wrong	Wrong	Wrong	Right	Right	Wrong	Wrong	Wrong	Wrong.
Sasser	41.0	Wrong	Wrong		Right	Wrong	Right	Wrong	Wrong	Right	Wrong.
Cannon	49.0	Wrong	Wrong	Right	Right		Right	Wrong	Wrong		Wrong.
DeConcini	50.25	Wrong	Wrong		Right	Wrong	Wrong	Right	Wrong	Right	Wrong.
Bentson	53.0	Wrong	Wrong	Wrong	Right	Wrong	Right	Wrong	Wrong	Wrong	Wrong.
Chiles	55.75	Wrong	Wrong	Wrong	Wrong		Right	Wrong	Wrong	Wrong	Wrong.

LIBERAL SENATORS UP IN 1982: VOTING RECORD ON 10 KEY ISSUES

1. Panama Canal giveaway. April 18, 1978. CQ 119.
2. Kemp-Roth tax cut. Oct. 6, 1978. CQ 447.
3. New York City bail-out—almost $7 billion in "loans." Dec. 6, 1975. CQ557.
4. Against building B-1 bomber. July 18, 1977. CQ 297.
5. $75 million in aid to Nicaragua, January 1980. CQ 17.
6. Against producing neutron bomb. July 13, 1977. CQ 280.
7. $88 billion tax increase in 1981, and $47 billion deficit in 1980. June 12, 1980. CQ 200.
8. Withdrawing SALT II from Senate consideration. Jan. 22, 1980. CQ 2.
9. Increase national debt another $6 billion to $925 billion. June 26, 1980. CQ 254.
10. Create Dept. of Energy at cost of $10 billion its first year alone. May 18, 1977. CQ 148.

Mr. MOYNIHAN. One could make an argument for or against these activities, but I do not think it is good politics, in the best sense of that word, for us to so misrepresent the nature of the national debt that one feels comfortable asking for the defeat of those Senators who have stood on this floor and said: "We will meet the responsibilities of the Federal Government. We will not repudiate our debt and we will not abolish those programs very important to the Members on the opposite side of the aisle, who have never been required at home to associate those things they value in rural electrification, the TVA, and so forth, with the borrowings of the Federal Government which makes those things possible."

Mr. President, I ask unanimous consent that a summary of the Federal Financing Bank's acquisitions, as included in a special annex of the President's budget message, be printed in the RECORD.

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

TABLE F-4.—FFB ACQUISITIONS

[In millions of dollars]

Agency or program	1980 actual	1981 estimate	1982 estimate
Purchase of loan assets from:			
Overseas Private Investment Corporation (FAP):			
New acquisitions			
Net outlays	−4	−5	−5
Outstandings	33	28	23
Farmers Home Administration CBO's (USDA):			
New acquisitions	11,381	16,070	7,531
Net outlays	6,881	12,420	6,056
Outstandings	37,961	50,381	56,437
Rural Electrification Administration CBO's (USDA):			
New acquisitions	689	516	624
Net outlays	689	516	624
Outstandings	1,912	2,428	3,052
Medical facilities guarantees (HHS):			
New acquisitions			
Net outlays	−4	−4	−5
Outstandings	164	160	155
Health maintenance organizations (HHS):			
New acquisitions	39	52	76
Net outlays	26	51	59
Outstandings	105	156	215
Small business development company loans (SBA):			
New acquisitions			
Net outlays	−15	−15	−15
Outstandings	89	74	59
Other agencies and programs:			
New acquisitions			
Net outlays			
Outstandings	177	177	177
Subtotal, purchase of loan assets:			
New acquisitions	12,110	16,637	8,230
Net outlays	7,572	12,962	6,713
Outstandings	40,442	53,405	60,118
Direct loans (purchases of loans guaranteed by agencies):			
Foreign military sales credit (FAP):			
New acquisitions	2,380	2,600	3,000
Net outlays	1,932	2,010	2,220
Outstandings	7,209	9,219	11,439
Rural Electrification Administration (USDA):			
New acquisitions	2,498	4,258	5,129
Net outlays	2,498	4,258	5,129
Outstandings	8,424	12,682	17,810
Guarantees of SLMA obligations (DEd):			
New acquisitions	1,070	1,095	1,923
Net outlays	1,070	1,095	1,923
Outstandings	2,345	3,440	5,363
Electric hybrid vehicles (DOE):			
New acquisitions	1		
Net outlays	1		
Outstandings	1	1	1
Low-rent public housing (HUD):			
New acquisitions	119	1,458	957
Net outlays	119	1,457	942
Outstandings	119	1,576	2,517
Community development grants (HUD):			
New acquisitions	45	270	272
Net outlays	34	249	230
Outstandings	46	295	527

TABLE F-4.—FFB ACQUISITIONS—Continued

[In millions of dollars]

Agency or program	1980 actual	1981 estimate	1982 estimate
New communities (HUD):			
New acquisitions			
Net outlays	−5		
Outstandings	34	34	34
Loans to territories (Interior):			
New acquisitions	9		
Net outlay	9	(*)	(*)
Outstandings	66	66	66
Railroad programs (DOT):			
New acquisitions	1,222	545	325
Net outlays	161	210	318
Outstandings	1,142	1,352	1,670
Public building CBI's [1] (GSA):			
New acquisitions	42	110	6
Net outlays	40	109	−1
Outstandings	458	567	566
Satellite leases (NASA):			
New acquisitions	107	102	144
Net outlays	107	102	144
Outstandings	530	632	776
Small business investment companies (SBA):			
New acquisitions	149	360	360
Net outlays	142	342	330
Outstandings	478	820	1,150
TVA's Seven States Energy Corporation:			
New transactions	2,436	3,437	4,502
Net outlays	685	277	257
Outstandings	685	962	1,219
Subtotal, direct loans (purchase of loans guaranteed by agencies):			
New acquisitions	10,079	14,236	16,616
Net outlays	6,792	10,109	11,493
Outstandings	21,536	31,646	43,139
Subtotal, all direct loans and purchases of agency loan assets:			
New acquisitions	22,188	30,873	24,846
Net outlays	14,365	23,072	18,206
Outstandings	61,978	85,050	103,257
AGENCY BORROWING ADDENDUM			
By on-budget agencies:			
Export-Import Bank:			
Net change	2,114	2,582	3,067
Outstandings	10,067	12,649	15,716
Tennessee Valley Authority:			
Net change	1,810	2,200	2,100
Outstandings	8,935	11,135	13,235
National Credit Association:			
Net change	90	210	300
Outstandings	90	300	600
By off-budget Federal entities:			
U.S. Railway Association:			
Net change	36	−258	30
Outstandings	482	224	255
Postal Service:			
Net change	−67	−232	−67
Outstandings	1,520	1,288	1,221
Agency borrowing:			
Net change	3,983	4,503	5,430
Outstandings	21,094	25,596	31,027

[1] Certificates of beneficial interest.

Mr. MOYNIHAN. Mr. President, I thank the Chair. I believe my time has now expired.

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

Mr. MOYNIHAN. Mr. President, I thank the Chair for his gracious patience as I think I probably used more than a few minutes extra.

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. JEPSEN assumed the chair.)

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

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

The Chair recognizes the distinguished Senator from Idaho, Mr. SYMMS.

(The remarks of Mr. SYMMS and Mr. JEPSEN in connection with the introduction of legislation are printed under "Statements on Bills and Joint Resolutions.")

APPOINTMENT BY THE VICE PRESIDENT

The PRESIDING OFFICER (Mr. SYMMS). The Chair, on behalf of the Vice President, pursuant to the order of the Senate of January 24, 1901, as modified February 3, 1981, appoints the Senator from Kansas (Mrs. KASSEBAUM) to read Washington's Farewell Address on February 16, 1981.

THE EXPORT TRADING COMPANY ACT OF 1981, S. 144

Mr. JEPSEN. Mr. President, I rise in support of the Export Trading Company Act of 1981, S. 144, introduced by my distinguished colleague from Pennsylvania (Mr. HEINZ). I am pleased to be a cosponsor of the bill.

As Senator HEINZ indicated in his statement January 19, our trade deficit is getting progressively worse; in fact, it could run to $50 or $60 billion this year. Although this bill will not solve all of our trade problems, it is a step toward lowering this deficit—a deficit not owed to the American people, but to our foreign trade partners. This bill will promote the export trade so vital to the economy of Iowa, as well as the Nation's economy.

Title 1 of the proposed legislation promotes export trade by increasing the financial leverage of exporters. Passage of this act would permit banks to make a limited investment in export trading companies. An improved guaranteed program to support commercial loans would be developed by the Export-Import Bank. Furthermore, title 1 directs the Secretary of Commerce to promote export trading companies by providing information about these companies to producers.

Title 2, a revision of the Webb-Pomerene Act of 1918, permits companies to obtain preclearance for specific trade export operations. This gives a company clear knowledge about activities that will become subject to antitrust action. I urge my colleagues to become familiar with the numerous benefits offered in the specifics of this bill.

In Iowa, our export trade situation is much healthier than in most other States. The percentage of Iowa manufacturing companies that export is twice that of the national average. Presently, 750 companies in Iowa are exporting manufactured goods. More importantly, 300 more companies have expressed interest in exporting. They have not done so for a variety of reasons, but hopefully this bill will eliminate many of the obstacles they face.

One purpose of this bill is to encourage small- and medium-sized companies to join together and form viable export trading companies and associations. Because of current law, many companies are inhibited by antitrust fears. Furthermore, the bill would allow small- and medium-sized companies to combine capital and spread out risks. This would improve their ability to compete in the export market.

Finally, passage of this legislation would allow the banking community to become involved in export trade. Specifically, this would provide the much-needed financial resources and expertise to export trading companies and associations so that they may participate in the competitive export market.

Iowa's export business accounted for approximately 15 percent of the gross State product in 1978. If the national percentage could match Iowa's, then our country would be operating at a $136.4 billion surplus of trade.

Mr. President, I feel that much of Iowa's success in the export market can be attributed to the trade missions, seminar, and referral services performed by the Iowa Development Commission. This bill encourages the use of intermediaries to provide similar marketing and financial tools to small- and medium-sized businesses. This type of service has worked well in Iowa, and I am confident it will work just as well on the national level.

S. 144 is a step toward lowering our ever-increasing trade deficit by providing a means for small- and medium-sized businesses to participate in the competitive export markets. I welcome the support of my colleagues in the passage of this needed legislation.

CHEMICAL WEAPONS: BUILD UP OR DISARM?

Mr. COCHRAN. Mr. President, the issue of whether the United States should manufacture binary chemical weaponry is the subject of continuing controversy. The 96th Congress took a step toward the manufacture of these weapons by funding an initial $3.15 million for construction of a production facility at Pine Bluff, Ark. Congress refused, however, to appropriate an additional $19 million for the equipment of the facility. The new Congress and the Reagan administration will very likely have to face the issue again this year.

As I noted during the debate last year, any decision to proceed with the Pine Bluff facility will have a major impact on other defense priorities, on our top NATO objective of deploying new theater nuclear weapons in Europe, and on the ongoing United States-Soviet negotiations on chemical weapons. That decision will have to be made in the midst of considerable debate over alleged Soviet use of lethal chemical weapons in Afghanistan as well as uncertainty over the Russian capacity to wage chemical warfare.

The chemical weapons controversy has been extensively explored in an excellent article in Chemical and Engineering News. The article helps to provide a more complete understanding of this critical issue.

Mr. President, I ask unanimous consent that the article "Chemical Weapons: Build Up or Disarm?" from the December 1, 1980 issue of Chemical and Engineering News be printed in the RECORD.

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

CHEMICAL WEAPONS: BUILD UP OR DISARM?

(By Lois R. Ember)

In an antiphonal response to alleged Soviet use of lethal chemical weapons in Afghanistan and to other events, Congress recently voted $3.15 million to begin construction of a binary weapons production facility at Pine Bluff Arsenal, Ark. An amendment to the 1981 defense appropriations bill for $19 million to equip that facility almost survived final conference committee wrangling.

Almost. But for two days the next chairman of the Senate Appropriations Committee, Mark O. Hatfield (R.-Ore.), inveighed against setting a precedent in haste. He argued that little debate and no hearings had been held on the chemical weapons issue, that our NATO allies had not been consulted, that no budget request had been made by the Administration, and that the implications for arms control had not been considered. His arguments, which echo those of Harvard University biochemist and chemical-weapons expert Matthew Meselson, prevailed—at least for the moment.

Hatfield also is bothered by other concerns. One, that in a chemical war the greatest casualties would be sustained by unprotected civilians—a concern the West Germans are said to share. And two, that the weapons would become enticing munitions for developing countries that are unable to produce nuclear weapons, and for terrorists.

The conference hearings were held in closed session, but it is possible to speculate that telling arguments centered on the cost, need for, and utility of nerve-gas munitions that would have been produced at the Pine Bluff facility.

Gordon M. Burck, formerly an analyst with the Center for Defense Information, Washington, D.C., and now a consultant with MathTech Inc., Arlington, Va., says the $22 million that this Congress could have approved would have been only a down payment on a $170 million binary weapons plant. In 1984, this plant would have manufactured a binary version of an existing weapon—the 155-mm artillery shell filled with nerve gas Sarin (or GB). At a later date, 8-inch shells containing the nerve gas VX would have been produced. Burck estimates the cost of these binary replacements at $3 billion to $4 billion.

According to Meselson and another academic expert, Julian Perry Robinson of the University of Sussex, the U.S. has stockpiled a vast supply of GB and VX artillery shells. These are perfectly usable. But neither they nor their binary cousins have any military utility unless they are "forward deployed," Hatfield argues. "The problem," Meselson says, "is that almost all of our stockpile of ground-fired chemical munitions (artillery and mortar shells) is in the U.S., and we can't get it out of here because our NATO allies won't let us put it over there."

Indeed, most of the U.S.'s estimated 37,000 tons of chemicals (mustard and the two nerve gases) are stored at 11 sites in the continental U.S. But there are also small stockpiles at two sites in West Germany and on Johnston Island in the Pacific.

Setting aside the question of Soviet chemical capability, the issue of U.S. need for a new family of offensive chemical weapons and a production facility to fulfill that need is likely to resurface next year. Soon after the $19 million was stripped from the money bill, Sen. John Stennis (D.-Miss.), soon to become ranking minority member of the Appropriations Committee, characterized the deletion as a temporary postponement and not a derailing action. Sen. John Tower (R.-Tex.), who will become chairman of the Senate Armed Services Committee, is already on record as favoring binary arms.

What may change next year is the debate over the nature of the production facility. Some experts feel that the first phase of a multiphase chemical arms program should focus on bombs, not artillery shells. Military analyst Amoretta M. Hoeber of Systems Planning Corp., Arlington, Va., a consulting firm with several defense contracts, is one who believes this. She says bombs offer "flexibility in basing and use, they can be used both at the front lines and on air bases, ports, and storage sites."

Whether shells or bombs, the binary munition will produce the same organophosphorus nerve gases developed decades ago by the Germans and the British; only the packaging changes. Despite a more than twofold increase in R&D funds since 1978, the search for new lethal nerve gases, especially among the carbamate insecticides, has proved futile.

Under the binary concept, two nonlethal precursors react after firing to form the lethal nerve gas GB or VX. There is no evidence in the published literature that the Soviets have developed a binary system for their main nerve gas Soman (GD).

Binaries are being promoted because they are safer than unitary nerve gas munitions to produce, transfer, store, and discard. Yet the Army has handled the unitary weapons safely for decades. And the components that react to form the lethal nerve gases in the binaries are not harmless. Methylphosphonyldifluoride (DF), a precursor to the nerve gas GB, is as toxic as strychnine, and vapors of ethyl 2-(diisopropylamino)-ethylmethylphosphonite (QL), a precursor to VX, cause gastric distress, breathing difficulties, and a skin rash.

These safety features, however, presumably offer a psychological balm to military commanders who have a deep and abiding abhorrence of chemical weapons, which they view as too unpredictable and capricious. Presumably these features also make chemical weapons more acceptable to the NATO allies in whose countries the U.S. would like to deploy them.

Both presumptions are questionable. Nonetheless, binaries are seen as the only way the U.S. can politically re-enter the chemical arms race with the U.S.S.R., a race it dropped out of in 1969 when production of all chemical weapons was halted. Binaries are, in effect, a technological fix to the political, diplomatic, and environmental quagmire of rearmament.

Binary weapons have been on the military's drawing boards since 1949, and were ready for production in the 1970's. But even before this latest setback, the Army's persistent requests since 1974 for funds to build a binary arms facility at Pine Bluff Arsenal had been rebuffed repeatedly. Several Congresses and three Presidents have denied or deleted these requests from the budget. The reason was the fear that U.S. resumption of chemical arms production would further hamper strained bilateral U.S./U.S.S.R. chemical weapons treaty talks that have been in progress in Geneva since 1976.

That fear, argument if you will, is still valid today. Why then has the controversial and recurrent issue of chemical warfare risen Phoenixlike from the hot crucible of cold war? Why did this Congress pre-empt the President's prerogative to set defense policy?

According to the Defense Department and its military apologists, world events past and present have reached critical mass. These events have heightened tensions and tightened the spring that eventually will catapult the U.S. into renewed chemical arms production. Unless, of course, the U.S. and U.S.S.R. agree on a chemical arms accord that they can present for negotiation to the multilateral Committee on Disarmament also meeting in Geneva.

Among the events most frequently cited are the alleged Soviet release of lethal chemicals in Afghanistan; the 1979 anthrax epidemic that killed scores in the Urals city of Sverdlovsk; the capture of Soviet-supplied chemical weapons and equipment after the 1973 Mideast War; and the use of poison gases in Laos and Cambodia by Vietnam, the Soviet proxy in that region. Also, opponents of chemical rearmament add, binary weapons, long under development, are now ready for mass production.

The Soviets are said to have superiority over the U.S. in chemical stockpiles, testing facilities, training activities, equipment (but not personnel protective gear), and force structure. This has convinced some that the U.S. ought to build up its chemical stockpiles and better train its troops to fight in a chemical environment. However, the events often cited as reasons for a chemical rearmament weaken under close scrutiny.

For example, last December Soviet troops and tanks tramped into Afghanistan. Soon from rebels and refugees came reports that the Soviets had used lethal gases to flush out the resistance fighters from the craggy nooks of the Afghan landscape. Although it is likely that the Soviets used chemical weapons there, neither the Pentagon nor the State Department claims hard evidence that the weapons contained lethal gases. More likely, the Soviets used nonlethal crowd-control agents, similar to those the U.S. deployed in Vietnam. There is better, but not absolute, evidence that lethal gases were used by Soviet proxy forces in Southeast Asia.

What happened in Sverdlovsk remains a mystery. Still unresolved is whether the anthrax outbreak was due to the gastric variety, which the Soviets claim, or the inhalation variety—the result of an accident at a germ warfare production plant—which U.S. intelligence sources suspect. If the vector of death was inhalation, then the Soviets have violated the 1972 biological weapons ban treaty to which they are a signatory. Such a flagrant violation would call into question their sincerity in negotiating a viable chemical arms treaty.

Despite these 1979 events, the military was already galvanized. Nothing so stirred the Defense Department out of complacency, says department spokesman Lee DeLorme, than the chemical warfare paraphernalia and equipment captured by the Israelis from the Soviet-supplied Arab forces during the 1973 Mideast War. The captured goods supposedly indexed the massive dimensions of the defensive and offensive measures the Soviets had taken to shore up their chemical warfare capability at a time when U.S. interest and capabilities were flagging.

Critics of chemical rearmament acknowledge a better Soviet defensive posture. But they point out that the Soviets sustained the greatest chemical-related casualties and fatalities during World War I, the only time lethal chemicals have been used on a large scale. That war experience and U.S. buildup of chemical arms in the 1950's and 1960's may have sparked the Soviets' increased attention to protective measures and training in a chemical environment, the critics reason.

Soviet offensive capability is another matter. A thorough search of unclassified documents and extensive talks with knowledgeable officials have led critics Meselson, Burck, and William M. Arkin, a senior analyst with the Center for Defense Information, to conclude that there is no "hard evidence" that the Soviets have built up their offensive chemical capability in the past decade. No hard evidence that the Soviets "have or have not produced lethal chemical munitions since the U.S. stopped production" of these weapons in 1969, wrote Meselson in a recent letter to the *New York Times*. "No evidence

that the Soviet Union finds chemical weapons to be central to its conduct of military operations, and that it has integrated offensive chemical weapons into its military force structure and can't operate without them." Arkin, a former Army intelligence officer, tells C&EN.

"There is widespread belief within the department that the Soviets have an enormous chemical capability, DeLorme says, "and that they have continued over the years to increase and to modernize that capability." Yet he admits that the equipment found after the 1973 Mideast War was primarily defensive or protective in nature.

But then he counters: "When you couple the pervasiveness of their protective equipment with the level of training that they do (the fact that they train with "live" agents), plus an understanding that they view chemicals as simply another conventional weapon, I think you are led to the conclusion that they have a tremendous capability and it is part of their doctrine to use that capability."

Two arguments thread simultaneously through discussions of relative U.S./U.S.S.R. chemical warfare capabilities: the need for a strong defensive posture, and the requirement for a "credible" offensive chemical deterrent. These arguments must be untangled and examined separately.

There is unanimity that the U.S. has allowed its defensive posture to lag, and that money would be well spent on R&D to improve protective equipment and antidotes to nerve agents, and to increase training in a chemical environment.

The U.S. has begun to rectify these deficiencies. Defensive R&D expenditures have increased substantially over the past few years. The Army has set up a chemical warfare training school at Fort McClellan, Ala. And even NATO ally Britain has recently opened a 3000-acre chemical weapons test and training range near Porton Down.

These stepped-up measures are important. Meselson argues repeatedly that chemical arms are less effective than conventional high-explosive weapons in inflicting casualties once the enemy takes effective defensive measures; that is, "suits up." The Center for Defense Information concludes that "the military significance of chemical weapons in the face of an enemy's defensive capacity is not very great." Even Hoeber, who argues for a stronger chemical warfare posture, agrees with the need for good defenses.

There is no agreement, however, on whether the U.S. has a credible chemical deterrent. Opponents of an arms buildup contend that the present offensive stockpile in in U.S. is and has acted as a deterrent against the widespread use of lethal chemical weapons Presumably, U.S. military doctrine of no-first-strike use of chemical weapons but retaliation-in-kind if attacked with such weapons, plus its stated intention to use nuclear weapons if it were losing a conventional war has acted as a deterrent, they argue. Finally, some critics argue that rather than raising the nuclear threshold, a renewed U.S. chemical buildup might have the effect of lowering it.

Advocates for a buildup contend that the U.S. does not have a credible chemical deterrent, and this lowers the nuclear threshold. For example, undersecretary of Defense for research and engineering William Perry says that the U.S. has "barely enough chemical weapons" to retaliate against an enemy's first-strike use of lethal poisons. DeLorme says, "We don't have sufficient stock to fight a chemical war." Without the ability to deter the Soviets from using chemicals in a European land war, the argument goes, the U.S. and its NATO allies would be forced to resort to nuclear weapons early, or face the chemical destruction of their forces.

This fall, the Defense Science Board reviewed the U.S. chemical warfare capability. The chemical weapons task force, chaired by Massachusetts Institute of Technology chemist John Deutch, concluded that there was a chemical threat, that there was a Soviet offensive capability that needed to be responded to, and that the U.S. needed a retaliatory capability to negotiate an effective arms-control agreement.

In short, the Deutch panel felt that to deter the Soviet use of chemical weapons, the U.S. could not rely on its stockpiles of conventional or nuclear weapons. Rather, to counter a chemical attack, the U.S. must have a sufficient supply of chemical weapons to force Soviet and Warsaw Pact troops into their protective gear, and to pose a threat to their airbases and other support operations, the panel said.

To improve its chemical warfare posture, according to the panel, the U.S. should "demilitarize" the existing stockpile of unitary nerve gas arms, replace some of these with binary weapons, and improve protective measures and troop training. In particular, the panel recommended more research on the nonlethal, long-term effects of nerve agents, and on the development of antidotes to these agents.

Contrary to the opinions of Meselson and Burck and a 1974 statement of the American Society, the Deutch panel did not think that the safety of binary weapons would make their use more appealing to terrorist groups.

George Washington said that "to be prepared for war is one of the most effectual means of preserving peace." Apparently the Deutch task force would also add "and achieving arms control agreement." It felt that conversion of the U.S.'s nerve gas stockpile to binary weapons would more than likely hasten agreement on chemical weapons disarmament. Others disagree.

Four years ago, at an ACS symposium on binary weapons and chemical disarmament, Robert Mikulak of the Arms Control & Disarmament Agency said: "Congress has been asked but has not yet authorized construction of a binary production facility. I think the reasons are important. Large in the Congressional consideration, as I understand it, is concern about the possible effect of binary production, or even preparing for such production, on chemical weapons arms control negotiations. In my view, these Congressional concerns are well founded. To push ahead with binaries now would not help us to reach an effective chemical weapons agreement. Quite the opposite, in fact; one result might well be to revive pressures for an immediate and poorly verified prohibition."

Arkin agrees with Mikulak. For one thing, he does not see how building up a binary capability will significantly improve U.S. offensive capability "because we don't integrate chemical weapons into our forces anyhow." For another, Arkin feels that "production of chemical weapons at this time would be divisive in terms of arms control prospects." His Center for Defense Information fails to see a connection between renewed U.S. emphasis on chemical production and the willingness of Soviets to negotiate a treaty on chemical weapons. "What is holding up the treaty now is verification, not questions of stockpile or deterrent capabilities," Arkin says.

The military, however, believes that a chemical arms buildup is a prime deterrent to chemical warfare, and a prerequisite to arms control talks. Charles H. Bay, commander of Dugway Proving Ground, Utah, writes in Parameters, the journal of the Army War College, that such a buildup "is needed to influence the Soviet negotiating position, to reduce the risk that a war in Europe might include the use of chemical weapons, and to better cope with such an eventuality if it occurred. The need for an improved deterrent and retaliatory chemical weapons stockpile does not conflict with the desirability of chemical weapons disarmament."

Hoeber, whose opinions are likely to influence the defense policies of the Reagan Administration, supports Bay's views. She writes: "it is important not to confuse a national policy of no-first-use and a national goal of effective arms control with the need to be able, first, to cope with the imposition of a toxic environment, and second, to respond in kind if and as long as that remains a U.S. policy option. The U.S. should not curtail chemical warfare activities out of a 'spirit of the negotiations' and, in negotiating, should not continue to unilaterally constrain its security choices."

All major nations of the world are parties to the 1925 Geneva Protocol. This treaty prohibits the use in war of chemical weapons, but it does not prevent the peacetime production of these weapons. Some nations accept the protocol as an absolute prohibition; others, including the U.S., U.S.S.R., Britain, and France (the only other nation besides the U.S. and the U.S.S.R to have a militarily significant chemical arms stockpile), reserve the right to retaliate in kind if the protocol is violated by an enemy.

The weaknesses of the Geneva Protocol permitted the massive chemical warfare preparations of both the U.S. and U.S.S.R. Presumably, however, an assessment of its military utility and a repugnance for chemical warfare in general brought the two nations together. They have been meeting in Geneva since 1976 to negotiate an accord that would ban the development, production, and stockpiling of chemical weapons. Any initiative that resulted from these talks then would be presented to the multilateral Committee on Disarmament, which has been meeting separately to hammer out an agreement acceptable to its 40 members.

Progress has been made in the bilateral talks, but a major roadblock remains: verification or the means to assure that no country can create and hide a militarily significant stockpile of chemical arms.

The last bilateral talks were held in July. Then the two countries agreed in principle on the need for on-site inspection. No future talks have been scheduled. And arms control negotiator Mikulak says that progress made in the last few sessions has been only "modest." Therefore, reaching agreement on a bilateral accord is not likely anytime soon.

Most opponents of chemical rearmament feel as Arkin does. "The fact that the Soviets have been at the negotiating table since 1976 indicates that they must be concerned about the control of chemical weapons," he says. Bay and defense analyst Hoeber, however, disagree with this position. They view the long-standing treaty talks as a Soviet ruse to keep the U.S. chemical warfare posture inferior to theirs.

Hoeber writes: "Allowing a potential treaty which is merely under discussion . . . to determine the U.S. posture at this stage makes a travesty of the arms control negotiation process." She says talks are meaningless "if the Soviets can halt U.S. efforts to redress Soviet advantages merely through their continuing presence at the negotiating table, with no noticeable reins on their own programs."

Hoeber sees only one motivation for the Soviets' interest in negotiating a chemical arms ban: deception or a propaganda ploy. The Soviets' objective? "Continued debilitation of U.S. efforts to redress the balance, thus cementing an assymetry in their favor," Hoeber contends.

She wrote these words in 1978, and times change. The death of SALT II and at least the hint of some mincing steps toward negotiating a new strategic arms limitation treaty make "the prospects for arms control on chemical weapons pretty good," Arkin says. "First, because the military significance of the use of chemical weapons is questionable—giving up these weapons doesn't create national security issues; and, second, in

the coming years both sides will want to do things that will build confidence (in the other side) in their ability to conduct arms control," he elaborates.

Meselson agrees. "If President Reagan needs a new way of controlling soaring defense costs, of achieving better coordination with our European allies, and of getting a more realistic, workable arrangement with the Soviets, a chemical arms treaty could fit in," Meselson says. To date neither Reagan nor his advisers have broached the subject.

There is no doubt, though, that the Reagan Administration will have to confront the issue early and head-on. Next year, the U.S. and U.S.S.R. will be back at the negotiating table, and the controversial issue of binary weapons production will again be introduced in Congress.

This year, a $19 million item to purchase equipment to outfit a binary production facility was able for two days to stall approval of a $160 billion defense appropriations bill. Next year, Congressional debate is likely to be as heated and as emotional. Chemical warfare is a highly charged issue, both psychologically and militarily.

Clothed in protective gear, a soldier becomes a concrete symbol of man's primordial fear: the specter of death. Without such protection, the wraith becomes reality. In a chemical war, unprotected civilians are likely to be the casualties. Both the U.S. and U.S.S.R. know this. Perhaps one of the reasons for building up our offensive capability now is to present a veiled threat to the Soviet population in a chemical version of MAD, mutually assured destruction.

Certainly, the Congressional insertion of the $19 million did not evolve from an analysis of the state of our current stockpile and its deterrent capability. Such analyses are currently under way, and one coordinated by the National Security Council is expected to be ready to influence the next budget exercise.

According to Arkin, "The genesis of the decision to build binary weapons is much more connected to expressing our displeasures with the state of the military balance, with our supposed theories of the use of weapons, and with Soviet behavior in Afghanistan."

Hints of the winds of war sweep the globe. With startling regularity, adversary troops are massing along common borders. Soviet troops stand at alert, ready to nip in the bud the bloom of Polish trade unionism. Chemical weapons—positioned on the middle rung of an escalatory ladder that eventually leads to nuclear weapons—cannot be considered lightly or in isolation.

Abraham Lincoln once exhorted us to "think anew and act anew" with changing situations. He said: "The dogmas of the quiet past are inadequate to the stormy present." In reconsidering a national policy on chemical weapons in the full context of U.S. defense needs, Lincoln's words should be heeded anew.

CONCLUSION OF MORNING BUSINESS

Mr. GOLDWATER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. GOLDWATER. Does the Chair know of any other Senators who care to speak?

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

Mr. ROBERT C. BYRD. Mr. President, do I still have 10 minutes reserved to me? If I do, I will yield it back.

The PRESIDING OFFICER. The Chair believes the time has been yielded back.

CENTRAL INTELLIGENCE

NOMINATION OF VICE ADM. B. R. INMAN, U.S. NAVY, TO BE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE, AND TO HAVE THE RANK OF ADMIRAL

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of Executive Calendar No. 2, the nomination of Vice Adm. B. R. Inman, U.S. Navy, to be Deputy Director of Central Intelligence, and to have the rank of admiral while so serving. The nomination will be stated.

Mr. GOLDWATER. Mr. President, before the clerk states the nomination, I ask unanimous consent that we withhold on that business and that the Senate go into executive session to consider the promotion of the same gentleman that this other matter pertains to.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, what is the request?

The PRESIDING OFFICER. The Chair will say to the Senator from Arizona we are in executive session.

Mr. GOLDWATER. Mr. President, I ask unanimous consent that we go into executive session.

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

Mr. GOLDWATER. Mr. President, I ask that the clerk state the nomination of Vice Adm. B. R. Inman, U.S. Navy.

The PRESIDING OFFICER. The nomination will be stated.

The assistant legislative clerk read the nomination of Vice Adm. B. R. Inman, U.S. Navy, to be Deputy Director of Central Intelligence, and to have the rank of admiral while so serving.

Mr. GOLDWATER. I ask unanimous consent that the Senate approve the promotion of Admiral Inman.

The PRESIDING OFFICER. Is there objection?

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, is there going to be a rollcall vote on the nomination?

Mr. GOLDWATER. On this one, no.

Mr. MOYNIHAN. On the nomination.

Mr. ROBERT C. BYRD. Mr. President, I wonder if we could have a chance to get the word out so if there is a request for a rollcall vote——

Mr. BAKER. Mr. President, may I inquire, is the nomination on the Executive Calendar which has now been laid before the Senate the nomination of Vice Admiral Inman to be Deputy Director of the Central Intelligence Agency, or a nomination to be Deputy Director of Central Intelligence with the rank of admiral?

The PRESIDING OFFICER. It is the latter.

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate first proceed to the consideration of the nomination of Admiral Inman to the rank of admiral and to proceed after that to consider the nomination of Admiral Inman to be Deputy Director of Central Intelligence. That is two separate items on the calendar.

Mr. GOLDWATER. If the Senator will yield, that is just what we have done. Now we go back to regular session and the Chair has already ordered the consideration of calendar order something—I do not remember the number.

Mr. BAKER. To make sure we fully understand the parliamentary situation at this moment, Mr. President, the first item of consideration at the moment will be the promotion of Admiral Inman to the rank of full admiral.

The PRESIDING OFFICER. That has been ordered by unanimous consent.

Mr. BAKER. Following after that nomination will be the nomination of Admiral Inman to be Deputy Director of Central Intelligence.

The PRESIDING OFFICER. That is correct.

Mr. BAKER. Mr. President, I have an idea there may be a request for a rollcall vote on the second nomination to be Deputy Director of Central Intelligence. I ask unanimous consent that it be in order at this time to ask for the yeas and nays on that nomination.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. BAKER. I ask for the yeas and nays on the nomination, Mr. President.

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

The yeas and nays were ordered.

Mr. BAKER. Mr. President, I thank the Senator from New York, the Senator from Arizona, and the Chair for their indulgence.

Mr. ROBERT C. BYRD. Mr. President, has the first nomination been agreed to?

The PRESIDING OFFICER. Not at this time.

Mr. ROBERT C. BYRD. I believe I reserved my right to object.

I certainly have no objection to that and I just want to make sure that we were going to give adequate notice to our respective sides with respect to a rollcall vote.

I have no objection.

NOMINATION OF VICE ADM. B. R. INMAN TO BE ADMIRAL

The PRESIDING OFFICER. The question comes first on confirming the nomination of Vice Adm. B. R. Inman to be admiral.

Mr. GOLDWATER. I ask unanimous consent that that be favorably voted on.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

NOMINATION OF VICE ADM. B. R. INMAN TO BE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

Mr. GOLDWATER. Now may we go back to the regular business?

The PRESIDING OFFICER. The next item of business is the nomination for Vice Adm. B. R. Inman to be Deputy Director of the Central Intelligence Agency.

Mr. GOLDWATER. Mr. President, I shall not take long on this matter.

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

Mr. GOLDWATER. I yield to the distinguished majority leader.

Mr. BAKER. Mr. President, I ask unanimous consent that the rollcall vote on this nomination occur at 1:30 p.m. today.

Mr. ROBERT C. BYRD. Reserving the right to object, Mr. President, I do so only to thank the majority leader for making this request. There is a Member on my side who had to leave the office, I understand, because of an emergency and he will not be back until 1:30 p.m. today. So I appreciate having that time set.

I have no objection, Mr. President.

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

Mr. GOLDWATER. Mr. President, today we are considering the nomination of Admiral Inman to be Deputy Director of Central Intelligence. President Reagan made a wise choice in nominating Admiral Inman for this position. The Senate Intelligence Committee thought so too, as they voted unanimously to approve him.

At the nomination hearing, I told Admiral Inman that he had my vote even before I heard his testimony. If there ever was such a thing as the right man for the right job at the right time—he is that man.

I might say, Mr. President, in the years that I have been engaged in intelligence work, I have never known a man as adept in this field as Admiral Inman. He is respected all over the world as one of the finest intelligence men available, so we are very fortunate to have him move over.

Just last week, at the Bill Casey hearing, I urged, along with my colleagues, that he go after Admiral Inman for this job, so this nomination is good news to me. He is a man of outstanding qualifications and integrity. We are lucky to have him and the Nation will be better for it.

Mr. President, I urge my colleagues to act favorably on the nomination of Admiral Inman.

Mr. President, I ask unanimous consent that a background paper on the admiral appear at this point in the RECORD.

I ask unanimous consent that the statement of Vice Adm. Bobby R. Inman appear at this point in the RECORD; and ask unanimous consent that a statement for completion by Presidential nominees appear at this point in the RECORD.

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

BOBBY RAY INMAN

April 4, 1931, born in Rhonesboro, Texas.

1950, B.A. University of Texas at Austin.

1952, Commissioned Ensign, U.S. Navy. Joined the USS Valley Forge. Served in Korean theater.

1953–1955, served in European theater. Became aide to the Deputy Commander in Chief of Naval Forces Eastern Atlantic and Mediterranean.

1955–1972, Held operational assignments on USS Mullinix and USS Roanoke. Subsequently served as Chief of Naval Operations Intelligence Briefer; Operations Intelligence Analyst at Ft. Meade, Maryland; and Assistant Naval Attache, American Embassy, Stockholm, Sweden.

1972, Graduated from National War College.

1972–1973, Executive Assistant and Senior Aide to the Vice Chief of Naval Operations, Washington, D.C.

1973–1974, Assistant Chief of Staff for Intelligence on the Staff of the Commander in Chief of the U.S. Pacific Fleet.

1974–1976, Director of Naval Intelligence, Department of the Navy.

1976, Promoted to Vice Admiral.

1976–1977, Vice Director for Plans, Operations and Support, Defense Intelligence Agency.

1977–Jan. 1981, Director of the National Security Agency.

Decorations, Navy Distinguished Service Medal; Defense Superior Service Medal, the Legion of Merit, the Meritorious Service Medal; the Joint Service Commendation Medal; the Navy Unit Commendation Ribbon and the Meritorious Unit Commendation Ribbon; the Navy Occupation Service Medal, Europe Clasp; National Defense Service Medal with bronze star, Korean Service Medal with four stars; Vietnam Service Medal with one silver star and one bronze star and the United Nations Service Medal; the Korean Presidential Unit Citation Badge; the Republic of Vietnam Gallantry Medal, First Class; the Republic of Vietnam Armed Forces Meritorious Unit Citation and the Republic of Vietnam Presidential Unit Citation.

STATEMENT OF VICE ADM. BOBBY R. INMAN, U.S. NAVY

Mr. Chairman and members of the committee: It is a distinct pleasure to appear before this Committee on this occasion. I have been nominated by the President to serve as the Deputy Director of Central Intelligence. You are all generally aware of my background and my most recent assignment as Director, National Security Agency. However, it may be useful for me to review that background and experience in light of this nomination.

As a native of the state of Texas, received the degree of Bachelor of Arts from the University of Texas at Austin in 1950. Shortly after joining the Naval Reserve in 1951 and being commissioned as an Ensign in 1952, I joined the USS VALLEY FORGE, then participating in operations in the Korean area. Later, I served in various administrative assignments in the European theater. Following release from and then return to active duty with the Navy, I served in various shipborne operational assignments and in several intelligence assignments functioning as an intelligence analyst and as the Assistant Naval Attache, American Embassy, Stockholm, Sweden.

Subsequent assignments included service as the Fleet Intelligence Officer on the staff of the Commander Seventh Fleet; attendance at the National War College; Executive Assistant and Senior Aide to the Vice Chief of Naval Operations; Assistant Chief of Staff for Intelligence to the Commander in Chief, U.S. Pacific Fleet; Director of Naval Intelligence; and Vice Director for Plans, Operations and Support, Defense Intelligence Agency. Since 5 July 1977, I have had the pleasure of serving as Director, National Security Agency.

Although my current assignment has involved me heavily in the collection and production of intelligence information, the majority of my experience during 21 years of service in the field of intelligence has been as an analyst and as a manager. The variety of my assignments has provided me with a unique perspective on the need to balance the production and analytic facets of the intelligence mission and to provide for the needs of the Nation's policymakers both in the Executive and the Congress.

I am in complete agreement with Mr. Casey in his statement to this Committee that it is vital that this Nation have a strong and effective intelligence organization with a wide range of capabilities and the flexibility to adapt and focus them on whatever exterior threats or problems confront the nation. While I face the coming years with optimism, it is tinged with a realization—based on my years of experience in various parts of this business—of the immense task we face. I have frequently recalled a statement made by a senior intelligence officer in 1977 with respect to the current and future intelligence environment, when he pointed out:

"There are more things about which we need intelligence data, but there is the prospect that intelligence may be harder to obtain."

Recent events have re-emphasized the increasing conflict of these real world facts. Today a greater portion of the world's nations withhold information concerning their activities, plans and intentions. There is less free and open access of the character that we value as a people and a Nation. At the same time there is greater competition for and control of available resources. As a result there is a significantly greater need for a variety of intelligence information that extends beyond the historical orientation on military and political information. Equally significant is the growing mobility of our principal adversaries with the accompanying threat of the use of power in the third world to challenge our long term economic, political, and military interests. The growth in the use of various forms of terror adds a destabilizing factor that requires modifications to the traditional means of prioritizing intelligence coverage and allocating intelligence resources. The increasing sophistication of technology and of its use by our adversaries further complicates our ability to collect raw data and refocus analytic effort. At the same time, there are recurrent efforts around the world to spread disinformation about our intelligence activities and discredit our intelligence agencies designed to reduce the willingness of individuals and entities to work with us.

In order to meet these challenges, we must foster within our Government an environment that affords the Intelligence Community the resources necessary to provide a sufficient variety of modern collection methods including technical and human capabilities, to continuously maintain a technical base of information, to focus upon any particular crisis of the moment while maintaining our worldwide watch, and to meet the users' needs for information concerning a wide variety of interests. This requires that we focus our attention in the budget process on the resources needed to maintain the whole system rather than on what can be cut based on the lack of current interest in a particular area. It means that we must recruit and retain personnel of great skill to design, build, operate, process, analyze and report finished intelligence. and to assist the users of intelligence information in understanding what can be and has been provided.

In order to assure that finished intelligence information is the best available, it is my view that there is a real benefit from encouraging strong multi-disciplined centers of expertise within the intelligence community. No one agency has a monopoly on talent or sources and competition spurs each to maintain higher standards of performance and service. Guidance in the form of standards and in the allocation of community services is needed and is a useful function, and all duplication of functional activities should be examined regularly to

ensure that it is productive redundancy. What is needed is a healthy competitive Community that enjoys the confidence of the Government's policymakers and of the Nation.

We now have a wealth of experience concerning the guidelines under which intelligence agencies operate. A fine tuning of those guidelines, especially the detailed procedures that implement those guidelines, may be in order. However, on the whole the guidelines and the Foreign Intelligence Surveillance Act have evolved into a system that provides procedural protections for the rights of individuals and flexible guidelines for intelligence agencies. Although there is some work to be done in the area of emergency authorization to provide flexible responses to crisis situations, and perhaps some need for review of the counterintelligence aspects, I believe that the overall system is working and is not in need of a major overhaul.

My predecessor as the DDCI served both as the day-to-day manager of the CIA and as an active participant in Community affairs. It is my expectation that I will serve in a similar capacity and I have discussed the matter with Director Casey, who agrees. It is his expressed desire that I pay particular attention to the DCI's community responsibilities and I will spend a good deal of my time on that.

Congress and the Executive Branch have worked closely in the past few years to establish a solid foundation for cooperation. This past year that foundation was incorporated into the National Security Act of 1947 as a new section 501 covering congressional oversight. This new section maintains the balance between the two branches while providing a mechanism for permitting Presidential flexibility where sensitive operations are involved. Director Casey has already stated his position on this matter to you. This Committee and I have been cooperating on these matters under Executive Order and now under Section 501 for the past three and one-half years and can assure the Committee that I am in agreement with Director Casey's statement to you "to cooperate fully in facilitating the oversight through which Congress can ensure that the intelligence community operates within the limits of the law."

If confirmed, I look forward to working productively with Director Casey and this Committee on the problems facing the Intelligence Community and the Central Intelligence Agency.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Inman, Bobby Ray.

Address: 4526 Butler Street, Ft. George G. Meade, Md. 20755.

Position to which nominated: Deputy Director of Central Intelligence.

Date of nomination: January 24, 1981.

Date of birth: April 4, 1931.

Place of birth: Rhonesboro, Texas.

Marital status: Married.

Full name of spouse: Nancy Carolyn (Russo) Inman.

Names and ages of children: Thomas 18, William 15.

Education (Institution; dates attended; degrees received; dates of degrees):

Tyler Junior College, 1946–1948, AA, June 1948.

SMU, 1948–1949.

University of Texas, 1949–1950, BA, June 3, 1950.

National War College, 1971–1972.

HONORS AND AWARDS

Military:

National Security Medal.

The Navy Distinguished Service Medal.

Defense Superior Service Medal.

The Legion of Merit.

The Meritorious Service Medal.

The Joint Service Commendation Medal.

The Navy Unit Commendation Ribbon.

The Meritorious Unit Commendation Ribbon.

The Navy Occupation Service Medal, Europe Clasp.

National Defense Service Medal with bronze star.

Korean Service Medal with four stars.

Vietnam Service Medal with one silver star and one bronze star.

The United Nations Service Medal.

Korean Presidential Unit Citation Badge.

The Republic of Vietnam Gallantry Medal, First Class.

The Republic of Vietnam Armed Forces Meritorious Unit Citation.

The Republic of Vietnam Presidential Unit Citation.

College: Phi Alpha Theta, Phi Theta Kappa.

Memberships:

Organization; Office held (if any); Dates.

Boy Scouts of America, none, 1943–1946.

U.S. Naval Historical Foundation, none, 1975.

U.S. Naval Institute, none, 1972.

U.S. Naval Academy Alumni Association, none, 1979.

Council on Foreign Relations, none, 1978.

Ex-Student's Association, 1950–1953.

University of Texas, none, 1978.

Employment record:

Sales clerk, assistant salesman, father, intermittently 1944–1950.

Teacher, Longview, Texas, Public School System, 1950–1951.

Officer Candidate, U.S. Navy, Newport, R.I., Nov. 51–Mar. 52.

Naval Officer, U.S. Navy, Mar. 52–Present.

Government experience: U.S. Navy 1951–Present.

Published writings: None.

Political affiliations and activities: None.

Qualifications: Twenty-two years experience as an Active Duty Intelligence Officer, with management responsibilities as Director of Naval Intelligence, Vice Director of Defense Intelligence Agency, and Director of National Security Agency.

Financial Disclosure and Potential Conflict of Interest:

1. Please describe any employment, investment, association, or activity which might create or appear to create, a conflict of interest in the position to which you have been nominated. None.

2. As far as it can be foreseen, state your plans after competing government service. Please state specifically any agreements or understandings, written or unwritten, concerning employment after leaving government service, in particular concerning agreements, understandings or options to return to your current position. Undetermined; no commitments.

3. Describe the financial arrangements you have made or plan to make, if you are confirmed, in connection with severance from your current position. Please include severance pay, pension rights, stock options, deferred income arrangements, and any and all compensation that will or might be received in the future as a result of your current position or your past business or professional relationships. None required.

4. Please list below all corporations, partnerships, foundations, trusts, or other entities toward which you have fiduciary obligations or in which you hold directorships or other positions of trust. None.

5. Have you been an attorney for, or a representative or registered agent of, a foreign government, or any entity under the control of a foreign government? In your present position are you formally associated with individuals who are attorneys for, or representatives or registered agents of, foreign governments or entities? If the answer to either or both questions is yes, please describe each relationship on a separate sheet. No.

6. List all securities, real property, partnership interests or other investments or receiveables with a market value in excess of $1,000. Residence in Arlington, Va. (rented); U.S. Savings Bonds; Certificate of Deposit, Navy Federal Credit Union.

7. List all loans, mortgages, or other indebtedness in excess of $1,000. Mortgage on Residence, Arlington Trust Co. (for daughter of former owner), $88,862; Loans, Navy Federal Credit Union, $5,610.

8. Please describe all gifts of pecuniary value in excess of $500 received in the past five years. None.

9. Please list any legal actions in which you are presently either a plaintiff or defendant, and any legal actions in the last five years in which you have been a plaintiff, defendant, or witness. Numerous lawsuits as Defendant related to duties as Director, National Security Agency.

10. Describe any business relationship, dealing or financial transaction (other than taxpaying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated. None.

11. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy. List specifically any appearance before any committee of the Congress, and any other effort in any capacity to influence an action of a committee of Congress.

None. I have participated in many hearings and discussions with Members of Congress pertaining to assigned duties as a U.S. Naval Officer in various Intelligence Community assignments.

12. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items. Not applicable.

13. List sources and amounts of all income received during the last five years, including all salaries, fees, dividends, interest, gifts, rents, royalties, patents, honoraria, and other items exceeding $500. (If you prefer to do so, copies of U.S. income tax returns for these years may be substituted here, but their submission is not required.)

	1976	1977	1978	1979	1980
Salary	35,674.94	42,336.08	47,264.04	48,651.84	50,612
Fees, royalties					
Dividends					
Interest	1,272.13	1,347.31	1,392.06	1,353.50	1,426
Gifts					
Rents	6,900.00	7,800.00	7,800.00	7,800.00	7,800
Other—exceeding $500					
Total	43,847.07	51,483.39	56,456.10	57,805.34	59,838

14. Add schedule itemizing each individual source of income which exceeds $500. If you are an attorney, accountant, or other professional, attach schedule listing all clients and customers whom you bill more than $500 worth of services during the past five years.

All interest is derived from savings with Navy Federal Credit Union and U.S. Savings Bonds. All rental income received from residence in Arlington, Va.

Other information:

15. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? No.

16. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. None.

17. Please provide the Committee with the names and current addresses of five individuals whom you believe are in a position to comment upon your qualifications for the office to which you have been nominated.

Vice President George P. Bush, the White House, Washington, D.C.

The Honorable Harold Brown, Apt. 802, 1015 33d St., N.W., Wash., D.C.

The Honorable James Schlesinger, Georgetown Univ., CSIS, Wash., D.C.

The Honorable Charles Duncan, 2700 Post Oak Road, Houston, Texas.

Adm. James L. Holloway, III, USN (Ret), 1694 Epping Farms Lane, Annapolis, Md.

18. Are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? Yes.

19. Are you willing to provide such information as is requested by such committee? Yes.

CONFIDENTIAL FINANCIAL STATEMENT—NET WORTH

Provide a complete, current financial net worth statement which itemizes in detail all assets (including bank accounts, real estate, securities, trusts, investments, and other financial holdings) all liabilities (including debts, mortgages, loans, and other financial obligations) of yourself, your spouse, and other immediate members of your household.

ASSETS

Cash on hand and in banks, $750.
Real estate owned—add schedule,* $205,700.
Autos and other personal property, $90,000.
Cash value—Life insurance, $30,000.
Savings (NFCU, Bonds), $7,000.
Total assets, $333,450.
Contingent liabilities, none.

LIABILITIES

Real estate mortgages payable—add schedule,* $88,862.
NFCU Loan, $5,610.
Total liabilities, $94,472.
Net worth, $238,978.
Total liabilities and net worth, $333,450.

GENERAL INFORMATION

Are any assets pledged? (Add schedule.) No.

Are you defendant in any suits or legal actions? Not in personal capacity.

Have you ever taken bankruptcy? No.

Mr. GOLDWATER. Mr. President, I am happy to yield to my friend from New York.

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*Schedule: Residence in Arlington, Va., (value estimated from recent tax evaluation plus inflation factor).

Mr. MOYNIHAN. Mr. President, it is characteristically gracious of my distinguished chairman to give me this opportunity to join with him in making this unanimous report recommending this nomination by the President to the Senate.

As the chairman has noted, for 4 years now, Vice Admiral Inman—dare I say Admiral Inman, the nomination to admiral having been confirmed, has served as the Director of the National Security Agency.

In the widest range of issues which come to the Intelligence Committee and which it is our responsibility to understand for the Senate, as it were; which include the most complex technological intelligence issues the Nation faces; which probe some of the most significant subjects such as the issue of verification of the Strategic Arms Limitation Treaties—with respect to all these issues, we have found in Admiral Inman an altogether cooperative, inventive, energetic officer, fully responsive to the oversight responsibilities of this Congress, but not only responsive.

Hamilton once described good government as energy in the executive, and Admiral Inman has shown energy in this enterprise which has not failed to impress each of us who dealt with him. It speaks to our judgment that we report his nomination unanimously and that, as the chairman said, the first advice we gave to the President's nominee for Director of Central Intelligence was to get Bobby Inman as his Deputy.

I should like to diverge, if I may, Mr. President, just one moment to comment on a matter which both reflects upon the nominee and speaks to the emerging regime of understanding and cooperation between the intelligence community on the one hand, and the Congress and the public, on the other, which I think one sees developing.

The adversary relationship of 10 years past is giving way. It is giving way to cooperation in part because there have been imaginative persons such as Admiral Inman in the community.

As we know, Mr. President, the National Security Agency has among its many concerns, and central to its concerns, the matter of cryptology. It is a very long time from that day in the 1930's when Henry L. Stimson, discovering that we had some code experts working on foreign codes, said, "A gentleman does not read another gentleman's mail," and abolished the enterprise. Fortunately, a few people kept on, and we had the Japanese code when the time came.

This has always been an affair of closely-held secrets. Yet, simultaneously, cryptology is an intellectual discipline that has become incredibly more complex in some ways, more simple in others, through the development of the high-speed computer. It is now possible to encrypt language and technical data in ways that never could have been done, mechanically or even electromechanically. The computer makes some permutations and combinations available that were beyond anybody's power until very recently.

This, of course, is basically a field of mathematics; and, as one would expect, mathematicians have grown interested in the subject. Inevitably, there came a point at which the interests of the scientific community began to get very close to the activities of the intelligence community; and the possibility for distrust, for anger, for disruption, for heaven knows what mischief, was certainly there.

However, rather than give the order—if I may use the terminology—to repel boarders when it appeared that they might be encroaching on the NSA, Admiral Inman, in effect, welcomed them aboard. He gave a public speech in early 1978, and was interviewed in Science, the journal of the American Association for the Advancement of Science, and asked the scientific community, "How can we work together? Certainly, our interests cannot be divergent. Why should we not try jointly to resolve any conflicts between us and to learn more about this?"

Partially as a result of the admiral's speech, the American Council on Education asked how they might respond; and a development is now underway to see whether a panel, funded by the National Science Foundation, can establish a cooperative procedure involving the academic world, the NSA, and other activities in Washington.

That is nice going. That shows how to make an opportunity out of something which 10 years ago would have been turned into a dreary confrontation, with a loss of time and energy and reputation to all concerned.

That is only an example, but not the least important, of why we now ask of Admiral Inman that he be the deputy for the whole of the intelligence community, sharing the particular responsibility, enacted by statute last year, of reporting in the most precise and full manner to the Intelligence Committees of the House and the Senate.

This reporting is a very extensive matter. It requires of the chairman and the vice chairman a very great deal of time. It is worth it to the Senate. Certainly, there was no hesitation on our part, for the period we were given this assignment, to do it. We feel altogether confident that in Admiral Inman we have a person who understands the spirit in which this legislation was adopted and will adhere to it—not because he has to, but because he wishes to.

This is his view of what our relationship should be, as well as ours, and this bodes well in all respects for the fashioning of intelligence in the very difficult years which the United States clearly faces in international relations in this first half of the 1980's.

I should like to add a personal word of congratulation to the admiral. As of 12:30 p.m., I believe, he became one of the youngest admirals in the history of

the U.S. Navy, a history not without its glory, and, in the annals of naval enterprises, the oldest continuously organized command in the history of navies, except for the British.

I warm to that thought, Mr. President. With the single exception of the Admiralty in London, no navy on Earth has had such a long, continuously unbroken command as the U.S. Navy.

In that history, this is one of the youngest men to attain the rank of full admiral, a distinction which even the very distinguished Senator from New Mexico (Mr. SCHMITT) has not attained in his otherwise incomparable career.

Mr. GOLDWATER. Mr. President, I thank the vice chairman for his comments. They certainly were well put and proper.

I conclude by noting that the intelligence community of our country has gone through some very trying times in the last 10 years. There are about 19 different members of the intelligence family. They do not work as closely together as some people would like, and I doubt that they ever could work too closely.

The Central Intelligence Agency, in particular, came under great criticism during the days of the so-called Church committee, to the end that we lost many of our senior people. Losing senior people in intelligence is important, because these men and women have reached the point of experience at which they are able to assess the intelligence we gather.

As a result of this unfortunate publicity, the very word "intelligence" has taken on a sinister reputation in this country, and I am happy to say that it seems to be over. We are now receiving many applications from young people to work in intelligence; and if this continues, we will be able to rebuild the older group who did the assessing.

As I have said many times—not trying to defend the actions of the CIA, because some of them, I have to admit, were outside the metes and bounds that have been prescribed—the most serious charges against the CIA resulted in orders from their Commander in Chief, the President, both Republicans and Democrats. When the Commander in Chief tells you to do something, you do it, whether it is supposed to be done or not.

As a result, newspapers jumped on the CIA, the press generally jumped on the CIA, and the business of intelligence became public property.

Mr. President, this is the only country I know of in which the public knows as much about our intelligence as our American people know.

Certainly with the KGB in Russia there is nothing known by the Russian people.

Under the English system, which I personally think is one of the best in the world, the information is not known even to other members of the intelligence group. My good friend from New York and I, as close friends as we are, could be working on the same case and never know it. That to me is the essence of intelligence, and I frankly hope that someday we can get back closer to that concept.

I do not think, frankly, that it is any business of any newspaper in this country or any television or radio station what transpires in the collection of intelligence or even in so-called covert actions for counterespionage. The committee which is set up by Senate Resolution 400, which the Senator from New York and I are members of, is privy to the covert actions that are to be done by the intelligence community.

I think I can safely report that intelligence gathering in this country is probably on a par with any other country, that intelligence assessment is not on a par with any other country, and the understanding of assessment of intelligence is not on a par with any other country.

But I wish to assure my colleagues that it is the purpose of the vice chairman and the chairman to do our best to see to it that when we leave the post that we occupy intelligence will have improved because we cannot run a country without knowing what the enemy is up to. We cannot run a business without knowing what the opposition is doing. We cannot engage in politics without peeking under the sheet once in a while to see what is going on.

So intelligence is a most necessary part of our daily lives and a necessary part of the pursuit of peace and the exercise of foreign policy.

Mr. President, I have no further comments to make on this subject, and we have unanimous-consent agreement to vote at 1:30 p.m.

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

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

Mr. HUDDLESTON. Mr. President, with just a few minutes remaining before the vote on the confirmation of Admiral Bobby Inman, I want to take a few moments to reiterate what has already been said, and to associate myself with the remarks made by the distinguished chairman of the Intelligence Committee, the Senator from Arizona, and the distinguished ranking minority member of that committee, the Senator from New York, in regards to the qualifications of this particular appointee for the job to which he has been nominated.

I have served on the Intelligence Committee since its inception, and prior to that the Senate committee that investigated the intelligence operations of this country.

During that length of time, like others who have spoken, I have found no one more qualified and more diligent in undertaking his tasks, and more suited for the position for which he has been appointed, than Adm. Bobby Inman. He is a man of uncommon intellect, a man of great energy, a man who appreciates the need for good, sound, efficient, and effective intelligence; a man who has been involved in some of the most complicated factors of that intelligence operation.

So, I would like to add my endorsement and urge my colleagues to give Admiral Inman a resounding vote of confidence and approval in the confirmation vote that is to follow in just a few minutes.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. MATHIAS. Mr. President, for the past several years it has been my privilege to serve as a member of the Select Committee on Intelligence, and in that capacity I have had an opportunity to observe very closely the work of Admiral Inman as Director of the National Security Agency.

I believe he has performed his duties at NSA in as professional and exemplary manner as any public servant with whom I worked in my 20 years as a Member of the Congress. He is intelligent and sensitive. He is totally committed and totally dedicated. I feel that though his services will be missed at NSA, his talents as Deputy Director of Central Intelligence will be of great value.

I congratulate Admiral Inman on the expression of confidence in proposing him which is implicit in the President's nomination, but I also congratulate President Reagan on having available a public servant of the quality of Admiral Inman to go into the Central Intelligence Agency.

With the criticisms that have been made of our intelligence system I think we sometimes place blame at the wrong place.

We have a large intelligence system of highly professional people, supported by some of the greatest technology in the world. But the weak link, as I have observed it, is very ultimately the link between the producer of the intelligence and the consumer of the intelligence, between the intelligence services that produce the information and those in the executive branch who must act upon it.

In Admiral Inman, President Reagan will have an intelligence adviser with experience, with knowledge, and with a real sense of what is truly important and what demands the President's immediate attention. I hope that President Reagan will take full advantage of his competence and his talent.

Mr. BOSCHWITZ. Mr. President, I got to know Admiral Inman during the consideration of the SALT hearings. On numerous occasions various Members of

the Senate were briefed about the SALT hearings, about the SALT agreement and the various aspects of it so that I became familiar with a number of members of the intelligence community here in Washington and attended many hearings of many committees of which I was not a member, inasmuch as I thought that the SALT treaty was going to be the most important vote that I would make during my first 2 years in the Senate.

I got to know Admiral Inman. I visited his place of business. I visited his home. I got to know his family, and I was much impressed with his eminence in the field of intelligence, with his capabilities and with the integrity of the man that is now being considered and I am sure will be confirmed to the deputy position at the CIA.

Mr. President, I think that the Nation is going to be particularly well served by having a person as professional, as knowledgeable and as capable as Admiral Inman at the CIA. I think that the CIA has had its problems over the years and, together with the new Director, I think we have a team there that, better than any within my recollection, will have the opportunity of bringing new energy and new vitality to that Agency which is so necessary and so vital in the defense of American interest.

Mr. THURMOND. Mr. President, I rise in support of the nomination of Adm. Bobby Ray Inman as Deputy Director of the Central Intelligence Agency.

First let me state that Inman is a South Carolina name. I am not certain how his family ended up in Texas, probably via South Carolina. But in any case it was South Carolina's loss and a gain for Texas.

Mr. President, Admiral Inman is exceptionally well qualified for this post. He is intelligent, aggressive, a realist, and, most important, he understands the Soviet threat and the Communist mentality. This is vital when you have the responsibility of projecting Soviet goals and estimating their programs.

Admiral Inman brings to this position a highly distinguished military career. A graduate of the University of Texas, in 1950, he was commissioned an ensign in the Navy in 1952 and served in most major military theaters in the world.

Early in his career he entered the intelligence field and although he held other positions of great importance over the past 20 years, his career focused entirely in this area when, in 1973, he was named assistant chief of staff for intelligence for the commander-in-chief of the U.S. Pacific Fleet.

He soon moved up to Director of Naval Intelligence in 1974 and later to the post of Vice Director for Plans, Operations and Support in the Defense Intelligence Agency.

This assignment was followed by appointment as Director of Naval Intelligence in 1974 and later Vice Director for Plans, Operations, and Support in the Defense Intelligence Agency.

In 1977 he was named Director of the National Security Agency and it is from this position that he comes to the CIA.

Mr. President, Admiral Inman is imminently qualified for this assignment, and I urge early and favorable approval of his nomination.

The PRESIDING OFFICER. Under the previous order, the hour of 1:30 having arrived, the Senate will proceed to vote upon the confirmation of B. R. Inman to be Deputy Director of the Central Intelligence Agency.

The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. BAKER. I announce that the Senator from Colorado (Mr. ARMSTRONG) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Connecticut (Mr. DODD), the Senator from Montana (Mr. MELCHER), and the Senator from Michigan (Mr. RIEGLE) are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) would vote "yea."

The VICE PRESIDENT. Have all Senators been recorded on this vote?

The result was announced—yeas 94, nays, 0—as follows:

[Rollcall Vote No. 21 Ex.]

YEAS—94

Abdnor	Glenn	Mitchell
Andrews	Goldwater	Moynihan
Baker	Gorton	Murkowski
Baucus	Grassley	Nickles
Bentsen	Hart	Nunn
Biden	Hatch	Packwood
Boren	Hatfield	Pell
Boschwitz	Hawkins	Percy
Bradley	Hayakawa	Pressler
Bumpers	Heflin	Proxmire
Burdick	Heinz	Pryor
Byrd, Harry F., Jr.	Helms	Quayle
Byrd, Robert C.	Hollings	Randolph
Chafee	Huddleston	Roth
Chiles	Humphrey	Rudman
Cochran	Inouye	Sarbanes
Cohen	Jackson	Sasser
Cranston	Jepsen	Schmitt
D'Amato	Johnston	Simpson
Danforth	Kassebaum	Specter
DeConcini	Kasten	Stafford
Denton	Kennedy	Stennis
Dixon	Laxalt	Symms
Dole	Leahy	Thurmond
Domenici	Levin	Tower
Durenberger	Long	Tsongas
Eagleton	Lugar	Wallop
East	Mathias	Warner
Exon	Matsunaga	Weicker
Ford	Mattingly	Williams
Garn	McClure	Zorinsky
	Metzenbaum	

NOT VOTING—6

Armstrong	Dodd	Riegle
Cannon	Melcher	Stevens

So the nomination was confirmed.

The VICE PRESIDENT. The Chair recognizes the majority leader.

Mr. BAKER. I thank the Chair.

Mr. President, I move to reconsider the vote by which the nomination was confirmed.

Mr. MOYNIHAN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that the President be immediately notified that the Senate has granted its consent to the nomination of Admiral Inman to be Deputy Director of Central Intelligence and as well that the Senate has confirmed the nomination of Admiral Inman to the rank of full admiral.

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

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business, not to extend beyond 2:30 p.m., in which Senators may speak for not more than 5 minutes each.

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

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

The VICE PRESIDENT. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. WALLOP). Without objection, it is so ordered.

(The remarks of Mr. JOHNSTON, in connection with the introduction of legislation, and also the remarks of Mr. LONG and Mr. MCCLURE, are printed under Statements on Introduced Bills and Joint Resolutions.)

EXECUTIVE SESSION

Mr. McCLURE. Mr. President, I ask unanimous consent that the Senate convene in executive session for the purpose of considering the nomination of Donald P. Hodel, of Oregon, to be Under Secretary of the Interior.

The PRESIDING OFFICER. Is there objection?

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

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

Is there objection to the request of the Senator from Idaho?

Mr. McCLURE. Mr. President, I understand this matter has been cleared on the other side of the aisle.

Mr. BURDICK. The Senator is correct. It has been cleared on this side of the aisle.

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

DEPARTMENT OF THE INTERIOR

NOMINATION OF DONALD P. HODEL, OF OREGON, TO BE UNDER SECRETARY OF THE INTERIOR

The PRESIDING OFFICER. The clerk will state the nomination of Donald P. Hodel, of Oregon, to be Under Secretary of the Interior.

The assistant legislative clerk read the nomination of Donald P. Hodel, of Ore-

gon, to be Under Secretary of the Interior.

Mr. McCLURE. Mr. President, the Senate Energy and National Resources Committee conducted a hearing and a business meeting this morning to consider the nomination of Donald P. Hodel for Under Secretary of the Department of the Interior.

The committee in a business meeting voted unanimously to report this nomination to the full Senate. I must at this time thank the ranking member of the Senate Energy and Natural Resources Committee (Mr. JACKSON) for his complete cooperation in allowing us to expedite the Senate confirmation of Mr. Hodel. I am grateful also to the distinguished minority leader (Mr. ROBERT C. BYRD) for his complete cooperation in this matter.

I wish to assure my colleagues that as far as I can determine this nomination is without controversy. Mr. Hodel has the complete support of the Secretary of the Interior, the Senatorial delegation from his home State of Oregon, and the ranking member of the Committee of Energy and Natural Resources, (Mr. JACKSON).

Mr. President, as I stated this morning, the position of Under Secretary of the Department of the Interior can be equated to the executive officer's position under a captain of a large naval vessel. He makes the ship run.

In reviewing Mr. Hodel's past work record, civic and public interests, I am convinced that he has the capabilities of running the ship. His proven abilities as an administrator, consultant and manager qualify him to be the Under Secretary.

Mr. President, I would like to compliment Mr. Hodel and his entire family for their complete cooperation and contribution to what I think is in the national interest. They will and have made financial sacrifices in order that Mr. Hodel may serve the public in the Reagan administration. This situation is not unique. Although there may be a public perception that public service and public servants are overpaid and underworked and overperked, in truth the Cabinet officers, sub-Cabinet officers and others voluntarily take substantial financial reductions and losses to serve. I commend them for doing so and in Mr. Hodel's case, it was a family decision involving his mother and brother.

Mr. President, I urge my colleagues to confirm this nomination. I ask unanimous consent that the following documents, forms, and statement be printed at this point in the RECORD. They are: First, Mr. Hodel's biographical data; second, Mr. Hodel's statement for the Committee on Energy and Natural Resources and his financial disclosure statement; and third, a letter to me from the Office of Government Ethics stating that Mr. Hodel is in compliance with the applicable laws and regulations governing the conflicts of interest.

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

DONALD PAUL HODEL—PERSONAL DATA

2825 Dellwood Drive, Lake Oswego, Oregon.
Married (24 years).
Born: May 23, 1935.

EDUCATION

A.B. degree in Government, Harvard University (1957)

J.D. degree, University of Oregon Law School (1960)

EMPLOYMENT

Hodel Associates, Inc., 2825 Dellwood Dr., Lake Oswego, Oregon, which is engaged in the energy consulting business. President and a Director (1–1–78—present). (I am the employee with overall responsibility for rendering consulting services to the corporation's clients. A list of the clients of Hodel Associates, Inc. for the years 1979–80 is set forth on pages 2 through 9 of Schedule "D" of SF–278.

Cascade Water Power Development Corporation, 1105 Commonwealth Bldg., Portland, Oregon, which is engaged in small hydro development in Oregon. President (1–12–81—1–27–81, at which time resignation was tendered by me and accepted).

National Electric Reliability Council, Research Park, Terhune Road, Princeton, N.J., a non-profit organization concerned with reliability of electric power systems. Secretary-Treasurer and Director (1972–77); President and Director (1978–80).

Bonneville Power Administration, 1002 N.E. Holladay St., Portland, Oregon, a federal power marketing agency. Deputy Administrator (10–1–69—11–30–72); Administrator (12–1–72—12–31–77).

Georgia-Pacific Corporation, 900 S.W. Fifth Avenue, Portland, Oregon. Attorney-Legal Department (11–11–63—9–30–69).

Rockwood, Davies, Biggs, Strayer and Stoel (now known as Stoel, Rives, Boley, Fraser & Wyse), 900 S.W. Fifth Avenue, Portland, Oregon. Associate Attorney (8–60—11–10–63).

Huntington Rubber Mills, 7100 S.W. Macadam Avenue, Portland, Oregon. Miscellaneous summer work (Summers of 1957–63).

PARTICULARLY VALUABLE EXPERIENCES

Practicing attorney, first with a large law firm in Portland, Oregon (8–60—11–10–63), and then in the legal department of Georgia-Pacific Corporation (11–11–63—9–30–69).

Bonneville Power Administration—Deputy Administrator (10–1–69—11–30–72); Administrator (12–1–72—12–31–77). (B.P.A. is a federal power marketing agency whose activities have major impact upon the Pacific Northwest. Responsibilities included managing 3,500 employees and participating actively in policy development.)

National Electric Reliability Council—Secretary-Treasurer (1972–77); President and Director (1978–80). (N.E.R.C. is a non-profit organization composed of a broad spectrum of publicly and privately owned utilities, as well as federal power marketing agencies, which primarily is concerned with reliability of electric power systems).

Governor's Alternate Energy Development Commission of the State of Oregon—member (1979–80). (The Commission was established primarily to assess the potential alternate energy development in the State of Oregon and the ways in which the State could encourage such development).

Electric Power Research Institute—Director (1973–77). (E.P.R.I. is a non-profit organization composed of numerous publicly and privately owned utilities, as well as federal power marketing agencies and the Tennessee Valley Authority. As a director, I had the opportunity to participate in the development of policy regarding, and in the overall management of, the various research projects in which E.P.R.I. was engaged).

PARTICULARLY SIGNIFICANT HONORS

Department of the Interior Outstanding Service Award (gold medal) conferred by Secretary Morton for energy conservation activities (March 1974).

Distinguished Service Award of Northwest Public Power Association (June 1975).

Honorary Membership—Northwest Public Power Association (June 1978).

INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

The Rules of the U.S. Senate Committee on Energy and Natural Resources requires that each Presidential nominee considered by the Committee shall submit a financial statement sworn to by the nominee as to its completeness and accuracy. Under the rules all such statements must be made public by the Committee unless the Committee in executive session determines that special circumstances necessitate a full or partial exception to this requirement. The rules also provide that at any hearing to confirm a Presidential nomination, the testimony of the nominee and, at the request of any member, any other witness shall be under oath.

In order to assist the Committee in its consideration of nominations, each nominee is requested to complete the attached Statement For Completion By Presidential Nominees, which includes a Financial Statement.

The original and twenty (20) copies of the requested information should be made available to Honorable James A. McClure, Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C. 20510 (Attn: Staff Director) as soon as possible.

Name: Hodel, Donald Paul.

Position to which nominated: Under Secretary-Department of the Interior.

Date of birth: May 23, 1935.

Place of birth: Portland, Oregon.

Marital status: Married.

Full name of spouse: Barbara Beecher (Stockman) Hodel.

Name and ages of children: David B. Hodel (19), Philip S. Hodel (Deceased).

Education: U.S. Grant High School, Portland, Oregon, 9–49—6–53.

Harvard University, 9–53—6–57, A.B., June 1957.

University of Oregon, School of Law, 9–57—6–60, J.D., June 1960.

Employment record: List below all positions held since college, including the title and description of job, name of employer, location, and dates.

Hodel Associates, Inc., 2825 Dellwood Dr., Lake Oswego, Oregon, which is engaged in the energy consulting business. President and a Director (1–1–78—present). [I am the employee with overall responsibility for rendering consulting services to the corporation's clients. A list of the clients of Hodel Associates, Inc. for the years 1979–80 is set forth on pages 2 through 9 of Schedule "D" of SF–278 which is incorporated as part of this statement].

Cascade Water Power Development Corporation, 1105 Commonwealth Bldg., Portland, Oregon, which is engaged in small hydro-development in Oregon. President (1–12–81—1–27–81, at which time resignation was tendered by me and accepted).

National Electric Reliability Council, Research Park, Terhune Road, Princeton, N.J., a non-profit organization concerned with reliability of electric-power systems. Secretary-Treasurer and Director (1972–77); President and Director (1978–80).

Bonneville Power Administration, 1002 N.E. Holladay St., Portland, Oregon, a federal power marketing agency. Deputy Administrator (10–1–69—11–30–72); Administrator (12–1–72—12–31–77).

Georgia-Pacific Corporation, 900 S.W. Fifth Ave., Portland, Oregon. Attorney-Legal Department (11–11–63—9–30–69).

Rockwood, Davies, Biggs, Strayer & Stoel (now known as Stoel, Rives, Boley, Fraser & Wyse), 900 S.W. Fifth Avenue, Portland, Oregon. Associate attorney (8–60—11–10–63).

Hunting Rubber Mills, 7100 S.W. Macadam Ave., Portland, Oregon. Miscellaneous summer work (Summers of 1957–63).

Military service: Enter all military service if not included above: service, dates, rank, type of discharge. None.

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Department of the Interior Outstanding Service Award (gold medal)—conferred by Secretary Morton for energy conservation activities (March 1974).

Distinguished Service Award for Northwest Public Power Association (June 1975).

Honorary Membership—Northwest Public Power Association (June 1978).

Paul Patterson Memorial Fellowship (first recipient), University of Oregon Law School (1959).

National Scholarship—Harvard College (1953).

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Governor's Alternate Energy Development Commission, State of Oregon, member, 1979–80.

Electric Power Research Institute, Palo Alto, Cal., director, 1973–77.

Western System Coordinating Council, director, exec. comm., 1969–77.

U.S. National Committee, World Energy Conference, director, 1972–77, 1979–present.

Easter Seal Society of Oregon, director, 1967–70.

Lutheran Family Service, Portland, Oregon, fund drive chairman, 1978–present.

Our Savior's Lutheran Church, Lake Oswego, Oregon, member, 1975–present.

United Way (Tri-County Chapter), Portland, Oregon, director; exec. comm., 1970–74.

Delaunay Institute for Mental Health, Portland, Oregon, director, 1967–71.

Institute of Public Affairs Research, Inc., Portland, Oregon, vice president; director, approx. 1972–77.

Donro Enterprises (an Oregon Christmas tree farm), secretary; director, approx. 1962–65.

Tridell Corporation (manufacturer of charcoal patio space heating units), Portland, Oregon, secretary; director, approx. 1960–61.

Oregon State Bar, member, 1960–present.

American Bar Association, member, 1964–79.

Multnomah Bar Association, member, 1967–present.

Federal Bar Association (Oregon), member, 1970–78.

Portland Federal Executive Board, Portland, Oregon, member, 1972–77.

City Club of Portland, member, 1970–present.

Arlington Club, Portland, Oregon, member, 1978–present.

Multnomah Athletic Club, Portland, Oregon, member, 1950–present.

Harvard Club of Oregon, Portland, Oregon, vice president, mid–1960's.

Junior Achievement Fund Drive, Portland, Oregon, member, 1971–72.

Oregon Law Review, University of Oregon Law School, student editor, 1959–60.

Pierian Sodality of 1808 (Harvard-Radcliffe Orchestra), Cambridge, Mass., member, 1953–55.

Portland Junior Symphony, Portland, Oregon, member, approx. 1951–53.

U.S. Grant High School, Portland, Oregon, student body president, 1953.

Republican State Central Comm. of Oregon, chairman, 1966–67.

Clackamas County [Oregon] Republican Central Committee, precinct organizer, 1963–64; secretary, 1964–65; chairman, 1965–66.

Reagan for President Committee, Portland, Oregon, tri-county chairman, 1968; steering committee, 1980.

Republican National Convention, alternate delegate (Oregon), 1968.

Published writings: List the titles, publishers and dates of any books, articles, or reports you have written:

"The Doctrine of Exemplary Damages in Oregon," 44 Oregon Law Review 175 (1965).

Student Case Note, 39 Oregon Law Review 199 (1960) [concerning extradition under Uniform Reciprocal Enforcement of Support Act].

Student Case Note, 38 Oregon Law Review 276 (1959) [concerning waiver of defenses by execution of renewal promissory notes].

Student Case Note, 38 Oregon Law Review 188 (1959) [concerning liability of seller's assignee for seller's breach of warranty].

"The Prophets of Shortage," a speech delivered to the City Club of Portland, Portland, Oregon (July 11, 1975), published in Utilities Fortnightly.

Various reports and documents prepared or supervised in official capacity as Administrator, Bonneville Power Administration (12/1/72–12/31/77), including annual reports, environmental impact statements, budgets and similar materials.

Qualifications: State fully your qualifications to serve in the position to which you have been named: See attached Exhibit 1.

Future employment relationships:

1. Indicate whether you will serve all connections with your present employer, business firm, association or organization if you are confirmed by the Senate:

Yes. Upon confirmation, all business connections and activities will cease, and Hodel Associates, Inc. will wind-up its affairs and liquidate under direction of spouse, who is Vice President and a Director. Interest in Hodel Associates, Inc. Profit Sharing Plan and trust will continue. See attached Exhibit 2.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization: No plans concerning future employment.

3. Has anybody made you a commitment to a job after you leave government? No.

4. (a) If you have been appointed for a fixed term, do you expect to serve the full term? Not applicable.

(b) If you have been appointed for an indefinite term, do you have any known limitations on your willingness or ability to serve for the foreseeable future? No.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated: None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated:

All investments presently owned directly by me or by a testamentary trust in which I have 50 percent remainderman's interest are listed in SF 278, which is incorporated as part of this statement. After consummation of the divestitures referred to in attached Exhibit 3, none of the remaining investments presently are believed to involve potential conflicts of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated: None.

4. List and describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or for the purpose of affecting the administration and execution of national law or public policy:

As Administrator of Bonneville Power Administration, I had occasion to testify before Committees of the Congress and to meet with their staffs concerning annual B.P.A. appropriations and other legislation affecting B.P.A., such as B.P.A. self-financing, and, as President of the National Electric Reliability Council, I testified on July 16, 1979, before the Subcommittee on Energy and Environment of the House Committee on Interior and Insular Affairs concerning national and regional power needs. There have not been other activities of the kinds described in this question.

5. Explain how you will resolve any potention conflict of interest that may be disclosed by your responses to the above items: See attached Exhibit 3.

6. Explain how you will comply with conflict of interest laws and regulations applicable to the position for which you have been nominated. Attach a statement from the appropriate agency official indicating what those laws and regulations are and how you will comply with them: See attached Exhibit 3.

FINANCIAL DISCLOSURE REPORT

Reporting individual's name: Hodel, Donald P.

Position for which filing: Under Secretary, U.S. Department of the Interior.

Location of present office: 2825 Dellwood Drive, Lake Oswego, Oregon 97034.

Telephone No. (include area code): (503) 636–2652.

Presidential nominees subject to Senate confirmation: Senate Energy and Natural Resources Committee.

Do you intend to create a qualified diversified trust? No.

Certification: I certify that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.

Signature of reporting individual: Donald Paul Hodel.

Date: Jan. 22, 1981.

Comments of reviewing officials: Upon confirmation, all business activities of Hodel Associates, Inc. promptly will cease, and the corporation will proceed to wind-up its affairs and to liquidate. Mr. Hodel's salary will cease upon confirmation. Spouse's salary will cease upon completion of winding-up corporation's affairs. Mr. Hodel has engaged in no activities in behalf of, and has rendered no services to, Hodel Associates, Inc. since January 14, 1981. Upon confirmation, Mr. Hodel will resign from all "positions held" identified in Schedule "D," except Lutheran Family Service fund raising.

INCOME AND INTERESTS IN PROPERTY—DONALD PAUL HODEL

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a financial interest in a trust?	X	
If "yes", have you reported the income from the trust? (No income)		X
If "yes" have you reported the assets of the trust?	X	
If "yes", is this trust an "excepted" trust?		X
or "qualified" trust?		X
Are there any interest in property or liabilities of a spouse or dependent child which you have not reported but which would be reportable, if held by you?		X

Identification	Income: Type of income: Dividends	Interest	Other (specify)	Category of amount or value: None (or less than $101)	$101–$1,000	$2,501–$5,000	$15,001–$50,000	Actual amount	Date	Interest in property (valuation of assets): Valuation method	$1,001–$5,000	$5,001–$15,000	$15,001–$50,000
Hodel Associates, Inc.,[1] Lake Oswego, Oreg.—50 percent stock			Salary				X	33,143		F		X	
(Spouse) Hodel Associates, Inc., Lake Oswego, Oreg.—50 percent stock			do							F		X	
(Dependent child) Hodel Associates, Inc., Lake Oswego, Oreg.			Wages										
Cascade Water Power Development Corp., 1105 Commonwealth Bldg., Portland, Oreg			Consulting fees.			X		2,700					
Dayton Power & Light Com., Courthouse Plaza SW., Dayton, Ohio			Speech					1,000	4/10/80				
Omark Industries, 2100 South East Millport Rd., Milwaukie, Oreg			do					250	6/11/80				
Public Utilities Association of the Virginias, c/o Potomac Edison Co., Hagerstown, Md			do					1,000	5/23/80				
Public Utilities Executive Course, University of Idaho, Moscow, Idaho			Lecture fees					700	7/30/80				
Underwood, Jordan & Yulish, 230 Park Ave., New York, N.Y			Speeches					4,000	9/4/79; 2/12/80; 3/29/80; 4/18/80				
Van Gulik & Associates, 543 3d St., Lake Oswego, Oreg			Fees					463					
Hodel Associates Profit Sharing Trust,[2] Lake Oswego, Oreg			None							H		X	
(Spouse) Hodel Associates Profit Sharing Trust, Lake Oswego, Oreg			None							H		X	
Old Mill Marina (Garibaldi, Oreg., marina, moorage and recreational vehicle park) 1 percent limited partnership interest. Purchased for $25,000 in 1980			None							A–C			X
City of Gresham, Oreg., $10,000 par value bond		X			X					H		X	
Port of Morrow, Oreg., $10,000 par value bond		X			X					H		X	
State of Oregon Housing Finance, $5,000 par value bond		X			X					H	X		
American Guaranty Financial Corp., 257 shares common stock	X			X						H	X		
Bethlehem Steel, 100 shares common stock	X				X					H	X		
Douglas and Lomason, 100 shares common stock	X				X								
General Tire & Rubber, 102 shares common stock	X				X					H	X		
J. P. Stevens, 121 shares common stock	X				X					H	X		
New Idria, 1,000 shares common stock	X				X					H	X		
Oxford Industries, 100 shares common stock	X				X					H	X		
Sears Roebuck, 101 shares common stock	X				X					H	X		
Pettibone Mulliken Corp., $2,000 par value conv. sub. debenture		X		X						H	X		
Unimproved lot for single family residence, Lake Havasu City, Ariz. Owned jointly with spouse. Purchased for $10,000 in 1969			None							A–C		X	

[1] See Schedule D—"Positions Held" for description of business and listing of income sources for Hodel Associates, Inc.

[2] Trust owns vacant residential lot in Yachats, Oreg., and has $10,000 investment in Columbia Daily Income Co. money market fund.

Liabilities: None equal to or greater than $10,000.

POSITIONS HELD

Name and address or organization, type of organization, and position held:

Hodel Associates, Inc., 2825 Dellwood Drive, Lake Oswego, Oregon, energy consulting firm, president and director, from Jan. 1978 to present.

Hodel Associates, Inc., 2825 Dellwood Drive, Lake Oswego, Oregon, profit sharing trust for Hodel Associates, Inc., co-trustee, from Jan. 1979 to present.

Cascade Water Power Development Corporation, 1105 Commonwealth Bldg., Portland, Oregon, developer of small hydro projects, president and director, from Jan. 1981 to present.

National Electric Reliability Council, Research Park, Terhune Road, Princeton, New Jersey, nonprofit electric power system reliability, president and director, from Apr. 1978 to Apr. 1980.

U.S. National Committee, World Energy Conference, 1620 "I" Street, N.W., Washington, D.C., nonprofit professional associatant—doc., from Dec. 1979 to present.

Lutheran Family Service, 635 N.W. 18th Avenue, Portland, Oregon, nonprofit family counseling, fund drive chairman, from Jan. 1979 to present.

United States Department of Energy, 1000 Independence Avenue, S.W., Washington, D.C., Federal Department, consultant—Texas Joint Interconnection Study, ibid; consultant—d.c., from Dec. 1979 to present.

Central and South West Services, Inc., 2700 One Main Place, Dallas, Texas 75250, utility services company, intertie study, from Oct. 1980 to present.

City of Austin, Texas, P.O. Box 1088, Austin, Texas 78767, municipality, consultant, Texas Joint Interconnection Study, from Dec. 1979 to present.

City Public Service of San Antonio, P.O. Box 1711, San Antonio, Texas 78296, municipal utility, ibid., from Dec. 1979 to present.

Committee on Power for the Southwest, Inc., 400 South Broadway, Edmond, Oklahoma 73034, group of utilities, ibid., from Dec. 1979 to present.

Gulf States Utilities Company, 285 Liberty Avenue, Beaumont, Texas 77701, utility, ibid, from Dec. 1979 to present.

Houston Lighting and Power Company, P.O. Box 1700, Houston, Texas 77001, utility, consultant, Texas Joint Interconnection Study, from Dec. 1979 to present.

Lower Colorado River Authority, P.O. Box 220, Austin, Texas 78767, governmental, ibid., from Dec. 1979 to present.

Middle South Utilities, 225 Baronne Street, New Orleans, Louisiana 70161, utility, ibid., from Dec. 1979 to present.

Texas Utilities, c/o Texas Electric Service Company, P.O. Box 970, Fort Worth, Texas 76101, utility services company, ibid., from Dec. 1979 to present.

Boeing Engineering and Construction Company, P.O. Box 3707, Seattle, Washington

98124, engineering and construction, senior advisory board, technical integrator study, from May 1979 to present.

Boeing Environmental Products, P.O. Box 3707, Seattle, Washington 98124, alternate energy generating facilities manufacturer, consultant, wind power project, from Dec. 1980 to present.

Dallas Power and Light Company, 1506 Commerce Street, Dallas, Texas 75201, utility, consultant, from May 19, 1980 to May 19, 1980.

Electric Power Research Institute, P.O. Box 10412, Palo Alto, California 94303, nonprofit electric power research, advisor, emergency planning, from Aug. 1979 to Dec. 1979 and Aug. 1980 to Dec. 1980.

Fording Coal, Ltd., 205 Ninth Avenue, S.E., Calgary, Alberta, coal company, advisor, power marketing, from March 1980 to present.

Idaho Department of Energy, Boise, Idaho, State of Idaho agency, advisor, alternate energy commission, from Nov. 14, 1980 to Nov. 14, 1980.

Idaho Power Company, Boise, Idaho, utility, consultant, establishment of construction service company, from July 1978 to April 1980.

Montana Power Company, 40 East Broadway, Butte, Montana 59701, utility, ibid, from July 1978 to April 1980.

Pacific Power and Light Company, 920 S.W. Sixth Avenue, Portland, Oregon 97204, utility, consultant-establishment of construction service company policy adv. to senior mgmt. from July 1978 to April 1980 and April 1980 to present.

Portland General Electric Company, 121 S.W. Salmon Street, Portland, Oregon 97204, utility, consultant-establishment of construction service company from July 1978 to April 1980.

Puget Sound Power and Light Company, Puget Power Building, Bellevue, Washington 98009, utility, ibid., from July 1978 to April 1980.

Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington 99220, utility, ibid., from July 1978 to April 1980.

Manning Consultant, Ltd., 9990 Jasper Avenue, Edmonton, Alberta, utility consultants, consultant, Canadian Interconnection Study from Feb. 1980 to Feb. 1980 and Sept. 1980 to Present.

Western Electric Power Grid Study Secretariat, c/o Sherritt Gordon Mines, Ltd., 602 11th Ave., S.W. Calgary, Alberta, Government interconnection research task force, ibid., from Sept. 1980 to present.

Occidental Geothermal, 5000 Stockdale Highway, Bakersfield, California 93309, alternate energy development, advisor-marketing from Sept. 1979 to Oct. 1979 and Sept. 1980 to Oct. 1980.

Oregon Department of Energy, Salem, Oregon, State of Oregon agency, Member-Governor's alternative Energy Development Comm., from Oct. 1979 to Dec. 1980.

Portland General Electric Company, 121 S.W. Salmon Street, Portland, Oregon 97204, utility, arbitrator, from June 1980 to present.

Confederated Tribes of Warm Springs Reservation of Oregon, Warm Springs, Oregon, Indian tribes, arbitrator, from June 1980 to present.

Power Engineers, Hailey, Idaho 83333, utility engineering and consulting, advisor, power supply matters for Ferry County, Wn. P.U.D. No. 1, from October 1980 to present.

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE

Source and brief description of duties:

Hodel Associates, Inc., 2825 Dellwood Drive, Lake Oswego, Oregon, president, overall responsibility for rendition of consulting services to clients of Hodel Associates, Inc.

Clients of Hodel Associates, Inc.

1979—over $5,000:

Idaho Power Company, P.O. Box 70, Boise, Idaho 83707 (all six of these companies paid for a review of whether or not they should start a construction services company.)

Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington 99220.

Pacific Power and Light Company, Public Service Building, 920 S.W. Sixth Avenue, Portland, Oregon 97204.

Montana Power Company, 40 East Broadway, Butte, Montana 59701.

Portland General Electric Company, 121 S.W. Portland Street, Portland, Oregon 97204.

Puget Sound Power and Light Company, Puget Power Building, Bellevue, Washington 98009.

1980—over $5,000.

Pacific Power and Light Company, Public Service Building, 920 S.W. Sixth Avenue, Portland, Oregon 79204 (policy advice to senior management).

Central and South West Services, Inc., 2700 One Main Place, Dallas, Texas 75250 (consultant—Texas Joint Interconnection Study and d.c. intertie study).

RELATIONS WITH OTHER EMPLOYERS

Description of terms of any agreement or arrangement, parties, and date:

Informal agreement with Hodel Associates, Inc., of which reporting individual is president and co-owner, not to terminate Hodel Associates, Inc. Profit Sharing Plan and Trust, so that reporting individual and spouse may remain members of plan. As a consequence, vested account in profit sharing trust will not be terminated, Hodel Associates, Inc., proposed.

INCOME AND INTERESTS IN PROPERTY—DONALD PAUL HODEL

SUPPLEMENTAL, JANUARY 24, 1981

Mr. Hodel presently is a co-trustee, with his brother, Leslie E. Hodel, of a testamentary trust established under the Aug. 4, 1972, will of his father, Philip E. Hodel, who died June 3, 1978. As se forth in letter of Jan. 24, 1981, attached hereto as Supplemental Exhibit 1, Mr. Hodel has tendered his resignation as co-trustee, effective upon confirmation. The trust beneficiary is Rose Hodel Mr. Hodel's mother. During her life, she is entitled to all trust income and to so much of corpus as trustee determines necessary. Upon her death, remaining trust assets are to be divided equally between Mr. Hodel and his brother.]

Identification	Valuation method	Interests in property (valuation of assets) $1,001 $5,000	$5,001–$15,000	$15,001–$50,000
TRUST HOLDINGS				
STOCKS				
Georgia Pacific Corp., 380 shares common	H			X
Louisiana Pacific Corp., 120 shares common	H	X		
Phillips Petroleum Co., 100 shares common	H		X	
Standard Oil Co. of California, 100 shares common	H			X
Washington National Corp., 30 shares	H	X		
Washington National Corp. No. 2, 27 shares	H	X		
Oregon State Board of Higher Education Bldg., $5,000 par value, 4.5 percent, due 2001.	H	X		
Oregon Veterans Welfare, $10,000 par value, 5.3 percent, due 1997.	H			X
12 Federal Land Banks Consolidated, Series D, $12,000 par value, 8.15 percent.	H			X
FUNDS				
Columbia Daily Income Co., Portland, Oreg. (money market fund).	H			X
Corporate Income Fund 6th Intermed. Ser., c/o Merrill Lynch, Pierce, Fenner & Smith, Portland, Oreg. (corporate bond portfolio).	H			X
BONDS				
City of Ontario, Oreg., Hospital, $20,000 par value, 8½ percent, due 1988.	H			X
City of Portland, Oreg., G. O. Water, $10,000 par value, 2¾ percent, due 1984.	H			X
Coos County [Oregon] Bay Area Hospital District $5,000 par value, 5.2 percent, due 1985.	H	X		
Municipal Investment Trust Fund 2d Intermed. Ser., c/o Merrill Lynch, Pierce, Fenner & Smith, Portland, Oreg. (municipal bond fund).	H			X
OTHER				
JMB Income Properties, Ltd. VII, Chicago, Ill., limited partnership, interest purchased for $20,000 on Apr. 2, 1980 (owns shopping centers and office buildings in Cedar Rapids, Iowa; Clackamas, Oreg.; Huron, S. Dak.; Philadelphia, Pa.; Schaumberg, Ill.	C			X

POSITIONS HELD

Name and address of organization, type of organization, and position held.

Cotrustee of testamentary trust under will of Philip E. Hodel, 2240 S.W. Sunset Boulevard, Portland, Oregon 97201, testamentary trust, cotrustee, from Jan. 1980 to present.

[See attached Supplemental Exhibit 1.]

SUPPLEMENTAL EXHIBIT I

JANUARY 24, 1981.

Mr. LESLIE E. HODEL,
Portland, Oreg.

Re: Philip E. Hodel Testamentary Trust.

DEAR LES: As you know, I will be nominated as Under Secretary of the Interior. The appointment will not become effective until confirmation by the United States Senate. To avoid any actual or potential conflict of interests, or even the appearance of conflict of interest, it will be necessary for me to resign as Co-Trustee of the Testamentary Trust established by Dad's Will. Accordingly, this letter constitutes my resignation, to be effective concurrently with Senate confirma-

tion of my appointment as Under Secretary, as Co-Trustee of the trust established under the Last Will and Testament of Philip E. Hodel, dated August 4, 1972 (the "Trust").

Immediately upon the effective date of my resignation as Co-Trustee, please take such steps as may be necessary to change the name in which all assets of the Trust are held and/or the name in which any account is maintained in behalf of the Trust.

Article VI, paragraph "B" of the Will provides that, upon Mother's death, the Trust shall terminate and the remaining Trust assets, if any, shall be distributed free of Trust equally to you and to me. Prior to her death, I have no right to receive any income or corpus of the Trust. Except as set forth below, it is absolutely essential that you agree that, during the entire period of my tenure as Under Secretary, you will refrain from directly or indirectly furnishing me, my wife Barbara, or my son David with any knowledge or information as to any of the Trust holdings, or any of the sources of Mother's income from the Trust, or any transactions of the Trust. In the event of Mother's death during my tenure of office, you are not to distribute to me any portion of the assets of the Trust nor furnish me with any information concerning Trust assets without further, written instructions from me as to the distribution of those assets, the holding of which by me may be prohibited. At my request, you are to furnish Government agencies with a listing of assets of the Trust.

The applicable federal conflicts of interest statutes and regulations apparently have been interpreted by the Government to prohibit my continued holding of a fifty percent remainderman's interest in the Trust if the Trust owns certain types of securities or other property, specifically, securities of companies engaged in "underground or surface coal mining operations." You will receive a letter from the Deputy Department Ethics Counselor of the Department of Interior, who will inform you of the holdings of the Trust which are prohibited. You have agreed that, upon receiving such information, you immediately will sell all such securities. Mother has informed me of her consent to the sale. Please furnish me with written evidence of the sale, such as broker's confirmations or otherwise.

You also have agreed that, during the entire period of my tenure as Under Secretary, you will not permit the Trust to acquire any holdings in the securities or properties of companies engaged in underground or surface coal mining operations and that, when making purchases in behalf of the Trust, you will obtain the specific representation of the Trust's stockbroker that the subject investment will not fall within such category. Moreover, you have agreed that, if you should be informed at any future time during my tenure, that the Trust holds securities of a company which, subsequent to today, becomes involved in underground or surface coal mining operations, you will cause the Trust immediately to dispose of such securities.

I greatly regret having to resign as Co-Trustee because it leaves you with the sole burden of managing the Trust assets for Mother, and I certainly would have preferred not to ask you to dispose of Trust assets on my account. However, I have no alternative in the circumstances. Please sign and return to me promptly the enclosed duplicate copy of this letter whereby you acknowledge my resignation as of the date described above and agree to abide by my instructions as set forth herein.

Sincerely,

DONALD PAUL HODEL.

The undersigned acknowledges the resignation of Donald Paul Hodel as Co-Trustee of the Trust established under the Last Will and Testament of Philip E. Hodel, effective as of the date of confirmation of Donald Paul Hodel as Under Secretary of the Interior. The undersigned hereby agrees to abide by the instructions and agreements set forth in the foregoing letter.

Dated this 24th day of January, 1981.

LESLIE E. HODEL,
Co-Trustee.

Are any assets pledged? (Add schedule.) Personal residence is mortgaged to Pacific First Federal Savings & Loan Association, Portland, Oregon.

Are you currently a party to any legal action? No. By reason of Rule 25(d)(1), Federal Rules of Civil Procedure, I no longer am deemed a party to any action involving me in my former official capacity as Administrator of the Bonneville Power Administration.

Have you ever declared bankruptcy? No.

Have you filed a Federal income tax return for each of the last 10 years? If not, please explain. Yes.

Has the Internal Revenue Service ever audited your Federal tax return? If so, what resulted from the audit? No.

AFFIDAVIT

City of Washington, District of Columbia.

Donald Paul Hodel, being duly sworn, hereby states that he/she has read and signed the foregoing Statement for Completion by Presidential Nominees including the Financial Statement and that the information provided therein is, to the best of his/her knowledge and belief, current, accurate, and complete.

DONAD PAUL HODEL.

Subscribed and sworn before me this 30th day of January, 1981.

JOHN J. ECKERT,
Notary Public.

EXHIBIT 1

QUALIFICATIONS

PERSONAL DATA

2825 Dellwood Drive, Lake Oswego, Oregon. Married (24 years). Born: May 23, 1935.

EDUCATION

A.B. degree in Government, Harvard University (1957). J.D. degree, University of Oregon Law School (1960).

PARTICULARLY VALUABLE EXPERIENCES

Practicing attorney, first with a large law firm in Portland, Oregon (8–60 to 11–10–63), and then in the legal department of Georgia-Pacific Corporation (11–11–63 to 9–30–69).

Bonneville Power Administration—Deputy Administrator (10–1–69 to 11–30–72); Administrator (12–1–72 to 12–31–77). [B.P.A. is a federal power marketing agency whose activities have major impact upon the Pacific Northwest. Responsibilities included managing 3,500 employees and participating actively in policy development.]

National Electric Reliability Council—Secretary-Treasurer (1972–77); President and Director (1978–80). [N.E.R.C. is a non-profit organization composed of a broad spectrum of publicly and privately owned utilities, as well as federal power marketing agencies, which primarily is concerned with reliability of electric power systems].

Governor's Alternate Energy Development Commission of the State of Oregon—member (1979–80). [The Commission was established primarily to assess the potential alternate energy development in the State of Oregon and the ways in which the State could encourage such development].

Electric Power Research Institute—Director (1973–77). [E.P.R.I. is a non-profit organization composed of numerous publicly and privately owned utilities, as well as federal power marketing agencies and the Tennessee Valley Authority. As a director, I had the opportunity to participate in the development of policy regarding, and in the overall management of, the various research projects in which E.P.R.I. was engaged].

PARTICULARLY SIGNIFICANT HONORS

Department of the Interior Outstanding Service Award (gold medal) conferred by Secretary Morton for energy conservation activities (March 1974).

Distinguished Service Award of Northwest Public Power Association (June 1975).

Honorary Membership—Northwest Public Power Association (June 1978).

EXHIBIT 2

PROFIT SHARING TRUST

In 1979, Hodel Associates, Inc., established the Hodel Associates, Inc. Profit Sharing Trust. There is credited to my account an interest of approximately $12,856, and my wife has a credited interest of approximately $5,093. The trust owns a vacant residential lot, located in Yachats, Oregon, purchased in 1980 for approximately $22,000 and upon which approximately $15,620 is owed, and also has approximately $10,000 on deposit with Columbia Daily Income Company, Portland, Oregon, a money market fund. Notwithstanding liquidation of Hodel Associates, Inc., the profit sharing trust will remain in existence, and my wife and I intend to retain our membership and accounts therein. After the corporation makes its contribution for its fiscal year ending January 31, 1981, there will be no further contributions to this trust inasmuch as the business of Hodel Associates, Inc. will have ceased. If necessary, I will resign as the sole trustee of this trust.

EXHIBIT 3

POTENTIAL CONFLICTS OF INTEREST AND THEIR RESOLUTION

SF–278 describes investments owned personally by me and my wife, by the Hodel Associates, Inc. Profit Sharing Trust, and by a testamentary trust established under the August 4, 1972, will of my father, Philip E. Hodel, who died June 3, 1978. The testamentary trust beneficiary is Rose Hodel, my mother. During her life, she is entitled to all trust income and to so much of the corpus as the co-trustees determine necessary. Upon her death, the remaining trust assets, if any, are to be divided equally between my brother, Leslie E. Hodel, and myself.

My brother and I are the co-trustees of the testamentary trust. By a letter agreement between my brother and myself, dated January 24, 1981, and attached hereto as Exhibit 3–A, I have resigned as co-trustee, effective upon my confirmation.

Upon consultation with the Deputy Department Ethics Counselor of the Department of the Interior and an Assistant Solicitor of the Department, and after additional personal consideration, I have taken steps to dispose of my direct holdings of, and to assure disposition by the testamentary trust of, investments which presently (i) would be prohibited under applicable federal statutes and regulations, (ii) are believed to involve potential conflict of interest with my prospective duties as Under Secretary and/or (iii) are believed to involve the appearance of conflict or potential conflict of interest. These steps include:

(a) My directing my stockbroker to sell my direct holdings of 100 shares of Bethlehem Steel Corporation common stock, of 102 shares of General Tire & Rubber Co. common stock and of 500 shares of Lucky Friday Extension Mining Company capital stock (not listed on SF–278 because the $125 esti-

mated value is less than the $1,000 threshold reporting figure); and

(b) My obtaining from my brother, as co-trustee, his agreement, with which the life beneficiary (my mother) concurs, to cause the testamentary trust, immediately following my confirmation, to sell its holdings of 380 shares of Georgia-Pacific Corporation common stock, of 120 shares of Louisiana-Pacific Corporation common stock, of 100 shares of Phillips Petroleum Co. common stock, and of 100 shares of Standard Oil Co. of California common stock. The trust's stockbroker already has effected one of these sales. My brother has confirmed the foregoing arrangements by his letter to me dated January 29, 1981, a copy of which is attached hereto as Exhibit 3–B.

It is my intention, during my tenure as Under Secretary, not to acquire directly or through the Hodel Associates, Inc. Profit Sharing Trust financial interests known to me to involve actual or potential conflict of interest, or even the appearance of conflict of interest, with my official duties.

By reason of the letter agreement attached as Exhibit 3–A, the co-trustee of the testamentary trust has agreed that, during the entire period of my tenure as Under Secretary, the co-trustee will refrain from directly or indirectly furnishing me, my wife, or our dependent son with any knowledge or information as to any of the trust holdings, or any of the sources of my mother's income from the trust, or any transactions of the trust. If a matter came before me concerning a company whose stock at the time was held by the testamentary trust, there would be no potential conflict of interest in those instances when I had no knowledge of the trust's holding, as in the case of a stock acquired by the trust after January 24, 1981. The letter agreement also obligates the co-trustee to refrain from permitting the trust's acquisition of securities prohibited by the Surface Mining Control and Reclamation Act of 1977, 30 U.S.C. § 1211(f).

My understanding is that the Department Ethics Counselor of the Department of the Interior has been furnished with copies of SF–278, the letter agreement attached as Exhibit 3–A, and the confirmatory letter attached as Exhibit 3–B, and that, in the ordinary course, he also will possess copies of disclosure statements required to be filed by me annually pursuant to applicable statutes and regulations. In the event the Department Ethics Counselor informs me that any of my personal holdings or prior relationships, or any of the holdings of the profit sharing or testamentary trusts, create an actual or potential conflict of interest with my duties as Under Secretary, or even the appearance of a conflict of interest with such duties, or in the event I draw such conclusion myself, I shall consult with the Department Ethics Counselor and, in light thereof, then shall take such remedial steps as may be required by applicable statutes or regulations or which otherwise appear to me to be appropriate in the circumstances.

See letter from the Deputy Ethics Counselor of the Department of the Interior to Director, Office of Government Ethics, dated January 29, 1981, attached hereto as Exhibit 3–C. [Included as part of Exhibit 3–C is Attachment I thereto. Attachment II is not included herein because it consists of this Exhibit 3 and Exhibits 3–A and 3–B.].

EXHIBIT 3–A

JANUARY 24, 1981.

Re: Philip E. Hodel Testamentary Trust.
Mr. LESLIE E. HODEL,
Portland, Oreg.

DEAR LES: As you know, I will be nominated as Under Secretary of the Interior. The appointment will not become effective until confirmation by the United States Senate. To avoid any actual or potential conflict of interest, or even the appearance of conflict of interest, it will be necessary for me to resign as Co-Trustee of the Testamentary Trust established by Dad's Will. Accordingly, this letter constitutes my resignation, to be effective concurrently with Senate confirmation of my appointment as Under Secretary, as Co-Trustee of the trust established under the Last Will and Testament of Philip E. Hodel, dated August 4, 1972 (the "Trust").

Immediately upon the effective date of my resignation as Co-Trustee, please take such steps as may be necessary to change the name in which all assets of the Trust are held and/or the name in which any account is maintained in behalf of the Trust.

Article VI, paragraph "B" of the Will provides that, upon Mother's death, the Trust shall terminate and the remaining Trust assets, if any, shall be distributed free of Trust equally to you and to me. Prior to her death, I have no right to receive any income or corpus of the Trust. Except as set forth below, it is absolutely essential that you agree that, during the entire period of my tenure as Under Secretary, you will refrain from directly or indirectly furnishing me, my wife Barbara, or my son David with any knowledge or information as to any of the Trust holdings, or any of the sources of Mother's income from the Trust, or any transactions of the Trust. In the event of Mother's death during my tenure of office, you are not to distribute to me any portion of the assets of the Trust nor furnish me with any information concerning Trust assets without further, written instructions from me as to the distribution of those assets, the holding of which by me may be prohibited. At my request, you are to furnish Government agencies with a listing of assets of the Trust.

The applicable federal conflicts of interest statutes and regulations apparently have been interpreted by the Government to prohibit my continued holding of a fifty percent remainderman's interest in the Trust if the Trust owns certain types of securities or other property, specifically, securities of companies engaged in "underground or surface coal mining operations." You will receive a letter from the Deputy Department Ethics Counselor of the Department of Interior, who will inform you of the holdings of the Trust which are prohibited. You have agreed that, upon receiving such information, you immediately will sell all such securities. Mother has informed me of her consent to the sale. Please furnish me with written evidence of the sale, such as broker's confirmations or otherwise.

You also have agreed that, during the entire period of my tenure as Under Secretary, you will not permit the Trust to acquire any holdings in the securities or properties of companies engaged in underground or surface coal mining operations and that, when making purchases in behalf of the Trust, you will obtain the specific representation of the Trust's stockbroker that the subject investment will not fall within such category. Moreover, you have agreed that, if you should be informed at any future time during my tenure, that the Trust holds securities of a company which, subsequent to today, becomes involved in underground or surface coal mining operations, you will cause the Trust immediately to dispose of such securities.

I greatly regret having to resign as Co-Trustee because it leaves you with the sole burden of managing the Trust assets for Mother, and I certainly would have preferred not to ask you to dispose of Trust assets on my account. However, I have no alternative in the circumstances. Please sign and return to me promptly the enclosed duplicate copy of this letter whereby you acknowledge my resignation as of the date described above and agree to abide by my instructions as set forth herein.

Sincerely,

DONALD PAUL HODEL.

The undersigned acknowledges the resignation of Donald Paul Hodel as Co-Trustee of the Trust established under the Last Will and Testament of Philip E. Hodel, effective as of the date of confirmation of Donald Paul Hodel as Under Secretary of the Interior. The undersigned hereby agrees to abide by the instructions and agreements set forth in the foregoing letter.

Dated this 24th day of January, 1981.

LESLIE E. HODEL,
Co-Trustee.

EXHIBIT 3–B

JANUARY 29, 1981.

Re: Testamentary Trust.
Mr. DONALD PAUL HODEL,
c/o Office of the Secretary,
U.S. Department of the Interior,
Washington, D.C.

DEAR DON: To comply with requirements intended to enable your avoiding actual, potential or apparent conflicts of interests if your nomination as Under Secretary of the Department of the Interior is confirmed by the United States Senate, we have agreed upon various steps to be taken concerning the testamentary trust established by Dad's will, dated August 4, 1972. The first of these was our entering into a letter agreement, dated January 24, 1981, signed copies of which you have.

On January 26, 1981, you informed me that, according to the Deputy Department Ethics Counselor of the Department of the Interior, Phillips Petroleum Company is engaged in underground surface coal mining operations, so that, by reason of the Surface Mining Control and Reclamation Act, as interpreted by the Department, it would be unlawful for the trust, while you are a remainderman, to continue to hold its 100 shares of Phillips Petroleum Company common stocks. As co-trustee, I determined it would not be contrary to the best interests of Mother, as the life beneficiary of the trust to dispose of such shares, and she concurred. Accordingly, on January 27, I directed Merrill Lynch to sell that stock. A copy of the broker's confirmation of sale previously has been mailed to you for your records.

As I understand the matter, the Deputy Department Ethics Counselor has informed your attorney that no further divestitures by the trust are believed by him to be necessary under applicable statutes and regulations. Nevertheless, you have informed me of your own determination that further steps should be taken to assure that the trust's holdings do not constitute even the appearance of a conflict of interest with your future duties as Under Secretary.

This letter will confirm my agreement with you that, immediately following your confirmation as Under Secretary, the trust will sell the following securities presently held by it: 380 shares of Georgia-Pacific Corporation common stock, 120 shares of Louisiana-Pacific Corporation common stock, and 100 shares of Standard Oil Co. of California common stock. Broker's confirmations will be mailed to you promptly upon sale.

It is my opinion that, in view of your agreement to reimburse the trust for capital gains taxes and brokerage commissions, described below, the aforesaid additional sales of securities will not be contrary to Mother's best interests, as the life beneficiary of the trust. She concurs with my judgment.

Sales of these four securities will result in taxable capital gain to the trust in excess of $8,000. We will not know the resulting net increase in federal and Oregon income taxes to be paid in respect of 1981 until after the end of the tax year. This letter will confirm our agreement, made at your suggestion, that, inasmuch as the sales were prompted by a desire to accommodate you, you will reimburse the trust for the federal and Oregon income taxes and brokerage commission attributable to the sales. Whether you reimburse the trust substantially concurrently with its tax payment or give the trust your personal promissory note providing for deferred payment over a reasonable time is a matter which can be decided once the figures are ascertained.

If this letter accurately sets forth our understandings which supplement the letter agreement of January 24, please send me an initialled copy at your convenience.

Best wishes,

LESLIE E. HODEL.

The foregoing accurately states our understandings.

Date: January 29, 1981.

DONALD PAUL HODEL.

EXHIBIT 3–C

U.S. DEPARTMENT
OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., January 29, 1981.

MEMORANDUM

To: Director, Office of Government Ethics.
From: Deputy Department Ethics Counselor, U.S. Department of the Interior.
Subject: Opinion Memorandum for Donald Paul Hodel, Nominee for Under Secretary, U.S. Department of the Interior.

The financial statement filed by Mr. Hodel has been reviewed in accordance with the provisions set forth in 5 CFR 734.604(a).

In order to sign the certification it was necessary to address the following issues revealed by Mr. Hodel's financial disclosure report:

1. Mr. Hodel has ordered the sale of his 100 shares of stock in Bethlehem Steel Corporation.

This divestiture is necessitated by 30 U.S.C.A. 1211(f) which prohibits any federal employee who performs functions or duties under the Surface Mining Control and Reclamation Act of 1977 (the Act) from retaining financial interests in surface or underground coal mining operations. As Under Secretary Mr. Hodel will be subject to this prohibition. Bethlehem, through its subsidiary Bethlehem Mines Corporation, ranks among the nation's top 50 coal mining companies.

2. Another interest prohibited by the provisions in 30 U.S.C.A. 1211(f) is the 100 shares of stock in Phillips Petroleum Company. Mr. Hodel's interest in this holding derives from his 50 percent remainder interest in a testamentary trust. The attached Justice Department opinion (Attachment I) states that a remainder interest in a trust is a financial interest for purposes of the conflict of interest statutes. Supplemental Exhibit I attached to the SF-278 constitutes an agreement by Mr. Hodel to resign from his position as Co-Trustee of the trust upon his confirmation as Under Secretary. The trustee (Mr. Hodels' brother, Leslie Hodel) has, by his signature on the letter of agreement, consented to sell or otherwise dispose of those securities which are directly prohibited to the Under Secretary by the Act. The only securities now held in the trust which are so prohibited are the 100 shares of Phillips Petroleum Company stock.

As stated in the letter of agreement, I will inform the trustee in writing to sell or exchange the stock in Phillips Petroleum Company. Mr. Hodel already has directed the trustee to sell such shares and I am informed that the sale has already been accomplished.

3. The following four statutory prohibitions are extended by Departmental regulations to the Under Secretary and to other Secretarial officers:

(a) the Bureau of Mines (30 U.S.C. § 6),

(b) the Bureau of Land Management (43 U.S.C. § 11),

(c) the U.S. Geological Survey (43 U.S.C. § 31(a)), and

(d) the Bureau of Indian Affairs (18 U.S.C. § 437)

This extension is made to encompass those Department level officials who may exercise supervision over or influence decisions made by officials in each of the affected bureaus. By reason of such regulation, two of the holdings in the testamentary trust—Standard Oil of California and Georgia Pacific Corporation—are subject to the provisions of 43 U.S.C. § 31(a) and 43 U.S.C. 11 respectively. Attachment II to this memorandum sets forth the steps Mr. Hodel will take to divest himself of his 50 percent remainder interest in these two and other specific assets in the trust which may create even the appearance of conflict of interest. Mr. Hodel's agreement is totally acceptable to this Department and in fact exceeds the requirements of this Department which allow an exception to the regulatory extension for cause. See 43 CFR 20.735–§ 13(c).

4. The stock owned in General Tire and Rubber Company results in a financial interest in Frontier Airlines, General Tire, through its subsidiary RKO Teleradio Pictures, owns 60 percent of Frontier. Frontier Airlines is interested in providing jet service to Jackson Hole, Wyoming and the airport at Jackson Hole is on National Park Service land. In order to fly jet aircraft into Jackson Hole it will be necessary for the Park Service to issue regulations relaxing the proposed noise abatement procedures for Grand Teton National Park—a matter in which the Under Secretary could become involved. To avoid any problem with 18 U.S.C. 208 and Executive Order 11222, Mr. Hodel has ordered the sale of the stock held in General Tire and Rubber Company.

5. Mr. and Mrs. Hodel's agreement to dissolve Hodel Associates, Inc. consulting firm upon Mr. Hodel's confirmation as Under Secretary eliminates our concern about business relationships which the Department may have with the clients of Hodel Associates, Inc.

6. Finally, our review revealed that Mr. Hodel's property interests are not in close proximity to federal lands administered by the Department of the Interior and do not otherwise relate to the duties contemplated for Mr. Hodel.

The agreements, letter of resignation as co-trustee and arrangements stated in this memorandum have been negotiated with Mr. Hodel through his attorney, Donald Pearlman, of Keane, Harper, Pearlman and Copeland, Portland, Oregon.

Also enclosed are revised pages to the SF–278. The revisions made help to clarify items reported and correct typographical errors.

My certification is based on this analysis and on the resolutions as herein explained. Please call me at 343–3932 should you have any questions.

GABRIELE J. PAONE.

OFFICE OF GOVERNMENT ETHICS,
OFFICE OF PERSONNEL MANAGEMENT,
Washington, D.C., February 4, 1981.

Hon. JAMES A. MCCLURE,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Donald P. Hodel, who has been nominated by President Reagan for the position of Under Secretary of the Department of the Interior.

We have reviewed the report and have also obtained advice from the Department of the Interior concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. The Department, in its memorandum to this Office dated January 29, a copy of which with its attachments is enclosed, sets forth in detail the steps Mr. Hodel has taken personally and through the testamentary trust of which he is a contingent beneficiary to bring himself into conformity with the relevant statutes and regulations of the Department involving prohibited assets. Additionally, the Department, in the comment section on Mr. Hodel's financial disclosure report, states that Mr. Hodel, upon confirmation, will resign from all the positions listed in Schedule D, with the exception of the Lutheran Family Service organization.

Based on the foregoing, we believe that Mr. Hodel is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER,
Director.

Mr. HATFIELD. Mr. President, it was my pleasure to introduce Don Hodel earlier today at his nomination hearing to be Under Secretary of Interior. I joined with my distinguished colleague, Senator PACKWOOD in expressing my utmost confidence in Don Hodel because I am absolutely convinced he will be a magnificent Under Secretary of Interior.

Donald Hodel comes to this post with a distinguished career in the fields of energy, resource development, and power production. His experience as both deputy administrator and administrator of the Bonneville Power Administration has made his managerial expertise legendary and his grasp of issues superb.

As my fellow Senators know, the Bonneville project is of mammoth proportions involving private, local, State, and Federal entities and Don Hodel's ability to orchestrate such diversity is well known.

Mr. President, believing Don Hodel will be a real asset to the interests of our Nation, I urge the Senate to confirm his nomination immediately.

Mr. PACKWOOD. Mr. President, President Reagan's choice of Donald P. Hodel to be Under Secretary of the Interior is one of the finest nominations he has made. I have been privileged to know Don Hodel for many, many years—more than 30, to be exact. We knew each other in high school, and over the years our paths have crossed many times as we have pursued careers in public service.

Don Hodel has unquestionable abilities as a manager and administrator. His career has prepared him well for the issues he will face at the Department of the Interior. He served for 7 years as an attorney for the Georgia-Pacific Corp. before taking on the very great responsibility of managing the Bonneville Power Administration, first as deputy administrator for 3 years, and later as administrator for 4 years.

Mr. President, the people of this country are lucky that a man with the abilities of Don Hodel is willing to leave a highly successful life in Oregon for a possibly thankless job in Washington, D.C. We are fortunate to have him in Government.

Mr. JACKSON. Mr. President, I am pleased to support President Reagon's nomination of Donald Hodel to be Under Secretary of the Interior. I have known Don Hodel for the last 12 years.

From 1969 to 1978 he was Deputy Administrator and Administor of the Bonneville Power Administration, which is, of course, very important to my State and to the Pacific Northwest. During that time I worked closely with Don on a broad range of issues, including the legislation which established the self-financing mechanism for BPA s operations. He was an excellent Administrator who gained the respect of a wide variety of interest groups in the Pacific Northwest. While we did not agree on every issue, we were always able to carry on a dialog and usually arrived at a mutually acceptable solution.

The Under Secretary of the Interior should play a critical role in management of all facets of the Department's responsibilities. I feel certain that Don Hodel will take a balanced and reasonable approach to resolving the wide variety of resource development and preservation issues which will confront the Department during the next 4 years.

Mr. McCLURE. Mr. President, I move confirmation of the nomination.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination of Donald P. Hodel, of Oregon, to be Under Secretary of the Department of the Interior.

So the nomination was confirmed.

Mr. McCLURE. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination.

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

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

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

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate return to legislative session.

There being no objection, the Senate resumed the consideration of legislative business.

DEBT LIMIT EXTENSION

Mr. BAKER. Mr. President, has S. 393, the debt limit bill, been reported by the Committee on Finance?

The PRESIDING OFFICER. The measure has been reported, and it is on the calendar.

Mr. BAKER. That being the case, is that the status of the bill, that it is on the calendar?

The PRESIDING OFFICER. The House bill will be placed on the calendar.

Mr. BAKER. The House-passed bill having been just received, the status of that bill, H.R. 1553, is that it goes directly to the calendar. Is that correct?

The PRESIDING OFFICER. That is correct.

Mr. BAKER. I ask unanimous consent that the Senate proceed to the immediate consideration of H.R. 1553.

The PRESIDING OFFICER. Is there objection?

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, there will be no objection on this side to proceeding to the bill. This side will not ask that the Senate go over to a new legislative day in this instance. It is the desire to proceed with the action on the debt limit extension, and therefore, there is no objection to that.

Mr. BAKER. Mr. President, I thank the distinguished minority leader.

Am I correct, then, that upon the granting of the request just put, H.R. 1553 will be the pending business?

The PRESIDING OFFICER. Without objection, it is so ordered, and it will be the pending business.

The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 1553) to provide for a temporary increase in the public debt limit.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, inasmuch as both the majority leader and the minority leader are in the Chamber, I wonder whether there is any possibility of wrapping this up this afternoon.

Mr. ROBERT C. BYRD. Mr. President, if I may respond, there is not a possibility that the measure can be wrapped up this afternoon. There are some Senators who will want to speak on the measure today. There may be some amendments that will be called up. It may be that some of the amendments which are being discussed will not be called up. I believe that tomorrow would be the day on which we might reasonably expect final action on this matter.

We on this side of the aisle—and I in particular—would like to await the President's televised message to the Nation this evening, because it may be that an amendment or amendments might be shaped in respect to and in response to that message.

So I say to the distinguished Senator that I do not believe it will be reasonable to anticipate action today, but I do not believe there will be any reason not to anticipate final action tomorrow.

Mr. DOLE. The reason for the inquiry, if that is the case, is this: The Senator from Kansas does not insist on proceeding today. If we are going to make statements, we can talk today about the need for the increase. But I assume that once the President has delivered his message and we start fairly early in the morning, we could proceed quickly.

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

Mr. DOLE. I yield.

Mr. BAKER. Mr. President, I thank the Senator from Kansas for his inquiry and the response by the distinguished minority leader.

The minority leader had indicated to me earlier that he felt that they could not give consent nor agree to a final disposition of this measure today. He suggested that it is likely that we could complete action tomorrow.

Mr. President, I say to my colleagues that it is unlikely that we will be in very long today. In a moment, I am going to suggest the absence of a quorum and, perhaps a little later, recess for a brief time so that certain negotiations which are underway might be completed so that we can ascertain the shape and form of tomorrow's debate.

It is my expectation that the Senate will recess over until an early hour tomorrow—I presently have in mind 9 a.m.—with the hope that this measure can be disposed of as soon as possible, perhaps by midday.

I know a number of Senators on both sides have travel arrangements, that involve airline reservations and the like, which would be difficult to rearrange if we went very late on Friday.

While that concern is certainly not a controlling feature, it is a matter of some importance. If other factors will permit and if a thorough, adequate consideration of this measure can be disposed of this afternoon and by early tomorrow, I hope then we can pass the adjournment resolution, which I expect from the House of Representatives shortly, to provide that we will go out until February 16.

Mr. President, for the moment I am prepared to suggest the absence of a quorum.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield before that?

Mr. BAKER. I am happy to yield.

Mr. ROBERT C. BYRD. Mr. President, what the distinguished majority leader suggests, I think, is a reasonable approach to this matter.

I express the hope that if Senators do have amendments to call up, if they can call them up this afternoon and dispose of them, it might be well to do so.

I probably will have an amendment. I do not know whether I will call it up today or wait until tomorrow to call it up. I would not want action to be completed on it today if I should call it up today, but there may be other amendments that could be called up today and disposed of.

I am thinking of possibly one or two

amendments that I have heard discussed on my side of the aisle. It might be if those Senators still intend to call them up at some point they might wish to present them today and perhaps they could be disposed of today.

It may very well be that those Senators will not call them up and in any event they may not want to call them up today and may prefer to go over until tomorrow.

I am not attempting to suggest anything other than if such amendments can be called up today, and I speak to Senators on my side of the aisle in particular, they may wish to do so.

But I say to the majority leader that the amendment that I anticipate calling up probably will not be offered until tomorrow but in any event I would not want to vote on it today.

Mr. BAKER. Mr. President, I thank the minority leader for that information.

I wonder if there is some possibility that we could establish a time certain to vote on this measure tomorrow.

Mr. ROBERT C. BYRD. Mr. President, it might very well be that a time certain could be established. I doubt that it can be established today. But I intend to meet with Members on this side of the aisle in due course and it may very well be that in the morning a time could be established.

Mr. BAKER. I thank the minority leader.

Mr. President, it is now only 2:55 p.m., and there is a fair amount of time available to the Senate this afternoon.

I urge Members who have statements to make or perhaps even amendments to offer that they might take advantage of the time we have this afternoon.

I will not, then, suggest an absence of a quorum at this time nor recess.

At this moment, I yield briefly to the Senator from Minnesota.

Mr. DURENBERGER. I thank the majority leader.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

IRAN

Mr. DURENBERGER. Mr. President, all Americans are overjoyed at the release of our 52 hostages on Inaugural Day. While we must not forget the three Americans who remain in Iranian jails, we can take great pride in those of our countrymen who have returned to freedom. These people—diplomats, military men, educators, and a businessman—conducted themselves with dignity and courage throughout their ordeal, and they brought great credit to themselves and to the United States. They show what is best about our country, and their behavior stands in marked contrast to that of their captors, who manifested the worst rather than the best of Iran.

The capture of our Embassy and the detention of our citizens is a clear case of terrorism. No other word is appropriate. Such behavior was rightly denounced by the United Nations and the International Court of Justice. The incident was all the more repugnant in that the terrorists were aided, supported, directed, and shielded by their own government. Seldom has there been so clear a case of vicious and unjustifiable state terrorism. Iran thus stands condemned before the entire international community.

All nations recognize that they have a common stake in the preservation of international law and diplomatic customs. As President Reagan has reminded us, we must therefore make it clear to all people that we will not tolerate international terrorism, just as earlier generations of Americans did not tolerate piracy. No one should doubt our will, our resolve, or our reach, and no one should count on our acquiescence in the face of threats to our citizens or to the international order. Failure to make this clear can only invite further acts of terror.

There are other lessons to be drawn from this incident, however. First, as events of the past year have vividly demonstrated, the Iranian people are themselves at the mercy of the terrorists who challenged the United States and who have in many cases infiltrated the current Iranian Government. Repression under the current regime makes a mockery of the ideals that led many Iranians to oppose the government of the Shah. As has happened too often throughout history, the children of a revolution have become its eventual victims.

There is thus increasing dissatisfaction among the great majority of Iranians with the erratic and cruel leadership of the current government. Indeed, the hostages themselves were used as a bargaining chip among the various radical factions which would rather compete for power than assist their countrymen. It has been only the overriding challenge of the current war with Iraq that has stifled dissent against the government, but the fact remains that the current government is living on borrowed time, and it is doing so despite rather than because of the wishes of the great bulk of the Iranian people. In other words, we should not hold the Iranian people to account for the brutality of their government and its terrorist bullyboys, for this is a government which the Iranian people themselves do not support. It represents, as some say of its predecessor, a tyranny of the few against the many.

Second, the country of Iran—rather than the current government—remains important to American interests. If, through the excesses of the current regime, the country of Iran should fall apart into several fiefdoms or be plunged into anarchy, we ourselves will suffer. The United States has, as it has always had, a pronounced interest in the stability of the Persian Gulf, and it will harm both us and our allies if Iran, or any other country, should degenerate into a state of permanent collapse. The collapse of Iran will create incentives for the intrusion of hostile powers into the region, whether directly or through radical stalking horses. Under such a situation, our interests in the geopolitical stability of the entire region would suffer severely.

Consequently, I endorse President Reagan's statement of January 28, 1981, in which he said that we do not seek revenge on the Iranian people for the barbarism of the Embassy terrorists. Such revenge would both punish the wrong people and bolster the power of those currently in the government. Moreover, proposals to summarily expel all Iranians from the United States would likewise be cruel and counterproductive. Vast numbers of the Iranians now residing in the United States are refugees from the terror at home, and to expel them would be to send them to their deaths. While we should always be prepared to deport those immigrants who violate our laws, we should not deport people merely because they are Iranian.

Beyond this, I believe that we must give close attention to the nature of our relations with Iran after the situation within that country has become more stable. Relations with the terrorists are out of the question. But relations with a later government may prove to be in our long-term interest, particularly if such a government can serve as a bulwark against Soviet adventurism or radical subversion.

Consequently, I believe it necessary, as Senator BAKER and others have suggested, to conduct extensive hearings about past and future relations with Iran. Such hearings should not be seen as a witch hunt. Rather, they can provide us with information about the hostage incident that will prove valuable in preventing any recurrence of such an incident. Moreover, hearings will provide guidelines for the future of United States-Iranian relations by clearly specifying where our interests lie and outlining the means by which to achieve them.

DEBT LIMIT EXTENSION

The Senate continued with the consideration of the bill (H.R. 1553).

Mr. DOLE. Mr. President, the Senator from Kansas is certainly willing to proceed.

I understand the distinguished Senator from Louisiana, Senator LONG, is on his way to the Chamber.

The remarkable vote in the House of Representatives on this issue, 305 yeas, 104 nays, and 1 present, I think is an indication of the necessity that we move on with this legislation.

I might add that 155 Democrats voted yea; 68 voted nay; and 150 Republicans voted yea; 36 voted nay.

So there is an indication in that some Republicans have changed their mind and that some Democrats have changed their mind which happens with every change of administration.

Some understand responsibility and some understand irresponsibility, and I will not characterize which is which group.

But in any event, it is my understanding that the Senator from Ohio may have an amendment to reimpose controls on domestic oil. I hope he offers that amendment so we will have a chance to express not only the media's view on controls but the Senate's view on controls.

We know where at least some in the media stand. We wish to see how the Senate stands.

So hopefully the Senator from Ohio will offer that amendment this afternoon and maybe we could have a vote, if not this afternoon, tomorrow.

I am not certain what the Senator from West Virginia may propose, but I have heard that it might be a figure less than the figure in the resolution, and if that is the case perhaps we could have some of that debate today and hopefully dispose of that tomorrow.

But while we are waiting for the Senator from Louisiana, I would like to note that the Senator from Kansas has voted both ways on increasing the debt ceiling over the years, not depending on who occupied the White House. I hope I will be able to persuade my colleagues on this side for the most part, and many on the other side, of the need to move rather quickly on the public debt limit.

It is ironic that the first legislative act that President Reagan was required to recommend was to ask Congress to increase the debt ceiling by $50 billion. I am certain that that is not a responsibility that pleased the new President, but he understands his responsibility, and I believe the testimony of Secretary Regan, the new Treasury Secretary, indicated rather clearly that this is or should be an adequate figure to get us through the fiscal year.

There are some who wish to reduce that figure so that we would have another opportunity to vote on the debt ceiling increase later this year. Frankly, that appeals somewhat to this Senator because then we could add on spending cuts, maybe the tax cut, if we found either the House of Representatives or the Senate not moving quickly enough in response to President Reagan's message tonight, and his message to Congress in the next 10 days, regarding the need of the American people for fast action not just on the tax cut but on budget reductions as well.

So our purpose today is to act promptly to protect the fiscal integrity of the Federal Government, and I know how strongly some feel about voting to increase the debt ceiling. They may feel so strongly that they do not think we should mail out social security checks or mail out military payment checks or veterans benefit checks. I do not think it will come to that because I understand those amendments to be offered certainly will not jeopardize that, but for those who just flatly say, "I will never vote to increase the debt ceiling because I did not vote for some of the spending programs," I think they miss the point if we look at what we need to pay out at the time the debt limit exceeded, whether it is social security, military pay, or whatever.

As the new chairman of the Senate Finance Committee, it had been my hope last December, in the lame duck session, that we would have taken action that would have extended the debt ceiling up through May or June of this year. In fact, the Senate was willing to go along with that, but in the late session the House was not willing to accommodate our request. That is why we are here very early in this new administration, this new session, with a rather unpleasant task.

I think we must recognize that our task would be more unpleasant if we delayed in carrying out our responsibilities to insure that the Government can honor its outstanding commitments.

It has been suggested that it is much like members of the family going out and spending money, and when at the end of the month the bills come in, the head of the household says, "I am not going to pay the bills because I did not agree with what they were spent for." That is sort of the case today.

Those in the Senate—the House may not agree with everything that public money was spent for, may not have voted for some of the programs, but the point is that the obligations have been assumed and we have the responsibility for seeing to it that the Government pays its bills.

I do not think anyone can pretend any surprise. There has been some indication of great surprise because we are called upon to extend the debt limit at this time. The Treasury Department estimated in December that the debt ceiling of $935.1 billion would be reached sometime in February, notwithstanding the fact that the limit nominally expires on September 30 of this year.

The Committee on Finance tried to secure a longer extension which would have carried through the end of March. But, as I have indicated, the House in the late stages of the session was unwilling to accommodate that position. As a result, late in the last session the Senate agreed to accept the House-passed limit of $935.1 billion, and that is where the limit stands today.

As the Senator from Kansas indicated, the new Treasury Secretary, Secretary Regan, testified before the Committee on Finance and indicated that he came before us with mixed feelings that this was his first official act and first official testimony, when he hoped it might be on some other purpose than increasing the debt ceiling.

But the fact is that our present debt ceiling procedure, which derives from the Second Liberty Bond Act of 1917, was intended to minimize the number of occasions on which Congress must act to authorize the issuance of Federal debt. Because of the explosive growth of Federal deficits in recent decades, the debt ceiling has been increased an inordinate number of times. The ceiling was raised on 13 separate occasions in the 1960's, and 18 times during the 1970's.

Worse yet, on three occasions in recent years the temporary limit has expired without timely legislative action to extend it and, as a result, the Treasury Department had to suspend sales of savings bonds and other securities. Such suspensions only undermine investor confidence, and make it likely that bidders for Government securities will demand a higher interest premium in the future to safeguard them against future disruptions. That means higher costs to the Treasury, when we are trying our best to reduce those costs.

That is why we ought to act promptly on Secretary Regan's request for a debt ceiling of $985 billion through September 30, 1981. I hope, with the cooperation of this administration and this Congress—and the President was less than 50 yards from here just yesterday asking for cooperation with the Congress, and I think he expressed the hope and expectation that that would happen—I hope this might be a new beginning down a different road, a road of fiscal responsibility, so that we will gain sufficient control over Federal spending and inflation so that the new debt limit will not be reached quite so soon.

If there ever was any signal the American people needed or any way to understand how seriously in trouble we are from the economic standpoint, the next time we stand on this floor, depending on what happens to the amendment of the Senator from West Virginia, it is very likely we will be asked to go into debt in excess of $1 trillion.

The Senator from Kansas is not certain just how much $1 trillion is, but it is a great deal of money, and it is a debt this Government will owe its creditors.

I suggest to those who cannot understand or may not fully understand why it is necessary to cut the budget for this program or that program or whatever program we may finally act upon, that fact itself, the magnitude of the national debt itself, should indicate to everyone in this country the seriousness of our economic plight.

So we will have an economic package within the next 2 weeks. The Reagan economic package will come to the Congress, and I believe, I strongly believe, we

will have the cooperation of Congress, the House and the Senate, and that we will act responsibly, not just on tax reduction but on cutting the budget in a responsible way.

I suggest that in the meantime we should move ahead. We should extend the debt ceiling hopefully through the fiscal year by adopting a $985 billion figure. I urge my colleagues that it is time to act.

During the course of this debate I will be referring from time to time to statements made in previous years by Members of the Senate, responsible Members of the Senate, on how they view the debt ceiling and how they viewed the action on it by the Congress of the United States.

Over the years, as far as this Senator knows, it has been a bipartisan effort. Some people have played games with the debt ceiling. As long as they are not serious games there is no great concern. But I do believe if someone has a better way to proceed then he should be heard. If there are amendments, if the Senator from Ohio would like to proceed to offer his amendment to reimpose controls on oil, then I hope he would come to the floor and offer that amendment.

If there are other amendments others wish to offer, amendments on either side of the aisle, it is only 7 minutes after 3, and we have a great deal of time yet this afternoon, and we could use it to dispose of some of these amendments.

Finally, I will say, as I said in our committee session last week—and I believe it is a view shared by many on both sides of the aisle—if, in fact, we increase the debt ceiling, and if, in fact, we do not see any change on the part of this administration, if indeed we see business as usual with no real effort to reduce Federal spending, reduce inflation, reduce the interest rates, reduce Government regulation, then I would say that the next time we come to this floor asking for an increase in the debt ceiling it is going to be very difficult.

So if we are not prepared to convincingly demonstrate we have listened, then, perhaps, a Federal default will shock us into our senses. I do not want that to happen.

This Senator, however, is convinced the President will follow through. As I asked the President recently, "There are rumors around that you may lose your nerve." He said—

> I am not concerned about losing my nerve but I am concerned a bit about whether or not Congress will lose its nerve when it comes to spending reductions.

So the challenge is ours. The House has acted responsibly less than 1 hour ago, and I hope we might dispose of this matter in the next few hours, at least the debate, and then have the votes tomorrow.

Frankly, the Senator from Kansas has not seen the text of the President's speech he will make tonight to the Nation, but I doubt there will be anything in that speech to indicate the need to offer additional amendments to the debt ceiling. Someone may offer the speech of the President as an amendment to the debt ceiling or some other effort will be made.

In any event, I would be prepared to yield to anyone else who would like to speak at this time or, if not, suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. MATTINGLY). Without objection, it is so ordered.

Mr. LONG. Mr. President, I support the pending measure, and I urge other Senators to vote for it.

I ask unanimous consent that there be printed in the RECORD at the end of my statement a series of tables on estimated gross and net Government and private debt.

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

(See exhibit 1.)

Mr. LONG. These are tables that I have repeatedly asked the Treasury to provide, and they show information on the debt, both on a gross basis and a net basis, related to various factors. I have found that this information is very useful in seeing the public debt in its proper perspective.

For example, when we look at the net Federal debt as a percentage of total public and private net debt, we find that the Federal percentage declined from 58 percent in 1946 to 16 percent in 1979. Thus, the percentage that the Federal debt represents of the total is only about one-fourth of what it was at the end of World War II.

In 1946, total public and private debt was 189 percent of our gross national product. In 1979, total public and private debt was 178 percent of the gross national product. This is not much of a decline. But it is important to note that the composition has changed dramatically. Private debt has increased from 73 to 138 percent of gross national product—almost double—while Federal debt has declined from 110 percent of gross national product to 28 percent, only about one-fourth of its level at the end of World War II.

If we look at the gross national product per capita in constant dollars—and I think, Mr. President, that that is about the most logical way to look at it—we find that in 1972 dollars it has increased from $3,361 in 1946 to $6,723 in 1979—a doubling in constant dollars.

I am talking about the gross national product now, rather than debt. The gross national product per capita during that period of time has doubled.

I would like to add to this a comparison which is not in the charts, Mr. President. Public debt in 1946 represented 240 percent of wages and salaries in that year. In 1980, public debt was 68 percent of wages and salaries. This means that the American wage earner is 3½ times better off today than he was in 1946 in terms of comparing his earnings to the Federal debt.

I hope that Senators will take the time to examine these charts in order to be able to view the Federal debt in its appropriate economic perspective.

What that means to me, Mr. President, is that while it would be good to retire the Federal debt, pay it off completely, and while interest rates are much higher than I like to see them, the trend has been toward a lesser debt as a percentage of the wages and salaries of the American people or as a percentage of the gross national product. So the trend has been moving in the right direction.

It is true that some of this was the result of inflation and that is to be regretted. But I submit, Mr. President, that when we compare our situation to that of other nations throughout the world, the United States is doing very well indeed, because other nations have not been able to maintain as stable a purchasing power as the United States over a long period of time. We have not been required to move the decimal point over by two places, as the French were required to do, for example, and of course, while we have had our problems, we have been able to perform in a better fashion than the other large nations of the world.

So I think, Mr. President, that while of course I would like to see a balanced budget and I would like to see the debt reduced even in terms of current dollars, I think it is fair to recognize that this Nation is not about to come to an end. It is still a very strong Nation, and a very great Nation. It is my judgment that the new President is entitled to have the cooperation and the support of Congress, as I believe the people of the United States intended, while he organizes his administration and tries to find ways to bring spending under control.

EXHIBIT 1

ESTIMATED NET GOVERNMENT AND PRIVATE DEBT, BY MAJOR CATEGORIES

[Dollar amounts in billions]

Year	Private[1]			State and local	Federal[2]	Total net debt	Percent Federal of total
	Individual	Corporate	Total				
1916	$36.3	$40.2	$76.5	$4.5	$1.2	$82.2	1.5
1917	38.7	43.7	82.5	4.8	7.3	94.5	7.8
1918	44.5	47.0	91.5	5.1	20.9	117.5	17.8
1919	43.9	53.3	97.2	5.5	25.6	128.3	20.0
1920	48.1	57.7	105.8	6.2	23.7	135.7	17.5
1921	49.2	57.0	106.2	7.0	23.1	136.3	17.0
1922	50.9	58.6	109.5	7.9	22.8	140.2	16.3
1923	53.7	62.6	116.3	8.6	21.8	146.7	14.9
1924	55.8	67.2	123.0	9.4	21.0	153.4	13.7
1925	59.6	72.7	132.3	10.3	20.3	162.9	12.5
1926	62.7	76.2	138.9	11.1	19.2	169.2	11.4
1927	66.4	81.2	147.6	12.1	18.2	177.9	10.3
1928	70.0	86.1	156.1	12.7	17.5	186.3	9.4
1929	72.9	88.9	161.8	13.6	16.5	191.9	8.6
1930	71.8	89.3	161.1	14.7	16.5	192.3	8.6
1931	64.9	83.5	148.4	16.0	18.5	182.9	10.2
1932	57.1	80.0	137.1	16.6	21.3	175.0	12.2
1933	51.0	76.9	127.9	16.3	24.3	168.5	14.5
1934	49.8	75.5	125.3	15.9	30.4	171.6	17.8
1935	49.7	74.8	124.5	16.1	34.4	175.0	19.7
1936	50.6	76.1	126.7	16.2	37.7	180.6	20.9
1937	51.1	75.8	126.9	16.1	39.2	182.2	21.6
1938	50.0	73.3	123.3	16.1	40.5	179.9	22.6
1939	50.8	73.5	124.3	16.4	42.6	183.3	23.3
1940	53.0	75.6	128.6	16.4	44.8	189.8	23.7
1941	55.6	83.4	139.0	16.1	56.3	211.4	26.7
1942	49.9	91.6	141.5	15.4	101.7	258.6	39.4
1943	48.8	95.5	144.3	14.5	154.4	313.2	49.3
1944	50.7	94.1	144.8	13.9	211.9	370.6	57.2
1945	54.7	85.3	140.0	13.4	252.5	405.9	62.3
1946	59.9	93.5	153.4	13.7	229.5	396.6	57.9
1947	69.4	109.6	179.0	15.0	221.7	415.7	53.4
1948	80.6	118.4	199.0	17.0	215.3	431.3	50.0
1949	90.4	118.7	209.1	19.1	217.6	445.8	48.9
1950	104.3	142.8	247.1	21.7	217.4	486.2	44.8
1951	114.3	163.8	278.1	24.2	216.9	519.2	41.8
1952	129.4	172.3	301.7	27.0	221.5	550.2	40.3
1953	143.2	180.9	324.1	30.7	226.8	581.6	39.0
1954	157.2	184.1	341.3	35.5	229.1	605.9	37.9
1955	180.1	215.0	395.1	41.1	229.6	665.8	34.5
1956	195.5	234.1	429.6	44.5	224.3	698.4	32.2
1957	207.6	249.1	456.7	48.6	223.0	728.3	30.7
1958	222.9	262.0	484.9	53.7	231.0	769.6	30.1
1959	245.0	287.0	532.0	59.6	241.4	833.0	29.0
1960	263.3	306.3	569.6	64.9	239.8	874.3	27.5
1961	284.8	328.3	613.1	70.5	246.7	930.3	26.6
1962	311.9	353.5	665.4	77.0	253.6	996.0	25.5
1963	345.8	383.6	729.4	83.9	257.5	1,070.8	24.1
1964	380.1	417.1	797.2	90.4	264.0	1,151.6	23.0
1965	424.6	463.2	887.8	98.3	266.4	1,252.5	21.3
1966	454.7	517.8	972.5	104.7	271.8	1,349.1	20.1
1967	489.1	562.6	1,051.7	112.8	286.4	1,450.8	19.7
1968	529.3	653.0	1,182.3	122.7	291.9	1,596.8	18.3
1969	566.2	764.7	1,330.9	133.3	289.3	1,753.4	16.5
1970	600.0	836.1	1,436.1	144.8	301.1	1,881.9	16.0
1971	667.5	911.2	1,578.7	162.7	325.9	2,067.3	15.8
1972	763.9	1,016.7	1,780.6	178.0	341.2	2,299.8	14.8
1973	854.4	1,166.5	2,020.9	192.3	349.1	2,562.3	13.6
1974	922.1	1,299.4	2,221.5	211.2	360.8	2,793.5	12.9
1975	994.4	1,365.4	2,359.8	222.7	446.3	3,028.8	14.7
1976	1,106.8	1,496.1	2,602.9	236.3	515.8	3,354.9	15.4
1977			2,502.9	263.2	572.5	3,338.6	17.1
1978			2,897.8	291.4	626.2	3,815.4	16.4
1979			3,320.1	305.1	663.6	4,288.8	15.5

[1] Private corporate debt includes the debt of certain federally sponsored agencies in which there is no longer any Federal proprietary interest. The debt of the following agencies are included beginning these years: FLB's in 1949; FHLB's in 1951; FNMA-secondary market operations, FICB's, and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975 and $81.4 billion on Dec. 31, 1976.

[2] Borrowing from the public equals gross Federal debt less securities held in Government accounts (a unified budget concept).

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

ESTIMATED PER CAPITA NET GOVERNMENT AND PRIVATE DEBT[1]

Year	Private[2]			State and local	Federal[3]	Total net debt
	Individual	Corporate	Total			
1916	$356	$394	$750	$44	$12	$806
1917	375	423	798	46	71	915
1918	431	455	887	49	203	1,139
1919	420	510	930	53	245	1,228
1920	452	542	994	58	223	1,275
1921	453	525	978	64	213	1,256
1922	462	532	995	72	207	1,274
1923	480	559	1,039	77	195	1,310
1924	489	589	1,078	82	184	1,344
1925	515	628	1,142	89	175	1,406
1926	534	649	1,183	95	164	1,441
1927	558	682	1,240	102	153	1,494
1928	581	715	1,295	105	145	1,546
1929	599	730	1,329	112	136	1,576
1930	583	726	1,309	119	134	1,562
1931	523	673	1,196	129	149	1,475
1932	457	641	1,098	133	171	1,402
1933	406	612	1,018	130	194	1,342
1934	394	597	992	126	241	1,358
1935	391	588	978	127	270	1,375
1936	395	594	989	127	294	1,410
1937	397	588	985	125	304	1,414
1938	385	565	950	124	312	1,386
1939	388	562	950	125	325	1,401
1940	400	570	970	124	338	1,431
1941	415	623	1,038	120	420	1,579
1942	369	677	1,045	114	751	1,910
1943	356	696	1,051	106	1,125	2,282
1944	365	677	1,042	100	1,525	2,668
1945	389	607	997	95	1,798	2,890
1946	422	659	1,081	97	1,617	2,794
1947	480	757	1,237	104	1,532	2,873
1948	548	804	1,352	115	1,463	2,930
1949	604	793	1,396	128	1,453	2,977
1950	685	938	1,623	143	1,428	3,193
1951	738	1,058	1,796	156	1,400	3,352
1952	821	1,094	1,915	171	1,046	3,492
1953	894	1,129	2,023	192	1,416	3,631
1954	964	1,129	2,094	218	1,405	3,717
1955	1,085	1,296	2,381	248	1,384	4,013
1956	1,157	1,386	2,543	263	1,328	4,135
1957	1,207	1,448	2,655	283	1,297	4,235
1958	1,275	1,498	2,773	307	1,321	4,401
1959	1,378	1,614	2,992	335	1,357	4,684
1960	1,457	1,695	3,153	359	1,327	4,839
1961	1,550	1,787	3,338	384	1,343	5,064
1962	1,672	1,895	3,567	413	1,360	5,339
1963	1,827	2,027	3,854	443	1,361	5,658
1964	1,981	2,174	4,154	471	1,376	6,001
1965	2,185	2,384	4,569	506	1,371	6,446
1966	2,313	2,634	4,948	533	1,383	6,864
1967	2,461	2,831	5,293	568	1,441	7,301
1968	2,637	3,254	5,891	611	1,454	7,956
1969	2,794	3,773	6,567	658	1,427	8,651
1970	2,929	4,081	7,010	707	1,470	9,185
1971	3,224	4,401	7,625	786	1,574	9,984
1972	3,658	4,868	8,526	852	1,634	11,012
1973	4,061	5,544	9,605	914	1,659	12,178
1974	4,352	6,132	10,484	997	1,703	13,183
1975	4,693	6,444	11,136	1,051	2,090	14,293
1976	5,145	6,955	12,100	1,098	2,398	15,596
1977			11,540	1,213	2,640	15,394
1978			13,219	1,332	2,863	17,444
1979			15,051	1,383	3,008	13,443

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

[2] Private corporate debt includes the debt of certain federally sponsored agencies in which there is no longer any Federal proprietary interest. The debt of the following agencies are included beginning these years: FLB's in 1949; FHLB's in 1951; FNMA secondary market operations, FICB's and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

[3] Borrowing from the public equals gross Federal debt less securities held in Government accounts (a unified budget concept).

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

NET GOVERNMENT AND PRIVATE DEBT RELATED TO GROSS NATIONAL PRODUCT

Year	Gross national product (billion)	Ratios of debt to gross national product					
		Private [1]			State and local	Federal [2]	Total net debt
		Individual	Corporate	Total			
1929	$103.4	$70.5	$86.0	$156.5	$13.2	$16.0	$185.6
1930	90.7	79.2	98.5	177.7	16.3	18.2	212.1
1931	76.1	85.4	109.8	195.1	21.1	24.4	24.05
1932	58.3	98.0	137.3	235.3	28.5	36.6	300.3
1933	55.8	91.4	137.8	229.2	29.3	43.6	301.9
1934	65.3	76.3	115.7	192.0	24.4	46.6	262.9
1935	72.5	68.6	103.2	171.8	22.3	47.5	241.4
1936	82.7	61.2	92.0	153.2	19.6	45.6	218.3
1937	96.7	52.9	78.4	131.2	16.7	40.6	188.4
1938	85.0	58.9	86.3	145.2	19.0	47.7	211.8
1939	90.8	56.0	81.0	136.9	18.1	47.0	201.9
1940	100.0	53.1	75.7	128.7	16.5	44.9	189.9
1941	124.9	44.6	66.8	111.4	12.9	45.1	169.3
1942	158.3	31.6	57.9	89 4	9.8	64.3	163.4
1943	192.0	25.5	49.8	75.2	7.6	80.5	163.2
1944	210.5	24.1	44.8	68.8	6.7	100.7	176.1
1945	212.3	25.8	40.2	66.0	6.4	119.0	191.2
1946	209.6	28.6	44.7	43.2	6.6	109.5	189.3
1947	232.8	29.9	47.1	76.9	6.5	95.3	178.5
1948	259.1	31.2	45.7	76.9	6.6	83.1	166.5
1949	258.0	35.1	46.1	81.1	7.5	84.4	172.8
1950	286.2	36.5	49.9	86.4	7.6	76.0	169.9
1951	330.2	34.7	49.7	84.3	7.4	65.7	157.3
1952	347.2	37.3	49.7	86.9	7.8	63.8	158.5
1953	366.1	39.2	49.5	88.5	8.4	62.0	158.9
1954	366.3	43.0	50.3	93.2	9.7	62.6	165.5
1955	399.3	45.2	53.9	99.0	10.3	57.6	165.8
1956	420.7	46.5	55.7	102.2	10.6	53.4	165.1
1957	442.8	46.9	56.3	103.2	11.0	50.4	164.5
1958	448.9	49.7	58.4	108.1	12.0	51.5	171.5
1959	486.5	50.4	59.0	109.4	12.3	49.7	171.3
1960	506.0	52.1	60.6	112.6	12.9	47.4	172.8
1961	523.3	54.5	62.8	117.2	13.5	47.2	177.8
1962	563.8	55.4	62.7	118.1	13.7	45.0	176.8
1963	594.7	58.2	64.6	122.7	14.2	43.3	180.1
1964	635.7	59.8	65.7	125.5	14.3	41.6	181.2
1965	688.1	61.7	67.3	129.0	14.3	38.7	182.0
1966	753.0	60.4	68.6	129.2	13.9	36.1	179.2
1967	796.3	61.4	70.7	132.1	14.2	36.0	182.2
1968	868.5	60.9	75.2	136.1	14.1	33.6	183.9
1969	935.5	60.5	81.7	142.2	14.2	30.9	187.4
1970	982.4	61.1	85.1	146.2	14.7	30.6	191.6
1971	1,063.4	62.8	85.7	148.5	15.3	30.6	194.4
1972	1,171.1	65.2	86.8	152.0	15.2	29.2	196.4
1973	1,306.3	65.4	89.3	154.7	14.6	26.7	196.1
1974	1,412.9	65.3	92.0	157.2	14.9	25.5	197.7
1975	1,528.8	65.0	89.3	154.4	14.6	29.2	198.1
1976	1,691.6	65.5	88.5	153.9	14.0	30.5	198.4
1977	1,918.0			130.5	13.7	29.8	174.1
1978	2,156.1			134.4	13.5	29.0	177.0
1979	2,413.9			137.5	12.6	27.5	177.7

[1] Private corporate debt includes the debt of certain federally sponsored agencies in which there is no longer any Federal proprietary interest. The debt of the following agencies are included beginning these years: FLB's in 1949; FHLB's in 1951; FNMA-secondary market operations, FICB's, and BCOOP's in 1968. The total debt for these agencies amounted to $0.7 billion on Dec. 31, 1947, $3.5 billion on Dec. 31, 1960, $38.8 billion on Dec. 31, 1970, $78.8 billion on Dec. 31, 1975, and $81.4 billion on Dec. 31, 1976.

[2] Borrowing from the public equals gross Federal debt less securities held in Government accounts (a unified budget concept).

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

ESTIMATED FEDERAL DEBT RELATED TO POPULATION AND PRICES

Year	Outstanding Federal debt			Per capita Federal debt [1]			Real per capita Federal		
	Gross [2]	Net [3]	Privately held net [4]	Gross [2]	Net [3]	Privately held net [4]	Gross [2]	Net [3]	Privately held net [1]
1929	$17.5	$16.5	$16.0	$144	$136	$131	$281	$265	$256
1930	17.3	16.5	15.8	141	134	128	292	279	266
1931	19.1	18.5	17.7	154	149	142	354	342	327
1932	22.0	21.3	19.4	176	171	155	451	437	396
1933	25.3	24.3	21.9	201	194	174	513	492	443
1934	33.3	30.4	28.0	264	241	221	657	600	551
1935	36.2	34.4	32.0	284	270	251	688	654	607
1936	40.3	37.7	35.3	315	294	275	752	704	658
1937	43.1	39.2	36.6	335	304	284	776	706	658
1938	45.6	40.5	37.9	351	312	291	837	744	695
1939	48.8	42.6	40.1	373	325	306	893	790	733
1940	52.2	44.8	42.6	394	338	321	934	802	761
1941	65.6	56.3	54.0	490	420	403	1,059	909	871
1942	113.7	101.7	95.5	840	751	705	1,661	1,486	1,394
1943	171.0	154.4	142.9	1,246	1,125	1,041	2,388	2,156	1,995
1944	233.6	211.9	193.1	1,682	1,525	1,390	3,156	2,863	2,608
1945	279.6	252.5	228.2	1,990	1,798	1,624	3,653	3,299	2,981
1946	260.4	229.5	206.1	1,835	1,617	1,452	2,841	2,504	2,248
1947	256.1	221.7	199.1	1,770	1,532	1,375	2,522	2,183	1,960
1948	252.6	215.3	192.0	1,716	1,463	1,304	2,384	2,032	1,811
1949	256.9	217.6	197.7	1,715	1,453	1,320	2,427	2,056	1,867
1950	256.5	217.4	196.6	1,684	1,428	1,291	2,252	1,909	1,725
1951	258.9	216.9	193.1	1,672	1,400	1,246	2,109	1,767	1,573
1952	267.0	221.5	196.8	1,695	1,406	1,249	2,119	1,758	1,562
1953	274.7	226.8	200.9	1,715	1,416	1,254	2,131	1,759	1,558
1954	278.0	229.1	204.2	1,705	1,405	1,252	2,128	1,754	1,563
1955	280.6	229.6	204.8	1,691	1,384	1,234	2,102	1,720	1,534
1956	277.2	224.3	199.4	1,641	1,328	1,180	1,993	1,605	1,426
1957	277.4	223.0	198.8	1,613	1,297	1,155	1,892	1,521	1,356
1958	284.5	231.0	204.7	1,627	1,321	1,170	1,876	1,523	1,349
1959	294.4	241.4	214.8	1,656	1,357	1,207	1,881	1,542	1,372
1960	294.1	239.8	212.4	1,628	1,327	1,175	1,823	1,486	1,316
1961	300.5	246.7	217.8	1,636	1,343	1,185	1,820	1,494	1,319
1962	308.0	253.6	222.8	1,651	1,360	1,194	1,815	1,495	1,313
1963	314.1	257.5	223.9	1,660	1,361	1,183	1,795	1,472	1,279
1964	323.4	264.0	227.0	1,685	1,376	1,183	1,801	1,470	1,231
1965	326.9	266.4	225.6	1,682	1,371	1,161	1,761	1,438	1,217
1966	339.6	271.8	227.5	1,728	1,383	1,157	1,753	1,403	1,174
1967	361.9	286.4	237.3	1,821	1,441	1,194	1,793	1,419	1,176
1968	371.3	291.9	238.9	1,850	1,454	1,190	1,739	1,367	1,119
1969	381.2	289.3	232.1	1,881	1,427	1,145	1,656	1,255	1,014
1970	400.8	301.1	239.0	1,956	1,470	1,166	1,613	1,234	979
1971	434.4	325.9	255.1	2,098	1,574	1,232	1,705	1,279	1,001
1972	460.2	311.2	259.9	2,203	1,634	1,232	1,732	1,281	1,015
1973	480.7	349.1	268.6	2,235	1,659	1,276	1,651	1,198	922
1974	501.0	360.8	280.1	2,373	1,703	1,322	1,532	1,096	851
1975	587.6	446.3	358.2	2,752	2,090	1,677	1,655	1,257	1,009
1976	664.8	515.8	418.5	3,090	2,398	1,945	1,773	1,376	1,116
1977	729.2	572.5	469.5	3,362	2,640	2,165	1,807	1,419	1,163
1978	797.7	623.2	516.4	3,617	2,863	2,356	1,797	1,411	1,161
1979	852.2	663.6	546.0	3,853	3,008	2,475	1,630	1,308	1,077

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.

[2] Total Federal securities includes public debt securities and budget agency securities.

[3] Borrowing from the public equals gross Federal debt less securities held in Government accounts (a unified budget concept).

[4] Borrowing from the public less Federal Reserve holdings.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

PRIVATELY HELD FEDERAL DEBT RELATED TO GNP

[Dollar amounts in billions]

Year	Gross national product	Privately held debt [1]	Ratio of debt to GNP	Year-to-year price changes [2]
1929	$103.4	$16.0	15.5	
1930	90.7	15.8	17.5	−6.0
1931	76.1	17.7	23.3	−9.5
1932	58.3	19.4	33.3	−10.2
1933	55.8	21.9	39.3	.6
1934	65.3	28.0	42.9	2.1
1935	72.5	32.0	44.2	3.0
1936	82.7	35.3	42.7	1.3
1937	96.7	36.6	37.9	3.2
1938	85.0	37.9	44.7	−2.7
1939	90.8	40.1	44.2	−.4
1940	100.0	42.6	42.7	1.0
1941	124.9	54.0	43.3	9.8
1942	158.3	95.5	60.4	9.3
1943	192.0	142.9	74.5	3.2
1944	210.5	193.1	91.8	2.2
1945	212.3	228.2	107.5	2.3
1946	209.6	206.1	98.4	18.6
1947	232.8	199.1	85.6	8.7
1948	259.1	192.0	74.2	2.6
1949	258.0	197.7	76.7	−1.8
1950	286.2	196.6	68.7	5.9

PRIVATELY HELD FEDERAL DEBT RELATED TO GNP—Continued

[Dollar amounts in billions]

Year	Gross national product	Privately held debt [1]	Ratio of debt to GNP	Year-to-year price changes [2]
1951	$330.2	$193.1	58.5	6.0
1952	347.2	196.8	56.7	.9
1953	366.1	200.9	54.9	.7
1954	366.3	204.2	55.8	−.4
1955	399.3	204.8	51.3	.4
1956	420.7	199.4	47.4	2.9
1957	442.8	198.8	44.9	3.1
1958	448.9	204.7	45.7	1.8
1959	486.5	214.8	44.2	1.5
1960	506.0	212.4	42.0	1.5
1961	523.3	217.8	41.7	.7
1962	563.8	222.8	39.6	1.3
1963	594.7	223.9	37.7	1.7
1964	635.7	227.0	35.8	1.2
1965	688.1	225.6	32.8	2.0
1966	753.0	227.5	30.3	3.4
1967	796.3	237.3	29.9	3.0
1968	868.5	238.9	27.6	4.7
1969	935.5	232.1	24.9	6.1
1970	982.4	239.0	24.4	5.5
1971	1,063.4	255.6	24.0	3.4
1972	1,171.1	271.1	23.1	3.4
1973	1,306.3	270.4	20.7	8.8
1974	1,412.9	280.1	19.8	12.2
1975	1,528.8	358.2	23.4	7.0
1976	1,706.5	418.5	24.5	4.8
1977	1,918.0	469.5	24.5	6.8
1978	2,156.1	515.4	23.9	9.0
1979	2,413.9	546.0	22.6	13.3

[1] Borrowing from the public less Federal Reserve holdings.
[2] Measured by all item Consumer Price Index, December to December basis.

Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

CHANGES IN PER CAPITA REAL GROSS NATIONAL PRODUCT

Year	GNP in billions of 1972 dollars	GNP per capita constant 1972 dollars [1]	GNP per capita, change from year ago	
			Constant 1972 dollars	Percent
1929	314.7	2,584		
1930	385.1	3,129	544	21
1931	263.3	2,123	−1,006	−32
1932	227.1	1,819	−303	−14
1933	222.1	1,769	−50	−2
1934	239.3	1,894	125	7
1935	261.0	2,051	157	8
1936	297.1	2,320	269	13
1937	310.8	2,413	92	4
1938	297.8	2,294	−118	−4
1939	319.7	2,443	148	6
1940	343.6	2,591	148	6
1941	396.6	2,962	370	14
1942	454.6	3,358	396	13
1943	527.3	3,842	483	14
1944	567.0	4,082	239	6
1945	559.0	3,980	−101	−2
1946	477.0	3,361	−618	−15
1947	468.3	3,236	−124	−3
1948	487.7	3,313	76	2
1949	490.7	3,276	−36	−1
1950	533.5	3,504	227	6
1951	576.5	3,722	218	6
1952	598.5	3,799	76	2
1953	621.8	3,882	83	2
1954	613.7	3,764	−117	−2
1955	654.8	3,946	181	4
1956	668.8	3,960	13	
1957	680.9	3,959		
1958	679.5	3,885	−73	−1
1959	720.4	4,051	165	4
1960	736.8	4,078	27	
1961	755.3	4,112	33	
1962	799.1	4,284	172	4
1963	830.7	4,390	105	2
1964	874.4	4,557	167	3
1965	925.9	4,765	208	4
1966	981.0	4,991	225	4
1967	1,007.7	5,071	80	1
1968	1,051.8	5,141	169	3
1969	1,078.8	5,323	82	1
1970	1,075.3	5,249	−74	−1
1971	1,107.5	5,349	100	1
1972	1,171.1	5,607	258	4
1973	1,235.0	5,869	262	4
1974	1,217.8	5,747	−122	−2
1975	1,191.7	5,581	−148	−2
1976	1,264.7	5,879	298	5
1977	1,371.7	6,325	446	7
1978	1,436.9	6,570	245	4
1979	1,483.0	6,723	153	2

[1] Per capita debt is calculated by dividing debt figures by population of conterminous United States. Beginning 1949, population includes Armed Forces overseas, Hawaii, and Alaska.
Source: Federal debt, Treasury Department; other data, Bureau of Economic Analysis, Commerce Department.

Note: Detail may not add to totals because of rounding. Real GNP is in constant 1972 dollars. Real per capita debt expressed in 1967 prices (i.e., Consumer Price Index for all items).

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. CRANSTON. Mr. President, how do I get time? Is there any control over time?

The PRESIDING OFFICER. No.

Mr. CRANSTON. Mr. President, I and many other Democratic Senators have consistently voted to increase the debt ceiling in the past, and I and other Democratic Senators who have voted for debt ceiling increases have been attacked for these votes by the Republican Party generally and by our opponents specifically, in subsequent campaigns.

I survived the last election despite those attacks, attacks that I consider irresponsible, demagogic, false, and utterly distorting of the true intent of votes on the debt ceiling, in favor of raising the ceiling.

Some of my Democratic friends did not survive those and like attacks. I suspect that they shared my opinion of the true nature of the attacks on them with respect to that issue.

In the course of the debate on an earlier proposal to lift this ceiling, which occurred on June 26, Senator Robert Morgan of North Carolina addressed a series of questions to Senator RUSSELL LONG of Louisiana, then chairman of the Finance Committee, now ranking member of that committee. At that time, Senator LONG was handling the proposal to lift the debt ceiling.

Mr. Morgan asked him:

What I want to know is if we do not extend this debt limit beyond June 30, will the 35 million or so people who receive social security in this country be able to get their checks for July?

Mr. LONG. They could not be paid.

Mr. MORGAN. Why could they not be paid?

Mr. LONG. Because the debt limit would revert back to the permanent debt of $400 billion, and the Government could not borrow money to pay its debts. Therefore, there simply would not be enough cash available to pay them.

Mr. Morgan then asked what these people would do about their rent or utility bills and food if they did not get their social security checks. Would they have no money if that was their only recourse?

Mr. LONG said, "That is correct."

Mr. Morgan then asked about a lot of farmers in his State and elsewhere who have a considerable degree of dependence on farm support programs that assist farmers in agriculture and agricultural conservation practices. He asks if they could continue to farm without that assistance.

Mr. LONG said, "No."

Mr. Morgan asked about rural housing: "Would there be any money for that?"

Mr. LONG said that none would be available.

Mr. Morgan asked:

What about the military, the Army, will there be any money available to pay the Army?

Mr. LONG. The Army could not be paid, the

Navy could not be paid, and the Air Force could not be paid.

Mr. Morgan asked about retired military people: "Would they be paid?"

Mr. LONG replied, "No."

Mr. Morgan asked:

In the opinion of the Senator, does a vote to increase the debt ceiling indicate to the Senator that we favor unlimited deficit financing? Is that the way it is interpreted by the Senator?

Mr. LONG. No, not in my judgment. In my judgment, it is simply a matter of voting to pay the bills which have been incurred. We have done all we could to hold spending down, but when the obligations have been incurred, it is my view that we have no choice but to pay them.

Mr. MORGAN. In other words, the time to talk about deficit financing and big government spending is when we deal with these appropriation bills and spend the money?

Mr. LONG. Let me compliment the Senator for analyzing it exactly correctly.

Mr. MORGAN. Does the Senator agree with me that, as a member of the Senate, once we have engaged in debate on these appropriations bills and—whether the Senate and the Congress agree with my personal views or not—in this democratic Congress of ours, where we go by the majority rule, once Congress and the President have, according to law, incurred these obligations, as a Member of the Senate. I have a moral obligation to do whatever is necessary to pay for those obligations?

Mr. LONG: I think so. That is how I feel about it, Mr. President.

Mr. Morgan was one of those who did not survive the recent election. Mr. Morgan was one of those who was attacked for the responsible vote he cast in favor of increasing the debt limit at a time following this colloquy. He was attacked for "favoring unlimited deficit spending," as a result of his casting his vote for increasing the debt ceiling at that time.

I do not know how I will vote in view of this record now that I am not in the majority party and now that there is a President of the other party in the White House rather than of my party. The responsibility that I had to meet when I was in the majority is not necessarily one that I feel I must meet at this stage unless there are adequate evidences of responsible action by the party that is now in the majority and unless I have a clear understanding of their attitude now toward this measure.

I do feel that the debt ceiling should be increased so that the unfortunate events that have been spelled out in the colloquy of last year between Mr. Morgan and Mr. LONG do not follow. The faith and credit of the Federal Government is involved in this. All the citizens of our country and many other people have a stake in the good faith and credit of our country. If we begin to default on our obligations, it would obviously have dire consequences not only for individuals and businesses but for our country in its relationship to other countries, and it would have a very adverse effect upon an economy that is already in very severe difficulty at the present time.

So for these reasons I wish to ask the distinguished Senator from Kansas, the chairman of the Finance Committee, the man who is in effect the Republican leader now in the Chamber handling this particular issue, a few questions.

The first question I wish to address to my friend from Kansas is the following:

Is it accurate to charge that I or any other Senator who votes yea on this measure favors unlimited deficit spending?

Mr. DOLE. Is that the question?

Mr. CRANSTON. Yes.

Mr. DOLE. I say, before responding to that question, that I have listened carefully to the Senator's discussion and I think I do not have much quarrel with it except I can recall an election I participated in where a very liberal member of the other party was my opponent. He was a Member of the House of Representatives, and he attacked me for voting for the debt ceiling as being irresponsible. He voted for all the spending and against the debt ceiling. One cannot beat a program like that.

So it works both ways.

The point the Senator from Kansas makes at the outset is it is not only Republicans trying to pin down Democrats. Frankly, in the 20 years I have been in Congress I am not certain how many extensions I voted for, but it was a great number on the theory that, as I said in my opening statement, it is much like the family. The head of the household gets the bill at the end of the month. He may not agree with all the purchases made but someone has to pay the bill or someone has an obligation to pay the bill, and that is how I view the process we are in now.

It is not that I may not agree with every program but included in those programs are social security, veterans benefits, and military pay. I think a responsible vote, very honestly, is a vote to increase the debt ceiling. That does not mean that I like deficit spending. It suggests that perhaps in the next few months and hopefully by next year we will see a change in direction because of the cooperative efforts of Republicans and Democrats in Congress and of the White House with President Reagan's assistance. Maybe we will not have to vote to increase the debt as much or as often in the future.

But I do not view it as an irresponsible vote. In fact I think very honestly the responsible vote is the vote to pay our bills.

Mr. CRANSTON. I appreciate the Senator's comments. I grant that this is a matter that has been used in the heat of campaigns by people in both parties. More recently it has been used far more by members of the party that is the majority party in this body, partly because only eight members of the Republican Party voted for the debt limit increase, I think, the last time it came around; most Democrats, some were in the House, voted for it. No Republican Member of the House voted for it upon a recent occasion. So obviously the Democrats were vulnerable, the Republicans were not, to the use of this for what I consider unscrupulous partisan purposes.

I would never use a vote cast by anyone on this issue in favor of raising the limit for an attack upon him charging him with being fiscally irresponsible, or something like that, because I think that would be unethical.

Does the Senator feel that anyone who votes for increasing the debt ceiling is thereby indicating that he is a big spender?

Mr. DOLE. The Senator from Kansas does not consider himself a big spender, and I intend to vote for it and have in the past. So I guess the self-serving answer is no.

But I think it is also the candid answer. What other choice is there? What if we all vote no? We are all very responsible. We all vote no, and the 17th or 18th of February rolls around and we are out of money. Then the 1st of the month rolls around and it is time for social security payments, veterans benefit payments, and military pay, and we can all parade around the Capitol telling everyone how responsible we are as they are trying to get in the Capitol to tell us what we have done insofar as their benefits are concerned.

I do not quarrel with those who are going to vote no. I assume some will, and I am very pleased that 150 Republicans voted aye today in the House of Representatives.

Frankly, I say to the Senator from California. I can understand the reason the Democrats wish to look back to what has happened over the years and how the Republicans have voted. But I do not think it is quite fair at this point because President Reagan has only been in office about 12 days, and this is really not his debt limit. It belongs to the past administration. So I think just as a matter of pride and responsibility every Democrat would want to clean up the tail end of the Carter administration by casting an aye vote and then when we get into the next or maybe even the third increase in the debt ceiling we would talk about partisanship.

I think an aye vote is a responsible vote. Some of my colleagues on this side will disagree. Some will not vote for the increase. I understand the Democrats may want to reduce it by $30 billion or $25 billion. If that is the case, they play into the hands of the Republicans because that will mean if we do not get some action on spending cuts by June we can put them all on the next debt ceiling increase.

I share the view expressed by the Senator from California.

Mr. CRANSTON. I thank the Senator.

I wish to ask him another question:

Is it fair to charge that a Senator who votes to lift the debt ceiling thereby has indicated that he is a Senator who favors bigger and bigger government?

Mr. DOLE. I do not think that is a fair charge, but having been in politics perhaps nearly as long as the Senator from California, what is fair and what is charged may not be relevant in politics. I think the fair charge would be to point out the specific program that a Senator may have voted for, to try to make the case against voting for that program, whether it is a farm program or a food program, or an oil program, or whatever.

But this, in the eyes of many, is a ministerial function we are carrying out. It is a bookkeeping act.

In fact if we follow the House of Representatives procedure we would do this at the same time we pass the budget resolution. I know it is a handy vehicle to offer amendments, and we have done it for years on the Republican side, sometimes successfully. By using the debt ceiling, we have repealed efforts to impose an additional tax on gasoline. But this in itself does not indicate anything except that we should pay our bills. If we were putting in more money than we needed, somehow that money would be transferred around for "bigger government" or more spending programs, but as the Senator from California knows that cannot be done.

Mr. CRANSTON. Is it accurate to charge that a Senator who votes in favor of lifting the debt ceiling thereby reveals that he is opposed to balancing the budget?

Mr. DOLE. That is not accurate, but again those charges can be made.

Mr. CRANSTON. Any charge can be made and often is.

Mr. DOLE. In fact it is more often than not in our business.

Mr. CRANSTON. I agree with the Senator from Kansas that the action of voting for and the action of lifting the debt ceiling or increasing the debt ceiling is ministerial. It is bookkeeping. It is mechanical. It does not reveal any judgment about the propriety of spending at any particular level for any particular purpose. It is just a recognition of the fact that the Government will grind to a halt and people will suffer and the economy will be damaged if we do not take this action.

So for those reasons I think it would be well to seek to find a way to make it less easy to deal with this issue in the unscrupulous political ways in which it has been dealt with.

I have heard various suggestions as to how that might be accomplished and what the Democrats, I think, are doing at this time is seeking to take a political action now that may lead to a situation where the burdens are clearly equally shared, if one looks back into history a ways and then to the present and the immediate future, where whatever responsibilities are exercised are exercised in a reasonably mutual way.

I hope that might then lead us to devise an approach which will make it more difficult to use this particular necessity for unfair partisan purposes, and I hope the Senator will join in any reasonable efforts which he favors.

Mr. DOLE. I have discussed this issue with former Treasury Secretary Miller and already with Secretary Regan, the new Treasury Secretary. They both felt pretty much the same. Anybody who has been in the Treasury lives in fear of the exercise we go through every 4, 5, or 6 months to increase the debt ceiling.

You cannot allow the issuance of savings bonds, you cannot mail out social security checks, you cannot mail out veterans' checks, and you cannot pay the military. As I have said, very honestly, I voted both ways on the debt ceiling over the years. But I have come to believe that if we are really concerned about a balanced budget, big spending and big government we need to find some other way to address these concerns rather than through the debt ceiling.

I do not suggest by that the debt ceiling in its present form is not a very convenient vehicle to which to add amendments. I understand we are going to have, an amendment to reimpose price controls on domestic crude oil, maybe an amendment to lift the grain embargo, maybe an amendment to reduce the amount of the debt limit.

I do not really object to those amendments being proposed but, perhaps, we should find a better way of dealing with them, as suggested by the Senator from California.

Mr. CRANSTON. I think it is unfortunate. I agree. But this also does provide an opportunity for anybody to get a vote on anything.

Mr. DOLE. The House has voted and has adjourned. They are going to stand by until 1 o'clock. If we change it, they are going home for the Lincoln Day recess. We will get back on the 16th or 17th.

When does the Secretary notify as to the auction, tomorrow? We already have this new Secretary, just barely installed, and we already have got him threatening about what will happen if we do not pass the debt ceiling increase. In fact, he told us in the committee he learned if there were overpayments made, and we do not give him the authority, then he would be personally liable. That is the thing that made him wonder about his confirmation hearing. He is not without some currency, but I do not know how many days he can stand this.

Mr. CRANSTON. The Senator stated that he has voted in the past on both sides of this issue. I believe I have never cast a vote against increasing the debt ceiling. If I wind up voting for the debt ceiling increase this time I am glad the Senator made some statements that will be helpful to me if I am attacked for that vote sometime in the future. If the printed word is inadequate, I will ask the Senator to come out to California the next time I am running again. [Laughter.]

Mr. DOLE. We will both be running at the same time, and maybe we can do a drop-in on Kansas on the way to California.

Mr. CRANSTON. I am glad the Senator will be on his way to California. [Laughter.]

UP AMENDMENT NO. 3

(Purpose: Extending the grain embargo to all products)

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Iowa (Mr. JEPSEN) proposes an unprinted amendment numbered 3:

At the appropriate place, insert the following new section:

SEC. (a). Notwithstanding any other provision of law, there is hereby imposed an embargo on the export of all goods or services to the Union of Soviet Socialist Republics.

(b) The embargo imposed by subsection (a) shall be in effect during any period during which the President imposes an embargo on the export of grain or any other agricultural product to such country (including the embargo in effect on the date of the enactment of this Act).

Mr. JEPSEN. Mr. President, this amendment is an amendment that very simply would require that all Americans share in the embargoing of all goods and services to the Soviet Union.

Since there are indications that there is some mixed feeling now about the lifting of the grain embargo. I feel it is only fair that if we are going to send a signal, that we send a real signal, and that we indeed embargo all goods and services and let all Americans join in rather than the 2 or 3 percent of the American public, the American farmer, in conducting our foreign policy.

Mr. President, a little over a year ago, President Carter imposed a unilateral embargo of grain sales to the Soviet Union in response to a step-up in Soviet aggression, especially in Afghanistan. The problem was that the grain embargo was about the only substantive action he took. Since the embargoed grain is only about 8 percent of the Soviet's projected needs, the impact on Russia was not great. On the other hand, the impact on the American farmer was catastrophic.

As I stated on January 4, 1980, President Carter shot the farmer in the foot and then said to Russia, "There, take that."

Recent rumors indicate that President Reagan may feel it is in the best interest of the United States not to lift the embargo at this time. Therefore, the amendment I am proposing today would require that, when there is an embargo on grain sales to the Soviet Union, there should then be an across-the-board embargo on sales of any item to the Soviet Union.

I am not reversing my policy on the embargo. On January 4, 1980, I said that if President Carter really wanted to "get tough" with the Russians he should take the following steps:

First, suspend all trade to the Soviet Union;

Second, recall Ambassadors and ask Russia to cut back on its diplomatic staff in this country;

Third, seriously consider withdrawal from the Olympic games; and

Fourth, increase our military aid to our allies in the Middle East.

I also stated what I still believe, that "America should never use food as a weapon." Farmers are proud and patriotic people but what this ineffective grain embargo has done is to make the farmer the whipping boy for Soviet aggression. My State of Iowa, with its high farm exports, bore the brunt of the grain trade embargo—but every U.S. farmer also became the victim. They could not understand why they had been singled out to "punish" the Soviets. And what an inadequate punishment it was. We have the facts to prove that.

On June 30, 1980, Lt. Gen. Eugene

Tighe, Director of the Defense Intelligence Agency testified, along with several top Soviet analysts, that the Soviet grain embargo had had almost no effect on the Soviet Union. According to the testimony, the Soviets will have a grain shortfall during 1980 of only 3 percent. The testimony continued:

> It will not appreciably affect their economic growth rate . . . We observed that the Soviets very quickly replaced most of the grain that we embargoed from other western sources, mainly Argentina, although Canada did export some wheat after our embargo.

The U.S. Department of Agriculture also has data pointing to the minimal effect of the grain embargo on the Soviet Union. Last summer, the USDA projected meat consumption would decline only 1 to 2 percent—only 1 or 2 percent—last year as a result of the grain embargo.

I contend that anyone that says it would even decline 1 percent just cannot count. It takes a little over 9 months—something like 243 days—for the gestation period for a cow to have a calf. It takes somewhere between, depending on what kind of force feeding you are giving it, 14 and 17 months for that calf to become red meat on the table. When we were hearing these announcements about choking off the meat supply in Russia 3 or 4 months after the embargo was put on, when it takes 24 to 26 months to bring red meat to the table, I just simply responded that somebody cannot count.

I might also point out that the average Russian ate only a quarter of a pound less meat per month than last year, if we went to this 1 percent. My distinguished colleague from Texas, Senator JOHN TOWER, tags the embargo "the moral equivalent of a 'Big Mac attack.'"

Supporters of the grain embargo have suggested that while we cannot measure an appreciable difference in quality of life due to the embargo, there may be psychological impacts. The DIA analysts rejected this. It is all a matter of permanent record from very, very distinguished men of great expertise. They said:

> I do not believe we have a measure of the psychological impact of the embargo to the Soviet Union.

While the embargo has not had the planned effect on the Soviets, I have here a chronological survey of events which happened because of the embargo. Let me take a few moments to walk through them with you.

On January 4, 1980, the President suspended all agricultural trade to the Soviet Union in excess of the 8 million metric tons of grain that the United States was committed to sell under the 1975 U.S.-U.S.S.R. grain agreement. The President also outlined a preliminary program designed to offset the potential adverse impact of the domestic farm economy. The President promised to look at several alternatives including a paid diversion program for farmers.

The President also indicated that same evening that consultations had been made with friends and allies around the world and they were in full agreement and support and cooperative in this, which, of course, turned out to be not so.

On January 6, 1980, the Commodity Futures Trading Commission suspended trading in grain futures for January 7 and 8 due to the confusion that was caused by the Soviet grain embargo of January 4. The psychological impact of the grain embargo drove the price of grain down substantially.

On January 7, 1980, the Assistant Secretary of Agriculture James Williams announced a series of measures to minimize the impact of the embargo on domestic prices and income. Among the proposals was a strong statement about the benefits of a paid-crop land diversion program.

On January 8, 1980, the Assistant Secretary of Agriculture James Williams announced a series of measures to minimize the impact of the embargo on domestic prices and income. Among the proposals was a strong statement about the benefits of a paid crop diversion program.

On January 9, export licenses for all agricultural products to the Soviet Union other than the 8 million metric tons of grain were suspended, effective January 7, 1980. It was also announced that all futures requests for export licenses would be judged on a case-by-case basis by the Department of Commerce. The administration proceeded with an inconsistent policy for granting export licenses for one product, denying it for the next.

On January 12—this is the meeting that was supposed to have taken place before the embargo was placed on—on January 12, 1980, representatives of the United States, Australia, Canada, the European Community, and Argentina met to discuss cooperation in withholding additional amounts of grain to the Soviet Union. Australia, Canada, and the European Community agreed to cooperate with the United States pledging not directly or indirectly to replace the 17 million metric tons of grain affected by the embargo. Reports continued to reveal that grain was in fact reaching the Soviet Union from these countries.

On January 14, 1980, representatives from the United States, Argentina, and Brazil met to discuss withholding additional sales of soybeans to the Soviet Union. Additional sales of soybeans could partially replace the 17 million metric tons of embargoed U.S. grain. Argentina and Brazil refused to restrict their sales. This was in direct contradiction to the President's assurance that these countries had been contacted and agreed to participate in the embargo. All a matter of record. This is fact.

On January 18, 1980, the President imposed a 1-million-metric-ton quota on Soviet ammonia imports for calendar year 1980. This reversed his earlier decision of December 11 to override the International Trade Commission recommendation that a 1-million-metric-ton quota be imposed for 1980.

On January 23, 1980, the American Farm Bureau Federation announced it had filed suit with the National Labor Relations Board against the International Longshoremen's Association for its refusal to handle ships with Soviet cargo. The suit resulted from the Farm Belt's frustration over the administration's inability to intervene.

On February 7, 1980, the administration announced that, as of February 4, certain nonstrategic agricultural commodities were removed from validated licensing control, enabling these commodities to be sold to the Soviet Union without prior approval by the U.S. Government. Commodities removed from restricted sales are those determined not to affect Soviet grain and meat supply. At the same time, a validated license or prior approval system was established for the export of phosphates to the Soviet Union. Farmers were confused and angered over these actions, because they were contradictory and forced grain producers to carry the major burden of the embargo.

On February 25, 1980, the President imposed an embargo on all U.S. exports of phosphates to the Soviet Union. The embargo covered marketable phosphate rock, all concentrates of phosphoric acid, and all concentrates of phosphate fertilizers for an indefinite period. U.S. exports of phosphates to the Soviet Union were valued at $97 million in 1979 and were expected to increase to $400 million in 1980.

On February 29, 1980, the Secretary of Agriculture announced that there would be no paid-crop land diversion program for the 1980 crops of corn, wheat, and other feed grains. This action was in direct contradiction to earlier statements made by President Carter, Secretary Bergland, and Assistant Secretary Williams. Farmers for 2 months were led to believe that there would be some kind of set-aside program or paid diversion program. This announcement was made too late and interfered with the marketing plans of farmers. At this time, the administration continued to show latent disregard for the plight of farmers.

On March 20, 1980, the Commodity Credit Corporation opened for purchase contract rights it had assumed for the 0.7 metric tons of soybeans affected by the embargo. The sales of these soybean contracts into the market depressed commodity prices and psychologically destroyed grain prices for weeks. This was at a time when farmers were still suffering from the impact of the grain embargo announced on January 4.

On April 15, 1980, the Secretary of Agriculture announced that corn farmers who did not participate in the 1979 feed grain set-aside programs would be allowed a limited amount of grain into the farmer-held grain reserve. I introduced legislation in January, immediately after the grain embargo was announced, to allow the Secretary to open the feed grain program. The administration and the Secretary of Agriculture insisted this was not necessary and opposed such action. This inconsistent and haphazard policy added to the destructive effects of the Soviet grain embargo.

On June 18, 1980, officials notified the U.S. grain exporting companies—and this takes the cake; this was really the crowning blow—that they could resume sales of third country grain to the Soviet Union.

What were they saying? They were saying—

Grain companies sell all the grain you can sell to the Soviet Union, just so you do not sell American grain.

This meant that grain companies could sell non-American grain to the Russians showing blatant indifference to U.S. grain producers.

I want to talk a little bit about a couple of the events just mentioned. The offer of aid to the grain companies means that Uncle Sam threw a lifesaver to these companies by helping them settle their grain contracts, but left thousands of farmers swimming in a sea of economic disaster.

That is exactly what happened. While they were settling those grain contracts, the United States bought up the grain contracts, kept them a short time, and later sold them back at much less than they paid for them. In the meantime who was helping the average farmer help settle his contracts with landlords, bankers, implement dealers, fertilizer and pesticide suppliers, elevators, seed salesmen, and others? Sure, Uncle Sam increased the loan rates to "eligible" formers, but the problem was only about 15 percent of Iowa farmers were eligible and only 23 percent of farmers across the country were eligible for this panacea, because marketing had been increasing and foreign exports had been increasing, and things looked pretty good. The farmers and the food producers were doing what they love to do and do best with the most efficient food production in the world. That is producing food at full measure. Many of them did not participate in the programs.

The National Farm Bureau has estimated the average price received by farmers for corn marketed during the 1979–80 marketing year was 12 cents per bushel lower because of the embargo. Wheat prices were 9 cents per bushel lower, and soybeans 32 cents per bushel lower. The total loss amounts to approximately $1.8 billion.

The months of January, February, and March are major grain marketing months for many producers. Research shows that corn prices were depressed by 24 cents per bushel during those months because of the embargo, soybeans were depressed 64 cents per bushel, and wheat was depressed 18 cents per bushel.

Producers who had to sell within a month after the embargo suffered even more than those who could wait until March.

The impact of the embargo is still being felt by producers because the higher carryover levels in the farmer held reserve have reduced the marketing opportunities for the 1980–81 marketing year.

Mr. President, in the annals of American diplomacy, the great Soviet grain embargo of 1979—a symbol of American resolve against Soviet aggression in Afghanistan—has already been recorded and will go down as a disaster. The embargo to date might have been worthwhile had Soviet troops been pushed from Afghanistan. But instead of punishing Soviet leadership, the embargo has punished American farmers.

The previous administration promised the family-sized farmer he would not bear the brunt of the embargo—another promise unkept. The desperate plight of farmers has brought them closer to total dependency of the Government. The future of free-market farming is doubtful. And it is not just the farmer who has worried about plunging prices. The embargo will have a negative effect on our balance of payments. This will lead to more inflation and that again hurts everybody.

There is no truly effective way to insulate the market from this economic impact. However, if this country insists on an embargo to the Soviet Union because national security is in jeopardy, then everyone—everyone—should be equally affected. Let us have a total trade and technological embargo on the Soviet Union. The current embargo is a failure. I have offered this amendment today in an attempt at an embargo that will be effective, one that requires sanctions on all exports and sacrifice from every sector of our economy since it evidently is deemed by some in the administration to be a signal, a strong signal, to send of our firm policy.

The economic grain embargo of 1980 has indicated to the farming and agricultural community of this country again an historic willingness on behalf of the State Department of these United States to implement foreign policy at the expense of one segment of our economy and our society.

A third-grade analysis would indicate simply this: Unless you have an absolute monopoly on any product that you are going to say you are going to withhold from somebody, unilaterally applying an economic sanction saying "We are not going to sell, give or send you any of this product" is sheer inaneness.

Mr. President, to apply an economic sanction unilaterally when you do not have a total monopoly on a particular product is not very difficult to either interpret or understand as being a total failure before you ever attempt to start it. In this particular instance, we unilaterally applied, even though it was said to be otherwise, an economic sanction in the form of an embargo on the export of grain to the Soviet Union.

The fact is that there were many other grain producing countries who were glad to step in and fill the void, picking up their exports, which they did. This was coupled with the inane announcement about 3½ months after the grain embargo, when the United States of America indicated to grain trading companies that it was OK to sell other grain so long as it was not our grain.

The Soviet Union, by the way, got every kernel of grain that it had under contract and ordered for the 5-year period. There was no letdown there. The Soviet Union was getting additional amounts of grain through the Iron Curtain countries, through other conduits, but it did necessitate changing from one boat to another, one barge to another, or one train to another.

With the announcement that the grain trading companies could sell grain to Russia from any country they wanted to, as long as it was not U.S. grain, all they did was expedite the shipment because then all they had to do was change labels.

Mr. President, there was great concern about the fairness of this, last year. The American farmer will take a back seat, the American agricultural people—and that includes a lot more people, by the way, for everybody's edification, than 2 or 3 percent. That is where they underestimated things.

Mr. SYMMS. Will the Senator yield?

Mr. JEPSEN. Yes, I shall in just a second.

The agricultural community is most patriotic. It will take a second seat to no one. This particular Senator is getting a little bit of a feeling of having had just about enough of the innuendo that maybe American farmers are not being patriotic, or those of us who are concerned about the grain embargo are not being patriotic and we do not understand.

We do understand. We understand very well. We understand that, to implement foreign policy, the State Department will stiffen the American farmer, as they have done for years and years.

Mr. President, I have more to say, but I shall yield to the distinguished Senator from Idaho, my distinguished colleague (Mr. SYMMS).

Mr. SYMMS. Mr. President, I thank the Senator from Iowa for yielding. I want to compliment the Senator this afternoon for his intelligent argument and his very articulate statement. I know, from my years in the other body, that the Senator from Iowa is known as a real spokesman for America and also for American agriculture. I thank him for his statement this afternoon.

When one thinks about the other options—linkage and so forth—with respect to the Soviet Union and Afghanistan and the other trouble spots around the world, I think the Senator's amendment will only add strength to the linkage question. It is something that I think, most certainly I hope, this administration will consider very seriously, to link the Soviet Union's actions with trade back from the United States and if a trade embargo is to be effective, most certainly, one segment of our society should not have to bear that burden.

In complimenting the Senator from Iowa, I have to think that, with that shot in the foot, as he so eloquently described the 1979 grain embargo, where the American farmer got shot in the foot and the Russians got the grain, the $1.2 billion cost is just how far a small percentage—say 10 percent of the $1.2 billion in an expenditure for rifles, for hand grenades, for antitank and antihelicopter weapons given to those freedom fighters in Afghanistan—how much more of an impact that might have made on the Soviet Union than to try to punish the American farmers for Soviet atrocities in Afghanistan.

I thank the distinguished Senator from Iowa for bringing this to the attention of our colleagues this afternoon. I wish to associate myself with his remarks and I shall support his amendment.

Mr. President, I yield back my time.

(Mr. NICKLES assumed the chair.)

Mr. JEPSEN. I thank my distinguished colleague from Idaho.

Mr. President, last year, we had a campaign for President of the United States in this country, climaxed by a rather sweeping mandate at the polls on November 4. During this campaign, other Senators in this body, and I were most vocal about the grain embargo and, in response to the various proposals and suggestions made by the then Secretary of Agriculture, Secretary Bergland—who, in my opinion, did not like the grain embargo any more than we did, but, respectfully, was a good soldier—defended it. He requested debates. But the American agricultural community in this country felt that they received—and, in my opinion, they did—the assurance that should this administration take office, as it did, the grain embargo would no longer be used on an isolated basis to implement foreign policy.

There was much talk and conversation about the fact that if, in fact, we were going to use economic sanctions against any nation, we should, if there were a grain embargo or agricultural products of any kind were embargoed from the free market, this embargo should be shared by all of our citizens in all parts of our economic society and all products and all goods and all services should be embargoed. That is what this amendment proposes.

It is very fair, it is commonsense, it certainly would be supported, in my opinion, by farmers, people in agriculture, throughout this country. They do not mind; they are ready, willing, and able to carry their fair share. But they do want a fair shake. They were assured, promised, that they would, indeed, have a fair shake.

There has been a lot of talk about signals, Mr. President, signals being sent. I suggest that there were some signals sent on November 4 by the American people—signals sent of good faith, of good will, of trust. The outcome of that election sent the signal also that people in this Nation were interested in a change of direction in the general conduct of our Government and our bureaucracy in its regulatory groupings, all the trappings that go on here in Washington.

Mr. DOLE. Will the Senator from Iowa yield?

Mr. JEPSEN. I shall yield in 30 seconds.

I suggest to those in the administration who believe that we must keep the grain embargo because of the signal it will send that the signal that we send to our own people is a signal that we must be even more concerned with at the present time in the new beginning. Consensus is what makes a democracy run—consensus by way of supporting policy, by way of credibility, by way of believability. So let us send a signal of good faith to the most productive part of our economy, through that band of Americans who say, "All we want, all we ask for, please, is a fair shake."

I am very pleased to yield to my colleague (Mr. DOLE) who was in the hustings with me, talking about the grain embargo. I believe we used some choice words, both separately and together.

Mr. DOLE. Mr. President, in fact, the Senator recalls that we had a little session down at the USDA one early morning, when we indicated that candidate Reagan had promised to lift the embargo if elected. I think the Senator from Iowa, the Senator from Kansas, and the Senator from South Dakota (Mr. PRESSLER) were there.

I am not certain—I missed some of the discussion, but I certainly am in accord with the statement made by the senior Senator from Iowa. Frankly, unless there is some foreign policy consideration that has escaped me—and there could be, obviously, with the Soviets threatening Poland, a need to focus on that part of the world. Otherwise, it seems clear to me that the only thing to do is to lift the embargo and then start some sales program to the Soviet Union on a selective basis.

Under the agreement which expires this year, they are required to do certain things and we are required to do certain things before we can sell grain to the Soviet Union.

I believe unofficial contacts already have been made which would indicate the Soviets interest not only in buying grain but also in buying grain byproducts—flour, grain products, and perhaps soybean meal. That, in itself, would mean additional shipments for this country.

There will be a meeting on the 17th of February, as probably has been noted, with the President and a number of Senators characterized as antiembargo Senators. I am not certain that is a correct characterization, but we are farm State Senators.

It is hoped that at that time we will have an opportunity to persuade the President to make some quick decision on this matter, because it will not be long when the crops will be coming up and purchasers will be looking for wheat, corn, and other grains that were not there; and if our farmers are not permitted to compete, we will lose our markets to some other country.

It seems to this Senator that the time for decision is now.

I believe that the Senator from Iowa touched upon farmers and patriotism. There is a feeling by some that the farmers only want to make a profit, that they are not concerned about the country, that they are less than interested in our national security. Nothing could be more inaccurate than to indicate or even suggest that. If farmers are persuaded that there is some good reason, if they are told that any embargo would apply across the board and that they would not be singled out for special treatment, I am certain that they would be willing to accept whatever might hapen, if it were in the best interests of this country and its security.

Under the Nixon administration, we had an embargo. The result was that we lost a lot of our soybean market to Brazil. Under the Ford administration, we had an embargo. The result was—at least, according to some—that Carter was elected because in some of the key farm States, the embargo made the difference between victory and defeat for President Ford. In the Carter administration, we had an embargo, and I believe that the only losers have been the American taxpayers, who will have to spend more than a billion dollars because of the embargo, and the American farmers, who have lost millions and millions of dollars in farm income.

I have yet to be convinced that the Russians have lost anything. We get all these reports that the Russians are hurting. It is not because of the embargo. We are talking about only 17 million metric tons at the outset. If they have had a shortfall, they may be suffering from that.

However, it is my understanding—and I believe the Senator from Iowa pointed this out in hearings late last year—that, according to CIA reports and others, they probably have been able to pick up all those 17 million tons, with the exception of 2 or 3 million tons from other sources.

So, to say that the embargo has had an impact is not an accurate statement. Whether the State Department said it last year or this year, it probably is the same material. They should freshen up the material. We have a new administration, and they should get new material, before they suggest that it has had a great impact on the Soviet Union. If, in fact, it has and that can be demonstrated, that is something President Reagan can consider.

I believe that the President, having made the statement and having made the pledge through some of us with the USDA—was it last June or July?—will keep that campaign promise, unless there is some overriding concern we are not aware of.

I thank the Senator from Iowa for calling this matter to the attention of the American people, to those of us on the floor who have a special interest, and to some who may have misinformation.

So far as I know, no decision has been made. The story reporting that a decision was made, in the view of this Senator, was not accurate. It probably was not intended to be inaccurate, but it is not accurate. It is the hope of many of us that the right decision will be made in the next couple of weeks.

I yield the floor.

Mr. SYMMS. I thank the Senator from Kansas for yielding.

Mr. President, I say to the Senator from Iowa that I learned recently that American wheat going to West Germany was being processed into flour and was going to the Soviet Union.

It is a psychological depressant on the price of wheat in the United States, but the Soviets are getting everything they need.

So I think there is absolutely no substitute in a foreign policy to have a very strong, powerful country.

I believe this is the underlying feature that the Senator from Iowa, along with the farmers he represents so ably, has brought out. What the farmers would like to have is a strong America which can stand up and defend itself when it needs to, and then we do not have to rely on 2, 3, or 4 percent of the productive part of our population and pick

them out, because perhaps they do not have enough votes, to put an embargo in place such as the one we witnessed in 1979.

I again praise the Senator for bringing up this matter.

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

Mr. SYMMS. I yield.

Mr. ANDREWS. Mr. President, it is important to point out that there has been more information on the subject of the grain embargo than about any other issue that has come up in the past several months.

We read in the same paper that said the President is not going to lift the grain embargo that one of the reasons is that it is such a success; that there is no meat in the stores or any increase in meat in the stores in the Soviet Union.

I have been a farmer all my life; and I am short of feed, I have to market those livestock.

The best way of explaining that the Soviets are getting adequate feed is the fact that there has not been any increase in meat supplies in the meat markets in the Soviet Union. They are buying the grain from other countries. They are taking care of their supplies in buying the grain from other countries.

They are lousing up the grain marketing patterns of the world, and they are crippling some of our ability to export not just to the Soviet Union but also to other long-term customers.

At the head of the lakes—Duluth, Superior, for instance—those docks were operating only one-third of the time during the shipping season because the small craft that come up the St. Lawrence Seaway were busily employed bringing grain to the Soviet Union from other smaller suppliers, and the large cargo carriers which generally load up at our Gulf Coast ports for shipment to the Soviet Union were not being employed. There is a much more efficient way of shipping grain.

Actually, the fact that the Soviet Union was not purchasing grain from the United States meant that in going into other areas of the world to buy their grain supplies, they were shorting the supply of food for Third World countries, the very people we try to help in foreign aid programs. We can help them more by making food available to them than by engaging in this type of counterproductive embargo.

If we are going to embargo, let us embargo across-the-board. If we are going to try to tell another nation that we do not like what they are doing in an aggressive way with one of their neighbors, let us have our NATO allies or other Western allies join us in an embargo across-the-board.

It is idiotic to embargo the products of the American farmers' fields but to allow the shipment, as we did for some months, of the fertilizer so that they can grow their own crops better and to allow continued shipments of Caterpillar tractors so that they can till their soil that much better.

I am sure that they would not be using the Caterpillar tractors, with which we are still supplying them, to tow around artillery pieces. They ostensibly are still using them to till their soil.

This embargo has more holes in it than any type of sieve any child plays with in a sandbox.

If we are going to embargo, again let me say, sure across the board, but let us make it effective. Let us embargo food last of all the other things that we put embargoes on.

I rise in support of my colleague from Iowa and I thank him for bringing this matter to the Chamber for debate today.

I hope that his words are being heard by the administration, and I also welcome the words of our colleague from Kansas, Mr. DOLE, in pointing out that what we read in the Washington Post this morning might very well be an error and we can all hope that it is an error and that the true statement of the President will be forthcoming later on and it will be much more in the proper vein than this report was.

The PRESIDING OFFICER. The junior Senator from Iowa is recognized.

Mr. GRASSLEY. Thank you, Mr. President.

Mr. President, I say to my colleagues in this body that I rise in support of this amendment.

I wish to thank the senior Senator from my State for the introduction of this amendment.

I wish to say that I really consider it a sad commentary that an amendment like this must be offered. I would prefer to say thank you to the administration for doing what obviously should be done, to lift the embargo or to make it all-encompassing of commercial as well as agricultural products so that the burden is shared by all 220 million Americans.

That is not the issue before us. The issue is whether or not this administration is going to keep its promise to the farmers of America. The issue is much broader than the question of either broadening the scope of the embargo or lifting it.

As far as I, the farmers of America, and hopefully all of the people of America are concerned, the issue is one of the keeping of campaign promises.

My memory goes back to a cool morning the last of September last year when the President was a candidate and came to a farm in Story County, Iowa, to speak to the farmers of America. He presented his case to the farmers explaining why a Republican administration should be elected and why a Democratic administration should be rejected.

On that farm he stated that the embargo was not working and that the consequences of such a foreign policy stance should be shared by all 220 million Americans if necessary. Whether it was clearly stated or implied, the audience felt we had a candidate running who was going to correct this injustice almost immediately upon taking office.

There is a perception that there was a compact made between a candidate for the Presidency of the United States, the farmers of America and hopefully all of the people of America that this policy correction was going to be made.

The basic issue is one of reestablishing credibility between candidates for office and the American people, and one way to accomplish this goal is for candidates for office to keep their word with the people.

The institutions of American Government are shaken when confidence in public officeholders is lessened. A larger principle is at stake besides just correcting an injustice for the American farmers by either lifting the embargo or broadening its impact. The larger issue is to increase the credibility that every citizen in this country has in the institutions of American Government, a confidence that is now at a low ebb. It is necessary to turn this trend around. This is best done by simply keeping those campaign promises where the situation has not changed.

In fact, the evidence is more certain than ever that the embargo is not serving its stated purpose and should be lifted.

The PRESIDING OFFICER. The Senator from South Dakota is recognized.

Mr. ABDNOR. Mr. President, I commend my good friend, the Senator from Iowa, for this amendment, a much needed amendment if the administration plans to go through with what we are hearing and reading in the newspaper.

I was pleased to hear the Senator from Kansas a few moments ago say that it is not necessarily true. I hope the administration will reasses their position and follow through with their campaign promise of doing away with the grain embargo..

It was almost a year and a month ago today that the previous administration invoked the embargo. It was a mistake at that time, and it is even a greater mistake today because we have had a year to assess this and to see the futility of invoking the grain embargo and what little good it has done.

One thing that my colleague, the Senator from North Dakota, did not mention was the fact that the futility of it was shown by the fact that it was poorly administered in the first place. It had to be pointed out at that time that while we were trying to preclude grain commodities from going to Russia we were still selling them the fertilizer to produce additional grain.

Nothing has changed to make the entire incident a bigger mistake since that time than we see it today with the results.

The people who are being hurt are not only the farmers of this Nation, but the taxpayers of this Nation. And a few months ago in one of the agricultural appropriations reports in the House of Representatives it was estimated that this has cost the Government $3 billion and if we do not lift this embargo these expenditures are going to continue on, and in addition to what harm it is doing to our balance of trade that we so badly need.

If we want to look to the individual group, the farmers themselves, in what we are doing to them in this tight bind they find themselves and in the economy today and see what inflation is doing to them, we are turning them loose. The Government is asking them to produce, produce and produce more, which they will do. We do away with all set-asides. There is some talk about doing away with

target prices, and we wonder where this will all end.

If the embargo is the thing we should do, then let us do a good job of it and put that embargo across all that this country produces and no longer carry on any trade with them, if that is what we are trying to accomplish and if we are really trying to bring Russia to her knees.

Again, I commend the Senator from Iowa for this timely amendment, and I do hope we all can support it.

I thank the Chair.

The PRESIDING OFFICER. The Senator from South Dakota is recognized.

Mr. PRESSLER. Mr. President, I also am joining in this effort as the author of an amendment to an appropriations bill that passed the Senate last September, to prohibit the use of funds for carrying out the grain embargo.

I wish to say that the Senate has already sent a clear signal to the President on this matter. Indeed, I was on a campaign plane with the now-President on a trip to South Dakota, in which the pledge to lift the grain embargo was mentioned.

Let me also say that I am introducing two other bills, one of which would call for a total embargo if we have an embargo, and another that would limit the President's future ability to use agricultural embargoes as a foreign policy tool, without some check from Congress.

I am also joining my colleague from Iowa in his amendment, and commend him for his efforts.

I ask unanimous consent to be listed as a cosponsor of the amendment of my colleague from Iowa.

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

Mr. LEVIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. LEVIN. I thank the Chair.

I would like to ask my friend from Iowa if he would accept two amendments to his amendment, the first being in section (a), if he would accept the words at the end of the existing section "except as specifically excluded by the President" in order to permit, under unusual circumstances, the President to exclude one or more items from an overall embargo?

I happen to share the purpose, the feeling, that is behind the amendment of my friend from Iowa. I think the point is well taken.

I think there also may be occasions when the self-interest of the United States is so clear that the President ought to be permitted to specifically exclude an item from an overall embargo.

We cannot foresee all the circumstances under which that may be wished to be done, but I am wondering if my friend from Iowa would consider the possibility of one slight amendment to his amendment?

The other suggestion I would have would be a new section (c) which would require the President during the embargo period, the total embargo, which the Senator's amendment would bring into existence, to at least once every 6 months report to Congress relative to the adherence of the Soviet Union to international agreements, including the Helsinki Accords of 1975?

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

Mr. LEVIN. I would be happy to yield.

Mr. JEPSEN. Will the Senator give an example of the first amendment? As I understand it, the Senator wants to add the words "except as specifically excluded by the President." In other words, if an embargo were imposed on the export of all goods or services to the Soviet Union, they would be across the board except where the President would make some exception.

Mr. LEVIN. Specific.

Mr. JEPSEN. Would the Senator give an example of what he is referring to and how that would happen? I am not clear on that.

Mr. LEVIN. The Senator wants an example of the type of goods or the mechanism?

Mr. JEPSEN. Yes; just give me a for instance.

Mr. LEVIN. My friend from Arizona suggests perhaps American automobiles, but that was not what I had in mind.

Someone raised the possibility—and I do not know how valid it is, but the possibility was this—if there is a pipeline being built in fact from Russia to Europe for natural gas, that it could be to our advantage in terms of our own energy position for that pipeline to be completed, and we might want pipeline equipment to be exported because it could be so clearly in our self-interest that that pipeline be completed.

I am not sure that is a good example, by the way. It may be or may not be. But what I am suggesting is there might be occasions when the President sees the interests of this country so clearly require an export license, that he ought to be able to specifically certify that such an export is in our self-interest and an exclusion would, therefore, be made.

What this would do is just allow for the possibility. Whether my example is a good one or not I do not know, but I do believe there could be instances where the President should be able to say that our self-interest is so clear that an item be exported, and that he would specifically certify that as an exception to the blanket embargo which would otherwise be provided. Again I think the Senator is correct in the general thrust of his amendment.

Mr. JEPSEN. Would the Senator from Michigan accept modifying his particular amendment by adding the requirement that the President indicate the fact that the exception being made was for national security reasons, and then document why that was being done?

Mr. LEVIN. I think that is a fair change and I would accept that.

Mr. JEPSEN. Will the Senator from Michigan read back the amendment as modified, that portion of it, that first section?

Mr. LEVIN. Yes. With this amendment the change at the end of the first section would read "except as specifically excluded with written explanation by the President for national security purposes."

Mr. JEPSEN. I would be very pleased to accept that. I think that is a constructive amendment.

As the Senator knows, we have worked together in regard to the second part of this on many occasions in many areas and in many activities with regard to the type of international agreements, the Helsinki accords, the refuseniks, the Christian dissidents, and I feel this particular amendment is such that I am afraid we are going to put some additional subject matter on the embargo which is a little too indirectly related; and I would choose not to accept the second one. The first one I would be pleased to accept.

Mr. LEVIN. Mr. President, if I may continue, I wonder whether or not the Senator might consider the paragraph (c) if there were no reference made to the embargo but simply stated that each 6 months for the next 2 years the President would report to us on the adherence of the Soviet Union to international agreements, in other words, without reference to the embargo?

Mr. JEPSEN. The Senator would accept that. He has no problem with that.

Mr. LEVIN. I thank my friend from Iowa.

I now send to the desk the final section which will read, "That during the next 2 years the President shall at least once every 6 months send to the Congress a review of the adherence of the Soviet Union to international agreements, including the Helsinki accords of 1975." I send that amendment to the desk, Mr. President.

The PRESIDING OFFICER. The Senator from Iowa has a right to modify his amendment. Does the Senator from Iowa accept the modification as offered by the Senator from Michigan?

Mr. JEPSEN. The Senator from Iowa does accept the modification.

Mr. LEVIN. I thank my friend from Iowa. I yield the floor.

The PRESIDING OFFICER. The amendment is so modified.

The amendment (UP No. 3), is as follows:

UP AMENDMENT No. 3

At the appropriate place, insert the following new section:

Section 2.

SEC. (a). Notwithstanding any other provision of law, there is hereby imposed an embargo on the export of all goods or services to the Union of Soviet Socialist Republics, except as specifically excluded by the President for national security purposes.

(b) The embargo imposed by subsection (a) shall be in effect during any period during which the President imposes an embargo on the export of grain or any other agricultural product to such country (including the embargo in effect on the date of the enactment of this Act).

(c) During the next two years the President shall, at least once every six months, send to the Congress a review of the adherence of the Soviet Union to International agreements, including the Helsinki Accords of 1975.

Mr. BOREN. Mr. President, will the Senator from Iowa yield to me?

Mr. JEPSEN. Mr. President, I am pleased to yield to the Senator from Oklahoma.

Mr. BOREN. I thank my distinguished colleague. I want to commend my friend from Iowa for proposing this amendment. I think that he has stated the policies that should be stated. There are

many of us in this body and across the country who feel that we should have sent a strong message to the Soviet Union at the time of their aggression into Afghanistan, at the time in which they moved into that nation, seized control of its government, using many cruel and inhumane weapons, some reports even of the use of poison gas against helpless civilians.

I think all Americans want to send a strong message to the Soviet Union. But at the time there are many of us who feel that it is very unfair to ask that the total burden of American foreign policy be borne by a very small segment of our society; that the total thrust and cost of American foreign policy should be borne by the 4 percent of the people in this country who are farmers is certainly not fair.

If we want to send the Soviet Union a message, if we really mean it, then I think the Senator from Iowa is absolutely correct in saying that we should impose an embargo on all goods, not just on agriculture products, not just upon grain in terms of our dealings with the Soviet Union.

It is my hope that the President will either decide to remove the grain embargo and to rely upon other perhaps more effective means of sending messages to the Soviet Union, especially the quiet but deliberate and systematic buildup of the military strength of the United States, which of course is the most effective kind of message that we can send to the Soviets, a message based upon substance, a message which restores the balance of power in the world and makes them less likely to test us with aggressive action.

But if the President decides that the grain embargo should be maintained, it is my hope that he will make the change that is called for in the amendment of the Senator from Iowa.

Mr. President, I ask unanimous consent, with the sufference of my colleague from Iowa, that I be added as a cosponsor to his amendment. The amendment has my full and enthusiastic support, and I hope that it will be adopted by our colleagues in the Senate.

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

Mr. PROXMIRE addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I am not going to speak on the amendment, but I am going to speak on the debt ceiling which I understand is before this body.

I rise today to oppose the increase in the debt ceiling to $985 billion, or an increase of $50 billion over the present ceiling of $935 billion.

While much has been made of the fact that in the recent past the political party out of power has played politics with the budget ceiling and that we on our side should therefore vote against the increase to get back at them and to show up those votes for what they were, I do not approach the subject from that partisan point of view.

Frankly, I voted against the increase in the debt ceiling when the President of the United States was President Carter, a Democrat, as I am, and when my party controlled the House and the Senate. What party is in power makes no difference. The problem is clear. We should have balanced the budget many months and years ago. We should have refused an increase in the debt ceiling during this entire period of runaway inflation, double digit interest rates, and the hemorrhaging of the Federal budget. That was the right policy. It would have put us on a pay-as-you-go basis and I think it is a responsible policy—I repeat, a responsible policy. As I am going to point out, that has gone almost unanswered in the past.

It has been the kind of sneaking assumption that the only votes against the budget ceiling were political opportunism votes, votes designed to fool the public. That is not the case. That is the right vote. That is the right vote. That would require us to balance the budget. I think that President Reagan has missed a golden opportunity—probably his best opportunity—to require the Congress to cut spending and to cut it promptly.

CONGRESSIONAL RESPONSIBILITY

The budget, however, is a congressional responsibility. Every aspect of the budget—spending, taxing, borrowing, the debt, and monetary policy—are all powers given to the Congress by Article I of the Constitution.

Article I says that "Congress shall have power to pay the debts."

It does not say the President. It does not say the Treasury. It says "Congress shall have power to pay the debts."

Article I also says that Congress shall have power to borrow money on the credit of the United States. Not many people realize that. I think today most people feel that is an executive power; that the Secretary of the Treasury is the great debt manager.

But the Founding Fathers did not give that responsibility to the President or to the Secretary of the Treasury, but to Congress. It is our duty. It is our responsibility. We are the ones who should bite the bullet.

Further proof that it is the peculiar duty of the Congress and responsibility to determine spending, taxes, credit, and deficit matters is clear from the very legislation we are amending.

The increase in the debt limit is an amendment to the Second Liberty Bond Act of 1917.

Until the First World War, anytime the Treasury wanted to borrow money on the credit of the United States, it came to Congress with a specific proposal for a specific bond issue which Congress either approved or voted down.

Starting with the First and then the Second Liberty Bond Acts of 1917. Congress delegated that authority and gave the Treasury a general ceiling on how much they could borrow rather than to approve each and every bond issue.

The point is that the constitutional power to pay the debts and to borrow money on the credit of the United States is a congressional power and one we should start once again to exercise and to take responsibility for.

From those early beginnings 64 years ago when Congress granted the Treasury the authority to borrow up to $5 billion under the First Liberty Bond Act and then $7.5 billion under the second 1917 Liberty Bond Act, we have now delegated to the Treasury the authority to borrow $935 billion and they are asking today for $50 billion more.

I say that it is time to call a halt to delegation of authority and to force this administration, as we should have forced past administrations, to come to grips now with the Nation's No. 1 problem—namely, runaway, riotous, rampaging inflation.

DIMENSIONS OF THE PROBLEM

To paraphase a popular Reagan statement, "Raising the debt ceiling will not solve the problem." The debt is the problem. Here is why.

The debt is now $935 billion. That is the amount of money the Treasury has borrowed. The average length or maturity of the debt—all the debt—is about 1 year.

Why are interest rates so high? The answer is very clear. Every year the U.S. Treasury has to go into the credit markets and borrow on almost a trillion dollars. That cannot do anything but drive up interest rates, and it is a fundamental, motivating, driving dynamic force in driving up interest rates. And that is why homebuilding is in a depression, automobile sales are down; and farmers are desperate for money for their spring planting point. It is because the Federal Government is borrowing $935 billion a year from the money markets. Now it is proposed that we add another $50 billion to that amount.

That means higher interest rates, rising inflation, fewer housing starts and car sales, and more farmers and small businessmen going broke.

That is why I say the debt is the problem and we had better do something about it now.

OPPONENTS AND THE WORST CASE ARGUMENT

But every time we propose to balance the budget or propose to vote against increasing the debt limit, the opponents rise on the Senate floor and tell us that "Now is not the time. This is not the place," and that if we persist in our efforts the Government will come to a screeching, grinding halt. What a picture they paint. They argue that we will not be able to pay social security benefits. They say that our military force will not be able to function. That is absolute nonsense.

There is no question, as I am going to point out, that that is simply baloney.

Again, today, we will be confronted with the "Chicken Little" or the "sky is falling" school of political argument. The argument is familiar. We have heard it all before.

In April 1979, I proposed that on the first budget resolution we balance the budget for fiscal vear 1980, instead of voting for a $29 billion deficit.

The "sky is falling" school argued that it could not be done. Government would come to a halt, and the proposal was defeated overwhelmingly. It got only 23 votes.

Last November 18 I proposed an $18

billion cut to balance the fiscal year 1981 budget. Again it was said that it could not be done, that the government would come to a halt, and that now was not the time and this was not the place.

But the consequences of failing to act last year and the year before have now resulted in a problem which is even worse.

Of course, if we act now to raise the limit to $985 billion it will be worse at the end of 1981 and in 1982.

We are now confronted with a fiscal year 1981 deficit of at least $60 billion and a request to increase the debt ceiling by $50 billion.

The longer we delay the worse the problem will get. Congress should rise to its responsibilities, cut spending, reduce the deficit and public debt, and get the Government out of the bond and credit markets because excessive Government borrowing is crowding out borrowing by or for housing, autos, farmers, and small businessmen.

THE CLEAR CHOICES

We have two choices: The first, to grant an $85 billion ceiling and a $50 billion increase, can only make matters worse. Interest rates will rise as the Federal Government borrows more and more. Housing starts will fall. The deficit will grow, revenues will fall. Prices will go up. Unemployment will rise and the Treasury will be back again to increase the debt ceiling over the trillion dollar mark.

Now, is there an alternative? I think there is.

What would happen if we voted this increase down? Would the sky fall? Would the Government come to a halt? Not on your life. Here is what would happen.

First of all, we are not talking about $50 billion. The Treasury has a cash flow problem, much as the cash flow problem each of us has in our personal checking accounts. When the salary check arrives we are in good shape. After the bills are paid, the checkbook balance is at a low level. This is true of the Treasury and especially so until the big tax receipts arrive on April 15.

What the Treasury faces is a schedule. They do not need $50 billion on February 15. On February 15 they will hit the $935 billion ceiling.

By the end of the month, the debt needs—assuming a unified budget with 1981 revenues of $600 to $605 billion and outlays of $660 to $665 billion—will rise to $943 billion.

What we are talking about, therefore, is an $8 billion cash flow problem by February 28. Not $50 billion, but $8 billion.

According to an informal analysis prepared for me by congressional budget experts, given the assumptions above, the debt deficit schedule looks like this:

[In billions of dollars]

	Ceiling
February 15	$935
February 28	943
March 31	953
April 30	958
May 30	966
June 30	962
July 31	966
August 31	978
September 30	992

Mr. President, some Senators, and it seems almost all the press, believe that we have no alternative, that nothing can be done to keep the Government running if we do not pass this debt extension.

There are things that can be done if the Senate votes "no" on the debt ceiling. Here is what can be done:

The Director of the OMB and the Secretary of the Treasury would have to call in every budget officer and every disbursing office tomorrow morning and tell them that before February 28 they would have to find $8 billion in cuts.

Some programs could be deferred. Some contract payments could be slowed down. Some orders for furniture, cars, and the millions of items the Federal Government buys day to day could be postponed. Some orders could be rescinded.

That would give them time to avoid the immediate cash flow problem. Believe me, if we vote down the debt increase this is what will happen. In fact, it is about time it happened.

The next step would be for President Reagan and Budget Director Stockman to send up to us the items they proposed to be deferred or rescinded under the Budget Reform Act.

Then we would be under pressure. Then it is not a matter of our trying to compromise it out and going to the lobbyists and saying, "How much will you take for me to cut a little bit here and a little bit there?" Then we would know we would have to cut. We would have no alternative. That kind of pressure would get some action out of this body.

If we give them another $50 billion now, Congress will be very slow to act on any proposal to defer or rescind. The interest groups will lobby us. The pressures will come. One reason this debt ceiling increase should be voted down is to help Congress resist the big spending pressures bound to come if we postpone once again coming to grips with the exploding budget by giving the administration another 6 months and another $50 billion.

The third thing Congress can do is to come forward with an additional reconciliation bill under the provisions of the Budget Reform Act. That is the way we can now start to control the uncontrollables and to amend, rescind, and repeal those parts of our permanent laws which have gotten us into this mess and which give us the excuse that spending is uncontrollable. This is one way we can act quickly to reduce some of the "entitlements" which have put the budget out of control.

Those are the steps I propose. This is the scenario which could bring action on this bloated budget and runaway inflation.

The steps are simple. To repeat:

First, OMB and the Treasury attack the short-term cash flow problem by slowing down payments, postponing purchases, and delaying immediate spending.

Second, the President and OMB send us enough deferral and rescission proposals under the Budget Reform Act to avoid the $50 billion increase. The total would not be $50 billion because interest rates would fall, reducing outlays on the debt and the slowdown in the schedule would produce a better cash flow. This is the way to put our feet to the fire and make certain that either the President's proposals or our alternatives get acted upon.

Third, we start to work now on another reconciliation bill to repeal, amend, and rescind some of those laws now on the books which are the cause of our problem and have put the budget out of control.

COUNTRY WOULD WELCOME ACTION

This is the action the people voted for last November. By getting the Government out of the bond markets to the tune of $50 billion additional funds, interest rates would come down. Funds would be available for housing, autos, farmers, and small businesses.

The economic effect would be stimulative. The psychological effect, I believe, would be dramatic.

Most economists, no matter how hung up they are on numbers, will agree that inflation is largely a psychological matter. It is a matter of persuading labor and business, and others, that the Government has a grip on inflation, that it is going to act. This kind of dramatic action would certainly provide precisely the kind of psychological believability to make it work.

Instead of the "sky falling" and the Government coming to a halt, we would make a creditable start to solving both our budget and inflationary problem.

Because I so strongly believe that if we do not take this action now we may never be able to take it at all, I will vote against raising the debt ceiling in order to force the hand of both Congress and the administration.

What I am proposing is a good faith, real alternative to raising the debt ceiling. It is the answer to the arguments of those who have thrown up their hands and said we must pass the debt ceiling increase or disaster will follow.

Disaster—painful, grinding, certain—will follow if we do raise the ceiling. It will take the form of higher interest rates, more inflation, bigger spending, and bigger deficits.

Mr. President, earlier today I received a message from another Senator who gave me a copy of a column that was in the Washington Star last night by two of the ablest, most distinguished reporters in the business—Jack W. Germond and Jules Witcover. These are extraordinarily intelligent and able men and they have done a fine job throughout the years. But they have been suckered by falling into the same trap that most of the press, most of the Congress, and too many of the people have fallen into. That, of course, is the trap that if we do not extend the debt limit, the Government will come to a halt.

These fine reporters are victims of the myth.

Let me quote a portion of the column printed in the Star and circulated to all Democratic Senators, the column written by Mr. Germond and Mr. Witcover.

If the ceiling were not raised, the government would quickly be in the position of being unable to pay its employees or to write the monthly Social Security checks. In other words, barring action to reduce spending or

increase taxes, there simply isn't any choice in the matter. And because those options are not immediately available, there isn't any serious doubt that the higher limit finally will be approved by Congress.

Mr. President, I ask unanimous consent that the entire article of Mr. Germond and Mr. Witcover be printed in the RECORD at this point.

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

BUDGET CEILING "WORM" TURNS ON REPUBLICANS

(By Jack W. Germond and Jules Witcover)

The new secretary of the Treasury, Donald T. Regan, called on the new Senate minority leader, Robert C. Byrd, the other day. The Reagan administration is seeking to increase the ceiling on the federal debt by $50 billion, and Reagan was appealing for Democratic votes.

Those votes might well be there, Byrd made it clear, but only after the new Republican majority in the Senate provided a substantial majority of its own votes. If there proved to be, say, only 26 Republican votes—meaning less than half the 53 seats they now hold—there could be no assurance at all that the measure would pass. The time has come, he suggested, for the Republicans to bite the bullet.

What Byrd recalled very vividly was that the last time there was a roll-call vote on an increase in the debt ceiling, eight months ago, only eight Republican senators voted for it. That was—and this is—the kind of thing Bob Byrd doesn't forget: the eight votes represented only one fifth of those Republicans who were there to vote that day.

Moreover, after that vote, during the campaign last fall, the Democrats who had supported the increase found themselves being attacked by their Republican opponents as "big spenders" who made a career out of raising the debt limit. That is also the kind of thing Bob Byrd does not overlook.

The fact is that this has been the pattern in Congress for many years—Democrats supporting the increases while Republicans made hay out of refusing to do so. But one of the new realities of life for the Republicans, now that they have captured the White House and Senate and increased their ranks so substantially in the House, is that they are obliged to take the responsibility for some of the things they could avoid as a powerless minority.

The increase in the debt ceiling, which would rise to $985 billion under the new proposed limit, is one of the staples of political life in Washington. The amount required each year is determined, of course, by the flow of revenues, which have been reduced at the moment by the state of the economy, and by the demands on continuing federal programs, which have been increased by inflation.

If the ceiling were not raised, the government would quickly be in the position of being unable to pay its employees or to write the monthly Social Security checks. In other words, barring action to reduce spending or increase taxes, there simply isn't any choice in the matter. And because those options are not immediately available, there isn't any serious doubt that the higher limit finally will be approved by Congress.

But that hasn't stopped the Republicans from making political capital out of the debt ceiling votes in the past. On the contrary, they have piously voted against the increases, then gone to their constituents in the even-numbered years and used those votes as evidence of their commitment to fiscal prudence. Rep. Robert Michel, the new Republican minority leader in the House, reported the other day that only 60 of the 192 Republicans in the House have ever voted for the debt limit.

It is not surprising, then, that the Democrats are enjoying the dilemma of the new folks in charge.

Nor are the Democrats overlooking the irony in the situation of the new president. After years of wringing his hands in public about the runaway federal debt, Ronald Reagan found himself obliged to open his first press conference as president last week by announcing the proposed $50 billion increase. Moreover, barring some herculean efforts of cut spending, coupled with an improvement in federal revenues, there is reason to suspect that this president may be the one to have the honor, perhaps later this year, of asking for still another increase that would put the debt ceiling over $1 trillion. That is the kind of "first" no White House is likely to enjoy.

In his press conference statement, Reagan said the administration "took this action with great regret because it's clear that the massive deficits our government runs is one of the root causes of our profound economic problems."

"And," he added, "for too many years this process has come too easily for us."

What he didn't say, of course, is that it has come particularly easy for the Republicans, who could cast those negative votes without worrying about the responsibility for the next month's Social Security checks.

But now there are no more free rides. The worm has turned, just as it always does in politics.

Mr. PROXMIRE. Mr. President, if writers as astute and knowledgeable as these two gentlemen believe that, and I am sure they believe it sincerely, one may forgive the public and our colleagues for believing it, too. Frankly, I do not believe the public does believe it. They are ahead of us. They have had too much experience. They know that they have to balance their budget, whether a family budget or a small business budget. They know they have to do it, and they know they can do it, and they do it. They know we can do it if we have the will.

Mr. President, I know if we do not act on this, we will have to take serious action in other directions, including serious consideration of a constitutional amendment mandating a balanced budget unless two-thirds of the Senate vote to override it. Of course, that would be extraordinarily difficult to construct.

It would put fiscal policy into a straitjacket, which many would feel would be unfortunate.

Another alternative is an item veto for the President. That is something Governors have in many cases. It might be wise and constructive, but it would take a great deal of power out of our hands. Another would be to give the President the impoundment power the President had before Watergate. Again, that would mean a surrender on the part of Congress of much of the authority we have.

Mr. President, I feel very strongly that we have an option here that is a better option. That is to say "no" to raising the debt limit. In doing that, we would mandate the kind of decisive action now, when we are in a position, the best position, to act to balance the budget, to move toward fiscal responsibility and to get inflation under control.

Mr. President, I yield the floor.

Mr. HAYAKAWA. Mr. President, I wish to say a few words in support of the amendment offered by my distinguished colleague from Iowa (Mr. JEPSEN) to the bill on the debt ceiling.

Mr. President, I must certainly agree with the point that the Senator from Iowa raises with respect to the Soviet grain embargo. Why should we single out one sector of our society; namely, the grain farmers, to carry the burden of the embargo to the Soviet Union?

If we, the United States of America, are going to institute an embargo, it should certainly apply to all of our exports to that nation, and not simply agricultural goods. We have singled out the farmers of America to carry a burden so that we can send a political message to the Soviet Union.

But the message is an imperfect one, and I am not at all sure the Soviets are getting it. I must raise the question, if we are to prohibit American goods from being traded with the Soviet Union, does this not hurt our country just as much as it hurts them? Such an action hurts our balance of trade, it floods the American market with an oversupply of agricultural products, thus depressing prices, and we suffer economic losses just as much as the nation embargoed. In addition, I do not think that an embargo does much for our country because it raises the question: Are we a reliable trading partner, or are we not?

The full implications of the amendment of my distinguished colleague from Iowa are not discernible at this moment. If we are going to embargo trade with the Soviet Union, it involves embargoing an enormous range of goods from foodstuffs not embargoed to textiles to machinery to books to I do not know what else. The better solution would be, therefore, not to enlarge the embargo but to lift it now so that we no longer have this embargo of a specific kind of goods to the Soviet Union. In this way, Mr. President, we should at least have a consistent trade policy.

I thank the Chair.

Mr. JEPSEN. Mr. President, I ask unanimous consent to add as a cosponsor to this amendment, the distinguished Senator from Arkansas (Mr. PRYOR).

The PRESIDING OFFICER. Without objection, it is ordered.

Mr. JEPSEN. Mr. President, the Senator from Iowa would like to ask the Senator from Kansas if we might carry this amendment over until tomorrow. I have been advised that there are a number of Senators who wish to speak on this and to enter their names as cosponsors who, because of the shortness of notice and because of meetings that they are now in, cannot make it within the next couple of hours. They suggest that we lay this over and take it up when we first meet tomorrow.

Is that agreeable?

Mr. DOLE. Mr. President, the Senator from Kansas says to the Senator from Iowa that I know there is a great deal of interest in this. Our office has been flooded with calls from Members who wish to come and speak on the amendment. I think it would be a good idea to carry it over until tomorrow. We have notified the majority leader that, as far

as we are concerned, that should be the pending business in the morning. That is the wish of the Senator from Iowa, as I understand it.

Mr. JEPSEN. That is correct.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the amendment by Mr. JEPSEN be laid aside temporarily and that I may offer an amendment.

Mr. BAKER. Mr. President, reserving the right to object—and I will not object—I reserve only for the purpose of providing an opportunity to state that the minority leader and I have conferred on this matter and, indeed, we support the request that the minority leader has just made.

The net effect of the action about to be taken will be to make the Byrd amendment pending tonight and provide, as I understand it, that after we dispose of the Jepsen amendment on tomorrow, the amendment to be offered by the Senator from West Virginia, the minority leader, will be the pending business.

I inquire: Is that the intention of the request of the minority leader?

Mr. ROBERT C. BYRD. The request itself would not automatically bring about that result. If that were the result, I would be agreeable to it. My request is that I merely be permitted to offer the amendment tonight and that tomorrow morning the Senate continue with the consideration of the amendment by Mr. JEPSEN, after which the amendment I offer would automatically be the pending amendment.

Mr. BAKER. Is that the request now of the minority leader?

Mr. ROBERT C. BYRD. Yes.

Mr. BAKER. I have no objection.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

UP AMENDMENT NO. 4

(Purpose: To decrease the level of the temporary debt limit from $585,000,000,000 to $558,000,000,000)

Mr. ROBERT C. BYRD. Mr. President, I offer this amendment on behalf of myself and Messrs. BRADLEY, CHILES, BUMPERS, HART, LEVIN, MATSUNAGA, INOUYE, BAUCUS, GLENN, and BOREN.

I ask unanimous consent that any other Senators who may wish to add their names to this amendment may have until 7 p.m. today to do so.

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

The amendment will be stated.

The legislative clerk read as follows:

The Senator from West Virginia (Mr. ROBERT C. BYRD), for himself and others, proposes an unprinted amendment numbered 4:

On page 1, line 7, strike out "$585,000,000,000", and insert in lieu thereof the following: "$558,000,000,000".

Mr. ROBERT C. BYRD. Mr. President, for the record, the amendment which I offer today is very simple. It would reduce the level, to which the public debt could increase, from the $985 billion which President Reagan has requested and the Finance Committee has reported, to $958 billion.

The level to which the debt limit needs to periodically be increased is intimately tied to the spending and revenue policies established by the Congress and the administration.

The $985 billion figure requested by President Reagan is based on the spending and revenue policies of the Carter budget. Under those assumptions, the $985 billion figure would be adequate to insure that the Government could pay its bills through September 30, 1981.

It is difficult for me to understand why President Reagan would make a request to increase the debt limit based on President Carter's budget. Why is this request not predicated on President Reagan's spending and revenue assumptions?

If it were, his request could have been significantly lower. In his September speech of last year, he indicated that waste and fraud in fiscal year 1981 could be reduced by $13 to $18 billion. Moreover, as one of his first acts as President, Mr. Reagan decontrolled the price of oil and oil products. Decontrol will result in a significant increase in revenue which has not been factored into the President's request.

Those of us who support the amendment wish to see the President's spending and revenue assumptions in detail before we approve a $50 billion increase in the debt limit. For that reason the amendment that has been offered would provide for a level of public debt which will carry the Government well into March or perhaps even into April. By that point in time the Congress will have had a chance to study the President's budget assumptions which will be forthcoming on February 18. By that point in time we will have received the recommendations of various committees on the appropriate levels of spending programs and revenues within their jurisdictions.

The $23 billion increase in the debt limit which we are proposing in this amendment will give the President the opportunity to come back to Congress with a debt limit increase request which is based on his budgetary assumptions of February 18.

The debt ceiling provided in the amendment will give all Senators an opportunity to see what the President's spending and revenue assumptions are in detail before we approach a further increase in the debt limit.

Mr. DOLE. Mr. President, I think we can discuss this tomorrow, but I am just looking at the committee report. According to the best estimates this amendment would only permit us to get through the end of February. We do not really gain a great deal because the Treasury estimates this amendment would only permit us to get through the end of February. We do not really gain a great deal because in the estimates of the Treasury it is estimated the debt subject to limit with a $3 billion margin for contingency would be $955 billion. The amendment would take us down to $953 billion.

So we are talking about in the present circumstances running out of money the 17th, 18th, or 19th of February.

This amendment would extend that in February probably about 2 weeks, and there is no way that we are going to have the opportunity in that short time to analyze the President's economic package and the tax package spending cuts and do anything about it in Congress.

So I just suggest that we are talking about early February. The Treasury estimates that the debt will be $969 billion if we allow for contingencies of $3 billion by March 31. So we are talking about $958 billion, unless there is a mistake in the estimates. We really should not adopt this amendment. I do not think the Senate will adopt this amendment. It is a very short leash.

I again remind my colleagues on the Democratic side that they were suggesting along with many Republicans last year in the lameduck session increasing the debt limit far in excess of that now proposed by the distinguished minority leader.

The Senator from Kansas has indicated earlier that certainly everyone has a right to play games with the debt ceiling. Maybe it is the Democrats' turn this year. But I hope that we could defeat the amendment after some debate.

Mr. BAKER and Mr. PERCY addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. BAKER. Mr. President, if the Senator from Illinois will withhold for a moment, if I understood the distinguished minority leader earlier he does not wish to speak further on the amendment this evening. I do not believe there are other requests to speak on this amendment at this time.

Mr. PERCY. Mr. President, I have an inquiry of the majority leader. Has a time certain been set for a vote tomorrow on the debt limit?

Mr. BAKER. Mr. President, I must say with regret to the distinguished Senator from Illinois that a time has not been set for a vote tomorrow. We have the statement by the distinguished minority leader that he expected we would finish the bill on tomorrow and my expressed hope that we could do it early tomorrow. But we have not yet arrived at a time certain to vote.

Mr. PERCY. Mr. President, I respectfully bring to the attention of our majority leader and the minority leader that one time that would be difficult tomorrow would be at the time of Mrs. Robert McNamara's funeral. A number of us wish to be there. That funeral time is set for 2 p.m. at the National Cathedral, and I hope that we will not have a vote between, let us say, 1:45 p.m. and 3:30 p.m. We could get back in time then. But I think so many of us have been associated with Bob McNamara for so many years that if we could possibly attend that fu-

neral service it would mean a great deal to us.

Mr. BAKER. Mr. President, I say to my friend from Illinois that we will make every effort to accommodate the wishes of those Senators who will attend those services. Tomorrow, of course, will be a difficult day because we must dispose of this issue and in my judgment before the day is out.

Mr. PERCY. I realize that, and I have every desire to cooperate.

Mr. BAKER. It is a day in which we are scheduled to recess over until the 16th of February for the Lincoln Day recess, but I can assure my friend we will do the very best we can.

Mr. PERCY. What time are we coming in, in the morning?

Mr. BAKER. At 9 o'clock.

Mr. PERCY. At 9 o'clock.

I would just hope that might be possible, but the Senator from Illinois understands the work of the Senate must go on.

Mr. BAKER. I thank the Senator.

Mr. PERCY. Mr. President, it is with the greatest reluctance, but a strong feeling of necessity that I intend to vote in favor of this legislation that we have been discussing today and hopefully will vote on early tomorrow. The bill before us raises the public debt limit from the present $935.1 billion to $985 billion, in line with previous obligations of the Federal Government. President Reagan recently sent his Treasury Secretary, Donald Regan, to Capitol Hill to urge passage of this legislation. In his statement, the Treasury Secretary said:

> Today I must ask your help in dealing with one of the most disheartening things that I have faced since my coming to office 12 days ago. Unfortunately, it is also one of the most necessary things if the President and this Congress are to honor the full faith and credit of the Government.

It is very appealing to stand here today and say I will vote against this measure, but it is fiscally reckless to do so. The debt ceiling we are voting today is simply an acknowledgment of previous Federal commitments. If we did not extend this limit today, then by mid-February, the Government would not be able to send out social security and payroll checks, could not honor defense contracts and would default on its securities. As the Treasury Secretary said, "if we can't borrow, we can't pay our bills."

So it is incumbent on us today to pass this bill and get on with the work that will slow government spending and eliminate the deficits that provoke these debt ceiling increases.

That effort to put the Federal fiscal house in order is just now beginning. President Reagan and this Congress have an extraordinary mandate to reduce spending and invigorate the economy. The President is speaking on national television tonight to outline some of his plans. Moreover, in just 2 weeks he will submit to Congress his revised budget for fiscal 1982. We can expect recommended budget cuts of over $10 billion for the present fiscal year and over $40 billion for fiscal year 1982. I strongly support this effort to restrain spending. It is the right medicine for inflation and is the right prescription for re-establishing fiscal responsibility. If we are successful in this regard, we will not need the full $50 billion that H.R. 1553 permits.

I point out, also, as our distinguished majority leader did yesterday at the Republican caucus, that this is a different situation for many of those Senators who have consistently voted against the debt limit.

We do now have a President who has a mandate from the country to cut expenditures. We have an absolute pledge by him that he will do so. We have a man who is the Director of OMB whose passion seems to be to bring this budget into balance. No one can question their intention to do that.

Heretofore, we were always worried as to whether they really intended to do it. Now there is a determined intention, in fact the only cries we heard are that the cuts are too deep. That is what many of the Members of this body are worried about.

So if they are worried about the cuts going too deep they certainly do not have to worry about the will to bring the budget into balance. Let us work within the budget process that this Congress overwhelmingly set up over 5 years ago, that has worked, with all of its faults, reasonably well. That is the discipline we should live within, and we should not now, at this particular time, make a mockery of the whole system by not permitting us to honor the obligations that the President of the United States and this Congress have authorized and appropriated.

All we would be doing is renouncing what we have already done ourselves, and we would be held up as a mockery, and everyone knows that eventually we would do it and, as the saying goes, eventually, why not now?

Let us do it. If we cannot do it tonight, let us do it tomorrow and get it behind us.

We will be also able to begin to reduce the public debt through a program of tax relief. A combination of business-related tax cuts to spur investment and productivity will move the economy off dead center. As the economic climate improves and jobs are created, Federal revenues will rise, thereby also cutting the Federal deficit. This will not happen overnight, but under President Reagan's plan, we should be able to reach a balanced budget by 1983. We will be pressing hard for tax reductions this year. They are as important to the long-range fiscal position of the Federal Government as are the spending cuts.

In closing, Mr. President, I would like to draw attention to the excellent remarks the Treasury Secretary made before the Senate Finance Committee just yesterday. He recommended that Congress change the way in which we set debt limits so that it becomes part of the overall budget process. I endorse this concept as a sensible step forward.

When I first came to Washington, there was no systematic method of congressional budgeting. Each spending bill was viewed separately, with no attention to the overall spending pattern. The budget process, which Senators Ervin, Muskie and I drew up in the then-Government Operations Committee has given us a workable approach to the budget. The system is by no means perfect, but it is a great improvement over the past procedures. The debt ceiling is a remnant of the old system, when the Federal fiscal picture was viewed piece-by-piece. It should be brought into the budget process as spending and revenues were 5 years ago.

Mr. MATHIAS. Mr. President, I listened with great interest to the distinguished Senator from Illinois, who just commented on the pending legislation. and I feel very much as he does that the answer of the problem of debt limitation lies in the reduction of expenditures and not in the denial of the increase in the debt limit.

I differ with him in saying that I am not reluctant to vote for the debt increase. The Nation looked over the menu, ordered the meal, enjoyed the meal, perhaps had a little indigestion as a result of it, perhaps it did not taste as good as we hoped it would, but we have eaten the meal and the bill is now due.

What we are in effect voting for is simply to pay the bill that is now due for the meal that has been consumed. There is not any other honest way to look at it. It is simply a matter of paying the Nation's bills, and I think we ought to do that cheerfully. But under the leadership of the majority leader of the Senate we are tightening our belts so that the important step to reduce expenditures will be taken right here in the Senate.

We are taking the first steps in leading the Nation in reducing the expenditures in the U.S. Senate by 10 percent. This will not balance the national budget, this will not solve our economic problems, but it is an important and symbolic step in that direction, and I hope every Member of the Senate will support the majority leader because that is the kind of action we have taken here in the Senate, and if that is the action taken throughout the Government that will make it unnecessary for us to go from generation to generation increasing the national debt.

So where we ought to be reluctant is in our spending. I do not think it is necessary to be reluctant about arranging to pay the honest bills that we have already incurred.

Mr. BAKER addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, I wish to express my special thanks to the distinguished Senator from Maryland, the chairman of the Rules Committee, not only for his service in that role and as the Senator from Maryland, but also because of his diligence in trying to carry out the wishes of the leadership in the Republican caucus to set a good example to the rest of the Government by reducing the expenditures in the Senate.

It is not easy, it is not going to be easy in the future, and the Senator from Maryland is going to be the point man in that conflict as chairman of the

Rules Committee, and there will be days when that will be a difficult job, even an unpleasant job, and some of our good friends and colleagues may grow testy over the requirements that will be laid on them to accomplish that purpose. But I can think of no more responsible and effective leader in that fight than the Senator from Maryland, and I wish to express to him my appreciation for undertaking it.

ADDITIONAL COSPONSOR TO UP AMENDMENT NO. 3 TO H.R. 1553

Mr. BAKER. Mr. President, I ask unanimous consent that the Senator from Idaho (Mr. SYMMS) be added as a cosponsor to the Jepsen amendment, UP No. 3 to H.R. 1553.

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

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business, not to extend beyond 35 minutes in which Senators may speak.

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

ROSTROPOVICH CELEBRATES SILVER MUSICAL ANNIVERSARY IN AMERICA

Mr. PERCY. Mr. President, of all the many political refugees to whom this country has given asylum, none has returned more joy to the people of America than Mstislav Rostropovich. As musical director of the National Symphony for the past 4 years, he has enriched our lives with his brilliant musical gifts both as conductor and cellist.

Beyond his musical talents, Mr. Rostropovich has been an advocate of human rights. In his native U.S.S.R., he refused to be muzzled in his advocacy of individual rights and was eventually stripped of his citizenship because of this.

Recently, Mr. Rostropovich began celebrating the 25th anniversary of his American debut by conducting and playing in the first of four performances at Carnegie Hall. It is his way of showing appreciation to America.

I would like to bring to the attention of my colleagues a January 18 New York Times article which illuminates Rostropovich as one of the world's most gifted artists as well as a man concerned with those suffering under repression.

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

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

ROSTROPOVICH—"I FEEL LIKE A NATIVE"

(By John Rockwell)

Given his recent emigration to the West, it might seem surprising that it has been 25 years since the Russian cello virtuoso Mstislav Rostropovich made his American debut at Carnegie Hall. The fourth of his four anniversary concerts there this year, on April 4, will fall on the exact day of his debut, in 1956. The series—with the same programs also being presented in Washington—begins in New York this Friday, when Mr. Rostropovich will appear at Carnegie both as soloist and conductor of the National Symphony, of which he has been music director for the past four years. The following Friday he returns to conduct the New York premiere of Penderecki's Te Deum and the Beethoven Violin Concerto, with Yehudi Menuhin. And on Feb. 8 he will lead the Choral Arts Society of Washington in Rachmaninoff's rarely heard Vespers.

All these concerts serve to remind us that although the drama of his flight from his native land is still recent, he has in fact, at 53 years of age, been before the American public for a good, long time. And that he should choose to observe his United States debut in such a festive fashion—instead of some other, earlier landmark from his career in Russia—indicates how important he considers his ties to the West.

The warm response received from the American press and public in 1956 did much to confirm his status in the eyes of the Soviet authorities. But that official favoritism rapidly evaporated when he began, in the late 60's, to speak out against the repressions of the Soviet regime. And he became a pariah when he allowed Aleksandr I. Solzhenitsyn, the Russian expatriate who now lives in Vermont, to reside for several years in his dacha outside Moscow. Gradually, Mr. Rostropovich's performing opportunities and those of his wife, the soprano Galina Vishnevskaya, were stripped away. Yet his successes in the West encouraged him, by then timorously, to venture abroad again, without engagements or any sort of official encouragement. The response here and in Europe to both his cello playing—he is still regarded as the pre-eminent cellist of his generation—and his conducting was so fervent after 1974 that his permanent residence here seemed a *fait accompli*, especially after the Soviets revoked his citizenship and that of his wife in 1978.

Thus Mr. Rostropovich, speaking the other day in his suite in the Watergate Hotel, has his heartfelt reasons for observing this anniversary above all others. (To be strictly accurate about it, it is not the very first anniversary he has observed publicly, however. Last May 15, he marked the silver anniversary of his marriage to Miss Vishnevskaya with a Paris concert that included himself and his wife plus their two daughters and their sons-in-law, all four of whom are musicians.)

"Now the time has come for me to think about my past," said Mr. Rostropovich energetically, speaking sometimes on his own and sometimes through an interpreter. "Shostakovich always celebrated the first performance of his First Symphony. He got a crowd of his friends together in a restaurant or a house, and we did much, much drinking.

"Before 1955, not one Russian artist had been in the United States. We toured in other countries, but the United States was a big enigma. Finally in the 1955–56 season, came the first three: Gilels and Oistrakh and then me in the beginning of 1956.

"I was nervous, incredibly nervous. In our country, it is very important, what the critics say. It is very important in the West also, but in our country, each newspaper was official. If critics say, you're bad, you must know everybody knows you're bad; there's no question. If you're really bad, but the newspapers say you're good, all people know officially that you're good!

"The night after my debut in Carnegie Hall, I didn't sleep all night. The first review was Howard Taubman in the New York Times. He was very polite and very nice. When the review was translated for me, it was like a load off my shoulders. The Ministerium of Culture was very content that they hadn't made a large mistake in sending me. So that American tour was truly the most important step of my life."

Today, Mr. Rostropovich spends more time in this country than any others, and says he "feels like a native here." But his actual residences are in Paris and Switzerland, and he leads the life of the modern-day, jet-setting international virtuoso. Yet he doesn't feel entirely comfortable as a Frenchman or a citizen of Switzerland or an internationalist, either. His attachment to his native country remains profound, as the automatic reference above to "our country" suggests.

"I think maybe I feel even more Russian now," he said. "Now, I have all Russia within me. I don't have all Russia outside. If you have it outside, then maybe you don't have as strong a feeling inside.

"When I left Russia, I was already 47 years old. So I need some Russian atmosphere. In my apartments in Paris and Switzerland, I keep many Russian things—Russian paintings, Russian porcelain. Inside, I'm very, very, very Russian.

"But there is another feeling, not less than this, which is that the whole earth is so small, like a home, a house. Therefore I can feel Russian but at the very same moment, international."

Mr. Rostropovich's journeys about the world are at least as much as a cellist as they are as a conductor. That is partly because he remains the supreme master of the instrument, despite his longtime restiveness with the limitations of its repertory. "I have already played practically everything for the cello," he says. But it is also because, for one reason or another, he does not do an extensive amount of guest conducting.

He explains this in part by saying that his preferred method of work is long-term, intensive involvement with an orchestra, as he has time to do in Washington. "We work here very seriously," he says. "I have my idea about orchestral sound, and I must have time to realize that. That's why I only guest conduct a few orchestras in Europe."

And despite his carrer at the Bolshoi and his well-received recordings of some Russian operas, Mr. Rostropovich's opera engagements are limited, too. "I think opera is very, very, very difficult," he says. "Now, people have much interest in stage directors, but I think the music is most important. Sometimes a conductor doesn't get enough rehearsal because the stage director is busy experimenting with the opera. I have now agreed to make 'Eugene Onegin' with the Paris Opera in 1982. But mostly, it satisfies me to make records of opera—or concert performances."

Another possible explanation for Mr. Rostropovich's limited guest conducting, however, is that he has not always proved himself comfortable with the technical demands of conducting, or with repertory outside his Russian specialties. An absolutely secure technique is a necessity for a guest conductor, who must shape an orchestra to his style within a limited amount of rehearsal time. Mr. Rostropovich is willing to concede that occasionally his hot-blooded temperament and the technical skills of conducting are not always exactly in tune.

"Conducting gives me much excitement," he says. "It's like boiling water. After a few performances, the boiling becomes a little cooler, and my contact with the orchestra becomes more objective. My best performances are exactly in between. If I become too cool, then it's not exciting. If sometimes I am too boiled, then maybe the orchestra doesn't take from me my temperature."

For all the travails of his gradual ostracism by the Soviets and his current exile, Mr. Rostropovich remains a life-affirming man, optimistic that he will one day return to Russia—on his terms.

"Yes, I will go back someday to Russia," he says. "But I will never apologize before anybody, ever. I am not guilty of anything.

I consider those guilty who took my citizenship. And I would go to Moscow only if there were at least an element of freedom for the people.

"Today, nobody in Russia believes in the Soviet system. I don't think even Brezhnev believes in it; he knows its failure better than anyone else. It keeps going only through inertia. But the last 60 years have radically changed the Russian character. The people have become very apathetic."

In recent years,there has been such a flight of Russian intellectuals that the situation recalls the late 1930's, when the truest voices of German culture all seemed to live abroad. But unlike the German emigration, which was focused in the United States and in Los Angeles, especially, the Russian emigrants are spread all over the world.

"There is no organization among Russian intellectuals and artists in the West," Mr. Rostropovich says. "The people who have been dropped in this ocean of life are so busy trying to arrange their personal lives, that there is very little chance to organize a cohesive group.

"But there hasn't been a city in the world where I have not met at least one fellow Russian. And when we were all still in Russia, our activities were less there than they are now. Even when there was a high level of intellectual life there, we were powerless to act on the government. Who were the best composers in Russia? Shostakovich and Prokofiev. But Shostakovich and Prokofiev not only didn't have the power to head anything, to control things—they were being destroyed by the government.

"People with a lot of power often don't understand. They think they are able to direct everything in their own way. But they can't stop the blossoming of thought. There will always be composers who try. They may not be played anywhere, but they will still compose.

"When I decided to leave Russia, I couldn't bring myself to tell Shostakovich. I just went with my wife to his house, and I gave him a copy of my letter to Mr. Brezhnev. He read it, and immediately started crying. He said, 'In whose hands are you leaving me to die?'

"I told him, 'I am going because I want to record your work.' That is my mission in the West. I have come here mostly to work for Russian music. And I am proud a little of that."

LaVERN DUFFY: ONE OF THE SENATE'S MOST DEDICATED EMPLOYEES

Mr. PERCY. Mr. President, I think it is fair to say that last November 5, the day after the election, most of us were more than a little surprised by the sweeping results. For the first time in 26 years, control of the Senate was about to change hands. Very few of us were present in this Chamber when that last occurred.

LaVern Duffy is one of the most distinguished of those professionals who were here the last time a new majority party emerged. For almost 28 years, he has served as a trusted counsel on the Permanent Subcommittee on Investigations. In the 96th Congress, he held the title of general counsel, having also served as acting chief counsel from March to May 1979.

LaVern graduated from Marquette University, and served with the U.S. Marines in World War II during which he suffered serious wounds at Iwo Jima. He joined the subcommittee staff in 1953, and worked closely with the young minority counsel, Robert F. Kennedy. When the Democrats regained control of the Senate after the election of 1954, Bobby Kennedy became the chief counsel of the subcommittee. He conducted a thorough housecleaning of what was left of the McCarthy committee staff. Only two staff persons were asked to remain: one was LaVern Duffy.

Over the next several years, LaVern worked on some of the most significant—and most dangerous—investigations into labor racketeering that the subcommittee has even conducted. He was then—as he has been ever since—a tough, intelligent, and dedicated investigator, not swayed in the least by political considerations, and only interested in presenting the truth to the public. Bobby Kennedy, in his book, "The Enemy Within," had this to say about him:

LaVern Duffy, not only one of our younger staff members, but one of our three or four best, had been in the Marines, and was badly wounded in the fighting in the Pacific. He was in charge of investigating the dynamitings and violence in Scranton, Pennsylvania.

It was in the early days of the Committee. Several times Duffy answered the telephone and the voice on the other end warned: "You'd better leave Scranton, mister, or we're going to kill you."

Joe Maher subpoenaed Roland McMasters; Jim McShane subpoenaed the witness for our juke-box hearing; LaVern Duffy did not leave Sranton.

LaVern is perhaps best known for his work in preparing Joseph Valachi for his appearance before the subcommittee in 1963. Until the public testimony of Joe Valachi, a longstanding member of organized crime, many, including Federal law enforcement officials, played down the power and influence of organized crime in society. Some even doubted its existence. Then, Valachi dramatically changed the public perception of organized crime. His awesome, and graphic, testimony of its tight-knit structure, initiation procedures, rules and customs, code of silence, and life of violence convinced the Nation once and for all that organized crime was very real, and very dangerous.

People may not realize the months and months of preparation necessary before someone like Joe Valachi gives public testimony. Every name, date, and place must be checked out and corroborated with local and Federal authorities. Endless interviews must be conducted with the witness so that the thousand stories of a nearly illiterate professional criminal can be presented as a coherent whole that the Congress and the public can understand. LaVern Duffy was the person primarily responsible for that investigation and for the testimony of Joe Valachi. The hard work and personal sacrifice involved were, to LaVern, simply part of the job.

During the past few years, LaVern has been instrumental in several subcommittee investigations focusing on the commitment of the Labor Department to join in the fight against organized crime and labor-management racketeering. As those investigations have shown, the strong commitment of the Labor Department has been lacking. Some changes for the better have been made, including a threefold increase in the personnel assigned to work with the organized crime strike forces of the Justice Department. But, I hope that with the incoming administration we will see a stronger stand in this area.

In these matters, as in all others, it has been a pleasure and, indeed, a privilege to work with LaVern. He takes an uncompromising approach when it comes to integrity, professionalism, fairness, and thoroughness. These qualities have earned him the highest respect of every majority and minority Senator and staff member. We never hesitated to look to him for advice and counsel.

I could go on and on listing the criminal convictions obtained as a result of LaVern's investigations of labor racketeering, and waste and mismanagement in Government, or noting the changes in the law that ultimately flowed from his work. But I want to conclude my remarks by congratulating him on his cautious, as well as effective, use of congressional authority. The Congress has immense investigatory powers to expose wrongdoing in order to correct the situation through oversight and/or legislation. LaVern has always vigorously pursued his duty and responsibility to root out fraud and waste, and expose misconduct. And to be sure, he has always conducted the meticulous and painstaking investigation and corroboration necessary to avoid needlessly harming a person's reputation by allowing a witness to make public accusations that cannot be backed up. He has done his best to insure that the Permanent Subcommittee on Investigations uses its powers wisely. For that, I thank him.

In his 28 years on the subcommittee, LaVern Duffy has never sought out public recognition for his fine work. A successful investigation has been enough of a reward for him. Indeed, he may even be embarrassed and uncomfortable by my turning the spotlight on him this one time. I just want him to know that my staff and I have enjoyed working with him all my years on the subcommittee, and I look forward to working with him in the 97th Congress.

A COURAGEOUS LEADER

Mr. PERCY. Mr. President, President Gaafar al-Nimeiry of Sudan is the leader of the largest country in all of Africa, one that features enormous variations in topography, climate, language, and culture. It is bordered by eight countries whose governments vary widely—from democratic Kenya to radical Libya. It has been courageously supportive of U.S. peace efforts in the Middle East.

In circumstances which might compel some leaders to tighten their political control, President Nimeiry has done just the opposite and sponsored a policy of political decentralization. In a New York Times article, Gregory Jaynes describes Nimeiry as "a President who has gone after reconciliation and unity with extraordinary zeal."

In 1972 Nimeiry brought about an end

to a 17-year civil war between the people of the northern and southern regions. The southern region was granted a high degree of autonomy. There has been no resumption of civil war since then. "Dissolving local political dissension has been a major goal for Mr. Nimeiry," the article states. His plan is to establish a number of semiautonomous regions in other parts of the country.

Mr. President, Gregory Jaynes' article of December 28 should be of interest to all my colleagues and I ask unanimous consent that it be printed in the RECORD at this point.

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

SUDAN'S NIMEIRY GAMBLES IN LOOSENING REINS OF POWER

(By Gregory Jaynes)

KHARTOUM, SUDAN.—Earlier this year, just after the American attempt to rescue the hostages in Teheran had failed, there was a state dinner in Khartoum, one of those stiff affairs at which ministers customarily speak grandly of national achievements to come and the diplomatic corps expresses every confidence that the ministers' will will be done. However, the events in Iran soon consumed the conversation, and the ballroom was still stuck on that subject when a deputy minister under President Gaafar al-Nimeiry, rose at the dais.

He expressed his deepest sympathy to his American listeners. Then he said wistfully, "I remember when we tried to kill his Excellency in 1976." He told of the meticulous planning that went into the attempt to assassinate President Nimeiry and how it had been foiled when a tailwind set the President's plane down at Khartoum airport 30 minutes early.

The President was not present, but many of his staunchest supporters were—and none blanched. To anyone who follows African affairs, the first astonishing thing about this anecdote is that a man who plotted to kill the President has a seat in the President's Government; the second is the candor of the remark. Coup-conscious heads of state are not known for their ability to forgive. In Mr. Nimeiry's case, it is the source of his renown.

Sudan, the largest nation in Africa and as disparate in cultures and topography as any, with 1,009 spoken languages, a vast southern region that is really Central Africa and a vaster north that is really a turnstile to the Middle East, has a President who has gone after reconciliation and unity with extraordinary zeal. He recently announced a policy of decentralization that Western diplomats see as courageous. The process was born of necessity in 1972, a year after the President was first elected. (He had assumed power in a military coup in 1969.) Mr. Nimeiry settled a 17-year civil war between the largely Moslem north and the Christian and animist south. Five million southerners were given considerable autonomy, with their own elected 110-member assembly. The assembly elects a president of its high executive council; he appoints 14 members to his cabinet.

The capital of the south is Juba, and for eight years the southern legislators in Juba have done more squabbing than good. However, since the bitterness has for the most part been internal, and not aimed at the Khartoum regime, and because the civil war has not broken out again, the south's semiautonomy is seen as a success.

Now Mr. Nimeiry wants to carve out five more semiautonomous regions in the next two years. "Each region will have as much independence from the central Government as a state does in the United States," said an enthusiastic deputy minister in Khartoum. The plan, though, is not without its opponents. "It is too soon, too fast," said El-Fateh el-Tigani, permanent undersecretary in the Ministry for Information. Mr. Tigani said he felt there must be more education and development in outlying and backward regions before the people are told to tackle their own affairs. He cited the south, where fast-flying accusations of corruption and misuse of public funds have at times brought the assembly to a standstill.

"In view of Sudan's poor financial position," a West German diplomat wrote of decentralization, "it is already certain that even a federal structure will not speed up development. All that will happen is that responsibility will shift from Khartoum to the provinces, the bureaucracy will become bloated and personnel costs will rise. But regionalization could mollify local political discontent."

Dissolving local political dissension has been a major goal for Mr. Nimeiry since 1977. By that time he had survived several coup attempts, the closest shave having occurred in July 1970, the day his plane fortuitously landed early at Khartoum. One of the principal plotters in that try was Sadiq al-Mahdi, a descendent of Mohammed Ahmed, who wrested the Sudan from British and Egyptian control in 1881. Sadiq al-Mahdi's ancestors ran their own powerful Islamic state, followers of which are called Ansars and the movement, known as Mahdist, survives today, with Sadiq al-Mahdi at the helm. In 1977, Mr. Nimeiry announced a general amnesty, released 1,200 political prisoners, invited back all exiles, and among those who returned was Sadiq al-Mahdi. Since then he has served in several Government offices. The central Government is fairly packed today with figures who at one time opposed the President.

COME-ONE, COME-ALL STABILITY

It is a stable Government, according to Western diplomats, only because of Mr. Nimeiry's come-one, come-all policy. But by extending this policy to the provinces, in the form of semiautonomy, it is widely held that he is gambling dangerously. A Sudanese journalist remarked that the President "will only bring himself grief by decentralizing too early. We already have the south complaining constantly, and rightly I think, that they do not get the services that the north has," the journalist said. "The north has the railroad. The north has the two or three tarmac roads. Development is concentrated in the north. We can only be thankful that they bicker so much among themselves that no one has suggested they march against Khartoum." The journalist asked, "Who is to say that when these other regions get their public assemblies and their governors it will not turn into one secessionist fire after another? Then we will have chaos everywhere."

But a source close to the President insisted that "his instincts are right. He is not talking about participatory democracy. He is talking about bringing more people into the management of this country. People are telling him to take it a little slower. They tell him that he cannot expect to put all this in place in the next two years, particularly in lean times."

But the source continued, "The President is saying privately that he is doing this for political reasons, not economic. He is saying that if you phase it over many years, people will say it is just more talk from Khartoum. He is saying that the only way you can get peoples' attention, and get them motivated to work for their region and for Sudan, is to strike quickly, impose this plan and show you mean business. Khartoum will be responsible for foreign affairs and national defense. The President is determined to give local affairs to the people."

SRI LANKA'S INDEPENDENCE DAY

Mr. PERCY. Mr. President, February 4 marked the 32d anniversary of Sri Lanka's independence from colonial British rule. In those 32 years, Sri Lanka has been an inspiration to other nations of Asia, Africa, and elsewhere which strive to establish truly free and democratic societies. Since 1948 seven general elections have been held. Most remarkably, even though in six of these the government in power lost, the reins of authority were peacefully turned over to the opposition. The most recent national elections, in 1977, resulted in the victory of the United National Party under the leadership of Mr. Jayewardene, a distinguished member of the legislature for some 29 years.

Sri Lanka is also celebrating its 50th anniversary of universal adult franchise in 1981. The active political life in Sri Lanka is underlined by an average voter turnout of 80 percent or better during the past 16 years. This is a record which most Western democracies can envy. From the first general election in 1931, women have played a leading political role.

Sri Lanka's accomplishments are all the more remarkable considering the religious and ethnic diversity of the country. Buddhists, Hindus, Muslims, Christians, and Zoroastrians all practice their religion freely. Sinhalese, Tamils, Moors, Burghers, and Parsis all play an active role in Sri Lankan society. While communal differences continue, the remarkable fact is that the Sri Lankan government has managed to maintain a very free society and to protect the basic rights of the individual despite religious and ethnic diversity.

The Sri Lankan Government has made significant progress in improving the living standards of its people. These efforts have concentrated to a large extent on health and education which has resulted in significant changes. Life expectancy is now one of the highest in Asia, as is its rate of literacy. The rise in the general standard of living is all the more remarkable when placed against a population which has more than doubled since independence.

Despite this progress Sri Lanka remains heavily dependent on foreign assistance and loans to provide the capital for major development projects. The United States has joined a consortium of nations and international financial institutions including Canada, Great Britain, the Federal Republic of Germany, Sweden, Jordan, the World Bank, and IDA to fund the large Mahaweli irrigation program. Five dams are to provide the necessary water to irrigate nearly 290,000 acres and generate 500 megawatts of power. Hopefully, such projects can help the Sri Lankans reduce their dependence on imported food.

In the area of foreign affairs President Jayewardene has committed his nation to a policy of true nonalinement. The Sri Lankans have led those nonalined nations who have refused to allow their movement to turn away from the principles adopted at Bandung in 1955. Their consistent aim has been to promote respect for all nations of the world through

mutual cooperation and tolerance. She has displayed this commitment at the United Nations and in the nonalined movement.

On the anniversary of Sri Lanka's independence, we note that relations between the Jayewardene government and the United States have been close and we wish them to continue. We share a common commitment to economic liberalism, democracy, and freedom of all peoples.

REVISED REGULATIONS OF THE COMMITTEE ON RULES AND ADMINISTRATION FOR THE PAYMENT OF SEVERANCE PAY AND ACCUMULATED LEAVE

Mr. MATHIAS. Mr. President, due to the passage of Senate Resolution 46 on January 29, 1981, it is necessary for the Committee on Rules and Administration to issue revised regulations governing the payment of severance pay and accumulated leave. The initial regulations of the committee were issued on January 5, 1981, to implement Senate Resolution 573 passed by the Senate on December 16, 1980. Senate Resolution 46 made some important changes in the provisions of Senate Resolution 573, thereby necessitating these revised regulations.

The revised regulations will be printed in full at the conclusion of my remarks, but I wish to highlight the major provisions at this point.

SEVERANCE PAY FOR COMMITTEE EMPLOYEES

Committee employees, employees of the Vice President, the Secretary of the Senate, and the Sergeant at Arms are eligible for severance pay if they were terminated as a result of the transition to a new Republican Senate.

There are a number of important qualifications, however, for an employee to obtain severance pay:

The employee must have been employed by one of the above offices on January 2, 1981.

The employee must have been employed by the Senate for at least 183 days in 1980.

There are several important changes from the previous regulations promulgated by the Rules Committee:

The rate of pay on which severance will be computed is the employee's rate of annual salary on November 1, 1980, or, if such employee was not employed on such date, on the last date of Senate employment preceding November 1, 1980.

Reemployment by the U.S. Government or the District of Columbia during the 30-day period after termination from the Senate will result in a reduction of severance payment on a day-for-day basis.

There is now an ending date for severance certification. Employees must be terminated no later than March 31, 1981, to be eligible for severance payments.

An employee must wait for 30 days after his/her separation from the Senate, and then must submit a notarized statement to the Rules Committee stating that the employee has not accepted employment with the U.S. Government or the District of Columbia in the preceding 30 days or has accepted employment but not for the full 30-day period.

Blank forms, as well as notary services, are available in the Senate Disbursing Office.

All applications from employees must be in by the close of business, May 31, 1981.

ACCUMULATED LEAVE PAYMENTS

These provisions apply to former employees of defeated Senators or employees of the former President pro tempore of the Senate. Employees are eligible for up to 30 days leave credit if:

They were certified by their Senator or the President pro tempore.

Their employment in the Senate was terminated after November 1, 1980, and prior to January 6, 1981.

The employee must have been on the Senate payroll at least 183 days in 1980.

The payments will be based on the rate of annual salary as of November 1, 1980, or if such employee was not employed on such date, on the last day of Senate employment preceding November 1, 1980.

The employee must:

Submit an application for accumulated leave pay 30 days after termination and have it notarized.

As in the case of severance pay, the employee must state that he/she has not accepted employment with the U.S. Government or the District of Columbia for the 30-day period following termination from the Senate or has accepted such employment for only a portion of that 30-day period.

All applications for accumulated leave payments must be received by the Secretary of the Senate no later than the close of business, May 31, 1981.

Blank forms, as well as notary services, are available in the Senate Disbursing Office.

Mr. President, I ask unanimous consent that the revised Rules Committee regulations for the payment of severance pay and accumulated leave be printed in the RECORD at this point.

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

REGULATIONS OF THE COMMITTEE ON RULES AND ADMINISTRATION FOR THE PAYMENT OF SEVERANCE PAY AND ACCUMULATED LEAVE IN ACCORDANCE WITH SENATE RESOLUTION 573, 96TH CONGRESS, AGREED TO DECEMBER 16, 1980, AND SENATE RESOLUTION 46, 97TH CONGRESS, AGREED TO JANUARY 29, 1981.

SEVERANCE PAY

1. Under the provisions of S. Res. 573, and S. Res. 46, former Senate employees qualify for one month's basic pay as severance pay, based on the rate of annual salary on November 1, 1980 (or if such employee was not employed on such date, on the last date of Senate employment preceding November 1, 1980), if:

a. they were employed by a standing, select, joint, or special committee of the Senate, whose funds are disbursed by the Senate, or by the Office of the Vice President of the United States, the Secretary of the Senate or the Sergeant at Arms and Doorkeeper of the Senate,

(1) on January 2, 1981, and

(2) were employed by the U.S. Senate for at least 183 days during 1980, and

b. such employment as a Senate employee was terminated on or after January 2, 1981 but no later than March 31, 1981, solely and directly as a result of the reorganization of his/her office of employment, caused by a transition to a Senate in which a majority of Senators are members of the Republican Party.

c. Re-employment by the United States Government or the government of the District of Columbia during the 30-day period after qualifying termination will result in a pro-rata reduction in such employee's severance payment, on a day-for-day basis, regardless of disparities in the applicable old and new salaries.

2. Affected employees must be certified as qualified for severance by the Chairman and Ranking Minority Member of their respective Committees, or by the Vice President, the Secretary or the Sergeant at Arms, respectively.

3. Certification of qualification shall be submitted to the Rules Committee by the respective committee or office, on or before January 12, 1981 for all qualified employees terminated on January 2, 1981, and within 10 (ten) days of such displacement termination if it occurs after January 2, 1981.

4. It shall be the responsibility of each affected employee to insure that his/her respective office of employment timely submits his/her certification to the Rules Committee, in accordance with the provisions of subsection (b) of S. Res. 573 and paragraph 3 of these regulations. Certifications may be by letter, for one or more affected employees, signed by the Chairman and Ranking Minority Member of the Committee, or the Vice President, or the Secretary or Sergeant at Arms of the Senate, and stating that "such employees are certified as qualified for their appropriate severance payments in accordance with the provisions of S. Res. 573, agreed to December 16, 1980, and S. Res. 46, agreed to January 29, 1981, and the regulations of the Senate Rules Committee promulgated pursuant thereto." (See Attachment No. 1.)

5. To receive severance pay, it is the responsibility of the displaced staff member to submit to the Committee on Rules and Administration, as soon as possible after 30 days from the date of separation from the Senate, a notarized statement that will:

a. make application for such severance pay as the employee may be entitled to, and

b. certify that the employee:

(1) has not accepted further employment with the United States Government or the government of the District of Columbia (see Attachment No. 2), or

(2) has accepted further employment with (Name of Department and/or Agency), and noting the beginning date of such employment (see Attachment No. 2).

6. All applications for severance pay must be received by the Committee on Rules and Administration no later than the close of business, May 31, 1981. Application forms, like those attached hereto, will be available in the office of the Rules Committee, 305 Russell Senate Office Building, and in the Senate Disbursing Office, S145, U.S. Capitol Building.

7. Upon receipt of properly completed applications and certifications, the Rules Committee will transmit such forms, approved by the Chairman of the Committee, to the Senate Disbursing Office for processing and payment.

8. Election by an employee to take retirement after qualifying termination will not affect his/her entitlement to full severance payment.

ACCUMULATED LEAVE PAYMENT

1. Under the provisions of S. Res. 573, and S. Res. 46, former Senate employees qualify for a lump sum payment for accumulated leave not in excess of 30 days, based on the rate of annual salary on November 1, 1980 (or if such employee was not employed on

such date, on the last day of Senate employment preceding November 1, 1980), if:

a. they were employed in a Senator's office or in the President pro tempore's office for at least 183 days during 1980, and

b. such employment as a Senate employee was terminated after November 1, 1980 and prior to January 6, 1981, because the Senator's service as a Member of the Senate ceased, or the President pro tempore's service ceased.

c. Re-employment by the United States Government or the government of the District of Columbia during the 30-day period after qualifying termination will result in a pro-rata reduction in such employee's severance payment, on a day-for-day basis, regardless of disparities in the applicable old and new salaries.

2. Affected employees must be certified as qualified for accumulated leave payment by their employing Senator, and in the case of staff in the office of the President pro tempore, by the President pro tempore.

3. Certification of those employees qualified for accumulated leave payment shall be submitted to the Secretary of the Senate by the respective Senators and the President pro tempore.

4. To receive the lump sum accumulated leave payment, it is the responsibility of the former employee to submit to the Secretary of the Senate, as soon as possible after 30 days from the date of separation from the Senate, a notarized statement that will:

a. make application for such accumulated leave payment as the employee may be entitled to, and

b. certify that the employee:

(1) has not accepted further employment with the United States Government or the government of the District of Columbia (see Attachment No. 3), or

(2) has accepted further employment with (Name of Department and/or Agency), and noting the beginning date of such employment (see Attachment No. 3).

5. All applications for accumulated leave payments must be received by the Secretary of the Senate no later than the close of business, May 31, 1981. Application forms, like those attached hereto, will be available in the Senate Disbursing Office, S145, U.S. Capitol Building, and in the office of the Rules Committee, 305 Russell Senate Office Building.

6. Election by an employee to take retirement after qualifying termination will not affect his/her entitlement to the lump sum payment for accumulated leave.

ATTACHMENT No. 1

LETTER OF CERTIFICATION OF QUALIFICATION FOR SEVERANCE PAYMENT

Hon. CHARLES McC. MATHIAS, JR.,
Chairman, Committee on Rules and Administration, U.S. Senate, 305 Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: As Chairman and Ranking Minority Member, respectively, of the Committee on , we hereby certify that the following employees are qualified for their respective appropriate severance payments, pursuant to the provisions of Senate Resolution 573, agreed to on December 16, 1980, and Senate Resolution 46, agreed to on January 29, 1981, and to the regulations pursuant thereto promulgated by the Committee on Rules and Administration.

(List Names)

Sincerely,

———

Chairman.

———

Ranking Minority Member.

ATTACHMENT No. 2

SEVERANCE PAYMENT APPLICATION

(Fill in Applicable Spaces)

Hon. CHARLES McC. MATHIAS, JR.
Chairman, Committee on Rules and Administration, 305 Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I hereby apply for such severance payment as I am entitled to, pursuant to S. Res. 573, agreed to December 16, 1980, and S. Res. 46, agreed to January 29, 1981.

I certify that from (1) ——— to (2) ——— I have not been an employee of the United States Government or the government of the District of Columbia.

I certify that since (3) ——— I have been an employee of (4) ———.

———

Signature.

———

Typed or Printed Name.

———

Home Address.

———

Committee.

Subscribed and sworn to before me this — day of ———, 1981:

———

Signature of Notary Public.

My commission expires: ———.

(1) Date of separation from the Senate.

(2) Date of either the 31st day from the date of separation from the Senate, or the last day of unemployment since separation from Senate, whichever is earlier.

(3) Beginning date of further employment with the United States Government or the government of the District of Columbia.

(4) Name of Department and/or Agency.

ATTACHMENT No. 3

LUMP SUM ACCUMULATED LEAVE PAYMENT APPLICATION

(Fill in Available Spaces)

Hon. WILLIAM F. HILDENBRAND,
Secretary, U.S. Senate,
Washington, D.C.

Attn.: Stuart F. Balderson, Financial Clerk.

DEAR MR. SECRETARY: I hereby apply for such lump sum payment for accumulated leave as I am entitled to, pursuant to S. Res. 573, agreed to December 16, 1980, and S. Res. 46, agreed to January 29, 1981.

I certify that from (1) ——— to (2) ——— I have not been an employee of the United States Government or the government of the District of Columbia.

I certify that since (3) ——— I have been an employee of (4) ———.

———

Signature.

———

Typed or Printed Name.

———

Home Address.

———

Employing Office.

Subscribed and sworn to before me this — day of ———, 1981:

———

Signature of Notary Public.

My commission expires: ———.

(1) Date of separation from the Senate.

(2) Date of either the 31st day from the date of separation from the Senate, or the last day of unemployment since separation from the Senate, whichever is earlier.

(3) Beginning date of further employment with the United States Government or the government of the District of Columbia.

(4) Name of Department and/or Agency.

INTERIM REPORT OF THE U.S. COMMISSION ON PROPOSALS FOR THE NATIONAL ACADEMY OF PEACE AND CONFLICT RESOLUTION

Mr. MATSUNAGA. Mr. President, the U.S. Commission on Proposals for the National Academy of Peace and Conflict Resolution, authorized by Congress to study the various proposals for a National Academy of Peace, is now completing its 1-year study. It is expected that the Commission's final report will be published in about 5 weeks.

As Chairman of the nine-member Commission, I have been particularly pleased by the very favorable public response to the Commission's efforts to date. Between March 9, 1980, and July 23, 1980, the Commission held a series of 12 public seminars and collected over 7,000 pages of testimony. In addition, the Commissioners met with numerous other organizations and individuals and reviewed the existing literature in the field. An interim report was published by the Commission in September 1980 and it is gratifying to note that the demand for this document has far exceeded the supply. Because I am still receiving requests for copies of the interim report and many of my colleagues are as well, I ask unanimous consent to have the text of the brief report printed in the RECORD.

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

INTERIM REPORT OF THE U.S. COMMISSION ON PROPOSALS FOR THE NATIONAL ACADEMY OF PEACE AND CONFLICT RESOLUTION

I. SUMMARY AND INTRODUCTION

The United States Commission on Proposals for the National Academy of Peace and Conflict Resolution, created for one year by Congress and the President, has completed the first half of its mandate to determine whether or not a National Academy of Peace and Conflict Resolution should be established. During its first seven months, the Commission met for over 230 hours and collected and analyzed over 7,000 pages of oral and written testimony, research findings, and meeting notes.

The Commission convened 12 public seminars in different regions of the country. Individual citizens and organizations across the nation testified that there is a need for a national commitment of resources in the area of peacemaking and conflict resolution training, research, and public information. Witnesses reported on the incidence of conflict and violence at all levels of society—international, national, and community. Individuals and representatives of various constituencies reported to the Commission on the connections between varying levels of conflict. In many cases international conflicts affect citizens' daily lives—in the work place, in the economy—and greatly influence community and national events. They cited the exorbitant price being paid, in tax dollars and human suffering, when social conflicts unnecessarily escalate and result in violence and destruction. Because of these factors, the Commission found a strong constituent interest in the concept of a Peace Academy.

Overwhelmingly, witnesses noted that in recent years teachable, cost-effective, nonviolent methods of resolving conflicts have been developed. These new methods and a rapidly developing body of knowledge are being applied and taught. Negotiation, mediation, conciliation, and arbitration are being used extensively and successfully in domestic labor disputes and in international trade and commercial disputes. Professional experts in conflict resolution are assisting in the peaceful settlement of environmental disputes and terrorist incidents. Private mediators are assisting in delicate international peace negotiations. The United States service academies are beginning to incorporate conflict resolution skill training in their curricula. Research is being done at universities on peaceful conflict resolution.

However, the Commission found little official or organized support for these efforts; existing institutions and mechanisms lack the resources to promote training and research in peacemaking and conflict resolu-

tion skills. There is no well-developed system for responding effectively to conflicts at any level before they erupt into destructive violence.

Many witnesses voiced their concern that international disputes over natural resources, the environment, international commerce, and the arms race have the potential for escalating into violence if current knowledge of peaceful conflict resolution is not more fully integrated into diplomacy, business, and policy planning. Concerns were expressed that without a significant, coordinated, and ongoing American effort in this area, the possibility of a nuclear war will increase rather than decrease in the years ahead.

The Commission has carefully reviewed the testimony and research findings on the question of whether the United States should establish a National Academy of Peace and Conflict Resolution. The Commission concurs with many of the serious and valid concerns raised relating to the establishment of this institution and will incorporate the full range of constructive input it has received and studied into its Final Report and recommendations.

The Commission has concluded that the implementation of a national program of training, research, and public information could potentially save American citizens billions of dollars, directly and indirectly, each year and reduce the level of international violence in both the long and short term. Complete documentation of these findings will be set forth in the Final Report.

In accordance with these findings, the Commission unanimously adopted a resolution at the Commission's July 24, 1980, business meeting to recommend to both Houses of Congress and the President in its Final Report that legislation be enacted creating a United States Academy of Peace.

The Final Report will be issued in January 1981 and will include a short summary of proceedings and specific legislative recommendations, a detailed review of the state of the art of conflict resolution, and the Commission's findings.

II. WHY A CONGRESSIONAL COMMISSION?

The U.S. Commission on Proposals for the National Academy of Peace and Conflict Resolution, created by Public Law 95–561, is the first Congressionally-mandated examination of nonviolent conflict resolution and its potential for incorporation into a national, institutional framework.

The first American President who saw the need for an institution to educate in the methods of peace, George Washington, said in a circular to the States on June 9, 1783 "There can be little doubt but Congress will recommend a proper Peace Establishment for the United States . . ."

Many concerned Americans have sought departures from prevailing procedures for policymaking. Among them was a proposal for an Office or Department of Peace. Its original authorship is still controversial, but two distinguished Americans of the 1790's, one black and one white, share honors. The proposal appeared in the fall of 1792 as an essay in the first edition of "Banneker's Almanack and Ephemeris for the Year of our Lord 1793" in Philadelphia. It began,

"Among the defects which have been pointed out in the Federal Constitution by its antifederal enemies, it is much to be lamented that no person has taken notice of its total silence upon the subject of an office of the utmost importance to the welfare of the United States, that is, an office for promoting and preserving perpetual peace in our country."

During the course of the 19th century, various publicists and legislators echoed proposals for a department of peace, peace agency, or educational institution.

Between the 84th Congress and the 90th Congress (1955–1968), no less than 85 bills were introduced in the House or Senate to create a Department of Peace, including provisions for an educational program. All told, from 1935 to the late 1960's, more than 140 bills on this subject were introduced as duplicates with different co-sponsors, plans or re-introductions over successive sessions.

In 1960, Senator Hubert Humphrey of Minnesota introduced a bill to create a National Peace Agency. In the late 1960's Representative Seymour Halpern of New York, Senator Vance Hartke of Indiana, and Representative Spark M. Matsunaga (now Senator) of Hawaii were active supporters of peace academy legislation.

In January 1977, Representative Andrew Young of Georgia and multiple co-sponsors introduced a bill in the House to establish the Commission, and Senators Randolph, Hatfield, and Matsunaga introduced an identical bill in the Senate.

Following hearings by the Senate Foreign Relations Committee, the Senate Human Resources Committee, and the House Committee on International Relations, Congress enacted the proposal into law as part of the Education Amendments of 1978. In 1979, Congress appropriated $500,000 for the one-year Commission study.

This landmark legislation reflected the conviction of Congress that in an era dominated by conflict at the international, national, and local levels, an investment in the investigation and exploration of the idea of a National Peace Academy would promote the national interest.

Conflict between nations and within our society is increasing at an alarming rate. Recent events abroad and at home, such as those in Iran and Afghanistan and the civil disturbances in Miami, coupled with the ongoing Middle East conflict and the continuing crisis in Northern Ireland, have made it clear that we must develop new and creative means to manage conflict before it escalates into destructive violence.

Vast resources have been expended in the quest for national security and global peace. The United States spent over $2 trillion on national defense between 1946 and 1980, with another $1 trillion projected between 1980 and 1985. It is not at all clear to what degree these vast expenditures have strengthened either the prospects for peace or the national security of the United States.

Committing the necessary resources to developing techniques capable of resolving conflicts effectively, nonviolently, and with social justice is the United States' greatest challenge. Broader use of peace and conflict resolution skills is the foundation upon which social justice, social and economic stability, and genuine national security can be built.

Historically, there has been bi-partisan support for efforts to improve America's peacemaking capability. President Dwight D. Eisenhower warned in his memoirs, Waging Peace, that there is an imbalance in our national means of seeking security and liberty and an undue reliance on methods of power and force in managing conflict. In his farewell address, President Eisenhower advocated a fervent search for "the proper meshing of the huge military and industrial machinery of defense with our peaceful methods and goals."

And President John F. Kennedy, in a speech delivered at American University in Washington, D.C., in 1963 said, "The pursuit of peace is not as drastic as the pursuit of war . . . But we have no more urgent task. Peace is the necessary rational end of rational man . . . based not on a sudden revolution in human nature, but on a gradual evolution in human institutions."

III. WHAT IS THE COMMISSION'S MANDATE?

The Commission is specifically mandated by Public Law 95–561 to undertake a study to consider:

Whether or not a National Academy of Peace and Conflict Resolution should be established;

The size, cost, and location of such an Academy, if any;

The effects which the establishment of an Academy would have on existing institutions of higher education;

The relationship which would exist between an Academy and the Federal Government;

The feasibility of making grants and providing other forms of assistance to existing institutions of higher education in lieu of, or in addition to, establishing an Academy; and

Alternative proposals, which may or may not include the establishment of an Academy, which would assist the Federal Government in accomplishing the goal of promoting peace.

In conducting the study, the Commission is further mandated to:

Review the theory and techniques of peaceful resolution of conflict between nations;

Study existing institutions which assist in resolving conflict in the area of international relations.

IV. WHO ARE THE COMMISSIONERS?

The Commission consists of nine members, three of whom were appointed by President Jimmy Carter, three by President pro tempore of the U.S. Senate Warren Magnuson, and three by Speaker of the U.S. House of Representatives Thomas P. O'Neill:

The Honorable Spark M. Matsunaga (D-Hawaii), Chair, United States Senator.

James H. Laue, Vice-Chair, Director, Center for Metropolitan Studies, University of Missouri—St. Louis.

The Honorable John M. Ashbrook (R-Ohio), United States Congressman.

Arthur H. Barnes, President, New York Urban Coalition, New York, New York.

Elise Boulding, Chair and Professor, Department of Sociology, Dartmouth College, Hanover, New Hampshire.

John R. Dellenback, President, Christian College Consortium/Coalition, Washington, D.C.

John P. Dunfey, President, Dunfey Hotels Corporation, Hampton, New Hampshire.

The Honorable Dan Glickman (D-Kansas), United States Congressman.

William F. Lincoln, Director, Center for Collaborative Planning and Community Services, Watertown, Massachusetts.

V. HIGHLIGHTS OF THE FIRST SEVEN MONTHS

A. Initial Organization and Directives:

The Commissioners have held seven business meetings. At the first meeting on December 12, 1979, Senator Spark M. Matsunaga was elected Chair and Dr. James H. Laue, Vice Chair.

Initial organizational steps were the appointment of William J. Spencer as Director of the Commission staff and David C. Johnsen, Deputy Director. Recruitment of staff began immediately, and office space was leased in downtown Washington, D.C.

The Commission decided that it would not attempt at the outset to determine whether or not a National Peace Academy should be established, but would rather begin by looking at alternatives which would accomplish the principal objective of resolving conflicts between nations with justice and equity.

It was the unanimous decision of the Commissioners that a review of the theory and techniques of peaceful resolution of conflict must necessarily include a study of the peaceful resolution of conflicts within a nation and its communities as well as between nations.

The Commission organized rapidly, and its staff convened several planning meetings involving the leadership of national organizations. The generous assistance of the Commission Chair and his office staff enabled the Commission to begin operation within days

of the President's final appointments to the Commission.

A ten-month timetable was established to structure the work of the Commission in its study of the nature of the problem, what institutions and agencies are addressing the problem, alternative proposals, and specific recommendations.

The Commissioners approved a staff Design Paper in March 1980 that reviewed the background of the Commission and outlined key areas of Commission work in the months to come.

B. Principal Activities:

The Commission decided that successful completion of its mandate would require a survey of existing material on conflict resolution as well as the organization of participatory programs that would provide publicity for the Commission's efforts and opportunities for specialists in the field and the general public to exchange ideas with the Commissioners and staff. The principal objective of all the Commission's work would be to provide a well-argued and well-documented answer to the basic question posed by the legislation: "Should there be a U.S. Academy of Peace and Conflict Resolution?" The two principal vehicles for providing answers to this question were to be research and public seminars around the country, drawing in each activity on the widely varying knowledge and perspectives of the Commissioners, staff, others in the field, and the general public.

C. Research:

Over the years a vast body of theory and practice in the field of conflict resolution has been developed, but due to a lack of both resources and an institutional framework, the value of this work has been minimized and there is a scattering and fragmentation of knowledge with a consequent diffusion of impact.

The Commission explored how the results of peace research and conflict studies might be better applied to the policy planning process in order to provide policy and decision makers with the necessary tools and skills for preventing or minimizing violence.

The Commission identified seven basic research areas in which survey efforts would be focused:

Violence and conflict in the United States and elsewhere in the world;

Strategies and techniques of peacemaking and conflict resolution;

Agencies and organizations active in teaching peacemaking and conflict resolution;

Development of the field of peace and conflict research;

Ethical and value considerations in peacemaking;

The role of research and of graduates of a peace academy in American society and elsewhere in the world; and

Institutional frameworks for the conduct of teaching and research on peacemaking.

Details on each of these research areas will be addressed in the Final Report.

D. Public Seminars:

The Commission designed a series of 12 seminars across the United States between March 9 and July 23, 1980, with the final public seminar to be held in Washington, D.C., in late July. The Commission decided that a nationwide public seminar program would solicit a broad range of views from citizens and experts on the concept of a National Academy of Peace and Conflict Resolution and simultaneously provide an opportunity for broad public exposure to the concept.

The Commissioners decided that a minimum of three members would be required in order to hold a public seminar and that in the absence of the Chair or Vice-Chair should designate another member to preside over meetings or public seminars.

The program was designed to gather information not only from expert witnesses but also from persons with considerable experience in local, regional, and international arenas. The format for the public seminars differed somewhat from traditional Congressional hearings. Each seminar was in itself an experiment in maximizing public participation and discussion on an important national issue.

A regional field representative was retained in each region to help the Commission plan the public seminar, identify potential witnesses in the community, and provide access to key local groups. Letters of invitation and background material were sent to approximately 8,500 individuals.

Each public seminar was divided into sessions with expert witnesses, guest speakers, small group discussions and reports, and "open mike" participation. Witness lists were carefully developed by Commissioners, staff, and regional field representatives. The Commission made special efforts to hear from witnesses who were skeptical or opposed to the Peace Academy concept as well as from those supportive of the idea in order to sharpen the debate.

Expert witnesses were chosen on the basis of their special expertise in peacemaking and conflict resolution and/or their roles as representatives of a constituency whose views were considered important to the Commission's work. Selected individuals were drawn from a wide range of backgrounds and experience, including international affairs, labor, business, state and local government, community and ethnic organizations, academia, and civil and human rights organizations. Guest speakers were individuals whose views were considered especially significant.

Witnesses were asked to deliver a summary statement and be prepared for a question and answer period following the formal testimony. They were asked to describe their background and experience in peacemaking and conflict resolution and to discuss whether or not a National Academy of Peace and Conflict Resolution should be established, the nature of such an academy if recommended, and possible alternatives to an academy. Witnesses were also asked to submit a written statement that enlarged upon their oral testimony.

The small group sections of the public seminars were designed to encourage discussion and direct community input into discussion of a National Peace Academy. Five broad areas of discussion were suggested as topics: (1) Energy, environment and economic conflicts; (2) Peace studies and peace research; (3) Civil rights and human rights: (4) Conflict resolution and mediation; and (5) The role of international governmental and nongovernmental organizations in peace and conflict resolution between nations.

The discussion leaders were asked to report to the Commissioners for each group regarding its assessment of existing inadequacies in conflict resolution and ways in which a Peace Academy would help meet the need. They also reported suggestions the groups wished to offer the Commission in its work.

The "open mike" section was designed to give other participants in the public seminars an opportunity to make their views known to the Commission. Commissioners took testimony from everyone who wished to offer it during this period, often staying beyond time for formal adjournment until all citizens were heard.

The formula for the public seminars was thus intended to provide maximum participation in the work of the Commission from the standpoint of international, regional, individual, and organizational perspectives. Additional organizational perspectives will be sought in the remaining months of the Commission's life.

E. Additional Outreach:

In its efforts to obtain maximum input and to make the work of the Commission better known, contact was made with many individuals and organizations outside the framework of the public seminars. Leadership meetings were held in Washington, D.C., with representatives of Hispanic and national women's groups and in Atlanta, Georgia, with civil rights leaders. The Commissioners and staff visited the United States Air Force Academy at Colorado Springs and the United States Military Academy at West Point, discussing the Peace Academy concept with administrators and faculty. A trip to the United States Naval Academy is scheduled for the fall.

The Commissioners and staff also participated in meetings of the International Studies Association and the International Society for Political Psychology. Formal interviews were held in New York with United Nations and non-governmental organization representatives, and a conference was held in Washington, D.C., with the heads of diplomatic and military institutions involved in training and research.

More than fifty additional meetings took place, including meetings with officials of the Department of State, the Foreign Service Institute, the Arms Control and Disarmament Agency, the International Peace Academy, members of the U.S. delegation at the United Nations, other United Nations delegations, members of the Federal Mediation and Conciliation Service, the Community Relations Service of the Department of Justice, the Institute for Mediation and Conflict Resolution, the Martin Luther King, Jr. Center for Social Change, and the American Arbitration Association.

VI. INITIAL FINDINGS

The Commission has been able to compile a comprehensive and useful set of documents on the basis of its research and public seminars. The research staff of the Commission, focusing on existing data and theories rather than creating or initiating new studies, evaluated available materials on the state of the art and skills and institutions currently existing. It also explored alternative ways of strengthening those skills and institutions, including a National Peace Academy. In addition, an analysis was done of the strengths and weaknesses of existing peace education, research and training throughout the country.

The Commission found that the overwhelming majority of the witneses and participants in the public seminar program supported the concept of the establishment of a National Academy of Peace and Conflict Resolution.

The 300 witnesses who presented formal testimony included researchers, educators, practitioners of conflict resolution, representatives of international and national nongovernmental organizations, clergy and laity, political officials, and business, labor, diplomatic, and military representatives. The written and oral testimony presented at the public seminars provided over 7,000 pages of analysis and recommendations for consideration by the Commissioners. Unsolicited material, testimony, and research were received from individuals and groups who had learned of the Commission's work and who, although unable to appear in person, wanted to make their views known.

In their deliberations the members of the Commission carefully reviewed supportive and opposing viewpoints regarding the establishment of a National Academy of Peace and Conflict Resolution. Some witnesses expressed concern that the creation of a national institution might duplicate what is already being done in the field, cost too much money, and lead to excessive government intervention, threatening the American tradition of pluralism in education and research. Some feared that creating another appendage to the vast federal bureaucracy might suffocate existing and developing private sector programs and work to dis-

place conflict rather than work to resolve conflict with justice.

Others were concerned that a national institution might become too centralized, serve to create an elite corps, and be too close to the government to ask the hard questions such an institution should ask about issues of international and intranational conflict resolution.

While giving due weight to the legitimate concerns raised by witnesses, testimony and research findings indicate to the Commission that the implementation of a national program of research, training, and public information could potentially save American citizens billions of dollars, directly and indirectly, each year and reduce the level of international violence in both the long and short term.

The Commission believes that the results of peace research and conflict analysis studies have not been fully applied to the policy planning process. There is evidence that many valuable skills and techniques of conflict resolution are not being applied to a variety of conflicts of a commercial, economic, social, and political nature. At the same time there is a continued need for intensive and rigorous research on conflict.

In spite of the universal commitment of governments to the cause of world peace and in spite of the important role the United States plays in the attempted resolution of many actual and potential conflicts, the Commission finds little organized support for conflict resolution efforts. If there were a United States policy commitment to peaceful conflict resolution backed by an institutional mandate, the United States could achieve greater effectiveness in promoting peace, justice, and international stability. This commitment could serve as a symbol of a United States commitment to peace, thus bringing increased legitimacy to the field and providing a means of funding long-term research, education, and training in the area of conflict resolution.

In accordance with the Commission's research findings and a thorough evaluation of the public testimony, the Commission adopted on July 24, 1980, a resolution that its Final Report contain recommendations to both Houses of Congress and the President that legislation be enacted establishing a United States Academy of Peace.

VII. NEXT STEPS

The remaining four months of the Commission will be spent in further exploration of models for a United States Academy of Peace, including cost estimates, site location, relationship to the Federal Government and existing institutions, curriculum, student body, and faculty composition. An analysis will be done of how such an institution might better link decision makers with research and the practice of conflict resolution, support existing programs in the field, develop public information materials, and train professionals and private citizens in the techniques of peaceful resolution of conflicts. The overriding goal would be to reduce violence and promote just, constructive relationships internationally, within the United States, and in its communities and institutions.

A Final Report will be issued in January 1981 including a short summary of proceedings and specific legislative recommendations, a detailed review of the state of the art of conflict resolution, and Commission findings. As authorized and mandated by the Congress and the President, transcripts of the Commission's public record will be open to inspection following the presentation of the Final Report.

Respectfully submitted,

Spark M. Matsunaga, Chair, James H. Laue, Vice-Chair, John M. Ashbrook, Arthur H. Barnes, Elise Boulding, John R. Dellenback, John P. Dunfey, Dan Glickman, William F. Lincoln.

APPENDIX A—COMMISSIONERS' BIOGRAPHIC SUMMARIES

U.S. COMMISSION ON PROPOSALS FOR THE NATIONAL ACADEMY OF PEACE AND CONFLICT RESOLUTION

The Honorable Spark M. Matsunaga, Chair:

Senator (D-Hawaii) since 1976; Member, House of Representatives, 1962–76. Member, Senate Committees on Energy and Natural Resources, Finance, and Veterans Affairs; Chief Deputy Majority Whip; University of Hawaii, Ed.B.; Harvard Law School, J.D. Distinguished military career, retiring from the Army Reserve with the rank of Lieutenant Colonel. Author, Rulemakers of the House, 1976 (required reading in political science and government courses in 30 American universities).

James H. Laue, Vice-Chair:

Director; Center for Metropolitan Studies, and Associate Professor of Sociology, University of Missouri-St. Louis. Authority in the field of racial and community conflict resolution. Author of a number of monographs, articles, and training exercises. Former Director of Program Development for the Community Relations Service of the U.S. Department of Justice. Active as a practitioner and trainer, including current involvement as mediator in the Negotiated Investment Strategy Project in Gary, Indiana.

The Honorable John M. Ashbrook:

Member of Congress (R-Ohio) since 1960; House Education and Labor Committee, Judiciary Committee, and Select Intelligence Committee (oversight of CIA, FBI, NSA, and Defense Intelligence Agencies). Harvard College, B.S.; Ohio State School of Law, J.D.; Ashland College, Honorary L.L.D. Publishes the Johnstown Independent and three other central Ohio weekly newspapers. Recipient of the Freedom Award from the Order of Lafayette in 1970 for "Outstanding Leadership in Combatting World Communism".

Arthur H. Barnes:

Since 1975, President, New York Urban Coalition, a group serving as a catalytic force in bringing the resources of the private sector to bear on the problems of disadvantaged minorities in New York City. Formerly Vice President, Institute for Mediation and Conflict Resolution, an organization which mediates community disputes and teaches techniques of mediation, negotiation, and arbitration. Previously associated with Consolidated Insurance Companies for 21 years.

Elise Boulding:

Chair, Sociology Department, Dartmouth College. From 1967 to 1978 at the Department of Sociology and Institute of Behavioral Science at the University of Colorado, Boulder. Has undertaken numerous transnational and comparative cross-national studies on conflict and peace, development, family life and women in society. Worked internationally on problems of peace and world order both as a scholar and as an activist. Currently, member of the Governing Board of the United Nations University and a member of the U.S. Commission for UNESCO. Author of eight books and over six dozen articles, pamphlets and chapters in the areas of sociology and conflict and peace studies.

John R. Dellenback:

President, Christian College Consortium and Coalition, Washington, D.C. Formerly, Member of Congress from Oregon, Director of the U.S. Peace Corps, Oregon State Representative, college professor, practicing lawyer, businessman, and Naval officer. Serves on Boards of Trustees of Howard University and Lewis and Clark College. Yale University, B.S., Phi Beta Kappa; University of Michigan Law School, J.D. Holds honorary doctoral degrees from Biola College, Campbell University, Campbellvilles College, Friends University, New Haven University, Nyack College, and Warner Pacific College.

John P. Dunfey:

Founder and President of the Dunfey Hotels Corporation, operating 23 hotels in the United States and Europe. Industrial developer, Maine and New Hampshire. Representative, African Trade Mission, Department of State, September 1979; Member, National Committee, "Americans for Salt II" to engender public support for passage; Member, National Committee to raise funds and encourage citizen support for Senate approval of Panama Canal treaty.

The Honorable Dan Glickman:

U.S. Representative (D-Kansas) since 1976. Member, Committees on Agriculture, Judiciary and Science and Technology. Chairman of the 95th Congress Members Caucus and a member of the Congressional Clearinghouse on the Future. Received J.D. degree from George Washington University, Washington, D.C. Serves on the National Alcohol Fuels Commission, the Democratic Caucus Ethics Committee, the Democratic Study Group, and the Environmental Study Conference.

William F. Lincoln:

Director, Center for Collaborative Planning and Community Services, Watertown, Massachusetts. Formerly Director, New England Office of Community Dispute Services of the American Arbitration Association, Boston. Professional practitioner in resolving disputes related to public schools, special education, student desegregation, adult correctional facilities, public housing, Native American affairs, anti-discrimination agencies, and community development. Lecturer, Harvard University Graduate School of Design, Department of City and Regional Planning; academic conference leader at Harvard and Antioch Law Schools.

APPENDIX B—COMMISSION STAFF

U.S. COMMISSION ON PROPOSALS FOR THE NATIONAL ACADEMY OF PEACE AND CONFLICT RESOLUTION

Present staff

William J. Spencer, Director.

David C. Jehnsen, Deputy Director.

Judith Bunnell, Associate Director of Field Operations.

Rev. Leslie H. Carter, Director of Program Operations.

Stephen Cloud, Research Associate.

Marjorie B. Dahlin, Special Assistant to the Director of Program Operations.

Mary J. Downs, Receptionist/Secretary.

Ruthe J. Farmer, Director of Administration.

Diana Jones, Executive Secretary.

Laurellet Kirby, Administrative Assistant.

Bernard Lafayette, Associate Director of Research.

Lee Lawrence, Public Affairs Coordinator.

Ann B. Richardson, Program Operations Analyst.

Short-term staff

Marianna Paige, Director of Communications.

Ina Risman, Research Coordinator.

Advisors

Eugene Martin, Management Specialist.
Douglas Reichert, Research Assistant.
Charles D. Smith, Attorney.
Charles E. Smith, Organizational Specialist.

Student interns

Mimi Gerdes, Research Assistant.
Jacquelyn Goldberg, Research Assistant.
Brian Lepard, Assistant.
Jeffrey Miller, Assistant.
William Pryor, Research Assistant.
Marcia Smith, Research Assistant.
Donna Lee, Assistant.

APPENDIX C—REGIONAL FIELD REPRESENTATIVE U.S. COMMISSION ON PROPOSALS FOR THE NATIONAL ACADEMY OF PEACE AND CONFLICT RESOLUTION

Dr. Stuart Cook, Director, Institute for Behavioral Science, University of Colorado, Boulder, Colorado.

John T. Conner, 101 NW 23rd, Corvallis, Oregon.

Phillip Sgroi, 3741 Morgan, St. Louis, Missouri.

Jon K. Brown, 105 Woodland Avenue, Columbus, Ohio.

Russell Rhodes, 5928 Moss Bank Drive, Palos Verdes, California.

George Sommaripa, 17 Austin Street, Cambridge, Massachusetts.

Reverend Betsy Turecky, 14214 Edgecrest, Dallas, Texas.

Laura D. Blackburne, 116 East 27th Street, New York, New York.

Leon W. Hall, 68 Mitchell Street, SW, Atlanta, Georgia.

Bruce T. Grindal, Florida State University, Tallahassee, Florida.

Dr. Betty M. Jacob, University of Hawaii at Manoa, Honolulu, Hawaii.

Dr. Herman Jenkins, Office of the President, Queens College, 65-30 Casino Boulevard, Flushing, NY 11367.

APPENDIX D—PUBLIC SEMINAR SCHEDULE U.S. COMMISSION ON PROPOSALS FOR THE NATIONAL ACADEMY OF PEACE AND CONFLICT RESOLUTION

University of Colorado, Boulder, Colorado, March 10, 1980.

Lewis and Clark College, Portland, Oregon, April 8-9, 1980.

University of Missouri-St. Louis, St. Louis, Missouri, April 21-22, 1980.

Capital University, Columbus, Ohio, May 5-6, 1980.

California Museum of Science & Industry, Los Angeles, California, May 12-13, 1980.

The State House, Boston, Massachusetts, June 2-3, 1980.

Southern Methodist University, Dallas, Texas, June 6-7, 1980.

City University of New York, New York, New York, June 16-17, 1980.

Martin Luther King, Jr., Community Center, Atlanta, Georgia, June 23-24, 1980.

Florida State University, Tallahassee, Florida, June 25, 1980.

State Capitol, East-West Center, Honolulu, Hawaii, July 7-8, 1980.

The Rayburn House Office Building and the Russell Senate Office Building, Washington, D.C., July 22-23, 1980.

MESSAGES FROM THE PRESIDENT

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

EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGE FROM THE HOUSE RECEIVED DURING RECESS

Under the authority of the order of January 22, 1981, the Secretary of the Senate, on February 4, 1981, received the following message from the House of Representatives:

Pursuant to the provisions of section 4(a), Public Law 92-484, the Speaker appoints as members of the Technology Assessment Board the following Members on the part of the House: Mr. UDALL, Mr. BROWN of California, Mr. DINGELL, Mr. WINN, Mr. MILLER of Ohio, and Mr. EVANS of Iowa.

MESSAGES FROM THE HOUSE

At 2:45 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following bill, without amendment:

S. 272. An act to increase the membership of the Joint Committee on Printing.

The message also announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 1553. An act to provide for a temporary increase in the public debt limit.

The message further announced that the House has agreed to the following concurrent resolution, in which it requests the concurrence of the Senate:

H. Con. Res. 58. Concurrent resolution providing for an adjournment of the House from February 6 to February 17, 1981, and an adjournment of the Senate from February 6 to February 16, 1981.

HOUSE BILL PLACED ON THE CALENDAR

The following bill was read the first and second times by unanimous consent and placed on the calendar:

H.R. 1553. An act to provide for a temporary increase in the public debt limit.

HOUSE CONCURRENT RESOLUTION HELD AT DESK

The following concurrent resolution was held at the desk by unanimous consent:

H. Con. Res. 58. Concurrent resolution providing for an adjournment of the House from February 6 to February 17, 1981, and an adjournment of the Senate from February 6 to February 16, 1981.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-317. A communication from the Clerk of the United States Court of Claims, transmitting, pursuant to law, the Court's judgment order in the case "Lower Sioux Indian Community in Minnesota, et al. The United States"; to the Committee on Appropriations.

EC-318. A communication from the Deputy Assistant Secretary of Defense (Administration), transmitting, pursuant to law, the fiscal year 1981 report concerning the North Atlantic Treaty Organization Acquisition and Cross-Servicing Agreement; to the Committee on Armed Services.

EC-319. A communication from the Acting Assistant Secretary of the Army (Installations, Logistics, and Financial Management), transmitting, pursuant to law, a report on a study with respect to converting the motor vehicle maintenance activity at Fort Shafter, Hawaii; to the Committee on Armed Services.

EC-320. A communication from the Acting Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics), transmitting, pursuant to law, the annual report on the extent to which commercial and industrial-type functions were performed by Department of Defense contractors for fiscal year 1980; to the Committee on Armed Services.

EC-321. A communication from the Acting Assistant Secretary of the Air Force (Research, Development, and Logistics), transmitting, pursuant to law, a study with respect to converting the family housing maintenance function at Dyess Air Force Base, Texas, and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC-322. A communication from the Deputy Assistant Secretary of Defense, transmitting, pursuant to law, notice that the Department intends to exercise a provision of law for exclusion of the clause concerning the examination of records by the Comptroller General; to the Committee on Armed Services.

EC-323. A communication from the Acting Under Secretary of Defense (Research and Engineering), transmitting, pursuant to law, a report on funds obligated in the chemical warfare and biological defense research programs during fiscal year 1980; to the Committee on Armed Services.

EC-324. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report containing an analysis and description of services performed by full-time USG personnel as of September 30, 1980, for which reimbursement is provided; to the Committee on Armed Services.

EC-325. A communication from the Assistant Secretary of the Air Force (Research, Development, and Logistics), transmitting, pursuant to law, a report on a study with respect to converting the commissary shelf-stocking and custodial services functions at England Air Force Base, La., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC-326. A communication from the Acting

Assistant Secretary of the Air Force (Research, Development, and Logistics), transmitting, pursuant to law, a report on a study with respect to converting the military family housing maintenance function at Castle Air Force Base, Calif., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–327. A communication from the Acting Assistant Secretary of the Air Force (Research, Development, and Logistics), transmitting, pursuant to law, a report on a study with respect to converting the commissary shelf-stocking and custodial services function at McConnell Air Force Base, Kans., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–328. A communication from the Director of the Office of Legislative Affairs, Department of the Navy, transmitting, pursuant to law, notice of the intention of the Department of the Navy to donate surplus property to the Charleston, S.C., Chapter of the National Railway Historical Society; to the Committee on Armed Services.

EC–329. A communication from the Acting General Counsel of the Department of Defense, transmitting a draft of proposed legislation to authorize certain construction at military installations for fiscal year 1982; to the Committee on Armed Services.

EC–330. A communication from the Secretary of Defense, transmitting, pursuant to law, the annual report of the Department of Defense for fiscal year 1982; to the Committee on Armed Services.

EC–331. A communication from the Chairman of the Board of Governors of the Federal Reserve System, transmitting, pursuant to law, the fifth annual report of the Board of Governors on the Equal Credit Opportunity Act; to the Committee on Banking, Housing, and Urban Affairs.

EC–332. A communication from the Comptroller of the Currency, transmitting, pursuant to law, the 1979 annual report of the Comptroller of the Currency; to the Committee on Banking, Housing, and Urban Affairs.

EC–333. A communication from the Secretary of Energy, transmitting, pursuant to law, notice of a delay in submitting detailed energy targets required by law; to the Committee on Energy and Natural Resources.

EC–334. A communication from the Acting Administrator of the General Services Administration, transmitting, pursuant to law, a proposed prospectus for construction of an annex to the Federal Courthouse in Charleston, South Carolina; to the Committee on Environment and Public Works.

EC–335. A communication from the Chairman and the Administrator of the United States Nuclear Regulatory Commission, transmitting, pursuant to law, a report entitled "The Feasibility of Epidemiological Investigations of the Health Effects of Low-Level Ionizing Radiation"; to the Committee on Environment and Public Works.

EC–336. A communication from the Assistant Legal Advisor for Treaty Affairs, Department of State, transmitting, pursuant to law, a report on international agreements, other than treaties, entered into by the United States in the 60-day period prior to January 29, 1981; to the Committee on Foreign Relations.

EC–337. A communication from the Acting Administrator of the General Services Administration, transmitting, pursuant to law, the first of three reports on the travel of agencies spending more than $5 million on transportation of people; to the Committee on Governmental Affairs.

EC–338. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, legislation adopted by the Council on September 16, 1980; to the Committee on Governmental Affairs.

EC–339. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, legislation adopted by the Council on December 9, 1980; to the Committee on Governmental Affairs.

EC–340. A communication from the Acting Commissioner of the Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders suspending deportation of a certain alien under section 244(a)(2) of the Immigration and Nationality Act; to the Committee on the Judiciary.

EC–341. A communication from the Acting Commissioner of the Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders suspending deportation of certain aliens under section 244(a)(1) of the Immigration and Nationality Act; to the Committee on the Judiciary.

EC–342. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Administrative Changes Needed To Reduce Employment of Illegal Aliens"; to the Committee on Labor and Human Resources.

EC–343. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "SBA's Pilot Programs To Improve Guaranty Loan Procedures Need Further Development"; to the Select Committee on Small Business.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. DOLE, from the Committee on Finance, without amendment:

S. 393. An original bill to provide for a temporary increase in the public debt limit.

By Mr. HATCH, from the Committee on Labor and Human Resources, without amendment:

S. Res. 62. An original resolution authorizing expenditures by the Committee on Labor and Human Resources; referred to the Committee on Rules and Administration.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submited:

By Mr. McCLURE, from the Committee on Energy and Natural Resources:

Donald P. Hodel, of Oregon, to be Under Secretary of the Interior.

(The above nomination from the Committee on Energy and Natural Resources was reported with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. TOWER, from the Committee on Armed Services:

Verne Orr, of California, to be Secretary of the Air Force.

Mr. TOWER. Mr. President, from the Committee on Armed Services, I report favorably the following nominations: in the Regular Army, there are 26 appointments to the grade of major general (list beginning w/Charles P. Graham); in the Army of the United States, there are 63 temporary appointments to the grade of brigadier general (list beginning w/Bernardo Loeffke); and, Brigadier General Van Hixon for appointment as a Reserve commissioned officer in the Adjutant General's Corps, Army National Guard of the United States, Reserve of the Army, to the grade of major general. I ask that these names be placed on the Executive Calendar.

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

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

Edward C. Schmults, of Connecticut, to be Deputy Attorney General.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. RIEGLE (for himself and Mr. EAGLETON):

S. 392. A bill to amend the Internal Revenue Code of 1954 to provide estate and gift tax equity for family enterprises, and for other purposes; to the Committee on Finance.

By Mr. DOLE:

S. 393. An original bill to provide for a temporary increase in the public debt limit; from the Committee on Finance.

By Mr. LONG:

S. 394. A bill to amend the Internal Revenue Code of 1954 to provide reductions in individual and corporate income taxes, and for other purposes; to the Committee on Finance.

By Mr. WALLOP (for himself, Mr. BOREN, Mr. HARRY F. BYRD, JR., Mr. PERCY, Mr. HELMS, Mr. DOMENICI, Mr. SYMMS, Mr. BAUCUS, Mr. TOWER, Mr. HEFLIN, Mr. BENTSEN, Mr. HAYAKAWA, Mr. PRYOR, Mr. LUGAR, Mr. ANDREWS, Mr. DURENBERGER, Mr. THURMOND, Mr. ZORINSKY, Mr. MATHIAS, Mr. NICKLES, Mr. BURDICK, Mr. ABDNOR, and Mr. MATSUNAGA):

S. 395. A bill to amend the Internal Revenue Code of 1954 to provide estate and gift tax equity for family enterprises, and for other purposes; to the Committee on Finance.

By Mr. DANFORTH (for himself, Mr. BENTSEN, Mr. RIEGLE, Mr. GLENN, Mr. EAGLETON, Mr. LEVIN, Mr. METZENBAUM, and Mr. LUGAR):

S. 396. A bill to impose quotas on the importation of automobiles from Japan during 1981, 1982, and 1983; to the Committee on Finance.

By Mr. JACKSON:

S. 397. A bill to authorize the appropriations for activities and programs carried out by the Secretary of the Interior through the Bureau of Land Management and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. ARMSTRONG:

S. 398. A bill to amend the Walsh-Healey Act and the Contract Work Hours Standards Act to permit certain employees to work a 10-hour day in the case of a 4-day workweek, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. BENTSEN:

S. 399. A bill to amend the Congressional Budget Act of 1974 to require the Congress to establish, for each fiscal year, a regulatory budget for each Federal agency which sets the maximum costs of compliance with all rules and regulations promulgated by that agency, and for other purposes; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, by unanimous consent pursuant to the order of August 4, 1977.

S. 400. A bill to reduce duplicative and

conflicting Federal rules or regulations, and for other purposes; to the Committee on Governmental Affairs.

S. 401. A bill to reduce the costs of Federal regulations, and for other purposes; to the Committee on Governmental Affairs.

By Mr. ROBERT C. BYRD:

S. 402. A bill to place a sign memorializing the New River Gorge Bridge as the world's largest steel arch span bridge; to the Committee on Environment and Public Works.

S. 403. A bill for the relief of Sarah O. Loot, doctor of medicine, Jessie L. Loot, doctor of medicine, her husband and Brian O. Loot, her son; to the Committee on the Judiciary.

By Mr. SYMMS (for himself, Mr. JEPSEN, and Mr. BOREN):

S. 404. A bill to amend the Internal Revenue Code of 1954 to repeal the estate and gift taxes; to the Committee on Finance.

By Mr. DOLE (for himself, Mr. SIMPSON and Mr. DECONCINI):

S. 405. A bill to amend title 5 of the United States Code to require Federal agencies to analyze the benefits, costs, and other adverse effects of proposed rules, to provide for judicial review of any such analysis, to provide for periodic review of agency rules, and for other purposes; to the Committee on the Judiciary.

By Mr. ZORINSKY:

S. 406. A bill for the relief of Joseph Stephen McNeer; to the Committee on the Judiciary.

By Mr. ABDNOR:

S. 407. A bill to authorize a study of the feasibility of Federal development of the water resources of the I'Santi Unit of the Missouri River Basin located on the Flandreau Santee Sioux Reservation, South Dakota; to the Committee on Energy and Natural Resources.

By Mr. CHAFEE:

S. 408. A bill to amend the Internal Revenue Code of 1954 with respect to the income tax treatment of earned income of citizens or residents of the United States earned abroad, and for other purposes; to the Committee on Finance.

By Mr. JOHNSTON:

S. 409. A bill to provide specific standby authority to deal with petroleum supply interruptions, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. JOHNSTON (for himself, Mr. BENTSEN, Mr. TOWER, Mr. CRANSTON, Mr. LONG, Mr. BOREN, Mr. HAYAKAWA, Mr. COCHRAN, and Mrs. KASSEBAUM):

S. 410. A bill to reform the Powerplant and Industrial Fuel Use Act of 1978 to encourage a reduction of air pollution and oil consumption by existing electric powerplants and to aid utilities in converting to alternate fuels; to the Committee on Energy and Natural Resources.

By Mr. JOHNSTON:

S. 411. A bill to amend section 203 of the Energy Policy and Conservation Act to provide the President with flexible authority to ration gasoline and diesel fuel; to the Committee on Energy and Natural Resources.

By Mr. TOWER:

S. 412. A bill to amend the Intergovernmental Cooperation Act of 1968 to improve coordination between Federal agencies and State and local governments and regional organizations regarding establishment of Federal development programs or projects and applications for Federal assistance and permits, and to provide for judicial review of Federal approval of such applications; to the Committee on Governmental Affairs.

By Mr. PRESSLER:

S. 413. A bill to extend the Older Americans Act of 1965 for 5 years; to the Committee on Labor and Human Resources.

By Mr. CHAFEE (for himself, Mr. GARN, and Mr. TOWER):

S. 414. A bill to amend the Truth in Lending Act to encourage cash discounts, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. CRANSTON (for himself, Mr. RANDOLPH, Mr. MATSUNAGA, Mr. DECONCINI, and Mr. THURMOND):

S. 415. A bill to amend title 38, United States Code, to increase the maximum amount payable in Veterans' Administration specially adapted housing assistance, and for other purposes; to the Committee on Veterans Affairs.

By Mr. CRANSTON (for himself, Mr. RANDOLPH, Mr. MATSUNAGA, Mr. DECONCINI, and Mr. THURMOND):

S. 416. A bill to amend title 38, United States Code, to increase the maximum amount of the automobile assistance provided to certain severely service-connected disabled veterans, to extend eligibility for the provision of automobile adaptive equipment to certain other service-connected disabled veterans, and for other purposes; to the Committee on Veterans Affairs.

By Mr. CRANSTON (for himself, Mr. MATSUNAGA, Mr. DECONCINI, and Mr. HART):

S. 417. A bill to amend title 38, United States Code, to provide a new educational assistance program for persons who enter the Armed Forces after June 30, 1981, to modify the December 31, 1989, termination date for the Vietnam-era GI Bill, and for other purposes; to the Committee on Veterans Affairs.

By Mr. PRESSLER:

S. 418. A bill to rescind the authority of the President to impose an embargo on United States export sales of agricultural commodities for foreign policy purposes; to the Committee on Banking, Housing, and Urban Affairs.

S. 419. A bill to amend the Export Administration Act of 1979, to provide for Congressional Veto of agricultural embargoes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. STAFFORD:

S. 420. A bill to authorize the U.S. Army Corps of Engineers to provide assistance to local communities, and for other purposes; to the Committee on Environment and Public Works.

By Mr. DECONCINI (for himself, Mr. SASSER and Mr. PRYOR):

S. 421. A bill to provide for reductions for fiscal year 1982 in obligations by the departments, agencies, and establishments of the executive branch of the Government; to the Committee on Governmental Affairs.

By Mr. GLENN:

S. 422. A bill to provide for the extension of the period for repayment of revenue bonds issued by the St. Lawrence Seaway Development Corporation to the Secretary of the Treasury from 50 years to 80 years, and for other purposes; to the Committee on Foreign Relations.

By Mr. DOMENICI:

S. 423. A bill to improve the operations of certain water resource projects submitted to the Committees on Public Works of the Congress; to the Committee on Environment and Public Works.

By Mr. MATSUNAGA:

S. 424. A bill for the relief of Peter M. Jordan and Donna R. Jordan, husband and wife, and their children, Laurelee Ruth Jordan, Julienne Margaret Jordan, Jayne Michelle Jordan and Peter Andrew Jordan; to the Committee on the Judiciary.

By Mr. PACKWOOD (for himself and Mr. HATFIELD):

S. 425. A bill to amend the Mortgage Subsidy Bond Tax Act of 1980 to exempt from the coverage of such Act certain General Obligation mortgage and bond issues of the State of Oregon; to the Committee on Finance.

By Mr. MATSUNAGA (for himself and Mr. BAUCUS):

S. 426. A bill to implement the United Nations Convention on the Means of Prohibiting and Preventing the Illicit Import, Export, and Transfer of Ownership of Cultural Property; to the Committee on Finance.

By Mr. BAUCUS:

S. 427. A bill for the relief of F. H. Stoltze Land and Lumber Co., Inc.; to the Committee on the Judiciary.

S. 428. A bill for the relief of the Mondakota Gas Company, of Billings, Mont.; to the Committee on the Judiciary.

S. 429. A bill for the relief of Charles V. Waldron; to the Committee on the Judiciary.

By Mr. PERCY (for himself, Mr. THURMOND, Mr. ABDNOR, Mr. PRESSLER, Mr. SYMMS, Mr. HUMPHREY, and Mr. TOWER):

S. 430. A bill to authorize a youth minimum wage differential under the Fair Labor Standards Act of 1958, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. MATHIAS:

S. 431. A bill for the relief of Silva Bastajian; to the Committee on the Judiciary.

S. 432. A bill to establish a Commission on the International Application of Antitrust Laws; to the Committee on the Judiciary.

By Mr. DURENBERGER (for himself, Mr. BOREN, and Mr. HEINZ):

S. 433. A bill to amend the Internal Revenue Code of 1954 to encourage competition in the health care industry, to encourage the provision of catastrophic health insurance by employers, and for other purposes; to the Committee on Finance.

By Mr. PELL (for himself and Mr. HARRY F. BYRD, JR.):

S.J. Res. 27. Joint resolution proposing an amendment to the Constitution of the United States relative to the commencement of the terms of Office of the President, Vice President, and for other purposes; to the Committee on the Judiciary.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DOLE:

S. 393. An original bill to provide for a temporary increase in the public debt limit; from the Committee on Finance.

PUBLIC DEBT LIMIT

● Mr. DOLE. Mr. President, I would like to report an original bill from the Committee on Finance that would have the effect of temporarily increasing the public debt of the United States to $985 billion through September 30, 1981. Based on Treasury Department estimates, enactment of this bill should cover the debt financing needs of the Government through fiscal year 1981.

I regret that the first legislation reported by the Committee on Finance in this new Congress must be concerned with the perennial problem of raising the public debt limit. The consequences of failing to raise the debt limit, however, are even more painful.

In this particular instance, we have known since we last raised the debt limit in December that we would need to reexamine the matter this month. The Treasury Department estimated in December that the debt ceiling of $935.1 billion would be reached sometime in February, notwithstanding the fact that the limit nominally expires on Septem-

ber 30 of this year. The Finance Committee attempted to secure a longer extension, which would have carried through the end of March, but unfortunately the House was unwilling or unable to accommodate that suggestion. As a result, late in the last session the Senate agreed to accept the House-passed limit of $935.1 billion, and that is where the limit stands today.

Mr. President, I appreciated the testimony of Secretary Regan on the need to raise the debt limit. Like him, I regret that his first official testimony before the Finance Committee involved a request for another extension of the debt limit. The fact is that our present debt-limit procedure, which derives from the Second Liberty Bond Act of 1917, was intended to minimize the number of occasions on which Congress must act to authorize the issuance of Federal debt. Because of the explosive growth of Federal deficits in recent decades, the debt ceiling has been increased an inordinate number of times. The ceiling was raised on 13 separate occasions in the 1960's, and 18 times during the 1970's. Worse yet, on three occasions in recent years the temporary limit has expired without timely legislative action to extend it. As a result, the Treasury Department had to suspend sales of savings bonds and other securities. Such suspensions only undermine investor confidence, and make it likely that bidders for Government securities will demand a higher interest premium in the future to safeguard them against future disruptions. That means higher costs to the Treasury, when we are trying our best to reduce those costs.

That is why we ought to act promptly on Secretary Regan's request for a debt ceiling of $985 billion through September 30, 1981. I hope that, with the cooperation of this administration and this Congress, we will gain sufficient control over Federal spending and inflation so that the new debt limit will not be reached that soon: That would indeed be a novel situation, and it is certainly a goal worth striving for. But the Treasury Department request is clearly reasonable in light of recent and present economic circumstances, and in view of the obligations the U.S. Government is bound to honor over the coming months.

Mr. President, we will soon have a package of economic proposals from the Reagan administration that we all hope will enable us to avert such frequent increases in the debt limit in coming years. I know that Secretary Regan has been hard at work on those proposals, and I look forward to working with him and his colleagues in the administration to make a fresh start on the Federal budget and the problems of managing the Federal debt. In his testimony to the Finance Committee, Secretary Regan stressed the commitment of this administration to break with the policies of the past which have caused frequent increases in the debt ceiling.

Mr. President, as I have said, I support this legislation to raise the public debt limit to $985 billion and encourage my colleagues to do likewise. I would like to tell this administration and my colleagues, however, that if the Congress does not take dramatic steps toward getting Federal Government spending under control between now and the next time we consider this matter, I will vote against future debt-limit increases. In my opinion the people of this country have spoken clearly on the question of excessive spending. If we are not prepared to convincingly demonstrate that we have listened, then perhaps a Federal default will shock us into our senses.

For the information of Members I would ask to have inserted at this point a description of the legislation reported by the Finance Committee with regard to the debt limit, and an explanation of the need for an increase in the debt limit at this time.

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

DESCRIPTION OF LEGISLATION REPORTED BY FINANCE COMMITTEE

I. SUMMARY

This bill provides that the temporary public debt limit will be increased to $985 billion through September 30, 1981. Under the bill, the permanent limit will remain at $400 billion and the temporary limit will be increased to $585 billion. The increase raises the temporary limit by $49.9 billion over the present limit.

Under present law, the public debt limit is $935.1 billion, which consists of a temporary increase of $535.1 billion over the $400 billion permanent limit. This temporary limit will expire after September 30, 1981.

The $935.1 billion limit is consistent with the budget estimates in the first concurrent resolution on the budget for fiscal year 1981. The conference report on that resolution was passed by both Houses on June 12, 1980. The latest estimates of the fiscal year 1981 budget indicate, however, that a $49.9 billion increase in the debt limit is needed now for the rest of fiscal year 1981.

The present $935.1 billion temporary limit will meet the Treasury Department's estimate of its financial requirements through mid-February. At the close of business on January 30, 1981, the debt subject to limit was $935.075 billion.

TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1947 TO DATE, AND PROPOSED LIMIT THROUGH FISCAL YEAR 1981

[In billions of dollars]

Fiscal year	Statutory debt limitation: Permanent	Statutory debt limitation: Temporary additional	Statutory debt limitation: Total
1947–54	275	----------	275.0
1955 through Aug. 27	275	----------	275.0
1955: Aug. 28 through June 30	275	6.0	281.0
1956	275	6.0	281.0
1957	275	3.0	278.0
1958 through Feb. 25	275	----------	275.0
1958: Feb. 26 through June 30	275	5.0	280.0
1959 through Sept. 1	275	5.0	280.0
1959: Sept. 2 through June 29	283	5.0	288.0
1959: June 30	283	5.0	288.0
1960	285	10.0	295.0
1961	285	8.0	293.0
1962 through Mar. 12	285	13.0	298.0
1962: Mar. 13 through June 30	285	15.0	300.0
1963 through Mar. 31	285	23.0	308.0
1963: Apr. 1 through May 28	285	20.0	305.0
1963: May 29 through June 30	285	22.0	307.0
1964 through Nov. 30	285	24.0	309.0
1964: Dec. 1 through June 28	285	30.0	315.0
1964: June 29 and 30	285	39.0	324.0
1965	285	39.0	324.0
1966	285	43.0	328.0
1967 through Mar. 1	285	45.0	330.0
1967: Mar. 2 through June 30	285	51.0	336.0
1968 [1]	358	----------	358.0
1969 through Apr. 6 [1]	358	7.0	365.0
1969 after Apr. 6 [1]	358	----------	358.0
1970 through June 30 [1]	365	12.0	377.0
1971 through June 30 [1]	380	15.0	395.0
1972 through June 30 [1]	400	50.0	450.0
1973 through Oct. 31 [1]	400	50.0	450.0
1973 through June 30 [1]	400	65.0	465.0
1974 through Nov. 30 [1]	400	65.0	465.0
1974: Dec. 3 through June 30 [1]	400	75.7	475.7
1975 through Feb. 18 [1]	400	95.0	495.0
1975: Feb. 19 through June 30 [1]	400	131.0	531.0
1976 through Nov. 15 [1]	400	177.0	577.0
1976 through Mar. 15 [1]	400	195.0	595.0
1976 through June 30 [1]	400	227.0	627.0
TQ: from enactment through Sept. 30, 1971 [1]	400	236.0	636.0
1977: from Oct. 1, 1976 through Mar. 31, 1977 [1]	400	282.0	682.0
1977: from Apr. 1 through Sept. 30, 1977 [1]	400	300.0	700.0
1978: from Oct. 1, 1977, through July 31, 1978 [1]	400	352.0	752.0
1978: from Aug. 3, 1978, through Mar. 31, 1979 [1]	400	398.0	798.0
1979: from Apr. 2 through Sept. 30, 1979 [1]	400	430.0	830.0
1980: through June 30, 1980 [1]	400	479.0	879.0
1981: through Feb. 28, 1981 [1]	400	525.0	925.0
1981: through Sept. 30, 1981 [1]	400	535.1	935.1
Proposed:			
From enactment through Sept. 30, 1981 [1]	400	585.0	985.0
After Sept. 30, 1981 [1]	400	----------	400.0

[1] Includes FNMA participation certificates issued in fiscal year 1968.

II. INCREASE IN THE TEMPORARY LIMIT ON THE PUBLIC DEBT

A. Present law

The current debt limit is $935.1 billion. This consists of a permanent limit of $400 billion and a temporary limit of $535.1 billion. The temporary limit expires on September 30, 1981, the end of the fiscal year. (A summary of statutory public debt revisions from fiscal year 1947 to date is presented in table 1.)

B. Current budget outlook

The $935.1 billion limit originated in the first budget resolution for fiscal year 1981. (See table 2 for a summary of budget estimates for fiscal year 1981 in the two budget resolutions and as recently revised in the fiscal year 1982 budget submission.) This resolution provided for a $500 million unified budget surplus (revenues of $613.8 billion and outlays of $613.3 billion), and the $935.1 billion debt limit was based on these estimates and was expected to be adequate through September 30, 1981.

Since then, budget prospects have changed significantly. The second budget resolution added almost $20 billion in outlays and provided for a tax reduction. It projected a deficit of $27.4 billion (revenues of $605.0 billion and outlays of $632.4 billion). A debt limit of $978.6 billion through fiscal year 1981 would have been consistent with these budget estimates.

The latest revised estimates of the 1981 budget, which are included in the Carter Administration's budget for fiscal year 1982, show revenues of $607.5 billion, outlays of $662.7 billion and a deficit of $55.2 billion. Even these estimates may prove too optimistic because they are based on a policy which includes net tax increases of $2.5 billion in fiscal year 1981. Moreover, the Congressional Budget Office has recently estimated that the Carter Administration's budget involves $600 million more spending and $1.6 billion less revenue than the Carter Administration's own estimates. Neither of these estimates, however, takes account of the additional windfall profit tax revenue expected to result from President Reagan's decision to deregulate oil prices in January instead of allowing the present phaseout of price controls to be completed in September.

A breakdown of the larger increases in

spending since the first resolution is as follows: spending resulting from higher unemployment than originally expected ($6 billion), spending resulting from higher interest rates than expected ($12 billion), additional defense spending ($8 billion), spending resulting from higher inflation than expected ($10 billion), and additional nondefense spending unrelated to changing economic conditions ($11 billion).

C. Administration request

The Reagan Administration has requested an increase in the debt limit to $985 billion through fiscal year 1981. The Treasury stated that this amount is based upon the revised budget estimates for this fiscal year that were submitted by the Carter Administration, not upon the Reagan Administration's economic program. An increase to $985 billion through the remainder of this fiscal year is requested to allow time for the President to submit his proposed revisions in outlays and receipts and enable Congress to pass the bills it believes are consistent with the proposals.

TABLE 2.—BUDGET TOTALS FOR FISCAL YEAR 1981, AS APPROVED IN THE 1ST AND 2D BUDGET RESOLUTIONS AND REVISED BY CARTER ADMINISTRATION IN BUDGET SUBMITTED FOR FISCAL YEAR 1982

[In billions of dollars]

	Budget resolutions for fiscal year 1981		Budget revisions for fiscal year 1981
	1st	2d	
Receipts	613.8	605.0	607.5
Outlays	613.3	632.4	662.7
Deficit (—) or surplus	.5	−27.4	−55.2
Appropriate debt limit through fiscal year 1981	935.1	978.6	987.3

The Reagan Administration has estimated the probable debt limit requirements at the end of each month from January through September. These estimates (which appear in table 3) show that the estimated debt would reach $937 billion on September 30, on the assumption that the operating cash balance would be a constant $15 billion. Adding an additional $3 billion to the projected debt limits for an allowance for contingencies would increase the required debt limit to $990 billion. Increased windfall profit tax receipts of $3 or $4 billion as a result of President Reagan's decision to decontrol oil prices in January will make a $985 billion limit adequate with no more than a slight reduction in the operating cash balance.

TABLE 3.—END OF MONTH PROJECTIONS OF PUBLIC DEBT SUBJECT TO LIMIT THROUGH FISCAL YEAR 1981

[In billions of dollars]

	Estimated debt subject to limit [1]	With $3,000,000,000 margin for contingencies
Jan. 31	935	938
Feb. 28	952	955
Mar. 31	966	969
Apr. 30	955	958
May 31	975	978
June 30	968	971
July 31	974	977
Aug. 31	983	986
Sept. 30	987	990

[1] Assumes constant $15,000,000,000 operating cash balance.

Source: Treasury Department.

D. Basis for committee action

The committee has been fully aware of the need to increase the temporary debt this month. Accordingly, following the Administration's request the committee has acted expeditiously to approve this bill and report it to the Senate.

As is shown in table 2, estimates of budget outlays have increased by $49.4 billion and receipts have fallen by $6.3 billion since approval of the first budget resolution. If Congress were to adjust the public debt limit to accommodate these changes, the temporary debt limit would be increased by $55.7 billion, from $935.1 billion to $990.8 billion.

Secretary Regan testified before the committee that a $985 billion temporary debt limit for fiscal year 1981 would be adequate in the present circumstance. The new Administration is planning to send to Congress a comprehensive economic program that will tighten federal spending, cut taxes and introduce some regulatory reform. The complete program is not yet ready for submission to Congress. Delaying the increase in the temporary public debt limit until the program has been submitted to Congress and has been acted on by Congress is not possible in the present circumstances.

If Congress does not act promptly to increase the $935.1 billion debt limit, the Treasury Department may not be able to refund outstanding debt in full as it matures. One source of the uncertainty is a statutory requirement to invest surplus trust fund receipts in a United States obligation, which action tends to reduce the debt limit margin available for refunding. Uncertainty about the Treasury's ability to deliver securities in the amount of the auction may discourage participation in the auction and lead to higher interest costs. The problems are imminent because there is an $8.5 billion issue schedule for delivery on February 17 and a $7.8 billion refunding of bills scheduled for delivery on February 19. In addition the revised budget estimates will require $14 to $18 billion higher in new borrowings. After the present debt level has been reached, additional expenditures could be paid for only from general fund revenues which are deposited into the operating cash balance.

Once the cash balance is exhausted, the Federal Government no longer would be able to meet its financial obligations and would stand in default. Then, the Treasury would not be able to refund maturing debt or issue U.S. savings and retirement bonds until lenders are assured that there would be sufficient legal authority to issue debt. Treasury also would not be able to make payments under all the programs that have been authorized and for which funds have been appropriated. These programs and activities include interest payments on the public debt, military and civilian payrolls, various individual entitlement programs, aid to State and local governments, and contracts with private firms and individuals for production of goods and performance of various services for the Federal Government. If an increase in the public debt limit were delayed past the end of February, approximately $8 to $12 billion in payments could not be made to individuals under the social security old age and survivors program, federal employee retirement systems and the railroad retirement system.

In addition, there could be repercussions in the form of permanently higher borrowing costs that would reflect uncertainty expressed by the money market about federal debt management practices and the prospect of another default.

III. APPENDIX—DEBT LIMITATION UNDER SEC. 21 OF THE SECOND LIBERTY BOND ACT AS AMENDED—HISTORY OF LEGISLATION

[In billions of dollars]

Sept. 24, 1917:

40 Stat. 288, sec. 1, authorized bonds in the amount of, $7.5.[1]

40 Stat. 290, sec. 5, authorized certificates of indebtedness outstanding revolving authority, $4.[2]

Footnotes at end of article.

Apr. 4, 1981:

40 Stat. 502, amending sec. 1, increased bond authority to, $12.[1]

40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to, $8.[2]

July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to, $20.[2]

Mar. 3, 1919:

40 Stat. 13, amending sec. 5, increased authority for certificates outstanding to, $10.[2]

40 Stat. 1309, new sec. 18 added, authorizing note in the amount of, $7.[1]

Nov. 23, 1921: 42 Stat. 321 amending sec. 18, increased note authority outstanding (established revolving authority) to, $7.5.[2]

June 17, 1929: 46 Stat. 19 amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding, $10.[2]

Mar. 3, 1931: 46 Stat. 1506 amending sec. 1, increased bond authority to, $28.[1]

Jan. 30, 1934: 49 Stat. 343 amending sec. 18, increased authority for notes outstanding to, $10.[1]

Feb. 4, 1935:

49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing revolving authority) to, $25.[2]

49 Stat. 21, new sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding, $20.[2]

49 Stat. 21, new sec. 22 added, authorizing U.S. savings bonds within authority of sec. 1, ——.

May 26, 1938: 52 Stat. 447, amending secs. 1 and 21, consolidating in sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to $30,000,000,000). Same aggregate total outstanding, $45.[2]

July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bond, certificates of indebtedness, bills and notes, $45.[2]

June 25, 1940: 54 Stat. 526, amending sec. 31, adding new paragraph:

"(b) In addition to the amount authorized by the preceding paragraph of this section, any obligation authorized by secs. 5 and 18 of this Act, as amended, not to exceed in the aggregate $4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under sec. 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defnse, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated 'National Defense Series' ", $49.[2]

Feb. 19, 1941: 55 Stat. 7, amending sec. 21, limiting face amount of obligations issued under authority of act outstanding at any one time to $65.[2]

Eliminated separated authority for $4,000,000,000 of national defense series obligations, $65.[2]

Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to, $125.[2]

Apr. 11, 1943: 57 Stat. 63, amending sec. 21, increased limitation to, $210.[2]

June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to, $260.[2]

Apr. 3, 1945: 59 Stat. 47, amending sec. 21 to read: "The face amount of obligations issued under authority of this act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate, $300,000,000,000 outstanding at one time", $300.[2]

June 26, 1946: 60 Stat. 316, amending sec. 21, adding: "The current redemption value of any obligation issued on a discount basis which is redeemable to maturity at the option of the holder thereof, shall be considered, for the purposes of this section to be

the face amount of such obligation," and decreasing limitation of, $278.[2]

Aug. 28, 1954: 68 Stat. 895, amending sec. 21, enective Aug. 28, 1954, and ending June 30, 1955, increasing temporary limitation by $6,000,000,000 to, $281.[2]

June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to, $281.[2]

July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, increasing temporary limitation by $30,000,000,000 for period, beginning July 1, 1955, and ending June 30, 1957 to, $278.[2]

Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1956, to, $275.[2]

Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, increasing limitation by $5,000,000,000, $280.[2]

Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation by $5,000,000,000, $285.[2]

Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation to $283,000,000,000, which with temporary increase on Feb. 26, 1958, makes limitation $288.[2]

June 30, 1959: Stat. 1o6, amending sec. 21, effective June 30, 1959, increasing limitation to $295,000,000,000, which with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959, $290.[2]

Amending sec. 21, increasing limitation by $10,000,000,000, for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 3, 1959, $295.[2]

July 30, 1960: 74 Stat. 290, amending sec. 21, for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by $8,000,000,000, $293.[2]

June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 3, 1972, increasing limitation by $13,000,000,000 to $298.[2]

Mar. 13, 1962: 75 Stat. 23, amending sec. 21, for period beginning on Mar. 13, 1962, and ending June 3, 1962, further increasing limitation by $2,000,000,000, $300.[2]

July 1, 1962: 76 Stat. 124 as amended by 77 Stat. 50, amending sec. 21, for period—

1. Beginning July 1, 1962, and ending Mar. 31, 1963, $308.[2]

2. Beginning Apr. 1, 1963, and ending June 24, 1963, $305.[2]

3. Beginning June 25, 1963, and ending June 30, 1963, $300.[2]

May 29, 1963: 77 Stat. 50, amending sec. 21, for period—

1. Beginning May 29, 1963, and ending June 30, 1963, $307.[2]

2. Beginning July 1, 1963, and ending Aug. 31, 1963, $309.[2]

Aug. 27, 1963: 77 Stat. 131, amending sec. 21, for the period beginning on Sept. 1, 1963, and ending on Nov. 30, 1963, $309.[2]

Nov. 26, 1963: 77 Stat. 342, amending sec. 21, for the period—

1. Beginning on Dec. 1, 1963, and ending June 29, 1964, $315.[2]

2. On June 30, 1964, $309.[2]

June 29, 1964: 78 Stat. 225, amending sec. 21, for the period beginning June 29, 1964, and ending June 30, 1965, increasing the temporary debt limit to, $324.[2]

June 24, 1965: 79 Stat. 172, amending sec. 21, for the period beginning July 1, 1965, and ending on June 30, 1966, increasing the temporary debt limit to, $328.[2]

June 24, 1966: 80 Stat. 21, amending sec. 21, for the period beginning July 1, 1966, and ending on June 30, 1967, increasing the temporary debt limit to, $330.[2]

Mar. 2, 1967: 81 Stat. 4, amending sec. 21, for the period beginning Mar. 2, 1967, and ending on June 30, 1967, increasing the temporary debt limit to, $336.[2]

June 30, 1967: 81 Stat. 99—

1. Amending sec. 21, effective June 30, 1967, increasing limitation to, $358.[2]

2. Increasing the temporary debt limit by $7,000,000,000 for the period from July 1 to June 29 of each year, to make the limit for such period, $365.[2]

Apr. 7, 1969: 84 Stat. 7—

1. Amending sec. 21, effective Apr. 7, 1969, increasing debt limitation to, $365.[2]

2. Increasing the temporary debt limit by $12,000,000,000 for the period from Apr. 7, 1969, through June 30, 1970, to make the limit for such period, $377.[2]

June 30, 1970: 84 Stat. 368—

1. Amending sec. 21, effective July 1, 1970, increasing debt limitation to, $380.[2]

2. Increasing the temporary debt limit by $15,000,000,000 for the period from July 1, 1970, through June 20, 1971, to make the limit for such period, $395.[2]

Mar. 17, 1971: 85 Stat. 5—

1. Amending sec. 21, effective Mar. 17, 1972, increasing debt limitation to, $400.[2]

2. Increasing the temporary debt limit by $30,000,000,000 for the period from Mar. 17, 1971, through June 30, 1972, to make the limit for such period, $400.[2]

Mar. 15, 1972: 86 Stat. 63, increasing the temporary debt limit by an additional $20,000,000,000 for the period from Mar. 15, 1972, through June 30, 1972, to make the limit for such period, $450.[2]

July 1, 1972: 86 Stat. 406, extending the temporary debt limit of $50,000,000,000 for the period from July 1 through Oct. 31, 1972, to make the limit for such period. $450.[2]

Oct. 27, 1972: 86 Stat. 1324, increasing the temporary public debt by $65,000,000,000 for the period from Nov. 1, 1972, through June 30, 1974, to make the limit for such period, $465.[2]

July 1 1973: 87 Stat. 134, extending the temporary debt limit of $65,000,000,000 for the period from June 30, 1973, through Nov. 30, 1973, to make the limit for such period, $465.[2]

Dec. 3, 1973: 87 Stat. 691, increasing the temporary debt limit by $75,700,000,000 for the period from Dec. 3, 1973, through June 30, 1974, to make the limit for such period $475.7.[2]

June 30, 1974: 88 Stat. 285, increasing the temporary debt limit by $95,000,000,000 for the period from June 3, 1974, through Mar. 31, 1975, to make the limit for such period, $495.[2]

Feb. 19, 1975: 89 Stat. 5, increasing the temporary debt limit by $131,000,000,000 for the period from Feb. 10, 1975, through June 3, 1976, to make the limit for such period, $531.[2]

June 30, 1975: 89 Stat. 246, increasing the temporary debt limit by $177,000,000,000 for the period from June 30, 1975, through Nov. 16, 1975, to make the limit for such period, $577.[2]

Nov. 14, 1975: 89 Stat. 693, increasing the temporary debt limit by $195,000,000,000 for the period from Nov. 14, 1975, through Mar. 15, 1975, to make the limit for such period, $595.[2]

Mar. 15 1976: 90 Stat. 217, increasing the temporary debt limit by $277,000,000,000 for the period from Mar. 15, 1976, through June 30, 1976, to make the limit for such period, $627.[2]

June 30, 1976: 90 stat. 793—

1. Increasing the temporary debt limit by $236,000,000,000 for the period from July 1, 1976, through Sept. 30, 1976, to make the limit for such period, $636.[2]

2. Increasing the temporary debt limit by $282,000 000,000 for the period from Oct. 1, 1976, through Mar. 3, 1977, to make the limit for such period, $682.[2]

3. Increasing the temporary debt limit by $300,000,000,000 for the period from Apr. 2, 1977, through Sept. 30, 1977, to make the limit for such period, $700.[2]

Oct. 4, 1977: 91 Stat. 1090, increasing the temporary debt limit by $352,000,000,000 for the period from the date of enactment through Mar. 31 1978, to make the limit for such period, $752.[2]

Mar. 27, 1978: 92 Stat. 185, extending the temporary debt limit of $352,000,000,000 from the date of enactment through July 31, 1978, to make the limit for such period, $752.[2]

Aug. 3, 1978: 92 Stat. 419, increasing the temporary debt limit by $398,000,000,000 from the date of enactment through Mar. 31, 1979, to make the limit for such period $798.[2]

Apr. 2, 1979: 93 Stat. 8, increasing the temporary debt limit by $430,000,000,000 from the date of enactment through September 30, 1979, to make the limit for such period $830.[2]

Sept. 29, 1979: 93 Stat. 589, increasing the temporary debt limit by $479,000,000,000 from the date of enactment through May 31, 1980, to make the limit for such period $879.[2]

May 30, 1980: 94 Stat. 421, increasing the temporary debt limit by $479,000,000,000 from the date of enactment through June 5, 1980, to make the limit for such period $879.[2]

June 6, 1980: 94 Stat. 439, increasing the temporary debt limit by $479,000,000,000 from the date of enactment through June 30, 1980, to make the limit for such period $879.[2]

June 28, 1980: 94 Stat. 598, increasing the temporary debt limit by $525,000,000,000 from the date of enactment through February 28, 1981, to make the limit for such period $592.[2]

December 19, 1980: 94 Stat.[3], increasing the temporary debt limit by $535,100,000,000 from the date of enactment through September 30, 1981, to make the limit for such period $935.1.[2]

TABLE II.—OUTSTANDING PUBLIC DEBT SUBJECT TO LIMITATION AT END OF FISCAL YEARS 1916–80, AND ON JANUARY 27, 1981

Fiscal year:	*Millions*
1916	$1,225
1917	2,976
1918	12,455
1919	25,485
1920	24,299
1921	23,977
1922	22,963
1923	22,350
1924	21,251
1925	20,516
1926	19,643
1927	18,512
1928	17,604
1929	16,931
1930	16,185
1931	16,801
1932	19,487
1933	22,539
1934	27,053
1935	28,701
1936	33,779
1937	36,425
1938	36,882
1939	40,371
1940	43,219
1941	49,494
1942	74,154
1943	140,469
1944	208,077
1945	268,671
1946	268,932
1947	255,767
1948	250,381
1949	250,965
1950	255,382
1951	253,283
1952	257,233
1953	264,220
1954	269,379

Footnotes at end of article.

Fiscal year:	Millions
1955	272,348
1956	270,619
1957	239,120
1958	275,395
1959	282,419
1960	283,827
1961	283,308
1962	296,374
1963	302,923
1964	308,583
1965	314,126
1966	316,293
1967	323,143
1968	[1] 348,534
1969	[1] 356,107
1970	[1] 372,600
1971	[1] 398,650
1972	[1] 427,751
1973	[1] 458,264
1974	[1] 475,181
1975	[1] 534,207
1976	[1] 620,556
Transition quarter	[1] 635,822
1977	[1] 699,963
1978	[1] 772,691
1979	[1] 827,614
1980	[1] 908,723
1981 [2]	[1] 935,075

[1] Includes FNMA participation certificates issued in fiscal year 1968 in debt of fiscal years 1968–79.

[2] Debt at close of business, January 30, 1981.

Source: Annual Report of the Secretary of the Treasury for fiscal year 1924, table 34, p. 544, for 1916–17; Annual Report for fiscal year 1962, table 507, for 1938 and 1939; Annual Report for fiscal year 1976, Statistical Appendix, table 21, p. 67, for 1940–76; Treasury Bulletin, April 1980, table FD–8, p. 23 for 1977 and 1978 and Monthly Statement of the Public Debt of the United States, September 30, 1980, and Daily Treasury Statement, January 30, 1981.

FOOTNOTES

[1] Limitation on issue.

[2] Limitation on outstanding.

[3] Not available.●

● Mr. DECONCINI. Mr. President, I am pleased to have this opportunity to join Senator DOLE in sponsoring a regulatory reform bill, and to commend him for taking badly needed action in this area. I would also like to commend Senator LAXALT as the chairman of the Regulatory Reform Subcommittee for his interest in this subject, as I strongly believe it is one that the American people are demanding we address. My constituents from Arizona have certainly so indicated.

This is a time in which our country needs greater accountability in Government and I believe that sponsoring legislation such as this is certainly a step in the right direction. I look forward to working with the other sponsors in their attempts to achieve this goal in the best manner possible.

I feel confident that this bill will be the first in a series of regulatory reform measures considered during this congressional session. This measure requires agencies to consider alternative means of achieving their goal before adopting a particular rule. It also provides for the expiration of rules and regulations 5 years after they are adopted and provides for some level of judicial review of rules adopted by the Federal agencies. While I do not see this one piece of legislation as the answer to all the problems in this area, I feel confident that its introduction will give us a framework from which to begin finding the solution to the problem of Federal agency accountability.●

By Mr. WALLOP (for himself, Mr. BOREN, Mr. HARRY F. BYRD, JR., Mr. PERCY, Mr. HELMS, Mr. DOMENICI, Mr. SYMMS, Mr. BAUCUS, Mr. TOWER, Mr. HEFLIN, Mr. BENTSEN, Mr. HAYAKAWA, Mr. PRYOR, Mr. LUGAR, Mr. ANDREWS, Mr. DURENBERGER, Mr. THURMOND, Mr. ZORINSKY, Mr. MATHIAS, Mr. NICKLES, Mr. BURDICK, Mr. ABDNOR, and Mr. MATSUNAGA):

S. 395. A bill to amend the Internal Revenue Code of 1954 to provide estate and gift tax equity for family enterprises, and for other purposes; to the Committee on Finance.

FAMILY ENTERPRISE ESTATE AND GIFT TAX EQUITY ACT

Mr. WALLOP. Mr. President, today I join with Senators BOREN, BYRD, PERCY, HELMS, BENTSEN, DOMENICI, SYMMS, BAUCUS, TOWER, HEFLIN, HAYAKAWA, PRYOR, LUGAR, ANDREWS, DURENBERGER, THURMOND, and ZORINSKY in introducing the estate and gift tax amendments of 1981. This legislation addresses certain inequities and eliminates unnecessary complications in the estate and gift tax laws. The legislation focuses on relieving the harsh consequences of inflation, especially as it interacts with the estate tax laws to force many family-owned farms and small enterprises out of business.

Unfortunately, little attention has been given to estate taxes in recent years. The focus in Congress has reflected the national concern over capital formation issues and the need to get our economy moving toward an era of inflation-free growth. Those are laudable goals, which I heartily support. But we cannot pursue the goals of capital formation or reindustrialization without making sure that other fundamental aspects of our economic strength are addressed. I am talking about small businesses and family farms. So much of the economic growth still depends on small business, and the productivity of agriculture, that we should not allow these institutions to be neglected.

To most people, it appears that estate taxes have very little to do with small businesses or farmers. After all, it is only natural that one generation passes away, and the next generation simply takes over the reins of management. In transition, an estate tax is paid, and life goes on as usual.

That is the theory of estate taxation. The realities of the situation are much more cruel. Too often, heavy estate tax burdens make it difficult or impossible for one generation of farmers, timber lot owners, or small businessmen to pass on their operation to the next generation. Even if the transfer is accomplished, heavy estate taxes can destroy the financial ability of the succeeding generation to invest in and improve small family operations. When estate taxes force farmers or family-owned businesses to sell out to larger farmers or larger corporations, then we have a Government policy that changes the economic landscape of this Nation.

Our estate tax laws are based on considerations of equity—they are relatively meaningless as a revenue raising device. In 1980 the revenues from estate taxes amounted to only about $6 billion out of a total Federal collection of $650 billion.

The sole policy goal of estate taxes is to "prevent the excessive accumulation of wealth from one generation to the next." Unfortunately, in to many instances the estate and gift taxes are not only preventing the excessive accumulation of wealth, they are actually interfering with the transfer of small businesses and farms from one generation to the next. They promote the transfer of wealth to corporate America.

When this occurs, we have estate taxes that are neither equitable, nor do they make economic sense. Whatever social goal they were designed to achieve may have once made sense, but today they are having the opposite result. What we need are estate tax laws that do not interfere with the national objective of encouraging the continuation of family farms and small businesses. We need estate tax laws that mesh with other tax efforts to eliminate disincentives to capital formation. Finally, there is a desperate need to approach these goals with an eye toward simplifying the estate and gift tax laws.

One final note, Mr. President. If a farm or small business falls into corporate hands, it will never again be subjected to inheritance taxes. Only a small proportion of its shares will be taxed based on values set by bookkeepers, not appraisers bent on high returns to the Government.

INCREASE IN UNIFIED CREDIT AND RATE CUT

Mr. President, this legislation proposes an increase in the unified credit so that gross estates valued up to $600,000 may pass free of Federal estate and gift taxes, and it makes an across-the-board 10-percent cut in estate tax rates. These changes in the estate tax laws will not only remove the administrative burden of estate taxes on many family-owned farms and businesses, but they will also protect all estates from the effects of the last several years of high inflation.

We are all familiar with the effects of inflation on income tax rates, but it is important to recognize that inflation has also triggered higher estate tax burdens on family estates. I submit, Mr. President, that these burdens were never intended by Congress. Allow me to draw your attention to a table prepared for hearings in the Senate Finance Committee by Mr. Thomas Eubank, an estate tax expert from Illinois. Mr. Eubank's table graphically illustrates the tax increases that have been imposed on all estates by the relentless increase of inflation. The table provides the example of a $250,000 estate on January 1, 1977, when our current estate tax rates became effective, and how that estate changes by January 1, 1984, over a brief period of 7 years. Mr. Eubank made

the modest assumption of a 10-percent inflation rate over those 7 years, and he also assumes that there is no change in value in the estate except for those increases commensurate with inflation. Under these circumstances, a $250,000 estate in 1977 will be a $500,000 estate in 1984. The estate tax on that estate will increase from $23,800 in 1977 to $108,800 in 1984, nearly a fivefold increase in only 7 years.

Mr. President, the benefits of the 1976 estate tax amendments will be lost unless Congress acts to increase the unified credit, cut the estate tax rates and create some compensation for inflation. This problem is addressed in the legislation we introduce today.

HOW INFLATION INCREASES ESTATE TAXES

Estate size,[1] Jan. 1. 1977	Estate tax,[2] Jan, 1, 1977	Percentage of estate payable as tax, Jan. 1, 1977	Estate size [1] (col. 1 doubled)	Estate tax,[2] Jan. 1, 1984	Percentage of estate payable as tax, Jan. 1, 1984	Estate tax Jan. 1, 1984 in 1977 dollars (col. 5 halved)	Percentage increase in tax using 1977 dollars (increase from col. 2 vs. col. 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$2, 500, 000	$978, 800	39	$5, 000, 000	$2, 503, 800	50	$1, 251, 900	28
2, 000, 000	773, 800	37	4, 000, 000	1, 833, 800	46	916, 900	25
1, 500, 000	508, 800	34	3, 000, 000	1, 243, 800	41	621, 900	22
1, 250, 000	401, 300	32	2, 500, 000	978, 800	39	489, 400	22
1, 000, 000	298, 800	30	2, 000, 000	733, 800	37	366, 900	23
750, 000	201, 300	27	1, 500, 000	508, 800	34	254, 400	26
500, 000	108, 800	22	1, 000, 000	298, 800	30	149, 400	37
250, 000	23, 800	10	500, 000	108, 800	22	54, 400	129

[1] Taxable estate plus adjusted taxable gifts.

[2] A unified credit of $47,000 is used in calculating the taxes in cols. 2 and 5, without allowance for any other credit.

WIDOW'S TAX REPEAL

Mr. President, another section in my bill adresses the so-called widow's tax by removing all limitation on the marital deduction for estate and gift tax purposes. Under present law there is currently an estate tax marital deduction for property passing from the decedent to the surviving spouse, but it is limited to the greater of $250,000 or one-half of the decedent's adjusted gross estate. There is also a gift tax marital deduction which provides for an unlimited deduction for transfers between spouses for the first $100,000 in gifts. Thereafter, the deduction allowed is 50 percent of the interspousal lifetime transfers in excess of $200,000.

Also under existing law, the limitation on the estate tax marital deduction is reduced by the amount of the marital deduction allowed for lifetime transfers in excess of 50 percent of the value of the transfers. However, experience has shown that the limitations on the marital deduction for estate and gift tax purposes are unsatisfactory. This is because it results in the imposition of a transfer tax on the movement of property from spouse to spouse and forces couples into an unnatural arrangement of recordkeeping of interspousal transfers.

The question addressed by this provision is: When one spouse dies before the other, should a tax be levied upon the estate of the first to die? Under present law, a farm wife who for years works alongside her husband finds upon his death that she is the victim of estate taxes, and finds it extremely difficult to prove that she has made a financial contribution to the farming operation. How totally insulting and unfair it is to have farm wives pay inheritance taxes on estates that they worked with their husbands to build.

This legislation will do away with the need to keep records of transfers between spouses for estate and gift tax purposes. Gifts between husbands and wives should be generated out of that most basic element of human nature—love—and should not be sullied with tax considerations and recordkeeping. A 100-percent marital deduction with no disqualification of community property would eliminate all of the concerns and bring to full fruition from a tax standpoint the often pressed attitude of husband and wife that the property is "ours" without regard to the technical legal ownership requirements.

The Federal estate tax recognizes the individual rather than the family ownership of property. The central rationale for an unlimited marital deduction is the belief that it is unreasonable to treat the surviving members of a family as receiving a capital gain when one member dies. Actually, the reverse is true. The death of either the husband or the wife leaves the remaining members of the family worse off. If the family includes children at home, the death of the mother will sharply increase the cost of maintaining the family because many of the services typically provided free by the mother must now be purchased. The death of the father will also sharply reduce the income available to support the family. Mr. President, my bill simply recognizes those facts of life.

Mr. President, the unlimited marital deduction should not lose revenue in the long run. In fact, when the unlimited marital deduction is used it may even increase revenue as a result of estate stacking, the combining of the two spouses' estates into one larger taxable estate. This suggests that some families may not wish to use the unlimited marital deduction, and that for some estates expert tax advisers would not recommend using the provision in this bill. I wish to emphasize that the unlimited marital deduction called for in this legislation is optional, enabling individuals to choose how to structure their estates.

SPECIAL USE VALUATION

Mr. President, we introduce this legislation just a few days after the publication of the final "Report of the National Agricultural Lands Study" undertaken by the Department of Agriculture. This study examined the adequacy of America's agricultural land base and determined the rate at which American farmland is being converted to nonagricultural uses. The study found that 3 million acres of American farmland are being converted each year to build shopping centers, highways, and houses. The disappearance of prime farmland has been particularly acute in the industrial States east of the Mississippi, particularly the Mid-Atlantic States which have lost 22 percent of their farmland to development.

The problem of farmland conversion will affect this Nation's ability to produce food, not only for ourselves, but for an expanding world population. We will have little hope of seeing gasohol contribute to our energy needs or meet the growing world food requirements if prime American farmland is converted to nonagricultural uses.

Mr. President, this legislation recognizes that the burden of estate taxes only creates a more difficult financial climate for American farmers. It recognizes that if the estate tax problems facing family farms is not addressed, we will see farmland converted to nonagricultural uses at an accelerated pace.

Mr. President, the need to give estate tax relief to farmers and ranchers stems from the low return they receive from their operation and the unique nature of their most important asset; land. Too often farmers find that they have a modest income throughout their lives yet upon death they will be viewed as millionaires, solely because their land has appreciated in value. The average return on agricultural land is approximately 3 percent of current value. But the per acre value of farmland has multiplied over 13 times between 1942 and 1980, compared to a fourfold increase in prices generally. No wonder individuals face difficulties in paying estate taxes when land prices have escalated so dramatically. A farmer simply cannot borrow money at 15 or 20 percent to pay off estate taxes on

land that generates a net rent of 3 or 4 percent per year—unless of course he is willing to sell part of his land. Land inflation combined with estate taxes threaten to force large-scale liquidations of properties now held by families that have an established record of efficient food and fiber production.

Mr. President, much of the increase in farm prices is attributable to the fact that in many areas, outside investors have purchased prime argicultural land, bidding up its price. In many instances, the entrance of nonfarmers into the farming business has been encouraged by tax-shelter opportunities inherent in the tax rules applied to farm operations. The challenge to Congress is to devise estate tax laws that work in harmony with the goal of preserving the family farm, without creating tax preferences that increase the flood of nonagricultural investors into farm and ranch land.

Too often, the market value of real property used for agricultural purposes is distorted by factors unrelated to its earning capacity as farmland. Under the estate tax law as it existed prior to 1976 the value of property was included in the gross estate of a decedent at the fair market value of the property on the date of the decedent's death. One of the most important considerations used in determining fair market value was the highest and best use to which the property could be put. The IRS interpreted "highest and best" to mean that use which would bring the most money if the property was sold.

By this practice, IRS agents would value a working farm not on the basis of its actual use as a farm, but on the basis of whatever use would bring the highest return at auction. Most of the time this meant that the IRS agent would envision a working farm as if it was simply a tract of land to be subdivided into one-quarter-acre lots for housing. The IRS routinely totally ignored the income stream that the farm, as a farm, generated. How many lots could be carved out? That was the determining factor for the IRS. Then multiply the number of imaginary lots by the average cost of a developed building lot in the area, and you have fair market value according to the tax collector.

In many cases, the greater estate tax burden generated by the unrealistic valuation makes continuation of farming or of operating a closely held business not feasible because the income potential from these activities is insufficient to service extended tax payments or loans obtained to pay the tax. Thus, the heirs are forced to sell the land for development purposes.

In 1976, the Congress recognized, at least to some extent, the value of the family farm. The Congress believed that when land is actually used for farming purposes or for other closely held business purposes, it is inappropriate to value the land on the basis of its potential "highest and best use" especially since it is desirable to encourage the continued use of property for farming and other small businesses. Also, where the valuation of land reflects speculation to such a degree that the price does not bear a reasonable relationship to its earning capacity, we in the Congress believed it unreasonable to require that this "speculative value" with respect to land devoted to farm or closely held businesses be included in an estate. For these reasons, the Congress in 1976 changed the law to provide for the special use valuation for estate tax purposes in situations involving real property used in farming or in certain other trades or businesses.

The special use valuation rules adopted in 1976 were a step in the right direction, but certain restrictions and limitations were adopted which detract from the practical applications and use of these provisions by bona fide ranchers and farmers. The provisions have simply not worked as well as they were intended. The special use valuation provisions are burdened by overadministration and overregulation, and in its attempts to prevent abuse, it has failed to help the ranchers and farmers who truly need estate tax relief.

This legislation also addresses the very special problems faced by owners of woodlots and timberlands as they try to use the special use valuation provisions. Woodlands is perhaps the most obvious area in which material participation and the special use valuation rules have not worked. Because of the long rotation periods which include intervals of management inactivity and the need for professional advice and service, material participation rules as written for other crop farming does not speak to timberland owners or tree farmers.

In contrast to other agricultural farming, the crop period for timber growing often spans 30 to 60 years. Many timber owners make only one timber sale in their lifetime, and for the timber stand, that one sale may be only a thinning improvement, or other intermediate cut. Tree farming and the management of timber does not require frequent or substantial work each year or even at 5- or 10-year intervals and thus they cannot comply with the regulation although this industry was clearly and specifically intended to benefit from this provision.

Mr. President, the legislation I am introducing today removes these obstacles so that the special use valuation legislation approved by Congress in 1976 can actually assist farmers, ranchers, and woodland owners in 1981.

INCREASE IN THE GIFT TAX EXEMPTION

This legislation makes an additional change in the area of gift taxation. Present law permits a person to exclude up to $3,000 given to another individual per year without having to pay gift taxes on the transfer. The present $3,000 exclusion has not been raised in 35 years. During that 35-year period inflation has more than quadrupled the cost of goods and property. This legislation will increase the gift tax exclusion to $10,000.

The case for an adequate annual gift tax exclusion was stated by the Finance Committee in 1932. It stated that the exclusion—

On one hand is to obviate the necessity of keeping an account of and reporting numerous small gifts, and on the other, to fix the amount sufficiently large to cover in most cases wedding and Christmas gifts and occasional gifts of relatively small amounts.

The need to increase the exclusion is also supported by the traditional practice of giving help to loved ones. Many parents make substantial transfers of funds to children to provide for college, an automobile, or for getting married and starting a home and family. In turn, many adult children try to help aged parents by providing food, clothing, shelter, and basic amenities. Under the laws of most States, these types of transfers are gifts, because the transferor has no legal obligation to provide for those parents or young adults. Although the Internal Revenue Service is not yet actively pursuing taxpayers in these situations, most estate tax experts believe that such transfers are gifts under the Federal estate and gift laws as they are written.

Mr. President, most people do not realize that when they give substantial gifts or make transfers valued over $3,000, they are subject to the gift tax. They do not realize this because it is inconceivable that people should pay a gift tax on a wedding gift, tuition payments, or the funds given to help support an elderly mother or father. Keeping the gift tax exclusion at $3,000 will continue to make many taxpayers lawbreakers. This legislation will bring the gift tax exclusion in step with the changing economic realities by increasing the exclusion to $10,000.

Mr. President, this legislation reflects the work of many Senators and the recommendations of estate tax experts received through a series of hearings in the Senate Finance Committee. These needed reforms in the estate tax laws should be addressed by the Congress without delay. I urge my colleagues to assist me in this effort to enact these needed reforms in the gift and tax laws.

I request unanimous consent that the bill be reprinted following my remarks in the RECORD.

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

S. 395

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1954 CODE.

(a) SHORT TITLE.—This Act may be cited as the "Family Enterprise Estate and Gift Tax Equity Act".

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. CHANGES IN RATE SCHEDULES.

(a) IN GENERAL.—Subsection (c) of section 2001 (relating to the rate schedule) is amended by striking out the table contained therein and inserting in lieu thereof the following new table:

"If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over $25,000	10 percent of such amount.
Over $25,000 but not over $50,000	$2,500, plus 15 percent of the excess of such amount over $25,000.
Over $50,000 but not over $125,000	$6,250, plus 18 percent of the excess of such amount over $50,000.
Over $125,000 but not over $250,000	$19,750, plus 20 percent of the excess of such amount over $125,000.
Over $250,000 but not over $500,000	$44,750, plus 22 percent of the excess of such amount over $250,000.
Over $500,000 but not over $750,000	$99,750, plus 25 percent of the excess of such amount over $500,000.
Over $750,000 but not over $1,000,000	$162,250, plus 28 percent of the excess of such amount over $750,000.
Over $1,000,000 but not over $1,250,000	$232,250, plus 31 percent of the excess of such amount over $1,000,000.
Over $1,250,000 but not over $1,500,000	$309,750, plus 33 percent of the excess of such amount over $1,250,000.
Over $1,500,000 but not over $2,000,000	$392,250, plus 35 percent of the excess of such amount over $1,500,000.
Over $2,000,000 but not over $2,500,000	$567,250, plus 39 percent of the excess of such amount over $2,000,000.
Over $2,500,000 but not over $3,000,000	$762,250, plus 43 percent of the excess of such amount over $2,500,000.
Over $3,000,000 but not over $3,500,000	$977,250, plus 47 percent of the excess of such amount over $3,000,000.
Over $3,500,000 but not over $4,000,000	$1,212,250, plus 51 percent of the excess of such amount over $3,500,000.
Over $4,000,000 but not over $4,500,000	$1,467,250, plus 55 percent of the excess of such amount over $4,000,000.
Over $4,500,000 but not over $5,000,000	$1,742,250, plus 59 percent of the excess of such amount over $4,500,000.
Over $5,000,000	$2,037,250, plus 60 percent of the excess of such amount over $5,000,000.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 1980.

SEC. 3. INCREASE IN UNIFIED CREDIT.

(a) CREDIT AGAINST ESTATE TAX.

(1) IN GENERAL.—Subsection (a) of section 2010 (relating to unified credit against estate tax) is amended by striking out "$47,000" and inserting in lieu thereof "$124,750".

(2) CONFORMING AMENDMENTS.—

(A) Subsection (b) of section 2010 is amended to read as follows:

"(b) Phase-in of Credit.—

"In the case of decedents dying in:	"Subsection (a) shall be applied by substituting for '$124,750' the following amount:
1981	$29,750
1982	55,750
1983	77,750
1984	99,750.".

(B) Subsection (a) of section 6018 (relating to estate tax returns by executors) is amended—

(i) by striking out "$175,000" in paragraph (1) and inserting in lieu thereof "$600,000"; and

(ii) by striking out paragraph (3) and inserting in lieu thereof the following:

"(3) Phase-in of filing requirement amount.—

"In the case of decedents dying in:	"Paragraph (1) shall be applied by substituting for '$600,000' the following amount:
1981	$175,000
1982	300,000
1983	400,000
1984	500,000.".

(b) CREDIT AGAINST GIFT TAX.—

(1) IN GENERAL.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax) is amended by striking out "$47,000" and inserting in lieu thereof "$124,750".

(2) CONFORMING AMENDMENT.—Subsection (b) of section 2505 is amended to read as follows:

"(b) PHASE-IN OF CREDIT.—

"In the case of gifts made in:	"Subsection (a)(1) shall be applied by substituting for '$124,750' the following amount:
1981	$29,750
1982	55,750
1983	77,750
1984	99,750.".

(c) EFFECTIVE DATES.—The amendments made—

(1) by subsection (a) shall apply to the estates of decedents dying after December 31, 1980, and

(2) by subsection (b) shall apply to gifts made after such date.

SEC. 4. UNLIMITED MARITAL DEDUCTION.

(a) ESTATE TAX DEDUCTION.—

(1) IN GENERAL.—Section 2056 (relating to bequests, etc. to surviving spouses) is amended—

(A) by striking out subsection (c) and redesignating subsection (d) as subsection (c), and

(B) by striking out "subsections (b) and (c)" in subsection (a) and inserting in lieu thereof "subsection (b)".

(2) CONFORMING AMENDMENT.—Paragraph (5) of section 2057(e) (defining property passing from a decedent) is amended by striking out "2056(d)" and inserting in lieu thereof "2056(c)".

(b) GIFT TAX DEDUCTION.—

(1) IN GENERAL.—Subsection (a) of section 2523 (relating to gift to spouse) is amended to read as follows:

"(a) ALLOWANCE OF DEDUCTION.—Where a donor who is a citizen or resident transfers during the calendar quarter by gift an interest in property to a donee who at the time of the gift is the donor's spouse, there shall be allowed as a deduction in computing taxable gifts for the calendar quarter an amount with respect to such interest equal to its value.".

(2) TECHNICAL AMENDMENT.—Section 2523 is amended by striking out subsection (f).

(c) EFFECTIVE DATES.—The amendments made—

(1) by subsection (a) shall apply to the estates of decedents dying after December 31, 1981, and

(2) by subsection (b) shall apply to gifts made after such date.

SEC. 5. INCREASE IN ANNUAL GIFT TAX EXCLUSION.

(a) IN GENERAL.—Subsection (b) of section 2503 (relating to exclusions from gifts) is amended by striking out "$3,000" and inserting in lieu thereof "$10,000".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to gifts made after December 31, 1981.

SEC. 6. VALUATION OF CERTAIN FARM, ETC., REAL PROPERTY.

(a) DEFINITION OF QUALIFIED REAL PROPERTY.—Subsection (b) of section 2032A (defining qualified real property is amended—

(1) by inserting "by the decedent or a member of the decedent's family" after "qualified use" each place it appears in paragraph (1), and

(2) by adding at the end thereof the following new paragraphs:

"(4) RETIRED AND DISABLED DECEDENTS.—

"(A) IN GENERAL.—If, on the date of death of the decedent, the decedent did not otherwise meet the requirements of paragraph (1)(C) with respect to any property, and the decedent—

"(i) was eligible to receive old-age benefits under title II of the Social Security Act, or

"(ii) was disabled for a continuous period ending on such date,

then paragraph (1)(C) shall be applied by substituting 'the date on which the decedent became eligible to receive old-age benefits under title II of the Social Security Act or became disabled' for 'the date of the decedent's death'.

"(B) DISABLED DEFINED.—For purposes of subparagraph (A), an individual shall be disabled if such individual has a mental or physical impairment which renders him unable to materially participate in the operation of the farm or other business.

"(5) SPECIAL RULE FOR SPOUSES WHO ARE QUALIFIED HEIRS.—In the case of any quali-

fied real property which was acquired by a qualified heir who is the spouse of the decedent and which does not otherwise meet the requirements of paragraph (1)(C) upon the death of such spouse, such real property shall be treated as meeting the requirements of paragraph (1)(C) if such spouse was engaged in the active management of the operation of the business at all times during—

"(A) the 10-year period ending on the date of death of the spouse, or

"(B) the period beginning on the date of death of the decedent and ending on the date of death of the spouse.

"(6) SPECIAL RULE FOR CERTAIN WOODLANDS.—In the case of real property used for a farming purpose described in subparagraph (C) of subsection (e)(5) which does not otherwise meet the requirements of subparagraph (A), (B), or (C) of paragraph (1), such real property shall be treated as meeting the requirements of any such subparagraph if, at all times during the 10-year period ending on the date of the decedent's death, such real property was owned by the decedent or a member of the decedent's family and used for such farming purpose.".

(b) DISPOSITIONS AND FAILURES TO USE FOR QUALIFIED USE.—

(1) 10-year holding period.—

(A) IN GENERAL.—Subsection (c) of section 2032A (relating to tax treatment of dispositions and failures to use for qualified use) is amended—

(i) by striking out "15 years" in paragraph (1) and inserting in lieu thereof "10 years", and

(ii) by striking out paragraph (3) and redesignating paragraphs (4) through (7) as paragraphs (3) through (6).

(B) CONFORMING AMENDMENTS.—Paragraph (2) of section 2032A (h) (relating to treatment of replaced property) is amended—

(i) by striking out in subparagraph (A) all that follows "involuntarily converted," and inserting in lieu thereof the following: "except that with respect to such qualified replacement property the 10-year period under paragraph (1) of subsection (c) shall be extended by any period, beyond the 2-year period referred to in section 1033(a)(2)(B)(i), during which the qualified heir was allowed to replace the qualified real property,", and

(ii) by striking out "(7)" in subparagraph (C) and inserting in lieu thereof "(6)".

(2) CESSATION OF QUALIFIED USE.—

(A) IN GENERAL.—Paragraph (6) of section 2032(c) (defining cessation of qualified use), as redesignated by paragraph (1), is amended to read as follows:

"(6) CESSATION OF QUALIFIED USE.—For purposes of paragraph (1)(B)—

"(A) IN GENERAL.—Real property shall cease to be used for the qualified use if—

"(i) such property ceases to be used for the qualified use set forth in subparagraph (A) or (B) of subsection (b)(2) under which the property qualified under subsection (b), or

"(ii) except as provided in subparagraph (B) or (C), during any period of 8 years ending after the date of the decedent's death and before the date of the death of the qualified heir, there had been periods aggregating 3 years or more during which—

"(I) in the case of periods during which the property was held by the decedent (other than periods during which the decedent was an individual described in subsection (b)(4)(A)(i) or (ii)), there was no material participation by the decedent or any member of the family in the operation of the farm or other business, and

"(II) in the case of periods during which the property was held by any qualified heir, there was no material participation by such qualified heir or any member of his family in the operation of the farm or other business.

"(B) 10-YEAR ACTIVE MANAGEMENT.—If an eligible qualified heir elects, at such time and in such manner as the Secretary may prescribe, to have the provisions of this subparagraph apply to any real property—

"(i) the provision of clause (ii) of subparagraph (A) shall not apply to such property, and

"(ii) such property shall cease to be used for the qualified use if the fiduciary or the eligible qualified heir or any member of his family did not take part in the active management of the farm or other business at all times during the period beginning on the date of death of the decedent and ending on the earlier of—

"(I) the date of death of the qualified heir, or

"(II) the date which is 10 years from date of death of the decedent.

"(C) SPECIAL RULE FOR WOODLANDS.—The provisions of clause (ii) of subparagraph (A) shall not apply in the case of real property with respect to which the qualified use under which the property qualified under subsection (b) was use for a farming purpose described in subparagraph (C) of subsection (e)(5).

"(D) ELIGIBLE QUALIFIED HEIR.—For purposes of this paragraph, the term 'eligible qualified heir' means a qualified heir who, on the date of death of the decedent—

"(i) is the spouse of the decedent,

"(ii) has not attained the age of 21,

"(iii) is a student described in subparagraph (A) or (B) of section 151(e)(4), or

"(iv) was disabled (within the meaning of subsection (b)(4)(P)) for a continuous period ending on such date.".

(B) CONFORMING AMENDMENT.—Subsection (e) of section 2032A (relating to definitions and special rules) is amended by adding at the end thereof the following new paragraph:

"(12) ACTIVE MANAGEMENT.—The term 'active management' means the making of the management decisions of a business (other than the daily operating decisions).".

(c) REPEAL OF $500,000 LIMITATION.—Subsection (a) of section 2032A (relating to value based on use under which property qualifies) is amended to read as follows:

"(a) VALUE BASED ON USE UNDER WHICH PROPERTY QUALIFIES.—If—

"(1) the decedent was (at the time of his death) a citizen or resident of the United States; and

"(2) the executor elects the application of this section and files the agreement referred to in subsection (d)(2),

then, for purposes of this chapter, the value of qualified real property shall be its value for the use under which it qualifies, under subsection (b), as qualified real property.".

(d) EXCHANGE OF QUALIFIED REAL PROPERTY.—

(1) IN GENERAL.—Section 2032A (relating to valuation of certain farm, etc., real property) is amended by adding at the end thereof the following new subsection:

"(i) EXCHANGES OF QUALIFIED REAL PROPERTY.—

"(1) TREATMENT OF PROPERTY EXCHANGED.—

"(A) IN GENERAL.—If an interest in qualified real property is exchanged—

"(i) no tax shall be imposed by subsection (c) on such exchange if the interest in qualified real property is exchanged solely for an interest in qualified exchange property in a transaction which qualifies under section 1031(a), or

"(ii) if clause (i) does not apply, the amount of the tax imposed by subsection (c) on such exchange shall be the amount determined under subparagraph (B).

"(B) AMOUNT OF TAX WHERE PROPERTY RECEIVED IS NOT SOLELY AN INTEREST IN QUALIFIED EXCHANGE PROPERTY.—The amount determined under this subparagraph with respect to any exchange is the amount of tax which (but for this subsection) would have been imposed on such exchange reduced by an amount equal to that portion of such tax which is attributable to the amount of the interest in qualified exchange property received by the taxpayer.

"(2) TREATMENT OF QUALIFIED EXCHANGE PROPERTY.—For purposes of subsection (c)—

"(A) any interest in qualified exchange property shall be treated in the same manner as if it were a portion of the interest in qualified real property which was exchanged, and

"(B) any tax imposed by subsection (c) on the exchange shall be treated as a tax imposed or a partial disposition.

"(3) QUALIFIED EXCHANGE PROPERTY.—For purposes of this subsection, the term 'qualified exchange property' means real property which is to be used for the qualified use set forth in subparagraph (A) or (B) of subsection (b)(2) under which the real property exchanged therefor originally qualified under subsection (a).".

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 2032A(f) (relating to statute of limitations) is amended—

(i) by inserting "or exchange" after "conversion",

(ii) by inserting "or (1)" after "(h)", and

(iii) by inserting "or of the exchange of property" after "replace".

(B) Paragraph (2) of section 6324B(c) (relating to special liens) is amended by inserting "and qualified exchange property (within the meaning of section 2032A(i)(3))" before the period at the end thereof.

(e) ELECTION REQUIREMENT OF SPECIAL RULES FOR INVOLUNTARY CONVERSIONS REPEALED.—Section 2032A(h) (relating to special rules for involuntary conversions of qualified real property) is amended—

(1) by striking out "and the qualified heir makes an election under this subsection" in paragraph (1)(A); and

(2) by striking out paragraph (5).

(f) METHOD OF VALUING FARMS.—Paragraph (7) of section 2032A(e) of the Internal Revenue Code of 1954 is amended to read as follows:

"(7) METHOD OF VALUING FARMS.—

"(A) IN GENERAL.—Unless the executor elects to have the value of the farm for farming purposes determined under paragraph (8), the value of a farm for farming purposes shall be determined by dividing—

"(i) the excess of the amount of the average annual gross rental value of the qualified real property used for farming purposes over the amount of the average annual State and local real estate taxes for such qualified real property, by

"(ii) the average annual effective interest rate for all new Federal Land Bank loans.

For purposes of the preceding sentence, each average annual computation shall be made on the basis of the 5 most recent calendar years ending before the date of the decedent's death.

"(B) APPLICATION.—Unless the executor so elects otherwise, subparagraph (A) shall apply regardless of whether the qualified real property or any portion thereof has in fact been rented or whether such qualified real property has been rented on a cash, crop shares, or other basis.".

(g) BASIS UPON RECAPTURE.—Paragraph (3) of section 1014(a) (relating to basis of property acquired from a decedent) is amended by inserting "(increased by the value of any interest in such property (determined for purposes of this chapter without regard to this section) with respect to which an additional estate tax is imposed under section 2032A(C)(1))" after "section".

(h) EFFECTIVE DATE.—The amendments

made by this section shall apply to the estates of decedents dying after December 31, 1981.

SEC. 7 ESTATE TAX TREATMENT OF TRANSFERS MADE WITHIN 3 YEARS OF DECEDENT'S DEATH.

(a) IN GENERAL.—Section 2035 (relating to adjustments for gifts made within 3 years of decedent's death) is amended by adding the following new subsection at the end thereof:

"(d) VALUATION OF GIFTS.—For purposes of subsection (a), the value of property included in the gross estate by reason of subsection (a) shall be the value of such property at the time of its transfer. The preceding sentence shall not apply to a transfer of an interest in property which is included in the value of the gross estate under section 2036, 2037, 2038, 2041, or 2042 or would have been included under any of such sections if such interest had been retained by the decedent.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to gifts made after December 31, 1980.

SEC. 8 ELECTION TO PAY GIFT TAX

(a) IN GENERAL.—Section 2505 (relating to unified credit against gift tax) is amended by adding at the end thereof the following new subsection:

"(e) ELECTION TO PAY GIFT TAX.—

"(1) IN GENERAL.—An individual may elect with respect to any calendar quarter not to have the credit allowed by subsection (a) apply with respect to gifts made during such quarter.

"(2) ELECTION.—Any election under paragraph (1) shall be made at the same time as the return required to be filed for such quarter under section 6019 is filed and shall be in such form and manner as the Secretary may by regulations prescribe.

"(3) EFFECT OF ELECTION.—For purpose of subsection (a) (2), the amount of any credit which does not apply by reason of an election under paragraph (1) shall not be treated as an amount allowable as a credit under this section.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to gifts made after December 31, 1980.

SEC. 9 COORDINATION OF EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX WHERE ESTATE CONSISTS LARGELY OF INTEREST IN CLOSELY HELD BUSINESS.

(a) ELIGIBILITY REQUIREMENTS.—Paragraph (1) of section 6166(a) (relating to alternate extension of time for payment of estate tax where estate consists largely of interest in closely held business) is amended to read as follows:

"(1) IN GENERAL.—If the value of an interest in a closely held business which is included in determining the gross estate of a decedent who was (at the date of his death) a citizen or resident of the United States exceeds—

"(A) 35 percent of the value of the gross estate, or

"(3) 50 percent of the taxable estate, of such decedent,

the executor may elect to pay part or all of the tax imposed by section 2001 in 2 or more (but not exceeding 10) equal installments.".

(b) Coordination With Section 303.—

(1) IN GENERAL.—Subparagraph (A) of section 303(b) (2) (relating to relationship of stock to decedent's estate) is amended by striking out all that follows "gross estate" the first place it appears and inserting in lieu thereof "exceeds—

"(i) 35 percent of the value of the gross estate of the decedent, or

"(ii) 50 percent of the value of the taxable estate of the decedent.".

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 303(b) (2) is amended to read as follows:

"(B) SPECIAL RULE FOR STOCK IN 2 OR MORE CORPORATIONS.—For purposes of subparagraph (A), stock of 2 or more corporations, with respect to each of which there is included in determining the value of the decedent's gross estate more than 20 percent in value of the outstanding stock, shall be treated as the stock of a single corporation. For purposes of the 20-percent requirement of the preceding sentence, stock which, at the decedent's death, represents the surviving spouse's interest in property held by the decedent and the surviving spouse as community property or as joint tenants, tenants by the entirety, or tenants in common shall be treated as having been included in determining the value of the decedent's gross estate.".

(c) ACCELERATION OF PAYMENT.—

(1) AMOUNT OF DISPOSITION.—Subparagraph (A) of section 6166(g)(1) (relating to acceleration of payment in the case of disposition of interest or withdrawal of funds from a business) is amended by striking out "one-third" each place it appears and inserting in lieu thereof "50 percent".

(2) FAILURE TO PAY INSTALLMENT.—Paragraph (3) of section 6166(g) (relating to failure to pay installments) is amended to read as follows:

"(3) FAILURE TO PAY INSTALLMENT.—

"(A) IN GENERAL.—If any installment under this section is not paid on or before the date fixed for its payment by this section (including any extension of time for the payment of such installment), the unpaid portion of the tax payable in installments shall be paid upon notice and demand from the Secretary.

"(B) PAYMENT WITHIN 6 MONTHS.—If any installment under this section is not paid on or before the date determined under subparagraph (A) but is paid within 6 months of such date—

"(i) the provisions of subparagraph (A) shall not apply with respect to such payment,

"(ii) the provisions of section 6601(j) shall not apply with respect to the determination of interest on such payment, and

"(iii) there is imposed a penalty in an amount equal to the product of—

"(I) 5 percent of the principal amount of such payment, multiplied by

"(II) the number of months (or fractions thereof) after such date and before payment is made.

The penalty imposed under clause (iii) shall be treated in the same manner as a penalty imposed under subchapter B of chapter 63.".

(d) REPEAL OF SECTION 6166A.—Section 6166A (relating to extension of time for payment of estate tax where estate consists largely of interest in a closely held business) is hereby repealed.

(e) TECHNICAL AMENDMENTS.—

(1) Sections 303(b)(1)(C), 2204(c), and 6161(a)(2) are each amended by striking out "or 6166A" each place it appears.

(2) Paragraph (2) of section 2011(c) is amended by striking out "6161, 6166 or 6166A" and inserting in lieu thereof "6161 or 6166".

(3) Subsections (a) and (b) of section 2204 are each amended by striking out "6166 or 6166A" and inserting in lieu thereof "or 6166".

(4) Subsection (b) of section 2621 is amended—

(A) by striking out "sections 6166 and 6166A (relating to extensions" and inserting in lieu thereof "section 6166 (relating to extension", and

(B) by striking out "Sections 6166 and 6166A" in the subsection heading and inserting in lieu thereof "Section 6166".

(5)(A) Subsection (a) of section 6166 is amended by striking out paragraph (4).

(B) The section heading for section 6166 is amended by striking out "alternate".

(C) The table of sections for subchapter B of chapter 62 is amended by striking out the items relating to sections 6166 and 6166A and inserting in lieu thereof the following:

"Sec. 6166. Extension of time for payment of estate tax where estate consists largely of interest in closely held business.".

(6)(A) Subsections (a), (c) (2), and (e) of section 6324A are each amended by striking out "or 6166A" each place it appears.

(B) Paragraphs (3) and (5) of section 6324A(d) are each amended by striking out "or 6166A(h)".

(C) The section heading for section 6324A is amended by striking out "or 6166A"

(D) The table of sections for subchapter C of chapter 64 is amended by striking out "or 6166A" in the item relating to section 6324A.

(7) Subsection (d) of section 6503 is amended by striking out "6163, 6166, or 6166 A" and inserting in lieu thereof "6163 or 6166."

(8) Subsection (a) of section 7403 is amended by striking out "or 6166A(h)".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying after December 31, 1980.

SEC. 10. DISCLAIMERS.

(a) IN GENERAL.—Subsection (c) of section 2518 (relating to disclaimers) is amended by adding at the end thereof the following new paragraph:

"(3) DISCLAIMERS INEFFECTIVE UNDER STATE LAW.—For purposes of subsection (b)(4), an interest shall be treated as passing without any direction on the part of the person making the disclaimer if—

"(A) the disclaimer meets the requirements of paragraphs (1), (2), and (3) of subsection (b),

"(B) the disclaimer does not result in the passing of the interest under the applicable State law, and

"(C) the person transfers the interest to the person to whom the interest would have passed had the person making the disclaimer died before the holder of legal title of such interest before the last date on which the disclaimer must be received under subsection (b)(2).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to transfers creating an interest in the person disclaiming made after December 31, 1980.

Mr. HARRY F. BYRD, JR. Mr. President, one of the principal reasons for the breakup of family farms and small businesses today is the high level of estate taxes.

Farmers are struggling to retain ownership of their farms and to pass on intact to their heirs. Too often, however, their heirs must sell parts or all of their inheritance to pay estate taxes.

A small business may begin as a single idea in the mind of one individual entrepreneur. Through perseverance and hard work, this business, over an individual's lifetime, may grow to a successful enterprise. However, estate taxes at the death of this individual may require sale of the business, even though family members may want to continue the business as a family operation.

It is not surprising that last year's White House Conference on Small Business listed estate tax reductions in fourth place among its top 15 recommendations.

The key to providing the continuation of the small business and the family farm is to structure the estate tax in

such a way as to provide liquidity at the death of the owners of the enterprise so that the estate tax does not cause a forced sale.

This need was convincingly demonstrated in hearings of the Subcommittee on Taxation and Debt Management of the Senate Finance Committee which I chaired last year.

In these hearings, witnesses representing the small business community, farmers, tax lawyers and accountants, all agreed that significant changes in the estate tax law were required. The exclusion of $175,000 for estate taxes and the $3,000 gift tax exclusion were felt to be too low; technical difficulties in the special use valuation rules made the rules difficult, if not impossible to use. And, these witnesses also felt that the present marital deduction, which makes taxable more than one-half of an estate left to a spouse, was contrary to the natural inclination of many individuals, particularly those with small estates.

A major difficulty with the estate tax is that it is taxing gains arising through inflation rather than a gain in real value of an asset.

An asset, for example a home, which today is worth $70,000 at an inflation rate of 9 percent for the next 20 years would be worth $420,000 with no real increase in value.

As estate tax levied on such a gain has disastrous consequences. Furthermore, the inflation rate today exceeds 12 percent, well above the 9-percent rate used in my example.

If adjusted for inflation, the gift and estate tax exclusions now in the law would be much higher. The gift tax exclusion of $3,000 has been in the law since 1942. If adjusted to account for inflation, it currently should exceed $15,000. The $175,000 estate tax exclusion was enacted in 1976, and to account for inflation, should be today more than $265,000.

The bill which I am cosponsoring today seeks to address the need to revise the estate and gift tax laws.

It provides for estate tax rate reductions. It lowers the bottom estate tax rate from 18 percent to 10 percent, makes adjustments throughout the estate tax rates and reduces the top rate from 70 percent to 60 percent.

It provides for a phased-in increase in the estate tax exclusion from $175,000 to $600,000 by 1985.

It increases the gift tax exclusion to $10,000. It changes the law to conform the estate and gift tax with the way in which most Americans view the family unit. It permits the husband to leave an unlimited amount of property to his wife and deduct the value of this property from the total value of the estate.

The bill makes the special use valuation rules, which affect family farms and small businesses, more workable.

Finally it irons out many technical difficulties in the estate and gift tax law which were brought to the attention of the Subcommittee on Taxation and Debt Management.

This bill will be a benefit to all Americans, wage earners, homeowners, and the small businessman and family farmer.

I urge its speedy consideration.

● Mr. BOREN. Mr. President, I join with Senator WALLOP of Wyoming and Senator BYRD of Virginia in introducing a much needed revision of the Federal estate and gift tax law.

One of the most important issues talked about in our country is the deterioration of the independent family farm and family business. Many people work hard to build up their businesses for their children, and due to the burdens imposed by the present law, their heirs often have to sell the business to strangers in order to pay the estate tax. These Federal tax laws are creating formidable barriers to the continuation of independent ownership of independent businesses, industries, and farms.

I believe the most important reform contained in this bill is the repeal of the tax on property transfers between spouses. My first act as Governor of Oklahoma was to sign into law the repeal of our State's unfair inheritance tax between spouses. Now, I am hoping to take the Oklahoma experience and bring it to the Federal level.

Under the present Federal law, there is a limited marital exemption for property passing from the decedent to the surviving spouse and a limited marital deduction for transfers between spouses. These limitations and restrictions cause a husband or wife to worry about tax consequences every time they transfer property or make a gift from one to the other during their lifetime.

And frequently, the tax that has to be paid as a result of such a gift or transfer comes at the death of a spouse. At that time, significant sources of income may have disappeared if the spouse passing away was the main wage earner, and the only way to pay such taxes is to sell the property. My colleagues and I do not believe this is the proper place for our Government's tax burden to fall.

Another very important reform provided by this new legislation is to clarify and expand farmland valuation provisions originally provided for in the Tax Reform Act of 1976. Under the rules previous to 1976, when farmers died, their estates were taxed at their "highest and best use." With farmland values rising beyond the land's capacity for farming profits, the heirs were frequently in a position of selling off much of the land to pay the estate tax.

The 1976 act attempted to ease some of these burdens. The Congress believed that when land is actually used for farming purposes or for other closely held business purposes, it is inappropriate to value the land on the basis of its potential "highest and best use," especially since it is desirable to encourage the continued use of property for farming and other small businesses. Such a price did and does not reflect the actual earning capacity of the land.

For these reasons, the law was amended to provide for the "special use" valuation for estate tax purposes in situations involving real property used in farming or in certain other closely held businesses and trades. It is still a good idea, especially as inflation has dramatically increased the fair market value of the farm—in most cases over 300 percent over the last decade. Unfortunately, the provision was not drafted to make congressional intent clear. It also contained so many so-called safeguards that, combined with the regulations drafted for it by the Internal Revenue Service, it did not help those it was intended to help. Our legislation removes those roadblocks, so the "special use" valuation can work.

This bill also contains a 10-percent across-the-board reduction in the rates used for calculating Federal estate taxes, and an increase from $175,000 to $600,000 in the amount of property that may pass free of Federal estate and gift taxes. The reduction in the rates combined with the increase in the lifetime limit on the amount of property that may pass by gift or at bequest will provide needed relief to many modest estates that were formerly considered too small to pay estate taxes and have, due to inflation, been pushed into high tax brackets.

Another long-needed change in the estate and gift law is the $3,000 gift tax exclusion. Present law permits a person to exclude up to $3,000 given to another individual per year without having to pay gift taxes on the transfer. This exclusion has not been raised in over 35 years. Of course, the value of property has increased many times over during that time period. We believe a more equitable limit on taxation of such gifts should be set at $10,000.

Ironically, the inheritance tax was first devised to prevent large concentrations of wealth and economic power. Today, it often works in practice to cause more concentration. The small business or small farm often has to be sold to a large corporation because the family has to sell the property to pay the inheritance taxes when the head of the family dies.

Inheritance taxes are causing the number of small businesses and farms to decline. The number of farms has dropped over the last decade from 3 million farms with a farm population of around 10 million to 2 million farms with a population of 7 million. The individual who has worked hard to build a family business should be able to anticipate that he could pass it on to his family to operate instead of having them sell it to strangers in order to pay the inheritance taxes.

We must stop imposing unfair tax burdens which blunt incentives and sap the strength of the free enterprise system.●

Mr. PERCY. Mr. President, it is with great pleasure that I join today with my good colleague, the Senator from Wyoming (Mr. WALLOP) in introducing the Family Enterprise Estate and Gift Tax Equity Act of 1981.

It was not too long ago—1976—that Congress grappled with the issues of estate and gift taxes. The Tax Reform Act of 1976 made major changes in the way in which these taxes are levied and we

adjusted the estate tax exemptions at that time. This reform was certainly overdue. The Federal estate tax laws had not been updated since 1942 and the country and the economy had gone through remarkable changes in those 34 years. For example, a business worth $60,000 in 1942 had become equivalent to a $250,000 business by 1976. Inflation had pushed a small business or farm like this into the big tax leagues by 1976. Whereas only 1 of 60 businesses were subject to the estate taxes in 1942, 1 out of 10 were in this category by 1976.

So it was high time to update our estate and gift tax laws and the resulting 1976 law will always stand as a landmark.

Since enactment of the Tax Reform Act, however, inflation has proceeded at a pace beyond our expectations. Just this year—1981—the final phase-in of the 1976 law goes into effect. And yet inflation has already outpaced our expectations of just 5 years ago and it is time to adjust once again the estate and gift tax laws to take account of the erosion of buying power that has taken place in recent years.

The bill we are introducing makes important changes in the structure of estate and gift taxes. In a sense, it is an indexing bill. It brings the exemptions up to date so that their value is not continually whittled away. But this legislation will also make some important changes that should be made even if inflation were zero. I am speaking especially about administrative rulings by the Internal Revenue Service that have severely limited in Illinois the use of the 1976 law changes.

Primary among these rulings is one that pertains to the special use valuation for family farms. This is a complicated matter, but it is important to the continuation of the family farm in my State and many other Midwestern agricultural States.

The 1976 Tax Reform Act provided a formula for calculation of the special use valuation for farmland. Under this special use valuation, a farm could be valued on its income potential as a farm and not on its value as a subdivision or shopping center. The formula devised by IRS, however, makes the election of the special use valuation prohibitively difficult in Illinois, Kansas, South Carolina, and other States where farmland is cash rented.

Section 6 of our bill remedies this problem by permitting crop share rentals to be considered in the computation of special use valuation. It is similar to another proposal Senator DOLE and I introduced—S. 23—just a few weeks ago. I cannot stress how necessary this change is, just so Illinoisans can realize the full thrust of the 1976 law.

A second important change our legislation makes is with regard to the definition of "material participation." Section 6 of our legislation addresses this matter insofar as it allows the special use valuation to be applied in estate cases where the deceased rented the farm to members of his own family. It will reverse the present IRS ruling that does not allow use of this special tax treatment when a farm has been rented to a son or daughter.

Just a few months ago, one of my constituents who has written me about this summed up the situation quite well. He wrote—

> Thus a widow, for instance, who inherited a farm for life and started cash renting it to the decedent's son can be said to have triggered a recapture because she is not using the land for a qualified farm use, that is she is not "at risk." On the other hand, she would have kept her "equity interest" if she crop shared the land to decedent's son.

These words express as well as I could the need to act quickly to reverse an interpretation of the 1976 law that was not intended by Congress.

Mr. President, the third part of this bill that I would like to highlight is the unlimited marital deduction. Section 4 of our bill embodies this provision that will eliminate the imposition of any estate tax on property transferred between husband and wife. As long ago as 1969 the Treasury Department recognized the wisdom of taking this action. In one of its tax studies published that year, the Treasury recommended revision of the estate tax laws to modify the marital deduction. The report stated that "these changes would greatly simplify the transfer tax law by recognizing that most married couples regard themselves as a single economic unit within which individual title to property is not significant and by eliminating transfer tax consequences from shifts of property within that unit."

The bill we are introducing today will resolve these problems. It also addresses a wide range of other estate and gift tax issues that have become pressing for modest estates, farms, and small businesses. These tax questions can be a matter of life and death for Illinois farms and I urge my colleagues to bring this legislation to the Senate for a vote as soon as possible.

By Mr. DANFORTH (for himself, Mr. BENTSEN, Mr. RIEGLE, Mr. GLENN, Mr. EAGLETON, Mr. LEVIN, Mr. METZENBAUM, and Mr. LUGAR):

S. 396. A bill to impose quotas on the importation of automobiles from Japan during 1981, 1982, and 1983; to the Committee on Finance.

QUOTA ON AUTOMOBILE IMPORTS FROM JAPAN

Mr. DANFORTH. Mr. President, I rise today to do something for which I have little enthusiasm, but something for which there is a compelling national need.

Senator BENTSEN and I are introducing legislation to impose a quota on the importation of automobiles from Japan. The quota would be set at a level of 1.6 million cars per year, for the next 3 years.

What has brought us to this moment, we two who consider ourselves strong proponents of free trade?

The reason is simple: The U.S. automobile industry is in a state of crisis. The three large U.S. automakers lost more their sales were at the lowest level in 19 than $4 billion last year, a year in which years. Nearly 200,000 auto workers have been laid off—most of them permanently.

At the same time, the U.S. automakers must invest an estimated $80 billion over the next 5 years to retool their plants for the production of the smaller, more fuel-efficient cars required in the future.

While the U.S. auto industry flounders, the Japanese auto producers thrive. Just 5 years ago, the Japanese exported 900,000 cars to the United States. Last year, they exported about 1.9 million—an increase of 111 percent. Their share of the U.S. market increased even more dramatically, from about 9 percent of the market in 1976 to about 22 percent of the market last year. So, in the face of a total market which declined more than 10 percent, the domestic producer's total sales dropped more than 23 percent, from 8.6 million cars to 6.6 million in 1980.

How did we get into this mess?

It is not my intention here to place blame on any particular party, but merely to point out that responsibility must be shared. Corporate management clearly made some wrong decisions in the mid-1970's. Organized labor pushed successfully to make U.S. auto workers the highest paid manufacturing workers in the country. Even the U.S. consumer played an important role by continuing to buy large domestic cars throughout the 1970's.

The Government itself was a major contributor to the current situation. Federal controls on domestic oil prices held gasoline prices artificially low, encouraging consumers to continue buying the larger cars and avoiding the smaller cars domestic producers were beginning to produce. This further delayed the conversion to small-car production.

Now we are in a situation where gasoline prices more than doubled in the last 2 years. Consumers are turning in droves to Japanese imports, and the U.S. automakers are struggling to make the incredibly expensive conversion. In the process, Chrysler is being kept afloat with Federal aid, Ford has some very serious problems, and General Motors lost money in 1980 for the first time in more than 50 years. The new administration last week took the necessary step of lifting all remaining controls from domestic oil and gasoline prices, but this, too, will exacerbate the short-run problems of the U.S. industry.

There is one more contributing factor to the plight of our auto industry—free access to the U.S. market. This is something in which this country should take significant pride. I am a firm believer in free trade, but I think it must be a two-way street. Unfortunately, the U.S. market is the last open auto market of any size in the world.

Most of the large Western European countries have reached formal or informal arrangements with Japan to restrain imports of Japanese cars into those countries. Most of those countries effectively limit the Japanese to less than 10 percent of their auto markets. Last week, meetings were held in Tokyo between representatives of the European Economic Community and the Japanese. The outcome of these meetings could well be further restrictions on Japan's auto

sales to Europe. Yet, the Japanese producers continue to expand their productive capacity at a rapid pace. It is clear that the U.S. market is their target.

Unfortunately, we do not enjoy similar access to Japanese markets. In fact, although the Japanese have traditionally had free access to our markets, we have had to negotiate our way painstakingly into theirs. It took years of negotiations with them just to earn the right to bid on contracts for a portion of their computer and telecommunications business. After many years, we have made only limited progress in gaining access to their markets for beef, citrus fruits, and other agricultural products. The Japanese know a great deal about barriers to free trade.

What should be done?

The answer is not simple. It will require cooperation and concessions from labor, management, and the Government. In the near future I expect that legislation will be introduced and enacted in the tax and regulatory areas which will help our industry to meet the staggering capital requirements of the next few years. During that time, it is imperative that the U.S. producers not suffer further erosion of their share of the U.S. market. That is an important factor in bringing me so reluctantly to the step being taken today.

The proposed quota is intended to do two things: Provide the U.S. industry a small degree of breathing room while it retools; and guarantee to the Japanese significant ongoing access to the U.S. market, thus preserving a degree of choice to U.S. consumers.

I am not so naive as to believe that there will be no negative side effects of this action. Any limit on consumer choice is bad; any limit on free trade is bad. The first breeds inflation, at least in the short run, and the latter invites further restrictions.

Unfortunately, the alternatives are even worse. The failure of a significant portion of the U.S. auto industry will also be inflationary, as Government is forced to pay billions in unemployment compensation, welfare, trade adjustment assistance, and aid to depressed areas. The possible social cost is difficult to comprehend, since one of six U.S. jobs is related to the auto industry. In the long run, I believe a quota, in concert with other initiatives, will be anti-inflationary, since it will assist our industry in becoming more productive and more competitive.

There is no denying that quotas, in general, constitute poor public policy. But these are extraordinary times. We all must recognize the critical condition of the U.S. auto industry, the fundamental importance of that industry to this economy, and the need to make some hard decisions to guarantee the continuing health of the industry.

The automakers seem ready to respond. They have already committed themselves to the largest private investment ever undertaken. Their efforts must not be in vain. All of America has a stake in the outcome.

Mr. President, this bill will be introduced with the following cosponsors in addition to myself: Senators BENTSEN, RIEGLE, GLENN, EAGLETON, LEVIN, and METZENBAUM. It is anticipated that in the days ahead there will be a significant number of additional cosponsors.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

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

S. 396

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DEFINITIONS.

For purposes of this Act—

(1) The term "automobile" means an on-the-highway, four-wheeled, passenger automobile provided for in item 692.10 of the Tariff Schedules of the United States (19 U.S.C. 1202).

(2) The term "entered" means entered, or withdrawn from warehouse, for consumption within the customs territory of the United States.

(3) The term "Secretary" means the Secretary of the Treasury or his delegate.

SEC. 2. QUANTITATIVE RESTRICTIONS DURING 1981, 1982, AND 1983.

During each of calendar years 1981, 1982, and 1983, the aggregate quantity of automobiles that may be entered from Japan may not exceed 1,600,000. The quantitative limitation imposed under this section for each of such calendar years may be applied by the Secretary on a calendar quarter or other intra-annual basis if the Secretary determines that such application is necessary or appropriate to carry out the purposes of this Act.

SEC. 3. ADMINISTRATION.

The Secretary shall take such action as may be necessary to ensure that the quantity of passenger automobiles which may be entered during calendar years 1981, 1982, and 1983, or any intra-annual period therein, does not exceed the limitation established for that year or period under this Act.

Mr. BENTSEN. Mr. President, I am pleased to join Senator DANFORTH, my colleague on the International Trade Subcommittee, in sponsoring legislation to limit temporarily the number of Japanese automobiles imported into this country. Together with our cosponsors, we seek a quota of 1.6 million units per year for 1981, 1982, and 1983, or approximately the average of Japanese imports for the 1978–79 period.

As we noted in our press conference on Tuesday, Senator DANFORTH and I take this action reluctantly. In recent years I have frequently voiced my deep concern about some aspects of the United States-Japan trade relationship. But until this week, those concerns have been contained within the limits of an abiding commitment to policies of free trade. I have considered and rejected the notion of quotas.

However, Mr. President, there are limits to any doctrine, and in this case those limits are exceeded. Last year, we had a $9–10 billion automotive trade deficit with Japan. That is a lot of money. It is equivalent to the Japanese defense budget for 1980. It is one-third of our total world trade deficit.

This action does not come easy for me, because I have opposed quotas for a long time, and I am a free trader; but I believe we have an extraordinary situation facing us.

We have a situation in which every other major trading country in the world has put some kind of limitation on the importation of Japanese cars. The French are talking about a 3-percent limitation. The Italians have a quota of 2,200 Japanese cars a year. The English and Japanese have agreed on a 10-percent limitation. Now the entire European Common Market is discussing with the Japanese this same 10-percent limit.

For 2 years we have negotiated with the Japanese, trying to get some voluntary restraints on the importation of their cars into this country. During that time, they have told us, "Have patience. We are working on it. We are going to do something about it." Meanwhile, they are working overtime to build cars. They have invested billions of dollars in increased production.

With import restraints in these other countries, where do you think this increased production will go? It is headed for these shores.

We have almost 200,000 auto workers unemployed in this country today; total unemployment in related industries probably exceeds 1 million. We all know what it means to be without a job in America. We can understand the depth and pain of 1 million intense personal tragedies. We can appreciate the cost involved in paying unemployment insurance and trade adjustment assistance to hundreds of thousands of workers who have lost their jobs through no fault of their own.

There are very few nations in the world, Mr. President, that would accept 200,000 unemployed as the price of maintaining a commitment to open markets. Can anyone seriously suggest that the Government of Japan, which practices predatory trade policies and protects groups like citrus growers and cattlemen with a vengeance, would stand idly by and watch 200,000 workers enter the rolls of the unemployed as evidence of their commitment to free trade?

As we look around the world at major trading nations like France, Great Britain, and Italy, we see increasing evidence of their unwillingness to have their automotive industries routed and destroyed by Japanese competition.

The British have a gentleman's agreement holding the Japanese to 10 percent of the market; the French are less generous, giving the Japanese a paltry 3 percent; the Italians take 2,200 Japanese cars per year. But the Japanese currently have 22 percent of our market, the world's largest. They have doubled their exports to the United States since 1976.

One does not have to be an economic genius, an expert in international trade to understand that the Japanese are spending billions. They are working overtime to increase their production of automobiles while facing closed or limited markets everywhere but America. It is no secret where this additional production will be marketed.

It is clearly intended for the American market, and it is coming on line when our producers lost over $4 billion last year, when they must spend some $80

billion to retool and modernize over the next 5 years, and when an industry absolutely vital to our security and future prosperity is at its most vulnerable.

Mr. President, it gives me no pleasure to say it, but I think we need quotas on Japanese imports, and we need them now. The sooner the better.

But we must also understand, right from the outset, that quotas are not a solution to the problems facing the U.S. automotive industry. Those problems are deeper and more complex than simple import penetration. They can only be solved through active, long-term cooperation among management, labor, and U.S. policymakers.

If U.S. producers seek to hide behind quotas to defer hard decisions or to increase prices, then the whole notion of temporary, emergency protection will lose its rationale. But if we can provide a breathing space with this legislation, if we can help our producers protect their market share and give them an opportunity to retool and regroup, if we can give supply side economics a chance to take hold, then 3 years of quotas could well help restore health and prosperity to the U.S. automotive industry. They could set the stage for recovery.

I want to emphasize, Mr. President, that Senator DANFORTH and I appreciate the depth and complexity of our economic problems in general and the issues troubling the auto industry in particular.

In an effort to encourage some of the basic, fundamental changes that can restore productivity and real growth to our economy, we have joined in supporting legislation designed to encourage investment in the most modern means of production through more rapid depreciation schedules. That is precisely the sort of investment the domestic auto industry needs to remain competitive.

As we look for policies that will give the American worker the most modern and effective means of production, we must also take a careful look at the regulatory cost we have dumped with such abandon on the shoulders of American industry, which is struggling with the pressures of inflation.

In short, Mr. President, we must look beyond the skirmish line of quotas and see the big picture. We must examine our automotive problems in the context of our overall economic problems. Then we must move promptly to encourage the supply side of the economy, cut back on the cost of regulation, and break down the adversary relationship between business, labor, and Government.

A friend said to me, "Don't you think the American people want to have a free choice of what kind of car they should buy?" I certainly agree with that. But unless we do something like this, there will be no free choice of American cars, because Chrysler will go down the tube, and then perhaps Ford. American Motors already has a foreign owner to a very substantial degree. Perhaps, finally, General Motors will remain. Otherwise, the choice will be limited to foreign cars.

So we have an exceptional, extraordinary situation that I believe, calls for extraordinary action.

This is something that can be resolved by the executive branch. I hope it will be. But if it is not, we should continue to move ahead on this proposed legislation.

My friends have said to me—

Don't the Japanese have free trade? Don't they have low tariffs on the cars we try to sell to them?

That is right. But that is not the whole story. A Toyota sells for virtually the same price in this country that it sells for in Japan. What happens to a Ford Fairmont or a Chevette? In Japan, it sells for almost twice what it sells for here.

It is not the tariffs, but it is all those subtle, invisible nontariff barriers that come into play as we try to sell our autos to them.

Trade is a two-way street, and free trade should be a two-way street.

So I am delighted to join my distinguished friend from Missouri in cosponsoring this piece of legislation.

Mr. President, the future of the U.S. automobile industry hangs in the balance: Hundreds of thousands of jobs are on the line. I urge my colleagues to join us in the effort to provide some temporary relief for an essential industry while we provide the incentives for the sort of investment that will enable American auto producers to return to their traditional position of preeminence in the world.

● Mr. LEVIN. Mr. President, I want to congratulate Senator BENTSEN and Senator DANFORTH for introducing this bill (S. 396). I believe, as they do, that we have spent too much time trying to send signals and messages to Japan. Now it is time we took some action.

While I personally would like to see even stronger action than that proposed here, I am proud to associate myself with this bill. The plain fact is that the crisis which confronts the auto industry is more than an economic crunch: It is a collapse of an entire life for the people and communities affected.

My home State of Michigan has always been the physical and spiritual home of the auto industry. And we are paying for that now in blood. My State is slowly bleeding to death. We have the highest unemployment rate in the Nation, 7 of the top 10 cities in terms of unemployment are in my State. We have close to 215,000 people who have already exhausted their unemployment benefits and now, if they are to survive, have to try and qualify for general assistance. And there are more of them coming in to the social service offices every day.

Mr. President, this bill—even if adopted today—would not solve the problems these people and this industry confronts. But it is a step. And it is a step which we can take without causing anyone any pain. The Japanese have enough workers on overtime to allow us to cut back their imports without throwing them out of work. And any increase in consumer costs which might—and I stress might—result from this plan would be more than offset by a reduction in government expenditures to support the American workers who are now unemployed.

We have debated this problem and debated this problem. And the people of my State—and every State since the auto industry is a basic component of our economy which affects every State and every region in this country—have suffered and suffered while we have debated. The time for debate has passed and the time for action is here. This bill is a responsible approach to a component of the problem. I congratulate Senator BENTSEN and Senator DANFORTH for introducing it and I hope that their action will result in prompt action here in the Congress and down Pennsylvania Avenue and in other capitals around the world.●

Mr. GLENN. Mr. President, I rise to join my colleagues, Senators DANFORTH and BENTSEN, in cosponsorship of S. 396, a bill to restrict the importation of Japanese automobiles. This bill would impose a quota of 1.6 million cars per year on Japanese imports for the period 1981–83, a time of retooling and transition for our domestic auto industry.

In the past, I have been reluctant to endorse action such as this because I believe strongly in the principles of free trade and am proud of America's leadership role in the liberalization of international trade. The recent surge of Japanese imports into our domestic auto market, however, has brought widespread injury to our economy that must be relieved. Auto imports increased from 18 percent of the U.S. auto market in 1978 to 28 percent in 1980, with Japan's share of this import market increasing from 70 percent in 1978 to 80 percent in 1980. This unprecedented penetration of our Nation's most important industry has taken a frightful toll on American workers and their communities.

By the end of 1980, more than 190,000 auto workers—24 percent of the auto work force—were on indefinite layoff. Projections for 1981 indicate that approximately 150,000 workers will remain on indefinite layoff throughout this year. In addition to the dislocation of our auto workers and their communities, our automakers are staggering under the burden of increased imports.

In 1980, Chrysler, Ford, and General Motors suffered losses totaling more than $4 billion. These losses are especially devastating in light of the more than $80 billion in retooling investments that our automakers must underwrite to complete their transition to the production of new, fuel-efficient models. This senseless hemorrhaging of our economy's life blood must be stopped and stopped now. Without the protection of import quotas provided by this legislation, our auto industry will have neither the time nor the resources to become fully competitive.

Now there are those of the Adam Smith school of thought who would respond to the plight of our auto industry with an attitude of "laissez-faire"—let the auto industry migrate overseas, let the invisible hand of the marketplace direct the allocation of our resources and employment. This attitude is shortsighted, naive and irresponsible. It is shortsighted because it fails to appreciate the tremendous interrelation of the auto industry with the rest of our economy. It is naive because it fails to un-

derstand the changing context of international trade within which our auto industry operates. It is irresponsible because it fails to consider the serious foreign policy implications of any further erosion of our industrial base. Let me briefly discuss these concerns.

I. INTERRELATION

The interrelation of our auto industry with the rest of our economy is a product of our Nation's industrial development and underlies our Nation's broad-based economy vitality. Automobile and truck production and services account for about 8½ percent of our GNP and approximately one-quarter of U.S. retail sales. Auto manufacturing consumes 21 percent of the Nation's steel production, 30 percent of its ferrous castings, 60 percent of its synthetic rubber, 11 percent of its primary aluminum and 20 percent of its machine tools. In total, more than 4 million people directly owe their employment to the automobile, including approximately 800,000 in direct manufacturing, 1.4 million in supplier industries and 2.6 million in sales and servicing.

Because of the large scale and broad scope of its activities the auto industry has played a central role in the definition and realization of our broadest national goals: full employment, broad-based industrial strength, high standard of living, technological innovation and national security. Correspondingly, the future of this industry holds the answers to important questions about America's future at home and abroad: About the kind of employment we can provide, about our ability to meet our energy and transportation needs, about our national security as defined by our industrial might, about our competitive position in the world economy.

II. INDUSTRIAL TRADE

On this last point, our competitive position in the world economy has deteriorated because we have failed to develop a foreign trade policy responsive to the changing context of international trade. Whereas private, multinational firms seeking the most efficient production and distribution of goods and services once dominated world markets, economic nationalism now prevails. In the critical areas of oil, steel, and autos, Government owned or directed, vertically integrated corporations shape the flow of trade as instruments of national policy with political rather than economic goals directing their action.

The postwar American challenge we issued to our trading partners was not met with a purely American response. Industrial development programs in Italy, France, Great Britain, Japan, and the developing nations are hybrids of the American model and their implementation has altered the evolution of world trade. I do not advocate the adoption of these economically nationalistic policies, but we cannot shape a coherent, effective foreign economic policy without recognizing their unsettling effects on world trade and American industries.

The import quotas proposed in S. 396 are a step in this direction. They tell our trading partners that our markets will not be fair game until the game is fair. Just as our Federal Government has a commitment to insure that competition among firms in our domestic market is fair, so does it have a responsibility to insure that American firms are not unfairly disadvantaged in world markets as a result of their commitment to free enterprise.

Through the Marshall Plan and other development assistance programs, the United States helped Europe, Japan, and the developing nations establish their industrial strength. We generously stood back while they nurtured their auto industries with financial assistance and protectionism. While we continue to provide the shelter of our defense umbrella, they strike out on economically nationalistic and independent trade policies. It is time now to adjust our policies to the new realities of the global market.

Just as we can no longer afford to be the world's policeman, neither can we afford to be its only willing customer for new cars—if for no other reason than that our national security interest cannot accept further erosion of our industrial and employment base.

III. NATIONAL SECURITY

Throughout most of this century, the auto industry has acted as a catalyst in the mobilization of our industrial strength and defense capability. Indeed, the most serious long-run implications of a laissez-faire approach to the problems of the auto industry may be the loss of opportunities for innovative interactions between small and large, high technology firms who supply the auto industry. With any decline in U.S. producers, there will be an inevitable shift in the locus of new product development and tooling to offshore production sites. This raises important implications for innovation in other sectors.

Historically, the automobile industry has created a vital market for innovative products that are developed by other sectors. In instance after instance, the automobile industry by virtue of its size and complexity has created the sort of unique specialty market that is needed to support the initial introduction of highly innovative products like computer-aided design, industrial robots, new materials such as special strength steels and plastics, the applications of lasers in production processes, and so forth.

The national and the geographic distance between customer and producer is very important in such innovative processes. The implications of migration in the locus of automotive design and development to offshore locations would severely weaken our electronics, plastics, high strength materials and other industries vital to our national industrial strength. Moreover, their loss would diminish our capacity to spawn and develop new industries, products and jobs, as well as our ability to mobilize our defense capability.

Equally important is the role our industrial might plays in defining our position in the world. Our strategic position could be gravely undermined were we to depend on others for our basic manufactured goods. As we have learned with our oil supplies, our national security can be threatened as much by a vulnerable position in international economic competition as by a direct military threat.

As I mentioned earlier, proponents of strict Adam Smith economies might respond to the plight of the auto industry with an attitude of "laissez-faire"—let the market transfer our resources from less competitive to more competitive industries. This view is shortsighted because it neglects the fact that until the energy shock of 1978, occasioned in part by the failure of our Government to establish a sound energy policy, our auto industry was fully competitive. This view is naive because it fails to understand that our industries' international competition is not purely economic, but rather political-economic in nature. This view is irresponsible because it fails to address such long-term questions as:

Where are the "more competitive industries" to replace the automotive industry? What new industries can offer employment to the millions now at work in the auto industry?

What new industries can replace this source of industrial strength and technological innovation for the other sectors of our economy? What new industries can provide the base for mobilization of our defense capability?

The issues I have outlined above reflect my concerns about the long-term implications of a failure to implement import quotas on Japanese autos. But the implementation of this short-term policy will do us little good unless we develop a long-term strategy to deal with the manifold problems of the auto industry. In my view, such a strategy must be based on the two-fold understanding that: First, our national industrial base faces unprecedented international challenges that are more than purely economic—that are, in fact, political-economic in nature, and second, our national industrial strength is and will continue to be affected by Government policies.

These factors require that we establish a more effective working relationship among the key sectors of our industrial economy—Government, business, and labor—so that we can meet the combined industry-Government competition mounted by our trading partners. While recognizing the important influence of Government policy, such a compact must be dedicated to achieving industrial vitality through independent, profitable enterprises directed so far as possible by free-market forces.

Second, we must insist that our economic policymakers look further ahead than is their custom, so that future problems may be seen before they reach epidemic proportions. In the auto industry, for example, recent studies have indicated that long-range changes in the demand for autos—and the way they are made and the new materials used in them—may have fundamental and severe impacts on auto workers, supporting industries and their communities. These impacts must be explored and evaluated if future crises are to be averted.

In short, we have to take a longer view

of where we think the U.S. auto industry will be in the mid-eighties rather than merely focus on its short-run trade problems. The trade problems are real, but they are not the only or even the major problem facing the auto industry. It is our failure to engage in long-term strategic thinking about the United States in a changing global context that has brought us our present difficulties.

Third, we must adopt the tax changes necessary to facilitate capital formation and stimulate investment in our Nation's industries. Actions we should consider include liberalizing depreciation rates to encourage modernization, providing incentives to stimulate savings and refundable tax credits under special conditions.

Fourth, we must enact regulatory reform—stripping away unnecessary regulations and insuring that necessary regulation is undertaken in a coherent and cost-effective manner.

And fifth, we must commit ourselves to much greater efforts in industrial research and development. Revolutionary economic challenges cannot be met with evolutionary technologies. Our trade competitors are mounting an all-out effort to be first on the market with hybrid and all-electric cars. This is one technology race we cannot afford to lose—and it is a race where the risks and capital investments are too great for us to win without greater industry/Government cooperation. We must act now—especially in the critical area of energy storage—to reestablish the United States as the world leader in auto technology. If we do not, we will find ourselves in this same unfortunate condition within a decade.

● Mr. RIEGLE. Mr. President, I am pleased to join in cosponsoring this bill to limit the number of Japanese autos to be imported into this country during the next 3 years.

This bill takes a significant step that has now been made absolutely necessary because the Japanese auto manufacturers continue to show their utter disregard for the damage being inflicted on the American auto industry. As the flow of Japanese auto imports has surged to record levels, Americans have explained that these trends pose a long-term threat to the U.S. economy. We had hoped that the Japanese car makers would show restraint. Instead they have continued a massive effort to penetrate and hold a greatly enlarged share of our market.

Mr. President, the Japanese are exploiting our open trade policies at a time when we are most vulnerable. U.S. auto companies badly need some breathing space. Our domestic auto industry has made an all-out commitment to a historic, $80 billion conversion of their plants and product lines to produce new, fuel-efficient cars and trucks.

The stakes are enormous for almost every part of our country. Auto manufacturing remains this Nation's premier industry. It creates 1 out of 12 manufacturing jobs in the United States. The health of the auto industry makes the difference between profit and loss for thousands of firms in many different industries.

Domestic auto sales have been in a deep slump for more than a year. Sales of U.S.-built cars in January were 20 percent below last year's already poor levels. That is weakening U.S. companies precisely when they need additional cash for new investment and it is keeping auto unemployment at record high levels.

The financial strain on U.S. auto firms makes the Japanese import pressure extremely dangerous. Japanese auto makers increased their annual sales rate here in the United States from 1.6 million units to 2.1 million units in little more than a year. The rate of increase has directly caused the layoff of more than 100,000 American workers and has already cost Americans over $3 billion in lost revenues, and higher spending for unemployment insurance, trade adjustment assistance, and other programs. If that increase were to continue, it would transfer $10 to $12 billion in capital from U.S. industry to Japanese firms over the next decade.

Unless we take firm action, the problem can get much worse. Japanese companies are expanding their production capacity at the same time that most markets for their cars are tightening. The Japanese Government recently announced its intention to increase commodity taxes, A move that will reduce car sales in Japan, free up productive capacity, and create new pressure for Japanese exports. Other countries are putting up effective resistance through quotas and silent negotiations to increased Japanese auto imports. In the next few years, Japanese auto firms will have even stronger incentives to ship cars to the United States.

Senators DANFORTH and BENTSEN clearly understand the magnitude of this threat and are proposing a careful, minimal and temporary reduction in auto imports. I still hope that the President and the Japanese Government can negotiate a detailed agreement that is in the best interests of both our countries. However, this bill establishes the maximum level of imports that any reasonable agreement must achieve.

I am pleased that the two leading Senators on the Senate Trade Subcommittee have taken this action today. It reflects a dramatic change in the mood of the Senate from just a year ago. It offers new hope that this Congress will respond effectively to the crisis facing our most important industry.●

By Mr. JACKSON:

S. 397. A bill to authorize the appropriations for activities and programs carried out by the Secretary of the Interior through the Bureau of Land Management and for other purposes; to the Committee on Energy and Natural Resources.

AUTHORIZATION FOR ACTIVITIES OF BUREAU OF LAND MANAGEMENT

● Mr. JACKSON. Mr. President, I am introducing today legislation which authorizes funds for the programs, functions, and activities of the Bureau of Land Management for fiscal years 1982–85.

This particular measure was transmitted to the Congress last October by former Secretary of the Interior Andrus. In accordance with section 318(b) of the Federal Land Policy and Management Act of 1976 (FLPMA), this request represents his estimate, without reference to external budget guidelines, of the amounts that can be efficiently and effectively utilized for the Bureau's programs.

While I realized that a revised request may be forwarded to the Congress in the near future, I think that it will be helpful to have this material available to all interested parties as we begin our work on the BLM's quadrennial authorization.

I ask unanimous consent that the bill, the transmittal letter, and some background information appear in the RECORD at this point.

There being no objection, the bill, letter, and background material were ordered to be printed in the RECORD, as follows:

S. 397

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That pursuant to Section 318(b) of the Federal Land Policy and Management Act of 1976 (31 U.S.C. 1301 note), there are hereby authorized to be appropriated the following sums for activities and programs administered through the Bureau of Land Management:

(a) For management of lands and resources, excluding emergency firefighting and rehabilitation and for land acquisition, construction and maintenance: $425,000,000 for fiscal year 1982, $475,000,000 for fiscal year 1983, $525,000,000 for fiscal year 1984, and $570,000,000 for fiscal year 1985;

(b) For implementation of the Act of October 20, 1976 (31 U.S.C. 1601); such sums as are necessary for payments for fiscal years 1982, 1983, 1984 and 1985;

(c) Amounts equal to a percentage of the amounts in subsection (a) of this section for each fiscal year, not to exceed the percentage change in the United States Gross National Product Implicit Price Deflator, using the last quarter of Fiscal Year 1980 as the base.

SEC. 2. Subsection (b) of section 318 of the Federal Land Policy and Management Act of 1976 (43 USC 1701, 1748) is deleted and the following is substituted therefor:

"Consistent with section 607 of the Congressional Budget Act of 1974, beginning May 15, 1977, and not later than May 15, 1980, the Secretary shall submit to the Speaker of the House of Representatives and the President of the Senate a request for authorization of appropriations for all programs, functions, and activities of the Bureau to be carried out during the four-fiscal-year period beginning on October 1 of the calendar year following the calendar year in which such request is submitted. Not later than May 15, 1984, and every five years thereafter, the Secretary shall submit such requests for authorization of appropriations for all programs, functions and activities of the Bureau to be carried out during the five-fiscal-year period beginning on October 1 of the calendar year following the calendar year in which such request is submitted."

SEC. 3(a) Subsection (k) of section 204 of the Federal Land Policy and Management Act of 1976 (43 USC 1714) is hereby deleted and the following subsection (l) relettered as subsection (k).

(b) Paragraph (3) of new, relettered subsection (k) is hereby deleted.

U.S. DEPARTMENT OF THE INTERIOR,
Washington, D.C., October 17, 1980.

Hon. WALTER F. MONDALE,
President of the U.S. Senate,
Washington, D.C.

DEAR MR. PRESIDENT: In accordance with section 318(b) of the Federal Land Policy

and Management Act of 1976 (FLPMA), I am enclosing a request for the authorization of appropriations for programs, functions and activities of the Bureau of Land Management for fiscal years 1982–1985 covered under the statute. This request, in accordance with the law, represents my estimate, without reference to external budget guidelines, of the amounts that can be efficiently and effectively utilized for the Bureau's programs. As such, the requested authorization levels were necessarily developed outside the context of the Administration's budget and fiscal policy objectives. The Bureau's annual appropriations requests will, of course, be determined through the normal Congressional and Executive Branch budget process. The status of this request in relation to the overall program of the President is undetermined.

The requested levels, in millions of 1980 constant dollars, are:

1980 Appropriated, 315.

1981 Budget, 349.

Requested authorization levels 82, 425; 83, 475; 84, 525; and 85, 570.

This request marks the first time that the public has been asked to help shape broad objectives for the management of the public lands. These levels would allow the Bureau to respond to public land managmeent objectives and concerns over the four-year period and make substantial and balanced progress in implementing FLPMA's mandate in a professional manner, meeting all mandated schedules and Departmental priorities. By 1985, the Bureau will be in a better position to provide the high quality, responsive, and comprehensive program of management and services that will be required to meet demands in the latter half of the decade.

Key elements of the proposal are as follows:

Accelerate wilderness reviews to complete the process by 1987, rather than the 1991 deadline required by FLPMA. The acceleration process would expedite reviews in the Overthrust Belt and other areas with the potential for energy development in order to expedite protection of designated areas and to allow development in non-designated areas as rapidly as possible. The acceleration process does not assume that any wilderness reviews would be conducted in Alaska, pending the resolution of D–2 legislation.

Expand funding for rangeland management above the basic FLPMA authorization. These funds, together with amounts provided under the Public Rangelands Improvement Act and the Range Improvement Fund, would provide for a continued high level commitment for improving the productivity of public rangeland.

Meet leasing schedules for oil and gas leasing on the Outer Continental Shelf and for the coal program. Additional support is provided under the four-year period covered by the authorization, not only to meet the coal leasing schedule and the five-year OCS leasing schedule, but to initiate pre-lease activities and studies for OCS sales beyond FY 1985.

Provide support for other onshore energy programs, primarily to reduce the lease application backlog, emphasize leasing in the Overthrust Belt, and ensure proper administration of simultaneous oil and gas filings. Authorization levels provide funding for proposed legislation for NPR–A, geothermal and oil and gas leasing, and a prototype oil shale leasing program, as well as support for implementation of a permanent oil shale leasing program and a tar sands leasing program.

Meet FLPMA requirement to complete withdrawal reviews by 1991, review permits in the non-energy related area on a more timely basis, and continue efforts to reduce the non-energy case backlog. An amendment to FLPMA is proposed to repeal authorization earmarks of $10 million each for withdrawal processing and review. With regard to withdrawal review, data from the BLM indicate that it could cost considerably more than the current earmark to complete the program by 1991, and funding for both processing and review should be handled within the overall authorization level.

In addition to the draft bill, I have enclosed a table of assumed program levels which were used to arrive at an authorization request. In order to facilitate comparison, the authorization requests for FY 1982–FY 1985 are in 1980 dollars and do not take into account the impact of inflation. However, I have proposed language in the draft bill to mitigate the potential impact of inflation. Moreover, each year's authorization would include an undistributed contingency of 7 percent of the assumed program level to assure that the Bureau has the capability to respond to unforeseen program requirements.

A backup report entitled "Bureau of Land Management Four-Year Authorization" has been distributed to the Chairmen and staffs of the appropriate House and Senate Committees.

In addition to establishing the recommended authorization levels, the draft legislation would also amend FLPMA to provide for a five year authorization cycle. The amendment to subsection 318(b) of the Act would coordinate the long range planning cycle of BLM with that of the Forest Service and other land resource management agencies under the Resources Planning Act and Resource Conservation Act, as well as with the OCS sale planning schedule.

I firmly believe now is the time to invest in reducing backlogs, in protecting and enhancing past public investments, and in assuring the future productivity of public lands. We can do this by providing a level of management that meets the broad range of local, regional, and national concerns and needs and serves both public efficiency and public interest goals.

We recommended that the attached draft bill be referred to the appropriate Committee and that it be enacted.

Sincerely,

GUY R. MARTIN,
Assistant Secretary.

INTRODUCTION: OUTLOOK FOR PUBLIC LAND MANAGEMENT 1982–1985

The next four years are a critical period for public land management in the U.S. and for the Bureau of Land Management, the agency that manages the Nation's public lands and offshore resources. Both the demands on the public lands and resources, and the complexity of managing them for multiple use are increasing dramatically. Competition for the use of the lands and resources is also increasing, and the stakes are getting higher every year. As a result, the course of public land management in the next decade and beyond is likely to be characterized by unnecessary controversy unless there is a clear commitment now to a comprehensive public land management program.

The Department's Four-Year Authorization Request is both such a commitment and a crucial determinant of the Bureau's capability to respond to the Nation's commodity and non-commodity needs in the short term as well as into the next decade. The request includes increases that are fiscally responsible and adequate to enable the Bureau to provide more intensive and professional management of the public lands and more efficient and imaginative public service.

From the broad, national perspective, new energy production and distribution will be the most urgent demand on the public lands and the outer continental shelf (OCS); it is difficult to overstate the role that the BLM-managed lands must play in energy production and siting energy facilities.

People in the West are generally supportive of the orderly development of their energy and mineral resources, but they are justifiably concerned about the resulting impacts on their traditions, resource-based industries, environmental assets, and social values. The West is also looking to the Federal Government for a fundamental commitment to improve the management of the renewable resources of the public lands, with particularly strong interest in the restoration of the rangelands to increase livestock production and to protect and enhance wildlife. Similarly, coastal residents are concerned that effects of offshore oil and gas development be fully evaluated, and that adequate consideration be given to other uses of coastal resources in OCS lease sale decisions.

Both westerners and other concerned citizens and interest groups throughout the U.S. also have a high interest in such issues as protecting the Nation's heritage of archaeological and cultural resources, preserving the wilderness values of this part of the American frontier, and using the West's open spaces for recreation.

The Bureau of Land Management has designed a responsive and flexible decisionmaking and management system that can meet these local and national needs, respect western and other values, and carry out sensitively and professionally the requirements of the law. The Bureau must now move ahead with determination to implement good decisions and effective management of the Lands and the OCS. To implement such decisions, the Bureau must develop the necessary policies, plans, management infrastructure and funding. This is the time to invest in reducing backlogs, in protecting past public investments, and in assuring the future productivity of the public lands and the offshore resources. The investments requested in this authorization will provide a level of public land management that responds to western and national interests effectively, efficiently, and in a political environment of confidence and trust.

I. LEGISLATIVE REQUIREMENTS

Section 318(b) of the Federal Land Policy and Management Act (FLPMA) of 1976 requires that the Secretary of the Interior submit to the Congress every four years a request for authorization of appropriations for the programs of the Bureau of Land Management (BLM). The request sets funding ceilings for yearly appropriations and identifies the funding levels that ". . . can be efficiently and effectively utilized . . ." in executing Bureau programs.

This request, in accordance with the law, represents the Secretary's estimate, without reference to external budget guidelines, of the amounts that can be efficiently and effectively utilized for the Bureau's programs. As such, the requested authorization levels were necessarily developed outside the context of the Administration's budget and fiscal policy objectives. The Bureau's annual appropriations requests will, of course, be determined through the normal Congressional and Executive Branch budget process.

II. THE REQUEST'S DEVELOPMENT AND REVIEW

Before describing the requested authorization levels, it is important to highlight the thorough staff effort put forth on this request by several offices throughout the Department.

In developing this Four-Year Authorization Request, BLM took the initial step by creating the comprehensive "program development process" called for by President Carter in his Second Environmental Message, coordinating the process with the Forest Service's Resources Planning Act (RPA) program. The President's directive called for a process

that would set long range goals; analyze alternative programs and investment strategies; foster environmentally sound, fiscally responsible, and economically efficient investment, development, protection, and resource use decisions; and involve interested citizens and State and local governments. Using this process, BLM identified alternative authorization levels for individual programs, which were described generally in the Four-Year Authorization Report to Congress.

In October 1979, BLM began consulting with affected and interested States, local government officials, individuals, industries, and organizations to assess their desires and perceptions regarding the need and future of public land management. (A summary of these consultations is included in the appendix to the Four-Year Authorization Report to Congress.) Each BLM field office evaluated the impact of these public needs and perceptions and estimated the resulting workload—given current Departmental policies and practices, court decisions, and statutory deadlines.

BLM's field personnel then developed both the workload and pricing estimates for individual programs, which were evaluated by the BLM State Offices and by program officials in Washington. The estimates were compared with known pricing factors and workload trends, when available, and were subjected to the best judgment and analysis of experienced analysts and managers at several levels of BLM. Through this process, the estimates of individual program needs were tightened and refined.

In April, a draft Report describing three alternative funding levels for the Bureau's major programs was distributed, and was reviewed by the State Directors, the National Public Lands Advisory Council, the staffs of the Assistant Secretary for Land and Water Resources and the Assistant Secretary for Policy, Budget and Administration, other Interior and Federal agencies, State Governors, and interested individuals and groups. Their comments and the additional analyses they generated helped to further refine both the definition of needs and alternative investment strategies.

Over the last three months, intensive departmental staff review has identified a number of individual program efficiencies and cost savings that were not previously incorporated in the Report to Congress.

This development and review process has led to an authorization request, with supporting documentation, which is efficient and effective—planning for increases where justified, and incorporating cost reductions and efficiencies in program activities wherever feasible.

III. GENERAL DESCRIPTION OF THE RECOMMENDED LEVELS

The Secretary's request represents a substantially increased commitment to improved management, development, and protection of the resources of the public lands and the OCS. For most of the Bureau's programs, the recommended authorization levels, when viewed over the four-year period, provide sizeable funding increases when compared against actual appropriations for FY 1978–1981. Overall, the authorization request reflects about a 60 percent increase in BLM support over the four years as compared to amounts appropriated for BLM in the preceding four-year period. Historically, revenues generated from use of the onshore resources which the Bureau manages are two to three times as great as the funds spent on management of these resources. For the outer continental shelf lands, the ratio of receipts to management expenses is many times greater. There is good reason to expect that funding increases, which allow greater use of these resources and better service to the public, will cause a significant increase in these revenues.

The request calls for major increases to accelerate development of energy and minerals, rangeland improvements, completion of wilderness reviews, and protection of certain unique resources and values on the public lands. The Secretary's program priorities emphasize on-the-ground investments, more rapid implementation of mandated land use plans, and reduction of backlogs in lease and permit applications for use of the public lands, particularly in areas of heavy or potentially conflicting use. These authorization levels will also help assure that important public needs will not be hamstrung by delays caused by lagging support services such as land surveys, exchanges, and preventive maintenance of existing facilities. The major initiatives include:

More than doubling the number of sales per year—from three sales in FY 1978 to seven sales by FY 1984—as part of the Secretary's accelerated five-year schedule for oil and gas leasing on the Outer Continental Shelf.

Meeting the Secretary's coal leasing schedule under the new Federal coal management program. Under this initiative, the first regular comeptitive sales since the 1970 moratorium on coal leasing are scheduled for January 1981; sales are scheduled for two coal regions during FY 1982.

Expanding support to conduct a new competitive leasing program for private oil and gas exploration and development in the National Petroleum Reserve in Alaska.

Focusing resources on developing other sources of energy—such as geothermal, oil shale and tar sands. Under recent Secretarial decisions, the Department plans to issue the first lease sale under the prototype oil shale program in FY 1983 and the first lease sale under the permanent oil shale program by FY 1985. The first lease sale under the tar sands program is planned for FY 1983.

Accelerating the wilderness review schedule to complete the process by 1987, four years ahead of the 1991 deadline required by FLPMA, to expedite reviews in the Overthrust Belt and other areas with the potential for energy development, to more rapidly protect Congressionally designated wilderness areas, and to allow development in non-designated areas.

Placing heavy emphasis on implementation of on-the-ground improvements for the public rangelands. Over $180 million will be invested in improvement projects, reducing the $39 million backlog in rangeland and wildlife management projects and placing over 114 million acres of rangeland under intensive management. In addition, by 1985 roughly 80 percent of the court mandated EIS's will be completed, and for the first time, we will have accurate inventory data on over 60 percent of the public range. Finally, we will have an ongoing inventory program to track trends in range conditions to provide us with information on the on-the-ground results of the program.

Protecting the cultural resources which have been identified on the public lands and preparing cultural inventories related to other programs such as energy and minerals and recreation.

Implementing the California Desert Plan, with particular emphasis on recreation, including ORV's, cultural resources, energy and minerals, and rangeland management

Reducing the time required to process routine land transactions from 360 days to 210 days or less by 1985. Immediate reductions of backlogged land transactions will occur and the backlog will be eliminated by 1990.

At the same time, the requested levels incorporate some difficult decisions that result from the natural tension between the desire to fund the ideal program, and the recognition of administrative limitations on rates of program expansion and of the overall need for some fiscal restraint. The specific program descriptions in section V below outline in more detail the Secretary's priorities. In general, decisions were:

To more precisely target the collection of the resource data that supports specific resource management decisions, thereby controlling costs, for example in programs such as rangeland inventory and the Outer Continental Shelf studies;

To moderate the rate of implementation activities in certain programs, owing to the particularly high costs of rapid implementation and/or the fact that they are not integrally tied to energy programs, range improvements, or critical resource protection activities (for example, construction of new administrative buildings, visitor service facilities, roads, campsites and other recreation facilities);

To moderate the rate at which service backlogs are reduced (e.g. processing of non-energy mineral patent applications); and

To moderate recommended funding increases in programs where technological or personnel innovations stand a good chance of generating future cost efficiencies or personnel savings (e.g. data management)

After completion of the Four-Year Report, additional detailed analyses were performed on selected programs in the course of the Department's review to ensure that urgent public needs would be met in the most prudent, efficient, and effective manner possible. In some cases, such as Rangeland Management and Energy Onshore, these analyses significantly revised the assumptions that generated the original alternative levels in the Report to Congress. These variations are outlined in the individual program descriptions in Section V below.

The Department's authorization request in millions of 1980 constant dollars, is:

1980 Appropriated, 315.

1981 Budget Request, 349.

Requested Authorization Levels, 82, 425; 83, 475; 84, 525; and 85, 570.

As an annual ceiling on future appropriations, these authorization levels provide sufficient flexibility to meet changing needs and priorities. They do this by including:

A contingency fund (about 7 percent of the programmatic total) added to the cumulative annual totals for individual Bureau programs.

A provision in the proposed authorization legislation which would allow the authorization levels to increase to account for inflation during the four-year period, based on the Gross National Product Implicit Price Deflator. This provision is necessary because the requested authorization levels are given in 1980 constant dollars, rather than actual dollars, and do not include funds to compensate for inflation.

Also, a certain amount of flexibility is provided by the fact that the Bureau's programs are authorized in total for Management of Lands and Resources and Acquisition, Construction and Maintenance, rather than by individual programs. This will allow cost efficiencies or workload changes that reduce funding requirements in one program to compensate for additional requirements in other programs.

Such flexibility is necessary to provide a measure of protection against unforeseen program needs, and for reestimates in pricing and workload estimates when projecting several years into the future.

In contrast, the authorization levels for individual Bureau programs, which were arrived at through intense program analysis of the Bureau's identifiable funding needs, do not have a large measure of flexibility built into them. The cumulative annual total for fiscal years 1983, 1984, and 1985 have been recommended to OMB by the Department to serve as the basis for outyear planning targets for the Bureau. (A table listing the individual program targets accompanies the programmatic descriptions in Section V below.)

This authorization does not include about

$660 million of funds separately authorized and requested in other parts of BLM's annual budget. These authorities include $15 million for the Public Rangelands Improvement Act, approximately $13 million for the Range Improvement Fund (from grazing fees), about $57 million for the Oregon and California grant lands, about $120 million for Payments in Lieu of Taxes, about $455 million paid to States, counties, and local governments from receipts generated by BLM programs, and certain other smaller management and trust funds. In addition, it is assumed that any major new programmatic legislation that would have extraordinary effects on BLM programs would carry its own separate authorization.

IV. THE CHALLENGE OF FUNDING A COMPREHENSIVE AND INTERCONNECTED LAND MANAGEMENT PROGRAM

When compared to the analysis that supported the previous Four-Year Authorization Request (FY 1979–1982), the estimated funding needs outlined in this request represent a significantly greater understanding of three areas:

The dramatically increasing and often conflicting public demands for increased resource production, greater protection of the public lands, and improved management and services from the Bureau of Land Management;

The scope and cost of activities necessary to meet these demands; and perhaps most importantly

The complexity of the issues and the level of management that must be brought to bear in meeting FLPMA's multiple use and sustained yield mandates.

This Four-Year Authorization Request represents, for the first time, a full accounting of the resources required to manage complex and interrelated natural systems, while at the same time applying the principles of multiple use and sustained yield. When the Bureau makes a land use decision or takes a management action for one resource value, it necessarily affects both the natural system and all other values as well.

Full recognition of this central reality of public land management has had significant implications for the Bureau's budget planning in general and for this authorization specifically. Planning decisions for all values are inextricably linked and must be considered together when developing estimated investment needs and corresponding performance. The assignment of a high priority to one program, that affects a given piece of geography, has the effect of raising the priority of all associated activities on that piece of geography. This means that if coal leasing, for example, is placed on a priority schedule in the authorization, then cultural resource and endangered species inventories, grazing plans, wilderness reviews, cadastral surveys, and other related actions on the land affected by the coal leasing decision must be supported at a similar level.

Of equal importance are the funding ramifications of creating a management system that both provides a sufficient level of analysis to address these complex impacts, and that incorporates substantial public involvement. Successfully meeting burgeoning and volatile demands from a wide variety of interests requires a management system that is capable not only of addressing emerging critical issues, but also of handling the interdependency among issues.

That Congress recognized the size, scope, and complexity of this mandate is demonstrated by FLPMA's requirement to put in place a comprehensive, life-cycle land management system that includes:

Implementation of land use plans, particularly with on-the-ground improvements, to increase productivity and resource values on the public lands;

A land-use planning and decision process which provides a balance among a range of use alternatives and includes extensive public input, and which directs the implementation activities of the Bureau;

In depth and periodically up-dated inventories supported by monitoring of resource conditions on the public lands, which supply data to the planning process and determine the effectiveness of implementation activities;

Adequate support for service, operations and maintenance activities to meet public demands, and to protect existing investment, as well as new investments made through implementation activities.

The authorization request recognizes both the need to support the management system the Bureau has built to respond to this mandate, and the need to provide funding for the complex program linkages described above. These requirements were incorporated into the three alternative funding levels described in the Report to Congress,* and although the requested funding levels diverge from the original alternatives, the need to fund linked programs at comparable levels is still an integral part of the Secretary's request. Where tradeoffs or compromises have resulted in a request for an efficient and effective level at Level 1 for one program and Level 2 or 3 for another (as occurs in some support programs, for example), care has been taken to ensure that accelerated decisions and high priority energy and on-the-ground improvement programs have sufficient support to be achieved. Secretarial priorities are thus balanced and consistent across programs.

Secretarial priorities are clearly evident when looking at the authorization request by management category rather than by traditional program or budget categories. The Secretary made a conscious decision to hold constant, and eventually reduce, funding for inventories, land-use plans, and activity plans. In this way, the maximum amount of funds could be directed to critical on-the-ground improvements and service type activities. These priorities, reflected in the four-year trends for the individual management categories, are outlined below. (The funding by management category identified below excludes the 7-percent contingency funds included in the total authorization request).

Implementation

[In millions of 1980 dollars]

Fiscal year 1982	$46.4
Fiscal year 1983	61.3
Fiscal year 1984	79.6
Fiscal year 1985	99.5

There is a significant rise in implementation, as more and more plans are completed and an increasing emphasis is placed on on-the-ground improvements.

Activity planning

[In millions of 1980 dollars]

Fiscal year 1982	$61.0
Fiscal year 1983	65.6
Fiscal year 1984	61.8
Fiscal year 1985	67.1

Activity planning, which determines how the land use plans will be implemented, stays fairly constant during the four years. Minor variations in the total occur because activity planning in some large programs, such as coal, is decreasing while it is increasing in others, such as the other onshore energy programs.

Planning

[In millions of 1980 dollars]

FY 1982	$11.4
FY 1983	14.3
FY 1984	17.3
FY 1985	15.9

Land use plan preparation for the public lands peaks in 1984, primarily because of accelerated scheduling (for example, wilderness reviews, preparations of EIS's on livestock grazing, etc.), and then begins to decline.

Inventory

[In millions of 1980 dollars]

FY 1982	$117.6
FY 1983	117.3
FY 1984	127.7
FY 1985	119.3

Inventory activities remain fairly constant over the four years with the exception of 1984 when the need for studies in the offshore energy program related to lease sales beyond the Secretary's Five-Year Schedule causes a one-year increase.

Service, operations and maintenance

[In millions of 1980 dollars]

FY 1982	$161.1
FY 1983	185.1
FY 1984	203.2
FY 1985	230.8

Service, operations and maintenance activities increase steadily and substantially over the four-year period as increasing emphasis is given to public service and as more on-the-ground improvements and facilities are built which require maintenance. Also, a comprehensive preventive maintenance program will be initiated during the four-year period.

V. INDIVIDUAL PROGRAM DESCRIPTIONS

The requested authorization levels ensure a high level of performance on the issues of greatest national and regional concern—coal leasing; onshore and offshore oil and gas leasing as well as other energy resource development; rangeland management; wilderness; lands case processing; and public service. They also provide for improved performance in key administrative and technical support programs including cadastral survey, acquisition, and construction. A summary of anticipated performance in each program follows.

A. Planning and Inventory Coordination

[In millions of 1980 dollars]

FY 1981	14.7
FY 1982	14.7
FY 1983	17.6
FY 1984	20.9
FY 1985	19.7

The Planning and Inventory Coordination program provides funds for coordinating the Bureau's inventory activities, for preparing resource management plans for each of the Bureau's resource areas, and for monitoring the implementation of management plans once they have been adopted. At the requested level, the Bureau will be able to fully implement the planning regulations promulgated in September of 1979. This will involve, among other things, monitoring the implementation of approximately 100 management plans and coordinating the inventory work on 30–40 resource management areas. The requested authorization level also provides the Bureau with all the funds necessary to meet the planning schedule that was developed to fulfill existing grazing, timber, coal leasing, and wilderness review mandates. During the period covered by this authorization, all of the scheduled resource management plans will be completed for close to 100 out of a total of 156 resource areas on the public lands.

The apparent difference between the requested level and level 1 in the Report to Congress is due to an accounting change. In the Report, approximately $6 million/year was included in the Planning Program for acceleration of wilderness planning decisions. In the Secretary's recommended level, the $6 million is accounted for under the Wilderness Program.

B. Energy and Minerals

The Department's requested level provides for substantial increases in energy and mineral programs. Emphasis is placed on meet-

*Level 1 provided the greatest increases and Level 3 the lowest, although all three levels represented substantial increases over previous appropriation levels.

ing leasing schedules for coal and offshore oil and gas, initiating new or accelerated leasing efforts in non-conventional energy resources, and eliminating or reducing backlogs in leasing applications. Substantial, but less dramatic, increases in non-energy mineral programs will allow the Bureau to administer proposed new surface management regulations, and to respond to increases in demand for a variety of minerals, such as sand and gravel, from the Federal lands. It will also permit BLM to reduce backlogs in mineral patent applications.

No specific funds are included in this authorization for offshore non-energy mineral efforts. The Report to Congress identified a small amount of funds that could be used for a limited analysis of the needs for, and impacts of, an offshore mining effort. However, until the need for such a program is more clearly demonstrated, the decision to propose such an expenditure was deferred. Should the need for such a program become more certain, the contingency allowed in the Requested Level should provide the limited funding necessary to initiate a small scale or prototype non-energy minerals offshore leasing program.

Energy onshore—Coal

[In millions of 1980 dollars]

FY 1981	30.6
FY 1982	30.6
FY 1983	33.3
FY 1984	33.4
FY 1985	35.0

A new Federal Coal Management Program was adopted in 1979. The centerpiece of this program is the orderly scheduling of competitive lease sales. Planning and pre-lease sale activities will allow lands containing an estimated 30 billion tons of coal to be considered for leasing by 1985.

The requested level for the coal program is consistent with Level 1 in the Report to Congress, and will allow full and timely implementation of the Secretary's five-year coal leasing schedule. Planning, environmental assessment activities, and technical studies will be undertaken in support of the nine scheduled sales between FY 1982 and 1984 and the two anticipated sales for FY 1985. The requested level will also allow BLM to process:

247 lease applications and preference right lease applications, which is 100% of the estimated applications received;

25 lease exchanges, which is 100% of the estimated demand for exchanges;

429 lease adjustments, assignments, modifications and mining plan reviews, which is 100% of the estimated demand.

The Department is committed to increasing production of vital domestic energy resources. The requested level reflects the continued high priority given to the Federal Coal Management Program.

Energy onshore other than coal

[In millions of 1980 dollars]

FY 1981	18.4
FY 1982	28.6
FY 1983	33.4
FY 1984	39.0
FY 1985	44.2

In additions to the coal program, the Bureau has active leasing programs for oil and gas and geothermal resources, and is developing new programs for tar sands leasing and oil shale leasing. The Bureau is also beginning to respond, through cooperative programs with states, and other means, to initiatives directed at solar, wind and other unconventional energy generation technologies.

The requested level for these energy programs contains substantial increases—higher in total than Level 1 in the Report to Congress and also higher for most individual leasing programs. The requested authorization levels for these energy programs for FY 82–85 are 162% higher than their appropriations for FY 78–81. These increases will allow:

A 45 percent increase in the number of oil and gas and geothermal leases issued annually, from about 12,900 in FY 1981 to nearly 19,000 in FY 1985;

Reduction of the oil and gas lease application backlog by approximately 80 percent and reduction of the geothermal lease application backlog by about 75 percent;

Efficient administration of new procedures for simultaneous oil and gas filings;

Leasing of up to four prototype oil shale tracts by FY 1983, and conducting the first lease sale under the permanent oil shale program by FY 1985;

A new tar sands leasing program targeted to a first lease sale by FY 1983:

Competitive leasing in the National Petroleum Reserve in Alaska (NPR–A), also known as the Western Arctic Management Area (WAMA), when Congressional authorization is granted;

Increased emphasis on oil and gas leasing in the Overthrust Belt and initiation of onshore oil and gas leasing efforts in Alaska outside of the NPR–A; and

Diligent efforts to insure lessees' compliance with regulations and stipulations required to protect surface resources.

There are a number of new analyses and accounting changes that make it somewhat difficult to compare directly the requested levels and those in the Report to Congress.

Recently, new, more up-to-date analyses were completed describing both the future demand for oil and gas and geothermal leasing and the costs of processing leases. The requested levels incorporate these more up-to-date pricing and workload estimates. As a result, the authorization levels more closely meet the anticipated needs of the oil and gas leasing effort during the four-year period, including reduction of the lease application backlog. The geothermal program will remain stable at the requested level, which will allow the lease application backlog to be substantially reduced.

Since the Report to Congress was initially prepared, the Department has made more specific decisions regarding the nature and scope of the oil shale and tar sands leasing programs. In several important respects, these decisions differed from assumptions used to develop the levels in the Report to Congress. The decisions to initiate the tar sands leasing efforts by FY 1983 and to establish a permanent oil shale leasing program were not anticipated in the Report to Congress. Funding for these programs in the requested level is more than twice that anticipated in Level 1 in the Report to Congress, and fully meets the requirements of the developing programs.

The requested level includes $5.2 million annually for a leasing program in the NPR–A. No such funding was included in the Report to Congress.[1]

There is a final difference between the levels included in the Report to Congress and the requested level. In the Report, $2 to $3 million per year were included in the Onshore Energy category for mineral surveys in potential wilderness areas. The requested level includes these funds in the Wilderness Program.

In the decisions regarding the oil shale and tar sands programs and other recent initiatives that are reflected in this request, the Secretary and the Department have demonstrated a commitment to accelerating the development of domestic energy resources on the public lands. The funding increases embodied in the requested authorization levels for onshore energy programs other than coal underscores this commitment.

Energy offshore

[In millions of 1980 dollars]

FY 1981	53.8
FY 1982	53.8
FY 1983	54.8
FY 1984	63.8
FY 1985	59.8

The Bureau's offshore energy program for the four-year authorization period will be guided by the new Five-Year OCS oil and gas leasing schedule. The Secretary submitted this schedule to Congress as required by the OCS Lands Act Amendments of 1978.

A total of $232 million dollars over the four-year period has been provided in the Secretary's efficient and effective level:

$140 million for the environmental studies necessary to fully implement the five-year OCS oil and gas leasing schedule;

$40 million for environmental studies needed now to prepare for sales beyond those currently scheduled, and;

$50 million for administrative and environmental assessment activities to support the present schedule and to initiate activities for the post-five-year sales.

There are several factors which the Department believes should permit the costs associated with the OCS program to be held to a relatively stable level. First, the program as a whole is maturing and stabilizing. If proposed OCS Sale No. 53 is held in central and northern California, there will soon be no frontier regions remaining in the lower 48. Sales have been held in three Alaskan areas. New procedures instituted just prior to and after passage of the OCS Lands Act Amendments are in place. Finally, the environmental studies program has been operating since 1974, resulting in seven years worth of studies and data.

Judgments about the number and scope of environmental studies as it relates to sales beyond those presently scheduled, accounts for the major difference between alternative funding levels in the Report to Congress. The recommended level for this program is based on an analysis of required studies and the subsequent determination of the appropriate level of studies needed for outyear sales. The recommended level also includes funds for some studies not anticipated when the Report Levels were developed. For example, completed Endangered Species consultations have resulted in the need to expand Alaska endangered whale studies beyond those previously anticipated. It also provides for monitoring in controversial leasing areas.

Non-Energy Minerals—Onshore

[In millions of 1980 dollars]

FY 1981	9.6
FY 1982	10.5
FY 1983	12.5
FY 1984	14.0
FY 1985	15.9

The federal mineral estate consists of over 800 million areas of public and acquired lands and lands which have been patented, but for which subsurface mineral rights have been reserved by the federal government. Under the Mining Law of 1872, many of these mineral rights are developed by private industry and by individuals on claims, and ultimately on patents. In other cases, mineral rights are leased or materials themselves are sold in place.

While funding increases for the non-energy minerals program are not as large as they are in the energy area, the Department's requested authorization level for FY 82–85 is 58 percent greater than appropriations for FY 78–81 and is roughly comparable to Level 2 as described in the Report to Congress. However, the performance outputs in the Report to Congress and those made possible by the requested level are not directly comparable.

[1] Funding for NPR–A was included only in FY 1981 budget figures and not in the various FY 1982–85 levels.

Since the Report was prepared, substantial changes have been made to the proposed final version of surface management regulations for activities outside of wilderness study areas. These changes, which include threshold criteria to be met before a plan is required, will reduce the number of plans received and allow efforts to be concentrated on those operations with the most significant potential for impact. The recommended level should permit all of the plans of operation to be fully reviewed, and 65 to 85 percent of those with the greatest potential for adverse effects should receive field examination. This is a much higher performance level than anticipated for this level of funding in the Report.

This authorization level should insure that the patent application backlog does not increase in the four-year period, despite an expected increase in applications. It will allow the Bureau to respond to moderate increases in demand for minerals on Federal lands. It should result in over 3000 leases, material sales and free use permits processed annually by FY 1985, over a 20 percent increase from the estimated FY 1982 level. It will also allow a substantial amount of paleontological inventories to be conducted. These are required as a result of the Antiquities Act and NEPA for mining plans and other activities undertaken by the Bureau.

C. Renewable Resources

The renewable resource programs for FY 1982 through FY 1985 provide significant increases in funding to meet the Bureau's FLPMA mandates and ensure an integrated multiple-use program.

The rangeland program has a strengthened emphasis on on-the-ground implementation, as well as on monitoring the results of management actions. Forest management activities will focus on meeting demand for forest products and providing an information base for future actions on the Bureau's commercial forest lands. In all programs, sufficient inventories and activity planning will be done to ensure the efficient and effective utilization of funds. A maintenance program, coordinated with implementation actions, will be put in place to ensure that investments are fully protected.

By the end of FY 1985, the funding provided in these authorizations would make it possible to achieve a major improvement in the 55 million acres of rangeland currently in fair or poor condition and to make a major start in improving and stabilizing the remaining 115 million acres under allotment management plans. Herd area management plans will be completed on about 57 percent of the area where management of wild horses and burros is anticipated. Filings will be made on 47 percent of the total expected water rights needed by the Bureau. Over 1,200 timber sales will be made, constituting 90 percent of the anticipated demand for timber. Timber inventories will be completed on 50 percent of the commercial timber lands, and 70 percent of the needed forest management activity plans will have been prepared.

This is an ambitious, but realistic program. In the rangeland program, the strong emphasis on facility investment ensures that a major start will be made in increasing the long-term productivity of the rangelands. This investment will pay long-term dividends as management proceeds through future cycles.

Rangeland management

[In millions of 1980 dollars]

FY 1981	82.2
FY 1982	88.9
FY 1983	104.0
FY 1984	114.0
FY 1985	133.0

Rangeland management funding includes livestock grazing; wild horses and burros management; soil, water and air management; and wildlife habitat management. These four programs are considered together because of the strong interrelationships that result from basic dependencies on the soil, water and vegetation components of rangeland ecosystems. The total effects of all of these program actions must be considered in the integrated management of a healthy, productive rangeland.

A special analysis of the rangeland program was prepared to supplement the Four-Year Authorization Report. In this analysis, the Bureau and the Department considered all four programs' needs in the context of funding available from all authorization sources. In addition to funds available under the Four-Year Authorization, $15 million per year is authorized under the Public Rangelands Improvement Act of 1978 and the Department expects to request full funding under that Act. An estimated $13 million will be available annually from the portion of grazing receipts returned to the Range Improvement Fund. The alternative Rangeland levels in the initial Report to Congress were representative of the Bureau's total program needs regardless of funding source.

Total funding for Rangeland Management from all funding sources is summarized as follows.

[In millions of 1980 dollars]

	Fiscal year			
	1982	1983	1984	1985
Management of lands and resources (MLR)	88.9	104	114	133
Public Rangelands Improvement Act (PRIA)	15.0	15	15	15
Range improvement fund (RI)	13.0	13	13	13
Total	116.9	132	142	161

When all funding sources are considered, investment in rangeland management increases from a total of $338 million in the preceding four years of appropriations (FY 1978–1981) to $552 million in the Secretary's requested level for this authorization period, a 63 percent increase. Annual increases range from 7 percent in FY 1982 to 13 percent in FY 1985.

Nearly all of these increases are targeted to implementation and service, operations, and maintenance activities. Inventory costs for the four-year period remain level, the result of a conscious Secretarial decision to take a hard look at the Soil Vegetation Inventory Method (SVIM) costs and to hold to a level planning target (approximately $30 million/year) pending further analysis of these needs. Planning costs increase over the period from $12 million in 1982 to $13 million in 1985. Funding for Service, Operations and Maintenance activities rises from $40 million in 1982 to $54 million in 1985. Much of this increase will provide for an expanded monitoring program. Finally, implementation expenditures would rise dramatically over the four-year period, as evidenced in the table below.

Implementation funding

[In millions of 1980 dollars]

Fiscal year 1982	36
Fiscal year 1983	45
Fiscal year 1984	52
Fiscal year 1985	65

Reassessment of on-the-ground implementation needs during the review process showed that the estimates of total implementation needs in the range portion of the Report to Congress were somewhat high. As a result of this reassessment, the requested levels, while appearing in total to be at Level 3, actually provide a Level 1 implementation program for all the Rangeland programs. This includes approximately $120 million for rapid implementation of AMP's, following completion of livestock grazing EIS's, approximately $35 million for protection and improvement of important wildlife habitats, approximately $40 million for water quantity and quality improvements, and a 30 percent reduction in the $35 million wildlife habitat management plan implementation backlog.

The Secretary's requested levels will provide:

Grazing Management

24,600 livestock grazing permits issued annually
4,750 range improvements maintained
130 million acres (100 percent of areas under AMP) monitored
56 million acres inventoried
2,879 allotment management plans (AWP) completed
14.2 million acres improved
10,200 allotments supervised

Wild Horse and Burro Management

53,000 animals will be removed from rangelands
76 million acres inventoried
48 Herd Area Management Plans completed

Soil, Water and Air Management

860 structures maintained
57 million acres of soil inventories
134 million acres of water inventories
68 million acres of air quality inventories
6 Section "208" plans (BLM input) compiled and implemented
Implement 15 water yield improvement projects

Wildlife Habitat Management

6,250 improvements maintained
77 million acres inventoried
101 habitat management plans completed
37.5 million acres of habitat improved
11,300 miles of stream improved.

Improvement of rangeland condition is one of the Department's highest priorities, and this authorization is a significant commitment to restoring and enhancing the productivity of the public rangelands in an efficient and effective manner.

Forest management

[In millions of 1980 dollars]

Fiscal year 1981	9.3
Fiscal year 1982	10.0
Fiscal year 1983	11.0
Fiscal year 1984	12.0
Fiscal year 1985	12.8

Moderate increases are proposed which will maintain the present timber inventory and sales programs and allow for some additional funding for forest development and for reduction of the reforestation backlog. Inventories of non-commercial forest land will not be done, and roughly 50 percent of the estimated demand for Christmas trees, posts and poles, and fuelwood permits will be met. It is important to emphasize that these forestlands and woodlands are the least productive of the Bureau's lands for saw timber. Management for the Bureau's most valuable forest land, the Oregon and California Grant Lands, is funded through a separate account.

Forest Management

151,000 fuelwood permits issued
72,000 Christmas trees sold
151,000 posts and poles sold
2 million acres of commercial forest land inventoried
330 activity plans completed
440 million board feet of timber sold
42,800 acres of forest development (seeding, planting, thinning, etc).

D. Recreation and Environmental Areas

The Department's requested Level gives a high priority to protecting a number of the non-commodity resources on the public lands. Significant increases in funding are requested for the Wilderness Program to

accelerate the wilderness review required by Section 603 of FLPMA, and for the Cultural Resource Management Program to protect cultural resources threatened with destruction. The requested level for the Recreation Management Program provides increased funding for the California Desert and a number of the special recreation areas.

Recreation management

[In millions of 1980 dollars]

FY 1981	7.6
FY 1982	9.5
FY 1983	10.1
FY 1984	11.4
FY 1985	12.8

At the requested level, funding for the Bureau's Recreation and Visual Resources Management Program will increase by approximately 70 percent during the four years covered by this authorization. This Four-Year Authorization represents a 37% increase over FY 78–81 appropriations. With this increase in funding, roughly equivalent to level 3 in the Report to Congress, the Bureau will be able to:

Complete, for almost 90 percent of the contiguous Western United States, the off-road vehicle review required by Executive Order 11644;

Implement a comprehensive visitors services program in the California Desert.

Provide recreation information and personal assistance to visitors at a number of high-use river segments, trails, and other special recreation areas.

As a result of increased energy prices, demographic shifts associated with other resource development, and the emergence of new forms of recreation, rapid changes are occurring in the recreation use of the public lands. During the period covered by this authorization, the Bureau will continue to assess the magnitude of those changes and their effect on the demand for visitor services.

Wilderness

[In millions of 1980 dollars]

FY 1981	12.7
FY 1982	24.3
FY 1983	24.2
FY 1984	23.1
FY 1985	24.5

At the requested authorization level, the wilderness review required by Section 603 of the Federal Land Policy and Management Act will be completed for the contiguous Western United States by October 30, 1987—four years before the 1991 Congressional deadline. Where feasible, priority will be given to areas involving significant resource use conflicts—such as those involving oil and gas development in the Overthrust Belt. This accelerated review schedule will reduce existing uncertainties concerning the ultimate use and management of the public lands affected. It will also shorten the period during which wilderness study areas will have to be managed according to the Wilderness Interim Management Guidelines.

The authorization request for the Wilderness Program includes funds estimated to be necessary for wilderness related mineral surveys prepared by the Energy and Minerals Program and for wilderness management plan amendments prepared by the Planning Program. In the Report to Congress, these wilderness related costs, approximately $8 million per year, were charged to the affected programs and not to wilderness. The authorization request for the Wilderness Program will provide outputs consistent with Level 2 in the Report. Wilderness study areas will be regularly monitored for compliance with the interim management policy, and wilderness management plans for Congressionally designated areas will be implemented within four to six years.

Natural and cultural resources management

[In millions of 1980 dollars]

FY 1981	4.1
FY 1982	8.0
FY 1983	9.0
FY 1984	10.0
FY 1985	11.0

The substantial increase in funding requested for the Cultural Resources Management Program will significantly enhance the Bureau's ability to protect cultural resource sites threatened by vandalism and natural destruction such as erosion. At the requested level, roughly equivalent to Level 2 in the Report to Congress, the Bureau will complete intensive cultural resource inventories on approximately 15 million acres per year (100 percent of total estimated need).

Once these inventories are completed, a more accurate estimate can be made of the number of cultural resource properties which need protection plans, and the number of acres which need to be monitored for damage. Current estimates indicate that at the requested level, two thirds (200) of the cultural properties needing resource protection plans, and one half (1.7 million acres) of the acres needing monitoring for damage will be funded. Given the provisions of Section 106 of the National Historic Preservation Act of 1966, the completion of the inventories will also expedite the processing of use authorization permits for mining, transmission line rights-of-way, roads, and other land use changes.

The requested authorization level for the Natural History Resources Management Program, while modest in comparison to other programs, represents a fivefold increase in funding over the 1981 appropriation. This increase will significantly enhance the Bureau's contribution to the Federal Committee on Ecological Reserves, the Federal Research Natural Areas System, and the Department's National Natural Landmarks Program.

E. Lands, Rights-of-Way and Land Acquisition

Significant and rapid increases in demands for land actions (e.g., land sales, land exchanges, pipeline, road and powerline rights-of-way, use withdrawals, claims recordation, etc.) on the public lands over the last several years have created service delays, backlogs in processing, and increased costs in these programs. These problems have been taken into consideration in the authorization request, and their reduction and elimination has been emphasized in the requested level.

Recent court decisions, the emerging hazardous waste problem, and support for community and energy development will increase the demands during the next decade. In addition to the increased authorizations in the Secretary's request over the next four years BLM will be seeking out more efficient means to meet these increases, to improve service to the public, and to meet the statutory and Departmental priorities in these difficult years.

Lands and rights-of-way

[In millions of 1980 dollars]

FY 1981	36.1
FY 1982	38.7
FY 1983	40.7
FY 1984	43.6
FY 1985	45.6

The Secretary's requested level would authorize increases during the four-year authorization period of 33 percent above the FY 78–81 appropriations to expedite processing of the projected 8,000 to 12,000 new land actions requested of the Bureau each year. Emphasis has been placed on elimination of land casework backlogs and the reduction of the average time required to process each case. Priority was also given to Alaska Native Claim and Alaska State conveyances, and to withdrawal reviews, energy actions, and mineral actions.

Over the four years of the authorization period, the requested level will allow the processing of an estimated:

16,350 energy rights-of-way annually with the average processing time reduced from 350 days to approximately 210 days by 1985 (100 percent of demand);

23,500 non-energy cases annually (e.g., lands sales and exchanges, rights-of-way, land leases, use permits, etc.), a rate that would eliminate all backlogs (over 12,000 cases) by 1990;

12.5 million acres of Alaska Native Claims Settlement Act conveyances (92 percent of the total by 1985);

43.4 million acres of State of Alaska conveyances (93 percent of the total statutory conveyances) by 1985;

2,200 trespass cases, as well as preparation for an intensive unauthorized use abatement program to be completed by 1988;

700 pending or planned withdrawal requests (100 percent of estimated demand);

2,700 withdrawal reviews or 33 percent of total to be completed (this will complete the withdrawal reviews by 1991);

500,000 mining claims recorded or 100 percent of estimated demand;

300,000 claims filed or 100 percent of estimated demand.

The requested level is equal to Level 3 in the Report which will provide substantial progress in meeting national and local priorities. This recommendation was based, in part, on a continuing effort by BLM to identify potential efficiency improvements in processing of land cases. If the increases in efficiency are not as substantial as anticipated, or if annual caseloads continue to increase at current rates through FY 1982, BLM will be able to provide more funds for certain land actions to assure continuing progress, through the flexibility built into the authorization and appropriation processes.

Easement and land acquisition

[In millions of 1980 dollars]

FY 1981	1.8
FY 1982	1.9
FY 1983	3.9
FY 1984	4.4
FY 1985	7.5

The Bureau uses the acquisition program primarily to obtain easements for BLM and public access to Federal lands which are surrounded or locked-in by non-Federal ownership. Such easements are needed to install and maintain Federal land management investments and facilities and to open such lands for use by the public. Other uses include recreation site acquisitions such as camping sites for river rafting, and hiking or riding trail easements to provide sporting opportunities and to protect adjacent property.

The requested level provides substantial increases for the acquisition program, adding $2 million per year by 1983 and over $5 million per year by 1985, compared to the 1981 appropriation level. This authorization is

equal to Level 2 in 1983 and 1984 and Level 1 in 1985 in the Report.

These increases have been provided to reduce the backlog of easement acquisitions, to expedite the installation and maintenance of habitat improvements, to expand mineral leasing and timber management on public lands, and to open the over 20,000 parcels of locked-in Federal land to the public.

The requested authorization level will allow BLM to complete about 1,100 easement acquisitions, and to achieve substantial work on over half of the estimated 2,550 cases that are currently pending or will be referred over the four year period. The remaining cases will be in progress at the end of the period. This authorization level will allow the opening of many currently inaccessible public lands to grazing, hunting, fishing, and other recreational uses, to help meet increasing demands for resource uses with existing lands.

F. Support Programs

Technical and administrative support is important to the success of the Bureau's resource programs. The Construction and Maintenance programs, which have been neglected in the past, are authorized to receive significant increases at the Secretary's requested level during the four-year period. The Cadastral Survey program is also increased substantially in recognition of its critical importance. More modest increases are recommended for data management, fire management and enforcement and administration.

Cadastral survey

[In millions of 1980 dollars]

FY 1981	22.2
FY 1982	24.3
FY 1983	25.3
FY 1984	26.3
FY 1985	27.4

Increases are proposed in the requested authorization level which will enable BLM to complete surveys on nearly 25 million acres by 1985 approximately 80 percent of estimated demand). First priority will be given to surveys which are required to maintain the Alaska Native Claims Settlement Act and the Alaska State selection schedule. In the lower 48 states, priority will be given to surveying needed for key land exchanges, rights-of-way processing, energy and minerals actions, and verification of ownership to determine trespass and unauthorized occupancy and for situations where color of title questions exist.

Often the implementation of Bureau resource programs must await cadastral surveys to assure that management actions do not infringe on the ownerships of others. In recognition of the identified priority and the capability of some other agencies to conduct their own surveys (through recent Memoranda of Agreement), it is expected that the requested funding level will allow BLM to complete those surveys needed to implement legally required and economically feasible management actions, consistent with Level 2 in the Report to Congress.

Construction and maintenance

[In millions of 1980 dollars]

FY 1981	12.8
FY 1982	17.5
FY 1983	24.1
FY 1984	30.4
FY 1985	36.8

The requested funding level, for the 1982–1985 period, represents a significant increase in funding over previous levels. This will allow BLM to build projects that have been needed for many years, as well as to construct new facilities required to implement management plans which will be completed during the 1982–1985 period.

The Report to Congress estimated the total cost of potential administrative, transportation, and recreation facilities for this period to be over $100 million. The requested level provides more than $60 million, and will allow the Bureau to construct a substantial portion of its needed facilities, with priority given to those that are most critical to the efficient and effective management of the public lands. It should be noted that funding for construction of on-the-ground range improvements is included in the rangeland management programs.

Construction activities planned during the four-year period are expected to include:

Approximately 400,000 sq. ft. of building space including a multiple-use complex in Alaska, and warehouse and administrative facilities at the Boise Interagency Fire Center;

440 recreation sites including visitor information, sanitary and other facilities;

1,100 family units for camping and picnicking;

425 miles of road construction;

115 miles of trails;

22 bridges.

The requested level proposes substantial funding increases for maintenance of existing facilities. Included is the initiation of a maintenance survey which will enable BLM to develop a long-run preventive maintenance program that will reduce future maintenance costs, while protecting the public's investment in existing facilities. In addition, a more intensive program to improve energy conservation in existing facilities can begin.

Routine maintenance of recreation, sanitary, and transportation facilities would continue with greater emphasis on eliminating safety hazards for users of the public lands.

The requested level therefore provides a capability to achieve construction accomplishments midway between Level 3 and Level 2 and accomplish the outputs described in Level 1 of the maintenance program for the four-year period.

Data Management

[In millions of 1980 dollars]

FY 1981	16.3
FY 1982	18.3
FY 1983	20.5
FY 1984	23.0
FY 1985	25.5

Increases are provided in the requested level for FY 82–85 to fund data management support for the Bureau's resource, technical, and administrative programs. These increases would provide 45% more funding for Data Management than for appropriations during FY 78–81. The rapid change in computer and information systems technology, which can bring about cost savings and new efficiencies, makes it difficult to predict five years into the future, how much funding will actually be required for this program.

The Bureau is beginning a study to update the "Strategic Plan for Information Systems Management." The results of that update should provide a more accurate identification of funding requirements. The Bureau is also exploring the possibility of utilizing data and computer models developed by other agencies. It may be possible to utilize, at a relatively low cost, such information and analytic capability.

The outputs achieved at the requested level are consistent with those shown in Level 3 in the Report, and will support both existing operations and services to Bureau programs and field offices and the initiation of certain improvements.

The increased funding will allow the Bureau to:

Install supplemental data processing equipment in five additional field offices;

Place an estimated 29 terminals in Bureau field offices;

Extend remote sensing for lightning detection systems, automatic weather stations and other automatic monitoring capabilities.

Fire Management

[In millions of 1980 dollars]

FY 1981	9.3
FY 1982	9.3
FY 1983	10.0
FY 1984	10.6
FY 1985	10.9

The requested authorization level provides modest increases for fire management on the public lands. This program includes fire-related activities for planning, preparation and prevention such as prescribed burning and preparation of the Normal Fire Year Plan. The actual cost of fighting fires and rehabilitation of burned areas is funded through a yearly supplemental appropriation at the end of each fire season.

The requested level will provide outputs for the four-year period which are equal to those at Level 3 in the Report. This level of authorization will:

Decrease the number of fires of 10 acres or larger from 360 in 1981 to 300 per year by 1985;

Increase prescribed burning from 50,000 acres in FY 1981 to 78,000 acres in FY 1985;

Maintain the existing Automatic Lightning Detection System, but not to complete its implementation;

Complete many, but not all of the objectives of the Normal Fire Year Plan.

Enforcement and administration

[In millions of 1980 dollars]

FY 1981	7.0
FY 1982	8.6
FY 1983	9.2
FY 1984	9.7
FY 1985	10.2

The requested level provides increased authorizations for law enforcement and administrative support programs. The requested authorization will nearly double the present low level of funding for the law enforcement program, allowing the Bureau to better protect the resources on the public lands, primarily through cooperative agreements with local enforcement agencies. The request places program funding between Levels 2 and 3 in the Report to Congress, and would support the negotiation and maintenance of approximately 35–40 cooperative agreements. It also provides for more than 4800 criminal and civil investigations by BLM staff specialists over the four-year period.

Increases in administrative support programs and management authorizations are roughly proportional to the total increases in the requested level.

FLPMA 4-YR AUTHORIZATION—PLANNING ASSUMPTIONS FOR MANAGEMENT OF LANDS AND RESOURCES AND ACQUISITION, CONSTRUCTION, AND MAINTENANCE

[In millions of dollars]

	Actual fiscal year 1980 appropriation	Requested fiscal year 1981 appropriation	Planning assumptions (1980 dollars) Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985
Planning and inventory coordination	13.3	[1] 14.7	14.7	17.6	20.9	19.7
Energy onshore:						
Coal	22.4	30.6	30.6	33.3	33.4	35.0
Other	12.4	18.4	28.6	33.4	39.0	44.2
Energy offshore	51.9	53.8	53.8	54.8	63.8	59.8
Nonenergy—Onshore	8.4	9.6	10.5	12.5	14.0	15.9
Grazing management [2]	31.5	33.1	38.6	49.3	54.3	70.6
Wild horses and burros [2]	5.2	6.7	6.7	6.7	6.7	6.7
Soil, water, and air [2]	19.2	22.5	23.6	26.0	28.0	29.5
Wildlife habitat management [2]	16.4	19.9	20.0	22.0	25.0	26.2
Forest management	9.0	9.3	10.0	11.0	12.0	12.8
Recreational resources management	8.0	7.6	9.5	10.1	11.4	12.8
Wilderness	10.0	[1] 12.7	24.3	24.2	23.1	24.5
National and cultural research management	2.9	4.1	8.0	9.0	10.0	11.0
Lands and rights-of-way	34.5	36.1	38.7	40.7	43.6	45.6
Acquisition	2.2	1.8	1.9	3.9	4.4	7.5
Cadastral survey	24.4	22.3	24.3	25.3	26.3	27.4
Construction and maintenance	14.1	12.8	17.5	24.1	30.4	36.8
Data management	15.0	16.3	18.3	20.5	23.0	25.5
Fire and aviation management	8.7	9.3	9.3	10.0	10.6	10.9
Enforcement and administration	5.2	7.0	8.6	9.2	9.7	10.2
Subtotal	[3] 314.7	[4] 348.6	397.5	443.6	489.6	532.6
7-percent contingency	NA	NA	27.5	31.4	35.4	37.4
Total	314.7	348.6	425.0	475.0	525.0	570.0

[1] For purposes of comparability, $1,000,000 requested in fiscal year 1981 under planning (for wilderness activities) has been shifted to wilderness because in fiscal years 1982–85, all wilderness activities will be funded under wilderness.

[2] Figures exclude PRIA authorization each year.

[3] Figure excludes $49,800,000 for fire suppression and rehabilitation and $6,300,000 PRIA appropriation.

[4] Figure excludes $4,800,000 for fire suppression and rehabilitation and $13,700,000 PRIA appropriation. ●

By Mr. ARMSTRONG:

S. 398. A bill to amend the Walsh-Healey Act and the Contract Work Hours Standards Act to permit certain employees to work a 10-hour day in the case of a 4-day workweek, and for other purposes; to the Committee on Labor and Human Resources.

OVERTIME PAY TO FEDERAL CONTRACTORS

● Mr. ARMSTRONG. Mr. President, today I am introducing a short bill with major ramifications for the health of our economy. In the past 10 years, many companies in the private sector have determined that a 4-day 10-hour workweek is advantageous in many ways. Companies under contract with the Federal Government, however, are not allowed this option without substantial penalty. Simply, my bill requires that overtime be paid to Federal contractors for work after 40 hours in 1 week. Present law, regulating employees producing goods for the Government, requires the payment of overtime after 8 hours in any 1 day.

This bill is essentially the same as the one passed by the Senate when it was introduced by Senator Henry Bellmon in the 96th Congress. Several amendments, including this proposal, were dropped en masse in conference.

There are numerous advantages to the 4-day workweek, but the most significant is increased productivity which could save consumers millions of dollars each year. Our productivity growth rate has been declining for several years and 1981 is expected to be no better. The adoption of a 4-day workweek by the Norgren Co., in Littleton, Colo., is a good example of increased productivity and one of favorable employee reaction. Production increased significantly, while employee annual turnover was reduced from more than 40 percent to less than 16 percent. Absenteeism fell from 7 to 4 percent.

Also, this country's continuing energy problem could be alleviated by some degree if more firms choose to move to a 4-day workweek. Employees could save one round trip commute per week and reduce consumption of fuel, traffic congestion, and air pollution. It is evident to me that any help with these serious problems would be of major benefit to the Nation's cities. In addition, considerable savings could be realized should companies gear their heating and cooling requirements for buildings to 4 days instead of 5.

This is not an insignificant matter. The Bureau of Labor Statistics estimates that as many as 36 million employees could be restricted by these Federal regulations, while thousands of firms are continuing to adopt the more efficient 4-day workweek. Prior to 1970, less than 100 firms operated on a 4-day workweek. By 1973, 3,000 firms had shifted, and by the end of 1976 over 10,000 companies in the United States had adopted a 4-day work schedule.

In the past, the compressed workweek has been supported by a number of business and labor groups. For these reasons, I am hopeful that this legislation will be favorably considered by the Senate at an early date, and restore to American businesses serving the Federal Government the basic freedom of choice.●

By Mr. BENTSEN:

S. 399. A bill to amend the Congressional Budget Act of 1974 to require the Congress to establish, for each fiscal year, a regulatory budget for each Federal agency which sets the maximum costs of compliance with all rules and regulations promulgated by that agency, and for other purposes; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, by unanimous consent pursuant to the order of August 4, 1977.

S. 400. A bill to reduce duplicative and conflicting Federal rules or regulations, and for other purposes; to the Committee on Governmental Affairs.

S. 401. A bill to reduce the costs of Federal regulations, and for other purposes; to the Committee on Governmental Affairs.

REGULATORY REFORM

Mr. BENTSEN. Mr. President, during the last Congress, the Joint Economic Committee, under my chairmanship, developed a bipartisan program to bring inflation under control and restore our economy to a prosperous level of long-term growth. A major requirement for achieving these two important goals is the need to cut back on excessive and unnecessary regulation. Our current regulatory system is imposing substantial costs on American businesses and contributing to rising prices. We cannot reduce inflation nor boost productivity if we continue to impose regulations on the private sector which are often costly, duplicative, wasteful, or ineffective.

Today, I am once again introducing a regulatory reform package that incorporates recommendations offered in the Joint Economic Committee's anti-inflation program. It includes a regulatory budget which sets an annual limit on the compliance costs each Federal agency can impose on non-Federal sectors through their rules and regulations; a statutory requirement that agencies adopt the least costly way of achieving their regulatory objective; and a new requirement that the Federal Government identify and eliminate rules and regulations which overlap or conflict with each other.

During the 96th Congress I introduced a similar regulatory reform package. I am pleased that one of my proposals, requiring all regulatory agencies to prepare a complete economic analysis of their proposed regulations, was substantially incorporated in the Regulatory Flexibility Act, which became law. It was however, the only major regulatory reform bill enacted by the 96th Congress. We need to do more by building on our previous efforts.

Mr. President, the need to address the problem of excessive regulation has never been so apparent. The Joint Economic Committee in a special study on the state of the economy has reported these disturbing facts about the impact of excessive infringement by the Government on the private sector:

In 1976, the conventionally calculated Federal share of GNP was 21 percent. However, regulatory compliance costs—estimated at $66 billion that year—were not included in the GNP share calculation. Had they been, the Federal share of GNP would have been 23.5 percent.

In 1979, the Federal share of GNP as usually determined was again 21 percent. Had compliance costs, estimated at $98 billion, been included, the Federal share of GNP would have been 25 percent.

The regulated share of the economy has expanded from about one-tenth of gross national product (GNP) in 1965 to about one-fourth in 1979. In constant dollar terms this means that, in 1965, $93 billion worth of goods and services were produced under varying degrees of regulation. By 1979, the total had risen to $358 billion. This regulatory expansion carries profound implications for the ability of the economy to adjust to changing economic circumstances.

During the 1970's—at a time when the U.S. economy was stagnating—Government regulation experienced its greatest growth.

The small business sector bears a disproportionate share of the total regulatory burden. Unlike large enterprises, small firms cannot easily pass on regulatory costs to consumers. More seriously, regulatory overload may be inhibiting risk-taking and the formation of new businesses.

While Government regulation traditionally focused on economic—price and entry and natural monopoly—regulation, environmental and health and safety regulation has become increasingly important. Although the goals of social regulation are generally regarded as desirable, the existing regulatory system lacks the incentives to consider adequately the nonadministrative costs of Federal regulation. Although some recent efforts have been made to bring about a better accounting of costs, too many regulators still do not assess the full costs of regulatory compliance.

The regulatory reform package I am introducing today can reduce inflation and improve the productivity of the American economy if we prune out those unnecesary and wasteful costs that have become so much a result of our Federal regulatory system. I believe we can streamline the process without sacrificing the legitimate requirement of agencies to carry out their legislative mandates.

Currently, we have no means of controlling the costs regulatory agencies impose on the private sector. In 1980, the Joint Economic Committee's joint economic report made this observation about these costs:

"There is no limitation on the costs that regulatory agencies can impose on the private sector in their attempts to achieve their regulatory goals. The President cannot set limits, because most of the regulatory agencies are independent commissions or administrations. Congress does not set limits because we have not yet established a systematic way of doing it. The result is entirely predictable. The agencies have no incentive to consider private sector costs when they develop regulations, and so they have no incentives to minimize those costs. Regulations can turn out to be ineffective, unnecessary, wasteful, in conflict with other regulations, or duplicative of other regulations."

We cannot allow the status quo to prevail. We must move forward and tackle those critical areas in our regulatory system that are hampering the American entrepreneur. American business has become the whipping boy rather than a full partner with Government in meeting our requirements for a stronger and more vital economy.

Let me now outline the major provisions of the legislative reforms I am proposing today.

THE REGULATORY BUDGET

The regulatory budget requires the President and the Congress, each year, to put a cap on the amount of regulatory costs each agency can impose on the non-Federal sector. We can do this just as we have with the fiscal budget. It forces agencies to choose the least costly way of achieving their goals by establishing a formal mechanism, within the framework of the Congressional Budget Act, for limiting the burden of Federal rules and regulations. Each year, the President and the Congress would establish a maximum cost—a ceiling for each Federal agency. This ceiling would be fixed and inviolate, just as agency fiscal budgets are today. The cap would be determined after an extensive, broad-based series of hearing, administrative reviews and with ample opportunity for public comment and review.

THE REGULATORY COST REDUCTION ACT

This second component of my program would require both independent and executive branch regulatory agencies to meet their regulatory objectives in the most cost-effective manner available.

Congress has sadly failed to impose this requirement in most measures establishing new regulatory programs. As a result, regulatory agencies often issue regulations that employ excessive costly methods to achieve their goals. This is a tragic waste of our country's scarce resources. We need to clean up our environment, we need safe highways, we need to improve the healthfulness and safety of our workplaces. But if we do this wastefully and inefficiently, we are simply misusing valuable resources that could be used to achieve other vital goals, such as raising our standard of living, alleviating poverty, strengthening our defense or revitalizing our cities and rural communities. We may be a wealthy country but as our taxpayers and voters have recently told us, things at home are tight and there just is not any money to burn or squander.

Therefore, regulatory agencies should be required to minimize the cost of achieving their regulatory goals unless this consideration is overridden by a more important national goal. My bill will do this. All agencies will be required to examine all options for attacking a regulatory problem and choose the least costly alternative. They will be required to publish an extensive impact analysis in the Federal Register to back up their existing regulations, with the same goal in mind.

THE REGULATORY CONFLICTS ELIMINATION ACT

Mr. President, one of the charges leveled against King George III of England in the Declaration of Independence was that—

He has erected a Multitude of new Officers and sent hither Swarms of Officers to harass our People.

Ironically, millions of Americans make precisely the same charge against the Federal Government today, more than 200 years after the signing of the Declaration of Independence.

My legislation addresses this critical problem. It requires the Office of Management and Budget annually to report to Congress and the President on Federal agency rules or regulations which duplicate or conflict with others promulgated by other Federal agencies. At the beginning of each fiscal year, the President will submit his recommendations at the Federal level. These recommendations affecting Federal agencies would go into effect 60 days following their submission of rules disapproved by Congress. The Government Accounting Office would be required to evaluate the OMB report, the President's recommendations, as well as each agency's progress in implementing those recommendations.

The legislative efforts I have proposed today are not aimed at curtailing the legitimate efforts of Government to clean up the environment, protect consumers or improve worker health and safety. They are aimed instead directly at excessive, unnecessary, and unreasonable Federal regulation. It is simply outrageous for a small businessman to confront the impossible situation where complying with one regulation requires violating another. My legislation is designed to eliminate the irrationality of conflicting or overlapping regulations. I believe if these measures are adopted that we will move toward our historic mandate in the spirit of allowing our citizens the freedom to regulate their own lives.

These are recommendations that are offered in the Joint Economic Committee's anti-inflation program and include the regulatory budget which sets an annual limit on what the compliance costs are that could be put on by an agency.

We have a situation where we limit these agencies on how much they can spend of the taxpayer's money. We do that through the budget process. I think it is time we should limit them on how much they can make the people spend. So that is what this would do. This would put an economic cost on the regulation, how much that regulation is going to cost to put it in force and say, "all right, here is your budget for the year; this is how much you can make the people spend this year," and try to bring this under control.

Another one is to bring cost effectiveness into regulations.

We had situations on the clean air bill where we could say to the EPA, "Why did you do it this way? It costs a lot more to do it this way." And they would say, "cost is not our concern. That is not a part of the bill, not a part of the law."

So, when they propose a regulation and promulgate a regulation what they should have in mind at that time is that

we want to reach that objective, that standard, that goal for the people. That is a fine social objective. We want clean water. We want clean air. But what is the cost-effective way to accomplish that? And that is what one of these pieces of legislation would accomplish.

Mr. President, we talk a lot about regulatory reform and the folks back home sure talk a lot about it. I think the message is finally beginning to get through and I believe the mood is here to accomplish some of these things.

We saw at the end of the last administration a major piece of legislation enacted into law on paperwork.

These are some things that can complement that effort, and I urge the support of the Members of this body in that regard.

By Mr. SYMMS (for himself, Mr. JEPSEN, and Mr. BOREN):

S. 404. A bill to amend the Internal Revenue Code of 1954 to repeal the estate and gift taxes; to the Committee on Finance.

REPEAL OF THE ESTATE AND GIFT TAX

Mr. SYMMS. Mr. President, today the Senator from Iowa (Mr. JEPSEN) and I are introducing legislation to abolish the so-called estate and gift tax, more popularly known in the farming areas of the United States as the grave robbers and benevolence disincentive tax.

It has become increasingly apparent that although wealth is only a relatively small multiple of annual income and turns over by death only once in a generation, estate and gift taxes present complex legal, economic, and social problems. The various provisions of the Federal estate and gift tax laws produce complexities in the estate planning; encourage disposition of assets contrary to the best interest of taxpayers, beneficiaries, and the economy; and work gross inequities among taxpayers.

It is clear that the estate and gift tax laws were never intended primarily to produce revenue, and this is in fact the case today since less than 1 percent of the total revenues collected are derived from the estate and gift taxes. The fundamental purpose of the estate and gift tax laws were to tax the very wealthy very heavily, to limit undue concentrations of wealth and power in a few, to break up those concentrations, and to enhance the equality of opportunity. However, it is evident that the only conclusion that can be reached today is that the fundamental purposes of the estate and gift tax laws are not being fulfilled.

Due to the fact that the unified estate and gift tax credit is a fixed dollar amount and because of the steeply graduated estate tax rates, the ravages of inflation increases the burden of the estate tax just as it increases the burden of individual income taxes.

For example, due to inflation, the value of farmland has significantly increased in recent years and because the unified estate and gift-tax credit is a fixed dollar amount and the rates are steeply graduated, the estate and gift-tax burden has been substantially increased over the past years. As a result, although death taxes generally absorb a relatively small part of a farm estate, given the inflated value of a farm's assets, the imposition of the taxes often necessitates the raising of more cash than many farm families are likely to have. Most farm estates do not have sufficient liquid assets to pay estate settlement costs and death taxes because most farm estates usually contain a higher proportion of fixed or illiquid assets.

I believe the same argument can be made for small businesses. In fact, the estate tax burden imposed on estates composed of illiquid business assets threatens the existence of the small family enterprises. The burden of paying a tax when assets are illiquid may necessitate that the owner, or the executor of the estate, dispose of the business in order to generate the necessary cash to pay the tax. In some cases, the small family-owned enterprise is sold to, or merged with, a larger competitor, including domestic and foreign conglomerates. This has the consequence of not only eliminating the family business as a separate entity but also of increasing business concentration and perhaps severely affecting the degree of interfirm competition in the product markets. This result has additional economic, political and social consequences. First, it adversely affect the goal of estate tax as a fiscal instrument to redistribute wealth; if the estate tax is increasing business concentration, then wealth becomes redistributed in the hands of the wealthier. It has rendered the estate tax and the overall tax structure less equitable. Second, the destruction of small family businesses affects not only the family itself, but may be extremely disruptive to a local community. Such a community is better served by locally centered business than by a branch whose corporate headquarters is remote. Third, society as a whole benefits from a perpetuation of the family as a basic social and economic entity. Experts are required to plan an estate properly before it goes through the process and to administer one properly during the process. The process not only requires IRS personnel and money but the estate also incurs considerable expense in the process, an expense which is comparatively greater to smaller estates or at least those estates with substantial illiquid assets. As a result, I simply do not believe that the process of planning and settling an estate does anything for the national good.

Furthermore, Americans who acquire and hold property express themselves in the way they deal with it: using it, spending it, saving it, giving it away. The social order around us tends to honor our choices in the basic theory that private decisionmaking is better than public control. To hold property and to have wide discretion over it are closely associated with our concepts of freedom.

I do not believe that the right of succession and the freedom to dispose of property during life and at death should be limited by the State. The institution of succession serves a variety of values cherished by a free society. These include the reinforcement of family ties and responsibilities, economic and social pluralism, and encouragement of private philanthropy to improve the quality of life. At the most fundamental level, the institution of succession is a proper response of society to elemental motives, ranging from concern for one's immediate family to a desire to extend one's personality beyond death.

Examined from an economic perspective, the right to transfer wealth has the positive values of fostering incentives in the form of rewarding industry, ingenuity and creativity, encouraging capital formation through saving and investment, permitting continuity of ongoing enterprise, and supporting diversity in priorities.

It is clearly evident that the estate and gift tax laws do not in any way accomplish the objectives for which they were initially implemented. And, in fact, the abolition of the estate and gift taxes would contribute greatly to the objectives of equity in our tax laws and to individual productivity in our society.

Mr. JEPSEN. Mr. President, today I join with my distinguished colleague from Idaho, Mr. SYMMS, in reintroducing a bill to repeal the estate and gift tax.

During the 96th Congress, Mr. SYMMS led the fight for this measure on the House side while I pushed for action in the Senate.

I welcome the opportunity to work with him on this side of the aisle. With the support of President Reagan, we anticipate a favorable reception to our proposal. Both social and economic considerations urge the immediate abolition of the estate and gift tax.

The estate and gift tax became a permanent part of the Federal tax system in 1916. A powerful argument for its acceptance at that time involved the question of social justice. It was felt that large concentrations of entrenched wealth ran contrary to the spirit of a free society and that this tax could correct the threat, by breaking up substantial fortunes after one generation and redistributing wealth to the middle and lower rungs of the economic ladder. But, in 1981 we must ask the question: Have the original purposes of the legislation been fulfilled? Emphatically, the answer is no.

In fact, data from the Internal Revenue Service indicates that the estate and gift tax directly contradicts its historical mandate. The tax has not only failed to accomplish what it set out to do; in effect, it has aggravated the gap between the haves and have nots. The wealthy have been able to avoid the tax by careful estate planning while moderate-income families—independent farmers and small businessmen—bear the brunt. In fact, in 1979, more than 76 percent of inheritance tax returns processed by the IRS represented gross estates of less than $300,000.

Mr. President, I have been in the estate and business planning business for nearly a quarter of a century. I can attest to the fact that there are indeed two sets of tax laws in this country. There is one for those who plan and one for those who do not plan. Now they are one in the

same and you cannot evade taxes, but you can avoid them. The sum result of the way the tax laws are constructed today, especially with regard to gift and estate tax laws, is the rich get rich and the poor get kids.

A very, very great injustice is being done to the continuation of the family farms in our area, the continuation of handing down family businesses, and all of the good disciplines and the tenor of the morality that these things provide.

The Federal estate and gift tax results not in the intended social equity but rather a painful inequity being imposed on family farms and small businesses throughout the United States. Painful because not infrequently—and the records bear this out—bankruptcy is the inevitable result.

The question in the 97th Congress is how much longer legislators can allow a law, contradictory in its own terms, to remain on the books.

The "trickle down" effect does not exist and, in fact, has never existed. In 1980, only 1¼ percent of aggregate Federal revenues were derived from the tax: A mere drop in the bucket. Obviously, the social benefits of the legislation are, in practice, nonexistent. The estate and gift tax has failed in both its impact and its benefit. The social equity premise has proven blatantly false. A brief look at the economic aspects of the tax explains why.

Over the past 40 years, the tax has contributed insignificant revenues to the Federal budget. The battle cry about redistribution of wealth has raised little more than rhetoric.

Given this evidence, commonsense favors its abolition. Although its contribution to Federal revenues is minimal, the actual impact on the economy is drastic because the tax involves a pure tax on capital. In other words, the estate and gift tax has a substantial and adverse effect in the critical areas of work, savings, and capital formation and replacement.

As Prof. Richard Posner recently put it:

> Since the accumulation of a substantial estate is one of the motivations that drive people to work hard, a "death" tax is indirectly a tax on work.

This tax is called a death tax by some because it directly drains several billion dollars per year out of the Nation's accumulated capital stock and, at the same time, discourages people from accumulating new capital. Why? Because the consumption of an individual's estate during his lifetime is the only way to beat the IRS. He has less incentive to invest in long-term projects. He is afraid to undertake any project that will not mature within their lifetime. Investors are encouraged to keep their assets as liquid as possible.

The reasoning is simple enough. An estate comprised mainly of real estate holdings—for example a farm—or a large block of stock in a single company—for example a small business—might have to be, and often is, sold at a substantial discount in order to get cash to pay the tax bill. Assets which are more liquid do not involve a penalty.

The estate tax affects all Americans and interferes with the efficient operation of the open market by discouraging work long-term savings and capital formation. Nobody gains. Everybody loses.

Why is the middle class particularly hard hit? Because the unified gift and estate tax imposes a fixed dollar amount and its rates are steeply graduated. This means that inflation increases the burden of the estate tax in the same way it increases the burden of the income tax. Consequently, in 1981, many people with relatively modest estates are assessed at levels that drive them out of a home or a business.

Presently, farmland in Iowa sells for $3,000 or more per acre, meaning that a modest 200-acre farm is worth $600,000. To pay estate tax, the inheritors often sell all or part of the farm even though the farmer who owned it may never have made more than $10,000 in his best year. Such a person can hardly be called rich.

Ironically, the very rich, who presumably should be hit the hardest by the tax, are generally able to avoid it. What we really have, in effect, are two estate taxes: A relatively light one for those who plan their estates carefully—generally the wealthiest members of society—and an extremely harsh estate tax for those who do not, generally those with modest incomes who are unaware that they even have a taxable estate. This is why almost every study on the subject concludes that estate tax has done nothing to alter the underlying distribution of wealth in the United States.

We have already seen a bill in this Congress to amend the estate tax by liberalizing brackets, special-use valuations and exemptions. It is argued that these changes suitably address all the problems I have just outlined.

That is not the case.

Anything short of repeal is a short term and superficial cure, an effective little bandaid. Whether rates are indexed or not, whether limits are increased or not, whether exemptions are comprehensive and equitable or not, is beside the point. Abolition is the only real answer.

Historically, poor people have lifted themselves out of poverty by building up capital within the family unit, so that each generation starts off in a better position than its predecessor. A father may work all his life to build a small business, hoping that his sons and daughters will be able to turn it into a large one. It is this kind of mettle and fortitude that made America great.

Today, high taxes on capital gains, income and estates make it difficult to leave ones' descendant any inheritance at all. In my view, that is contrary to all that America stands for, and must be abolished.

By Mr. DOLE (for himself, Mr. SIMPSON, and Mr. DECONCINI):

S. 405. A bill to amend title 5 of the United States Code to require Federal agencies to analyze the benefits, costs, and other adverse effects of proposed rules, to provide for judicial review of any such analysis, to provide for periodic review of agency rules, and for other purposes; to the Committee on the Judiciary.

REGULATORY REFORM ACT OF 1981

● Mr. DOLE. Mr. President, I rise today to introduce a bill, on behalf of Senators SIMPSON, DECONCINI, and myself, the Regulatory Reform Act of 1981, which proposes improvements in the procedure by which Federal administrative agencies promulgate regulations. Regulatory reform has long been the subject of public concern and debate. I believe I speak for many of my colleagues in noting that our constituents have repeatedly made the depth of their concern known to us on this matter.

Last Congress, several regulatory reform proposals were subject to close scrutiny in this body. Extensive hearings on these measures were held before both the Subcommittee on Administrative Practice and Procedure of the Judiciary Committee, of which I am a member, and the Governmental Affairs Committee. However, none of these measures were considered by the full Senate.

The Senator from Kansas recognizes, and I know the Members of the Senate also recognize, that the men and women who administer our laws in Federal agencies are dedicated and hard-working public servants. Certainly this bill in no way impugns the efforts of those individuals. Yet, they must work within a regulatory structure we establish. And it is this regulatory structure which is failing the citizens of this country. It is our responsibility to act without delay.

THE INFLATIONARY IMPACT OF FEDERAL REGULATION

At the outset we must recognize that what we have called "regulatory reform" encompasses not one, but many distinct problems of Federal regulation. And, like so many of the issues which confront us, the problems of Government regulation are related to other national problems. I believe that the problem of Government regulation significantly contributes to another major problem of our day—that of runaway inflation.

Regulations attempting to prescribe our behavior in an incredible range of areas pour out of Washington at a rapidly increasing rate. Yet one finds that the growing body of Federal regulations has been accompanied by a corresponding ignorance of the complete range of effects produced by such regulation. This ignorance has often resulted in unexpected costs and other adverse effects which threaten to undermine the salutory goals of appropriate regulation.

Billions of dollars of private spending are required to comply with literally thousands of detailed regulations. The 1978 Federal Register, through which these regulations are published, contained a total of about 61,000 pages, publishing about 7,000 new rules and about 32,000 other Government documents. The 1979 Federal Register was over 70,000 pages.

Just in this decade we in the Congress created seven new regulatory agencies,

including EPA and OSHA, and enacted 29 new major regulatory statutes. According to a study by the Joint Economic Committee, direct Federal regulatory agency expenditures rose from $2.2 billion in 1974 to $4.8 billion in 1979, a 115 percent increase in agency operating expense alone. Yet the costs of complying with Federal regulations are never reflected in an agency budget. Compliance with Government regulations imposes a sizable tax on business, yet this tax never benefits the Treasury of the United States.

Through regulation by administrative agency, we at least think we can see who will benefit by regulation and are moved by this vision to take action. Yet the burdens of regulation are so deceptively imposed that we have remained almost blithely unaware that the benefits of Government regulation are achieved only at a price. The price may be an actual dollar cost, such as increased consumer prices, or it may be a social cost, such as the dampening of individual initiative.

A study done by the Tax Foundation concluded that the cost to the consumer of complying with Federal regulations in 1976 was $62.9 billion. That amounted to more than $300 for every man, woman, and child living in the United States, and 20 times the $3.1 billion spent to operate the agencies that year. For 1979, it is estimated that $102.7 billion will be the cost to the consumer of complying with Federal regulations, or about $400 per person. A study conducted by the center for study of American business indicates that the cost of filling out Federal paperwork alone comes to about $25 to $32 billion annually.

In short, Federal regulation aggravates our already extreme rate of inflation by imposing costs on the private sector which raise prices without a corresponding rise in productivity. Indeed, as Dr. James Miller of the American Enterprise Institute has noted:

> Regulation often has a greater effect upon consumer welfare (than other inflationary factors) because it operates directly upon the real supply of goods and services.

Of course, while noting these extreme costs, we must also recognize that the benefits of appropriate regulation will not be achieved without cost. But at the same time the Federal Government must not embark on a program of regulation unconcerned by costs. Sadly, our present rulemaking structure is such that, in the words of Dr. William Lilley and Dr. James Miller writing in the public interest:

> A regulation is often promulgated whereby the final incremental improvement to achieve a stated objective yields small benefits relative to costs or great costs relative to benefits.

THE CAUSE OF THE PROBLEM: BROAD DELEGATIONS OF LEGISLATIVE AUTHORITY

In the recent past, we in the Congress have worked to give all Americans a clean environment, safe consumer products, a safe working place, protection from deceptive merchandising, and many other protections which in previous years were the responsibility of either the private sector or government at the local level—in the cities, counties, and States. We have pursued these goals by identifying a particular problem in legislation, stating in often general and ambiguous statutory terms the policy of Congress toward that problem, and then creating a Federal agency and authorizing it, again often in the broadest terms, to regulate the area in question.

By creating agencies with such broad authority, we have passed on to these agencies the authority to make, in the administrative regulations, the kind of policy judgments which properly we should make. We have delegated authority to the agencies to achieve multiple, and often inconsistent, objectives. We want agencies to reduce certain risks to health, safety, or environmental quality while avoiding, or at least minimizing, the adverse impact on the subjects of agency regulations, whether industry, consumers, or the Nation at large.

As a result of this delegation of authority, agencies must now make a range of conflicting, yet extremely significant, value choices about various aspects of our national life without meaningful guidance from the elected representatives of the people. Judge David Bazelon, a senior judge of the District of Columbia Circuit Court of Appeals, a court which deals with much of the litigation involving Federal agencies, has decried this failure of the legislative branch to give more direction to agency decisionmaking. In January 1977, Judge Bazelon wrote:

> Traditionally, in democratic societies, it is elected legislatures that make the hard value choices. . . . Increasingly, however, our legislatures have been delegating their value choices to administrative agencies—institutions through the relatively simple expedient of a show of hands.

Similarly, the Administrative Conference of the United States, in a report published in March 1979, observed—

> The agency problem of structuring discretion to accommodate multiple considerations in decisionmaking has not received sufficient congressional attention.

At this point in our history, I do not suggest that we can remove rulemaking authority from our Federal agencies. It would be impossible for Congress to make all the detailed decisions agencies must make on a regular basis. Consequently, the legislation I propose today takes no steps toward undermining an appropriate role for the administrative agency in our governmental structure. Rather, this bill is founded on my belief that we in Congress must fulfill our responsibility to shape the discretion of Federal agencies and provide the legal guides to channel agency actions along the sound policy course we set. Such action by the Congress would be welcomed not only by our frustrated citizens, but also by the agencies themselves who in an immediate and practical way suffer from the absence of clear congressional guidance in their daily work.

A BASIC REFORM: AN ADAPTATION OF COST—BENEFIT ANALYSIS

The Senator from Kansas believes that cost-benefit analysis is one technique we must adapt for administrative rulemaking in order to require an agency to evaluate the complete range of effects of a proposed rule. Moreover, President Reagan and his administration have strongly endorsed this approach to regulatory reform.

By shaping agency decisionmaking through a requirement that rulemaking include some sort of cost-benefit analysis, Congress can reestablish its dominant role as overall policymaker for our regulatory system. Hence, the bill that I am introducing today would require agencies to perform a kind of cost-benefit analysis of each proposed rule.

Cost-benefit analysis, in its traditional form as an accounting technique, saw its first widespread use in the late 19th and early 20th centuries when it was adopted by American municipalities to evaluate proposals for urban sewage systems. Over the course of the years it has been employed for a variety of public and private uses. In 1936, Congress approved cost-benefit analysis for water resource development projects, incorporating a requirement in the Flood Control Act of 1936 that acceptable projects demonstrate that "the benefits to whomsoever they may accrue are in excess of the estimated costs." At present, the name "cost-benefit analysis" no longer describes merely an accounting technique, with the implication of a solely mathematical procedure. Rather, as the 1979 report of the administrative conference points out, cost-benefit analysis now refers to—

> Any analytical method which organizes available information on alternative courses of action, and thereby displays possible trade-off opportunities to the decisionmaker.

Those concerned with the improvement of the regulatory process have increasingly focused on some sort of cost-benefit analysis as a sensible avenue of reform. Even in areas where the dollar cost of regulation does not reflect the spectrum of actual costs, such as in environmental and health regulation, expert opinion, including, for example, the National Academy of Sciences, has advocated the use of some form of cost-benefit analysis.

Quite simply, the principle of cost-benefit analysis reflects commonsense. However, encouraging agencies to perform such an analysis is not enough. Many observers have pointed out how effectively agencies have avoided performing such analyses. In October of 1979, a report of the Office of Management and Budget, evaluating the performance of "regulatory analyses" by certain agencies under Executive Order 12044, observed—

> Agencies try to avoid the requirement of a regulatory analysis, afraid that if they do an analysis, it will be the subject of public "sniping" or peer criticism.

Agencies have also avoided performing such analyses on more legitimate grounds. For example, the Clean Air Act of 1970 specifically instructs the Environmental Protection Agency to establish air quality standards based on considerations of public health. This requirement has been interpreted within the

EPA to mean that other considerations, like economic factors, cannot be considered.

Thus what is needed is a basic statutory provision requiring cost-benefit analysis. Consequently, this bill proposes amendments to our basic charter of administrative procedure, the Administrative Procedure Act.

The bill the Senator from Kansas introduces today requires a cost-benefit analysis which has been shaped by several obvious conclusions about what must be the reasonable policy for Federal regulation.

First, it is undeniable that a rational regulation must have an ultimately beneficial impact. To plot a course for this goal, an agency, just like any private enterprise, must evaluate and compare the anticipated benefits, costs, and other adverse effects of a proposed rule.

Yet Federal regulation presently has such a broad sweep through our lives that the impact of a regulation can take many shapes, ranging from a new expense imposed on a business, to protecting the natural beauty of a particular region. Thus, what is considered to be a benefit or a cost often cannot be described in numbers. As a result, any analysis of the anticipated benefits, costs, and adverse effects of a proposed rule cannot proceed solely on a mathematical basis but must involve the exercise of reasonable judgment by agency officials. In the words of the administrative conference, this means—

> Any analytical method which organizes available information on alternative courses of action, and thereby displays possible trade-off opportunities to the decisionmaker.

Second, it is critical that the public participate in any cost-benefit analysis. Obviously, the people who will be affected by a rule often have the best appreciation of its impact. Efficient and fair regulation requires that these people be heard and that an agency be able to take advantage of their expertise.

Finally, this bill is based on the conclusion that judicial review plays a vital role in the rulemaking process, acting as a reasonable check on the necessary discretion of agency officials. Any cost-benefit analysis must therefore be subject to judicial scrutiny to insure that an agency acts fairly and does not unreasonably ignore public comment on a proposed rule.

It certainly does not require any arcane sophistication to appreciate that this idea is simply commonsense. We all, individually, when deciding what we do in our daily lives, consider the tradeoffs of the alternatives with which we are presented. It may not be a formal process, but our minds certainly weigh what may be called the benefits and costs of how we choose to spend our time. Similarly, Federal agencies, or any organization public or private, must consider the ramifications of alternative courses of action. This measure simply requires Federal agencies to go through this process of identifying the advantages and disadvantages of their proposed regulations under public scrutiny and with public participation.

This bill does not set up any new procedure outside of the rulemaking process now followed by the agencies and set out in the Administrative Procedure Act. It simply requires agencies, in the context of the informal rulemaking process to identify what they consider to be the various costs and benefits of a proposed regulation. The public can then comment on the benefits and costs as identified by the agencies, as is now the procedure. Once this process is finished, an agency must evaluate what it considers to be the reasonably significant costs and benefits of its proposed regulation and reach a reasonable conclusion that the benefits will outweigh the costs. No precise mathematical analysis or quantification is required. This bottom line judgment is put squarely within the expertise of the agency. The agency's explanation of this analysis and its conclusions are put within the rulemaking record for the general judicial review required under the Administrative Procedure Act. No special judicial scrutiny is focused on this analysis.

This measure thus simply tries to set out some rational guidelines for the agencies to use when exercising the generally broad authority we in the Congress have delegated to them. This process is not alien to agency decisionmakers. Indeed, a rudimentary form of this analysis has been required since the Ford administration by Executive order.

Though this proposal is certainly not a cure all, it is well considered regulatory reform in its most basic sense. It addresses one specific regulatory problem which has been universally recognized—the excessive costs of Federal regulation. It proposes a streamlined remedy—a procedure for agencies to identify and avoid those excessive costs. In essence, it is an effort to improve our regulatory system by avoiding the often inadvertent, but excessive adverse effects of regulations, so as to make Federal regulations more beneficial to all Americans.

This is an obvious and practical step forward. This Senator urges all of his colleagues to support this measure as a long overdue rational reordering of the rulemaking process.●

By Mr. ABDNOR:

S. 407. A bill to authorize a study of the feasibility of Federal development of the water resources of the I'Santi Unit of the Missouri River Basin located on the Flandreau Santee Sioux Reservation, South Dakota; to the Committee on Energy and Natural Resources.

FEASIBILITY STUDY OF FEDERAL DEVELOPMENT OF I'SANTI UNIT OF THE MISSOURI RIVER BASIN

● Mr. ABDNOR. Mr. President, today I have introduced legislation to authorize the Water and Power Resources Service to study the feasibility of Federal development of the I'Santi Unit of the Missouri River Basin program. This proposed irrigation project would be located on the Flandreau Santee Sioux Reservation in South Dakota.

The legislation provides $300,000 over a 3-year period to study the potential to irrigate 1,500 to 3,000 acres of tribal lands and some additional contiguous non-Indian lands, as well as the potential to enhance the quality of domestic water supplies.

The Carter administration's fiscal year 1982 budget provides $75,000 to do an appraisal study of the whole reservation. This study will determine which land needs irrigation, how many acres are available to irrigation, and what domestic needs exist.

Since the appraisal report is to be completed in 1982 passage of this legislation this year will allow work to proceed in an uninterrupted manner in fiscal year 1983. Consequently, my colleague's support could help to bring new industry to this small but vibrant reservation in the near future.●

By Mr. CHAFEE:

S. 408. A bill to amend the Internal Revenue Code of 1954 with respect to the income tax treatment of earned income of citizens or residents of the United States earned abroad, and for other purposes; to the Commission on Finance.

TAX LAWS AFFECTING AMERICANS LIVING AND WORKING OVERSEAS

● Mr. CHAFEE. Mr. President, today I am introducing S. 408, a bill to reduce the tax burden and simplify the tax laws affecting Americans who live and work overseas.

The current provisions in sections 911 and 913 of the tax code simply do not work as they were intended. In too many situations they have caused a substantial increase in the cost of employing U.S. citizens in foreign countries. As many of my colleagues are coming to realize, this is having a devastating impact on our competitive position in the export markets and resulting in a loss of jobs here at home.

Study after study has shown these effects to be real. A year ago, the President's Export Council found that the loss of Americans working abroad was responsible for a 5-percent loss of U.S. exports; an amount equal to $6 billion to $7 billion in business to U.S. companies. According to a Commerce Department study, each billion dollars of exports produces 40,000 jobs for workers in this country. So, Mr. President, we are talking about an unnecessary loss of 280,000 jobs.

A study by Chase Econometric Associates has documented an even more dramatic decline in U.S. economic activity which can be attributed to onerous tax policies affecting overseas Americans.

Organization Resources Counselors, Inc. has published a recent survey showing the severe decline since 1976 in the ratio of U.S. overseas workers to third country nationals among the employees of U.S. companies with foreign operations.

Among 257 companies surveyed in 1976, American citizens accounted for 73 percent of their employees abroad. By 1980, 306 companies surveyed showed an astounding decrease to just 37.2 percent.

The General Accounting Office, I am told, is now completing work on a report that will show similar results.

We can bemoan this situation for another year or two. Mr. President, and commission some more studies and come

up with some new numbers to show how deplorable it really is. Or, we can change the law and set things right.

The bill I am introducing today is much like S. 2283 which I sponsored last year, and resembles in many ways the provision passed by the Finance Committee last August.

S. 408 will permit Americans working abroad to exclude the first $50,000 plus half of the next $50,000 of earned income from U.S. taxes.

Housing costs which exceed about $5,000 a year would also be excluded from income tax. The cost of housing is generally the largest single living expense to Americans working overseas. Despite the housing deduction in the current law, however, many people still have to pay taxes on the allowances provided by employers to cover excessive costs.

Americans who are residents of a foreign country or have lived and worked overseas at least 11 months in any 12 consecutive month period would qualify for the income and housing exclusions under my bill.

In addition to the provisions contained in S. 408, I will be working with the Senate Finance Committee and the Internal Revenue Service to devise a simplified tax return filing procedure for individuals whose incomes fall below the exclusion level in the bill.

Mr. President, I welcome all my colleagues to join in cosponsoring this measure with me. The issue at stake is not simply cleaning up a messy provision of the Internal Revenue Code; it is removing a significant U.S. export disincentive so we can expand our commercial efforts overseas and provide jobs to American workers here at home.

I ask that the text of S. 408 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. 408

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PARTIAL EXCLUSION FOR EARNED INCOME FROM SOURCES WITHOUT THE UNITED STATES AND FOR FOREIGN HOUSING COSTS.

(a) IN GENERAL.—Section 911 of the Internal Revenue Code of 1954 (relating to income earned by individuals in certain camps) is amended to read as follows:

"SEC. 911. EARNED INCOME FROM SOURCES WITHOUT THE UNITED STATES; FOREIGN HOUSING COSTS.

"(a) EARNED INCOME EXCLUSION.—In the case of an individual who is—

"(1) a citizen of the United States and who establishes to the satisfaction of the Secretary that he has been a bona fide resident of a foreign country or countries for an uninterrupted period which includes an entire taxable year, or

"(2) a citizen or resident of the United States and who, during any period of 12 consecutive months, is present in a foreign country or countries during at least 330 full days in such period.

there may be excluded from the gross income of such individual, and exempt from taxation under this subtitle, amounts received by such individual from sources within a foreign country or countries (except amounts paid by the United States or any agency thereof) which constitute earned income attributable to services performed by such individual during the period described in paragraph (1) or (2), whichever is appropriate.

"(b) DEFINITION OF EARNED INCOME.—For purposes of this section, the term 'earned income' means wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered. In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income-producing factors, under regulations prescribed by the Secretary, a reasonable allowance as compensation for the personal services rendered by the taxpayer, not in excess of 32 percent of his share of the net profits of such trade or business, shall be considered as earned income.

"(c) SPECIAL RULES.—

"(1) LIMITATIONS ON AMOUNT OF EXCLUSION.—The amount excluded from the gross income of an individual under subsection (a) for any taxable year shall not exceed an amount which shall be computed on a daily basis at an annual rate of compensation equal to the sum of—

"(A) $50,000, plus

"(B) 50 percent of the amount of compensation received by such individual in such taxable year which exceeds $50,000,

for each day of the taxable year during which such individual is present in a foreign country.

"(2) ATTRIBUTION TO YEAR IN WHICH SERVICES ARE PERFORMED.—For purposes of applying paragraph (1), amounts received shall be considered received in the taxable year in which the services to which the amounts are attributable are performed.

"(3) TREATMENT OF COMMUNITY INCOME.—In applying paragraph (1) with respect to amounts received from services performed by a husband or wife which are community income under community property laws applicable to such income, the aggregate amount excludable under subsection (a) from the gross income of such husband and wife shall equal the amount which would be excludable if such amounts did not constitute such community income.

"(4) REQUIREMENT AS TO TIME OF RECEIPT.—No amount received after the close of the taxable year following the taxable year in which the services to which the amounts are attributable are performed may be excluded under subsection (a).

"(5) CERTAIN AMOUNTS NOT EXCLUDABLE.—No amount—

"(A) received as a pension or annuity, or

"(B) included in gross income by reason of section 402(b) (relating to taxability of beneficiary of nonexempt trust), section 403(c) (relating to taxability of beneficiary under a nonqualified annuity), or section 403(d) (relating to taxability of beneficiary under certain forfeitable contracts purchased by exempt organizations),

may be excluded under subsection (a).

"(6) TEST OF BONA FIDE RESIDENCE.—A statement by an individual who has earned income from sources within a foreign country to the authorities of that country that he is not a resident of that country, if he is held not subject as a resident of that country to the income tax of that country by its authorities with respect to such earnings shall be conclusive evidence with respect to such earnings that he is not a bona fide resident of that country for purposes of subsection (a).

"(7) FOREIGN TAXES PAID ON EXCLUDED INCOME NOT CREDITABLE OR DEDUCTIBLE.—An individual shall not be allowed as a deduction or as a credit against the tax imposed by this chapter any credit or deduction for the amount of taxes paid or accrued to a foreign country or possession of the United States, to the extent that such deduction or credit is properly allocable to or chargeable against amounts excluded from gross income under this subsection, other than the deduction allowed by section 217 (relating to moving expenses).

"(d) HOUSING COST EXCLUSION.—

"(1) IN GENERAL.—In the case of an individual described in subsection (a), there shall be excluded from the gross income of such individual, and exempt from taxation under this subtitle, in addition to any amounts excluded and exempt under subsection (a), an amount equal to the housing cost amount.

"(2) HOUSING COST AMOUNT.—For purposes of this subsection, the housing cost amount is the amount by which an individual's housing expenses for the taxable year exceed 16 percent of the salary of an employee of the United States who is compensated at a rate equal to the annual rate paid for step 1 of grade GS–14.

"(3) HOUSING EXPENSES.—The term 'housing expenses' means the reasonable expenses paid or incurred during the taxable year by or on behalf of an individual for housing for the individual (and, if they reside with him, for his spouse and dependents) in a foreign country. The term—

"(A) includes expenses attributable to the housing (such as utilities and insurance), but

"(B) does not include interest and taxes of the kind deductible under section 163 or 164 or any amount allowable as a deduction under section 216(a).

Housing expenses shall not be treated as reasonable to the extent such expenses are lavish or extravagant under the circumstances.

"(4) SECOND FOREIGN HOUSEHOLD.—If an individual described in subsection (a) maintains a separate household outside the United States for his spouse and dependents and they do not reside with him because of living conditions which are dangerous, unhealthful, or otherwise adverse, then the words 'if they reside with him' in paragraph (3) shall be disregarded.".

(b) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart B of part III of subchapter N of chapter 1 of such Code is amended by striking out the item relating to section 911 and inserting in lieu thereof the following:

"Sec. 911. Earned income from sources without the United States; foreign housing costs.".

(2) Sections 43(c)(1)(B), 1302(b)(2)(A)(i), 1304(b)(1), 1402(a)(8), 6012(c), and 6091(b)(1)(B)(iii) are each amended by striking out "relating to income earned by employees in certain camps" and inserting in lieu thereof "relating to earned income from sources without the United States and foreign housing costs".

SEC. 2. EMPLOYEES LIVING IN CAMPS.

Section 119 of the Internal Revenue Code of 1954 is amended by adding the following new subsection:

"(c) EMPLOYEES LIVING IN CAMPS.—In the case of an individual who is furnished lodging in a camp by or on behalf of his employer, such camp shall be considered to be part of the business premises of the employer. For purposes of this section a camp constitutes lodging which is—

"(1) provided by or on behalf of the employer because the place at which such individual renders services is in an area where satisfactory housing is not available on the open market,

"(2) located, as near as practicable, in the vicinity of the place at which such individual renders services, and

"(3) furnished in a common area (or enclave) which is not available to the public."

SEC. 3. REPEAL OF DEDUCTION FOR CERTAIN EXPENSES OF LIVING ABROAD.

(a) IN GENERAL.—Section 913 of the Internal Revenue Code of 1954 (relating to deduction for certain expenses of living abroad) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for subpart B of part IiI of subchapter N of chapter 1 of such Code is amended by striking out the item relating to section 913.

(2) Section 62 of such Code (relating to definition of adjusted gross income) is amended by striking out paragraph (14).

SEC. 4. EFFECTIVE DATE.

The amendments made by this Act shall apply with respect to taxable years beginning after December 31, 1980.●

By Mr. JOHNSTON:

S. 409. A bill to provide specific standby authority to deal with petroleum supply interruptions, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. JOHNSTON (for himself, Mr. BENTSEN, Mr. TOWER, Mr. CRANSTON, Mr. LONG, Mr. BOREN, Mr. HAYAKAWA, Mr. COCHRAN, and Mrs. KASSEBAUM):

S. 410. A bill to reform the Powerplant and Industrial Fuel Use Act of 1978 to encourage a reduction of air pollution and oil consumption by existing electric powerplants and to aid utilities in converting to alternate fuels; to the Committee on Energy and Natural Resources.

By Mr. JOHNSTON:

S. 411. A bill to amend section 203 of the Energy Policy and Conservation Act to provide the President with flexible authority to ration gasoline and diesel fuel; to the Committee on Energy and Natural Resources.

S. 409. STANDBY PETROLEUM AUTHORITIES ACT OF 1981

S. 410. PETROLEUM DISPLACEMENT ACT OF 1981

S. 411. REPEAL OF SECTION 203 OF ENERGY POLICY AND CONSERVATION ACT

Mr. JOHNSTON. Mr. President, I have three bills to introduce which I believe are exceedingly important.

The first has to do with a refinery policy and standby authority to deal with petroleum supply interruptions.

This bill incorporates two very important features dealing with energy policy. The first is to give to the President the standby authority to allocate petroleum supplies in the event of a severe petroleum supply interruption.

I very much approve and have been urging decontrol of crude oil supplies for some years. I am glad we were able finally to accomplish that.

However, it is exceedingly important in the event of a severe petroleum supply interruption for the President to have at his discretion the authority to allocate supplies in the event of such an interruption.

The first section of this bill gives to the President in his discretion that authority similar to that which presently exists in the Emergency Petroleum Allocation Act, that authority to allocate supplies of crude oil.

The second part, Mr. President, deals with crude oil access to refineries. Present law provides for two kinds of help to refineries. The first is what we call the refinery bias program, whereby small refineries, which are defined as 175,000 barrels per day or less, are given, in effect, a subsidy made up from all refiners directly for their own use. I do not continue that subsidy in this legislation.

The second kind of aid which refineries are given under the present law is what we call a buy-sell program. It is designed to assure access to scarce crude supplies for refineries which are short of petroleum.

The present law is somewhat flawed, I believe, Mr. President, in that the price at which some refineries are able to purchase that crude oil from other refineries can be too low. In other words, a refinery under the present buy-sell program is permitted to call upon other refineries which are not crude-oil short in times of shortage to purchase from them crude oil at their average acquisition cost.

Average acquisition cost in times of a volatile up-and-down market can be a great deal different from replacement cost. In some instances it can be as much as a $5 or $6 per barrel difference. I think, perhaps, the present program is too generous.

This legislation provides for a price in a buy-sell program which is the arithmetic mean or the arithmetic midpoint between cost and replacement cost. So I think it makes a good compromise in that respect.

The trigger, that is the circumstances under which this program would come into being, is very largely in the discretion of the President. It can be invoked only when the cutoff of supply threatens the Nation or threatens a region of the country which, because of inability of refineries supplying either nationwide or any region of the country, would threaten a basic economic or public health interest, and it is, as I say, a standby program to be invoked only when the President makes those difficult determinations, and then it applies only to the means between the actual cost to the seller refineries and the replacement cost.

It has another feature, Mr. President, which I think is very important. In order to qualify as a refinery buyer, those who are eligible to particpate in the program, they must show that in the region where they supply refined petroleum products that they are supplying the kind of products that are needed and which are essential in their area.

It provides that the President, or the President acting through the Secretary of Energy, come up with a rulemaking to define those kinds of products which, for their region, are essential.

What this is designed to do, Mr. President, is to prevent, as we have under the present law, a simple topping plant, that is a refinery which has only distillation ability, what we refer to as the bias babies, it prevents them from being able to call on other more complicated, more expensive refineries to furnish them crude oil. Only those refineries which are producing the kind of product that is needed in their region or in the country are permitted to call upon other refineries for supplies of crude oil.

Mr. President, this is not a subsidy program for refiners. It is not meant to give a big bubble bath, as the Washington Post called it, of subsidy to very rich refiners. It is designed to provide minimal protection in time of supply interruption to refineries which are important to the country.

It is quite true that in total refining capacity we have more capacity in this country than we probably need today. But that refining capacity includes those refineries which are only distillation refineries, those which only make the first crack at the barrel, which are fairly inexpensive as refineries go.

We are short, Mr. President, woefully short, of the kind of complicated and expensive refining capacity which is necessary to make the lighter kind of products, gasoline and other light products, and particularly to refine that from the heavy, higher-sulfur crudes which are becoming more and more the kind of crude oil which is available today.

In the old days most crude oil was what we called sweet light. It was not very expensive to refine sweet light-crude oil into a whole range of lighter products.

Today most of the Middle Eastern crude is a heavy and a high-sulfur, crude. Alaskan crude is heavy and high-sulfur, and we do not have the kind of complicated refining capacity, the catalytic crackers, the reformers, the other kinds of very expensive, very sophisticated, very technologically advanced refining capacity that we need.

This kind of legislation will protect that 25 percent of our present refining capacity which is held by the independents, and which is important because of its expensive and technologically advanced status.

In my view, Mr. President, if we do not pass some kind of refinery legislation then in times of shortage some of our most desirable, most expensive, most technologically advanced refining capacity presently held by independents will simply go under; either they will go out of business or they will be taken over by the majors, and I think it is very clear that at least some of our refining capacity in this country ought to be held by independent refiners. It is helpful for the market, it is helpful for competition.

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

Mr. JOHNSTON. Yes, I yield.

The PRESIDING OFFICER. The Chair advises the Senator that the 5 minutes for the Senator from Louisiana have expired.

Mr. LONG. Mr. President, I ask unanimous consent that we have an additional 5 minutes.

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

Mr. LONG. Mr. President, I would ask the Senator is it not true that in the event the worst should happen and this Nation should be forced into a major war with a modern military power, such as is most obvious, the Soviet Union, if

that should develop into a nuclear contest, does it not stand to reason that all these big companies, these refineries, will be knocked out in short order, the major refineries close to the keyboard will be targeted and knocked out, does that not stand to reason?

Mr. JOHNSTON. Mr. President, I fear that my colleague is correct.

Mr. LONG. Well, every study I have seen on that matter indicates that that would be the case. These smaller refineries owned by independents would be the ones that would be the last to go; in other words, they are more dispersed, they are not as large, they are not as tempting a target. They are the lower yield to what one would obtain by firing a missile across the oceans to try to hit it from many thousands of miles away.

Would it not stand to reason, then, that these smaller refineries, smaller though they may be, might be all we would have left in the event of a nuclear exchange?

Mr. JOHNSTON. Mr. President, I think the Senator is correct.

A more immediate danger, however, is the fact that if the independent refiners cannot get crude or if they think they cannot get crude they are likely either to go out of business to be taken over by the majors, or not to expand or to improve their existing refining capacity to make the kind of investments that they need to make so that the country will have the kind of refining capacity which it needs. To the extent that we do not have the refining capacity that we need, it will be built in the Middle East.

I was on a program with the Secretary General of OPEC last year, and he said, very plainly and very diplomatically and in nice terms, that it was their intention in the Middle East to build refineries and to require the condition of receiving their crude oil that we purchase the products from them. That will surely happen if we do not build the refining capacity in this country of the kind we need.

If we do build that refining capacity, we will keep the jobs here and we will keep the refining capacity here. We become much more vulnerable to an oil cutoff to the extent that we cannot refine the product. It makes us more vulnerable than a simple cutoff of crude oil would.

Mr. LONG. Mr. President, I ask the Senator if it is not possible that the absence of the legislation of the sort that the Senator has introduced might leave us in a situation where members of OPEC, the Organization of Petroleum Exporting Countries, could, in effect, have the power of a death sentence on our independent refineries, or even on almost any refinery in times of shortage?

Mr. JOHNSTON. Even over the whole economy, in effect, because if they control the refineries, then they control the economy, because the economy runs on refined petroleum products.

Mr. LONG. And is it not so that the OPEC countries, or the leaders of those countries, particularly those who control the major exporting countries, such as Saudi Arabia, could, if they wanted to, pretty well decide who would stay in business in the oil refining area and who would not survive?

Mr. JOHNSTON. That is precisely correct.

Mr. LONG. Does the Senator really know of anybody who thinks that that would be a good idea, to give the ruling powers of Saudi Arabia or Nigeria or any other major exporting country, the power of life or death over the Americans who, in good faith, invested their money trying to make their contribution toward our energy problem?

Mr. JOHNSTON. I think the Senator, again, is entirely correct. I do not think anybody defends that kind of proposition.

Mr. LONG. Mr. President, I thank the Senator.

Mr. JOHNSTON. Mr. President, I thank my colleague.

Mr. President, I have two other bills to submit. One deals with the so-called off gas provision of the Fuel Use Act—that is section 301 of the Fuel Use Act—which presently prohibits gas-burning utilities from burning natural gas after the year 1990.

Mr. President, if this provision were left in the law, it would provide for one of two different alternatives. The first alternative, which is the most likely, is that, at great expense, these electric utilities would have to build entirely new facilities, in many instances, and switch to crude oil. Crude oil is in shorter supply in this country, or refined petroleum products which they might use, than is natural gas.

What this provision would do is to repeal that section 301, because by 1990 we will have deregulated natural gas supplies and we will, therefore, let the market allocate our supplies of natural gas.

Mr. President, the third bill repeals section 203 of the Energy Policy and Conservation Act, or should I say subsection (e) thereof.

Mr. President, as my colleagues are all aware, the Emergency Petroleum Allocation Act of 1973 expires on September 30 of this year. On that date practically all of the President's authority to provide for the allocation of crude oil or petroleum products, both in times of emergency or in times of normal supply as well, also expires. President Reagan's executive order of January 28 simply served to place price and allocation regulations in a standby status pending expiration of EPAA in September.

I completely support the President's decision to decontrol the petroleum industry.

As the former chairman and now the ranking member of the Subcommittee on Energy Regulation of the Committee on Energy and Natural Resources, I speak with some authority in saying "good riddance" to the price and allocation controls. These controls have been in effect far beyond the time which the Congress intended when they enacted temporary authority to address the energy emergency of 1973. Since then, in hearing after hearing we have been told by virtually every witness that Government controls on petroleum have outlived their usefulness and their intended lifetime. We have seen that even well-intentioned controls can have a pernicious effect on the market, and often cause the very shortages they are designed to prevent.

While President Reagan has converted the price and allocation controls on petroleum to a standby status, all authority for any Presidential role in the petroleum sector expires on September 30, 1981. I am introducing today legislation, the Standby Petroleum Authorities Act of 1981, which provides for a continuation of standby authority beyond September 30, 1981. Thus, in 1982 and beyond, the situation will be similar to the one that President Reagan has created with his own decontrol order, namely a free market, but with discretionary authority residing in the President to act in the event a catastrophic shortage of oil occurs.

I believe that price and allocation controls on petroleum have no place in times of normal supply, such as we are now experiencing. Currently, there are no shortages of petroleum products. And I have my doubts as to whether the circumstances of the last 2 years were such as to justify the continuation of price and allocation controls on petroleum. But I do believe that it is necessary that standby regulatory authority be available to permit the President to deal with truly catastrophic petroleum supply disruptions if that is his decision.

I am not taking this position because I am fond of price and allocation controls, quite the contrary. It is just that I know that if a truly severe petroleum disruption occurred, the Government could not stay on the sidelines. The people look to the Government to help manage a crisis that is a grave threat to the national economy. Certainly, the oil companies do not want to be left by default to manage the crisis. They are equipped with neither the means nor the desire to manage a national fuel shortage. Furthermore, they should not assume this role. They are expected to run their businesses so as to make a profit, not to dispense equity. Equity is the Government's business.

Moreover, it is far better that the Congress establish the ground rules for dealing with a petroleum supply interruption now, before the crisis occurs. Legislation enacted in the midst of an emergency is rarely administered in a rational way, as the history of the Emergency Petroleum Allocation Act of 1973 abundantly shows.

If a severe disruption in oil supply, such as a cutoff of Mideastern oil occurs, the President should have the emergency, temporary authority to insure, for example, that farmers can get diesel fuel, that homeowners can get heating oil, and that police, ambulances and firemen can get sufficient gasoline. And of course, an allocation order is of limited use unless coupled with some mechanism to specify the price of the petroleum products subject to the order.

During normal supply, the free market will allocate petroleum supplies efficiently. I deeply hope that normal supply will be maintained through the 1980's so that the President will never have to exercise this authority. But in the event that a breakdown in the system does

occur, the President must be equipped to act.

The legislation I am introducing provides wide discretion to the President. My objective at this point is to begin the debate on the subject. I am open to suggestion as to alternative ways in which this provision should work. One aspect of the proposal is unambiguous. The authority should have a very short lifetime, so that we do not have a repeat of the disastrous, overextended use of allocation and price controls under which we have endured now for 9 years.

The imposition of price and allocation controls on petroleum should be at or near the bottom of the sequential list of measures which the President has available to use during a petroleum disruption. Gasoline rationing deserves to be last in the sequence.

However, there is another authority which the President should have and which is provided in title II of the legislation I am introducing today. It is an authority that could be used long before the burdensome imposition of the full range of price and allocation controls becomes necessary. In fact, it might well forestall and possibly eliminate the need for price and allocation controls. That authority would enable the President to provide for access to crude oil by refineries who have been cut off from their suppliers. The objective would be to insure that no region of the country would become short of petroleum products because a refiner who supplied a significant share of that market was cut off from adequate sources of crude oil. It is far easier to insure that a refiner has crude oil to process into a variety of products for his region than for the Government to attempt to allocate the full range of refined petroleum products so as to supply that region.

Formerly, under the Emergency Petroleum Allocation Act of 1973, if an independent refiner is unable to obtain the crude oil he needs to serve his customers at reasonable prices, then other refiners who have their own sources of reasonably priced crude oil would be required to share their crude oil with the independent refiner. The legislative provision I am proposing today would activate a similar program, but only under specified "trigger" conditions, and the program would automatically revert to standby status unless a new showing related to these trigger conditions were made.

Besides providing regional supply protection, there is another important function of this crude oil access program. The program is designed to reduce the tendency of independent refiners who do not have their own sources of crude oil to buy in the spot market during a crude oil supply disruption. Increases in the spot market price paid by U.S. refiners tend to be followed by corresponding increases in the average OPEC price of crude oil. OPEC producers see crude oil prices being bid up in the spot market tc higher prices than they are receiving under long-term contract and so they suspect they are underpricing their crude oil. Consequently, they raise their price and another round of the inflationary spiral is the result.

If independent refiners had some assurance of a stable supply of crude oil, then this would dampen their rush to the spot market during an impending crude oil disruption. If this is the result, the crude access program I am proposing may significantly reduce the rate of increase in OPEC oil prices.

There are some important differences between the crude oil access program and the program which existed under the EPAA.

First, the crude oil access program that I am proposing is an emergency program. That is, the program remains in a standby status until triggered.

No refinery is eligible to purchase crude oil under this program unless the President finds that an interruption in petroleum supplies to the United States exists or is imminent and that such interruption is likely to result in circumstances nationally or regionally which will significantly impair essential public service and economic activity. In addition, the President may trigger the program to provide crude oil access to an individual refiner only if that refiner meets certain criteria and only if, but for this program, the refiner would be forced to purchase the crude oil he needs at prices substantially above the average price of imported oil. I expect and would welcome considerable discussion of the trigger conditions of the bill. We may well have to make the description of the trigger far more explicit before the legislation is enacted.

Second, this program is available to all qualified refiners, not just small and independent refiners.

Third, not just any refiner will qualify to receive crude oil under this program during a supply interruption. The refiner must operate or have committed to investments in the kind of refining capacity which meets national needs—that is, capacity which produces refined petroleum products necessary to maintain essential public service and economic activity and which enhances the ability of the United States to use heavy, high-sulfur crude oils. Thus, the efficiency of the refinery and products it produces determine eligibility.

The goal of the program is the meeting of consumer needs, not the preservation of refining firms. My aim is to avoid a situation, for example, in which a large, efficient refiner who makes gasoline and other light products needed during a disruption is required to sell crude oil during the disruption to a small, skid-mounted topping plant that produces primarily residual fuel oil or asphalt.

Because this program conditions eligibility on the type of petroleum products produced by the refiner seeking assistance, it should serve as an incentive to domestic refiners to upgrade their facilities.

Mr. President, I expect this bill to serve as a vehicle for Senate debate on the role of the Federal Government in the petroleum sector and on the refinery policy we will adopt for the 1980's. We very much need to have that debate and have it soon. I intend to do all I can to get the process started.

The legislation which I am proposing today contains a third title which addresses the issue of the national security impact of U.S. dependence on refined petroleum products imports. The bill which I introduced in the last Congress, S. 1684, established a tariff on imported petroleum products. While I continue to support the use of a tariff to prevent the United States from becoming overly dependent on foreign refineries, I have decided in the interest of expediting consideration of this legislation not to propose such a tariff in this bill.

Rather, title III would require the Secretary of Commerce to initiate an investigation under the Trade Expansion Act of 1962 as to whether imports of refined petroleum products threaten national security. Under that act the Secretary must report the results of his investigation and his recommendations to the President. That act further provides that if the Secretary finds that the national security is threatened by the import of refined petroleum products, then the President must take appropriate action to restrict the imports. The mechanism for such restriction would likely be an import tariff.

Subtitle of title III, section 301 of the Powerplant and Industrial Fuel Use Act of 1978 (Public Law 95–620) generally prohibits the burning of natural gas as a primary energy source in an existing powerplant after 1990. Exemptions to this prohibition are allowed under subtitle B but all would-be applicants should recall the warning by the English naval officer escorting the notorious Milady of Alexander Dumas's "Three Musketeers" fame to Lord de Winter's castle when she asked under what order he was bringing her, "The measure is general, Madam, and you will search in vain to evade it." Therefore, with no hope of evasion of the general, nor inclusion under the specific and after a review of changed circumstances today, I believe the prohibition under section 301 should be reconsidered, then eliminated. My reasons follow:

First, it is necessary to reexamine the context in which the Fuel Use Act (FUA) was considered. President Carter's original energy plan in April 1977 virtually played taps over the future of our domestic gas industry. His accompanying background material noted a fourteen-percent production drop by 1985. Reserve estimates, governmental and private, placed our supply at approximately 208 trillion cubic feet (tcfs), just less than an 11-year supply at our then annual 19-tcf consumption rate. These studies, coupled with the frenzy in which the Congress had to deal with the harsh winter of 1967–77 culminating in the passage of the Emergency Natural Gas Act of 1977, led to the passage of the FUA in 1978.

At the same time as passage of the FUA, however, the successful passage of the Natural Gas Policy Act of 1978 (NGPA), with its immediate higher prices, gradual deregulation, and consolidation of the dual-market system, led to a boom in the exploration of natural gas. With its higher prices, a colorful panoply of gases for the first time became economically attractive—from

tight formation and coal seams gas to geopressured methane and gas from Devonian shale. The policy question then becomes: Does the success of the objectives of the NGPA cancel the necessity of the existing facility gas-burn prohibition under the FUA? More specifically, given the time period from the passage of the NGPA in November 1978 until today, can we determine from its utilization any positive trends in the gas industry which would justify an optimistic view of the future gas supply situation enough to eliminate the section 301 prohibition in the FUA?

I think the data shows such a trend. Consider: The American Gas Association (AGA) announced May 5, 1980, that total additions to reserves in 1979 were 14.3 tcf, an increase of 35 percent over the 10.6-tcf addition in 1978. These reserve additions, constituting close to three-fourths of 1979's 19.9-tcf gas production appears to be signaling a slowdown in the rate of decline of U.S. gas reserves and also a return to a reserves/production equilibrium. The cause of this gain last year over prior years was a direct result of increased drilling activity, for example, a 36-percent increase in March 1980 over the active rig count in March 1979. The 2,669 number, a 23-year high, points to the excitement in which producers are seeking to develop our gas resource base, which many prominent gas supply experts acknowledge has not yet been sufficiently probed.

The present NGPA, absent the forthcoming necessary debate over immediate decontrol, contains some incentives for a continuation of this trend. A particular example is the deregulation of gas below 15,000 feet provided in section 107. Active deep-well locations in the Anadarko Basin in Oklahoma last year numbered 214, a 36-percent increase over the number in March 1979. According to the January 1980 Foster report, as of November 1979, only 190 State agency filings had been made under section 107, representing less than 1 percent of the total filings under the act, but these filings accounted for more than 7.5 percent of the estimated annual volumes of gas being produced under NGPA well filings. Other exciting deep-gas prospects that portend higher gas volumes are the Tuscaloosa Trend and the deeper zones located in the overthrust belt.

A necessary corollary of increased prices has been the existence of a strong demand for gas in the interstate markets. Order 30 allowing utilities to burn gas under the public exemption exception under section 311(e) of the FUA and the transportation authority granted by the Federal Energy Regulatory Commission illustrate how higher prices and the assured market can encourage producers to drill for additional gas that will expand production and our reserve base.

Before FERC, a number of Ohio producers testified in the Commission's informal public conference on the availability and pricing of natural gas and alternative fuels on April 2, 1980, that in response to these two Federal actions, producer well activity increased 31 percent over the total drilled in 1978. Although most of these wells were development wells under section 103, it does show that those areas uneconomical to develop before are being produced along with the desirable end of finding additional reserves.

A vivid example of the improvement of the natural gas supply situation can be provided by the decline in overall interstate curtailments. The terrible curtailment problem that built from a low of 0.1 tcf in 1971 to an ominous high of 4.3 tcf in 1978 is now falling. Figures for 1980 show a drop in curtailment to 2.3 tcf and still falling, indicating the gas industry's capability to meet their seasonal and peak demands with a continuing trend toward moving any pipeline shortages. Existing curtailment plans would not be affected by any change in the FUA.

The second reason for removal of section 301 is to remove the incentive to use oil in existing boilers rather than gas. Since the FUA does not prohibit increased oil use, the inability to burn gas in 1990 put utilities in the anomalous position of burning oil if they face increased load requirements or are unable to complete scheduled new plants in time. A study by the Energy Information Administration for the Energy Regulation Subcommittee last year showed that a repeal of section 301 with the continuation of the ban on gas burns in new plants, would by 1990 lower oil imports by up to 700,000 barrels a day. Gas, albeit at a higher price would be available but the price would still be lower than the cost of premature retirement of existing plants; the cost to the Southwest alone, estimated by Don Jordan of Houston Power & Light to be $50 to $75 billion. The sensible policy then would be to allow gas burns until scheduled alternative fueled plants can come on line. The threat of reduced coal, nuclear, and alternative fuel usage for electric powerplants does not come from the flexibility of allowing the burning of gas but instead comes from the obstacle of the lack of present utility ability to finance new sources of electrical generation.

One gas executive for instance, has said that we can combine our policies of clean air and development of our coal reserves, by allowing an increased use of gas for generation of 5 percent which would enable us to burn 30 percent more coal annually by allowing gas burns during peak pollution periods. Creativity, not confrontation will allow us to accomplish both objectives.

In conclusion, I feel that in the context of information available to the Congress at that time, the FUA prohibition was not ill-conceived, but the available evidence today shows us the necessity for its repeal. I ask that three articles giving an overview of the natural gas situation today be printed, "Natural Gas: Available Today and Tomorrow," by Charles C. Ingram, Jr., Public Utilities Fortnightly, October 23, 1980, page 17, "Who Said the U.S. Is Running Out of Gas?", by Ann M. Reilly with Susan Antilla, Dun's Review, December 1980, page 96, "The Perfect Fuel," by Stephen Chapman, the New Republic, December 22, 1980, and for a view on the state of the utility industry in general an article from the Wall Street Journal of February 2, 1981, entitled "Big Financial Problems Hit Electric Utilities, Bankruptcies Feared."

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

[From the Public Utilities Fortnightly]

NATURAL GAS: AVAILABLE TODAY AND TOMORROW

(By Charles C. Ingram, Jr.)

The natural gas industry entered the decade of the '80's with optimism and enthusiasm spurred by record well drilling activities, improved supplies of gas energy, and expectations of increasing supplies of natural and supplemental gas. The gas supply questions of the early '70's are being answered one by one as the nation comes to the realization that gas energy is the key to a successful national energy policy for the future.

The passage of the Natural Gas Policy Act in the fall of 1978 marked a turning point for the gas industry. This past year has demonstrated that, as former Energy Secretary James Schlesinger said, this nation is entering "the golden age of gas."

Gas well completions continue to climb, seismic activity has hit a 20-year high, and drilling will achieve an all-time high in 1980. Our confidence in continued strong supplies of domestic natural gas has been further buoyed by prospects for Mexican gas, increased supply from Canada, and pipeline gas from Alaska. When other supplemental supplies, such as synthetic gas from coal, gas from waste products, landfill gas, gas from ocean kelp, gas from geopressurized brine, gas from tight sands, and gas recovered from coal seams are added to the growing inventory—the long-range outlook for gas energy is excellent.

These known and potential supplies of gas energy have always been there, but the real problem has been the lack of a commitment by America to select the gas option as the premium choice for the nation's energy future. Because of the events of the '70's, I now believe America is choosing the gas option.

Congressional and regulatory actions long sought by the gas industry are being achieved one by one and the pessimistic attitude of some government officials of a few years ago has changed. Gas energy has become the centerpiece in the future energy planning for America—and increased gas energy supply is a crucial part of that planning.

The renaissance of gas has two ingredients. First, the recognition that the nation will continue to have substantial supplies of domestic natural gas—up to sixty years of recoverable conventional gas supplies remain to be discovered and produced in the United States. Second, the outlook for supplemental supplies of gas energy is excellent. Conservative estimates of production from supplemental sources show that it will be more than enough to offset an anticipated decline in lower 48-state production of conventional natural gas and will result in a net increase of total gas supply.

By the year 2000, supplemental gas—from new technologies, coal gasification, liquefied natural gas, and from Alaska, Canada, and Mexico—will provide over half of all gas consumed in the United States. Most supplemental gas supplies through the turn of the century will come from domestic sources, including the Alaskan pipeline, coal gasification, and Alaskan liquefied natural gas

(LNG). New technology gas from Devonian shale found east of the Mississippi river, tight sands gas from the Rocky Mountains of our western states, supply from geopressurized salt water along the Gulf of Mexico, land and marine biomass which can be converted into gas, and gas from urban waste—all will make a growing contribution.

According to the latest study by the American Gas Association Gas Supply Committee, the U.S. natural gas industry expects to provide up to 33 trillion cubic feet (Tcf) of gas for domestic consumption by the year 2000. No matter how the pie is sliced, the amount of gas available from lower-48 production and supplemental sources will total between 23 and 33 Tcf. Current total U.S. supply is about 21 Tcf per year.

The future supply situation is outlined on the basis of a U.S. self-sufficiency scenario, resulting in a potential supply of 23.1 to 30.1 Tcf; a North American focus, realizing a 26 to 32 Tcf supply; a scenario under which there would be moderate world imports, 24.3 to 30.3 Tcf; and a scenario emphasizing increased U.S. access to world gas supplies, 27.1 to 33.1 Tcf.

There are some similarities among all the scenarios. For example, in each of the assessments lower-48 natural gas supply is expected to level off at between 12 and 14 Tcf. Also, nonconventional gas supplies are expected to range between 1.0 Tcf and 2.5 Tcf under all four scenarios.

The main differences in the supply mix begin to show up when emphasis is placed on supply sources outside the U.S. LNG imports under self-sufficiency and North American focus modes total less than one Tcf a year throughout the remainder of the twentieth century. However, when moderate world imports or unlimited access to world gas supplies are considered, LNG imports rise to 2.5 Tcf and 4.0 Tcf, respectively.

This study, which took two years to complete, emphasizes that supplemental sources of gas currently provide less than 7 per cent of the total U.S. gas supply. However, this percentage will steadily increase over the next twenty years so that by the year 2000 supplemental sources are expected to contribute from 40 to 60 per cent of the total supply.

In my travels as AGA chairman, I have seen what the Japanese are doing to increase their use of gas through increased imports of liquefied natural gas. I have discussed increased use of gas in Germany with Europeans who are developing supply sources from coal gasification. I have talked with Canadians, Italians, and the Dutch about how we are maximizing use of domestic supplies of gas in the United States in order to decrease our dependency on foreign oil.

America has a leadership role to play in world energy planning. The gas option is not just a useful U.S. energy policy, it is a worldwide option which can help all the nations progress toward more stable economies.

The gas option allows for the utilization of all energies for those jobs and functions which each can do best and most efficiently.

Stated another way, gas would be used to supply heat energy to homes, commercial businesses, and industry; oil would be used primarily in transportation and electric generation in several applications. Such use of energy would lower the cost of fuel to all consumers, resulting in overall energy savings.

So as we encourage a change in the perceptions of American governmental leaders, we have a role in affecting the energy future of our world. But as in any endeavor, our first requirement is to start at home.

GAS SUPPLY—2000

[In trillion cubic feet]

Actual 1979	Scenarios			
	Sufficiency	North American focus	Moderate world imports	World conventional gas emphasis
Lower 48	12.0–14.0	12.0–14.0	12.0–14.0	12.0–14.0
Synthetic gas	.3	.3	.3	.1
Alaska	3.0	3.0	1.5	3.0
Canada	1.0	2.0	2.0	2.0
Mexico	.1	2.0	2.0	2.0
LNG	.7	.7	2.5	4.0
Coal gas	3.5	3.5	1.5–2.5	1.5–2.5
Tight formations	1.5–5.0	1.5–4.0	1.5–3.0	1.5–3.0
Nonconventional	1.0–2.5	1.0–2.5	1.0–2.5	1.0–2.5
Total	23.1–30.1	26.0–32.0	24.3–30.3	27.1–33.1

Supply projection by AGA Gas Supply Committee.

American consumers have always preferred natural gas because it is efficient, clean, and economical. Now that gas is available, the gas industry is faced with a marketing challenge to ensure that gas energy is used in the most efficient way and for the jobs it does best.

This year as chairman of the American Gas Association I have placed special emphasis on communicating with consumers in order that the gas industry could tell its story of increased supply. Also, gas utility companies all over America are listening to consumers to learn about their needs, their problems, and their ideas as to how the gas industry could better serve them.

This special effort has included speaking to a variety of groups across the nation, initiating special programs with government aimed at meeting consumer needs, working with consumer groups and their leaders, and holding consumer round tables—workshops where the gas industry listens more than it talks.

Consumers want to know more about new, more efficient gas appliances. They want to know about future supply and how that supply can be developed without harming the environment, and they want substantial information on the outlook for all energy prices.

Also this year, I have watched the gas industry look to new ideas for using gas as a means for utilizing our vast coal resources. Energy studies indicate that using small amounts of gas can accelerate the use of coal. By employing dual-fuel stationary equipment that would permit the utilization of gas in coal-fired boilers during peak pollution periods, much greater quantities of coal would be burned everywhere without additional detriment to the environment. The use of 5 percent more gas could enable us to burn 30 percent more coal annually in the United States. Through this use of gas, coal-burning facilities would be better able to comply with clean air laws.

The industry is also pursuing the construction of coal gasification facilities as a logical step in meeting goals of increased coal use worldwide. This is feasible technology which is at hand. Coal gasification is less costly than liquefaction and electrification and its environmental advantages far outweigh any other uses of this abundant fuel. Synthetic coal gas is about 40 percent more efficient, five to ten times cleaner, and produces up to 27 percent less carbon dioxide than coal electrification.

Moreover, a recent study performed by the Mitre Corporation for the American Gas Association shows that carbon dioxide, which is a by-product of high Btu coal gasification, could be used to enhance the nation's oil production by up to 1.3 million barrels per day, and could minimize the carbon dioxide emitted to the atmosphere. Carbon dioxide derived from natural sources is presently injected into oil wells to increase production. While this technique was responsible for only 6 per cent of enhanced oil production in 1979, the trend toward its use has been steadily increasing and a number of oil companies are planning carbon dioxide pipelines to oil fields. Obviously, this is another way one fuel can help enhance the production of another.

The gas industry is telling consumers that this clean, efficient energy is and will remain available, that it will continue to be their best energy buy, and that the gas industry can prove it.

My year as chairman also saw growing industry enthusiasm for using natural gas as a transportation fuel for fleet vehicles. The American Gas Association has performed studies which indicate that methane, which is the main component of natural gas, as a vehicle fuel costs the equivalent of 65 cents per gallon of gasoline while only producing one-third the air emissions. In fact, even using higher cost supplemental gas, such as supplies from gasified coal, would be the energy equivalent of gasoline at $1.08 per gallon.

Yes, this past year has marked the decade of the '80's as a time of rebirth for the gas industry. We have entered a new relationship with consumers, we are convincing the nation that the gas option is the choice of the future, but the next ten years will be years of critical decisionmaking.

The decade of the '80's will in fact determine the long-term future of the gas industry because of the key regulatory decisions which will be made concerning the development of supplemental supplies.

Next year and in the years to come the American Gas Association and gas distribution and transmission companies across the nation will continue to work for governmental decisions which will assure that gas energy continues to have an essential role in the nation's long-term energy future. The decade of the '70's was marked by the renaissance of gas energy; the '80's will be the decade of opportunity for our industry.

[From the Dun's Review]

WHO SAID THE U.S. IS RUNNING OUT OF GAS?

Only two years ago, the conventional wisdom held that America was rapidly running out of natural gas. So Congress, in an effort to spur exploration and production and to conserve remaining supplies, passed legislation phasing out price controls at the wellhead and discouraging industry and utility from using gas.

But those policies worked better than their framers had planned, and today the nation is swimming in gas. As a result industry leaders are now pushing for a letup in restrictions on consumption, and Congress will probably go along, at least to some extent, next year. Legislators and administrators were already moving in that direction before the elections, and the landslide victory of the Republican Party, with its free-enterprise views on energy, makes action all the more likely.

Under the present setup, explains Federal Energy Regulatory Commission Chairman Charles Curtis, there is a danger that poli-

cies designed to accommodate declining gas supplies will become "self-fulfilling prophesies," discouraging exploration and production by restraining market growth. "The positive trends in production and development activities suggest that the resource base itself may well prove to be greater than anyone anticipated at the time governmental demand management policies were developed. This suggests that the time has come for a critical reappraisal of these programs."

The two pillars of current gas policy are the Natural Gas Policy Act and the Powerplant and Industrial Fuel Use Act, both dating from 1978. The former provides for the gradual deregulation of wellhead prices for newly discovered gas, to be completed by 1985. It also mandates that industrial gas users be the first curtailed in times of shortages and requires them to pay "incremental prices," equivalent to the cost of oil, for all "new" gas purchased for big boilers, while residential, commercial and utility users pay lower prices. At the same time, the Fuel Use Act bans the construction of new gas-fired power plants or big industrial boilers and requires that all utilities stop using gas by 1990.

At the time of their passage, both bills made reasonably good sense because gas reserves were dwindling. From 1947, when the pipeline system was beginning to be set in place, until 1967, proven gas reserves in the United States expanded from 165 trillion cubic feet (Tcf) to 292 Tcf. But after 1967, reserves began declining steadily, so that by 1978 they had sunk to only 200 Tcf, about a ten-year supply. Simply put, the U.S. was using more gas than it was finding. With the exception of 1970, when the Prudhoe Bay discovery was registered, domestic production outpaced additions to reserves—that is, discoveries plus revisions (usually upward) in earlier reserve estimates—by an average 11 Tcf a year.

NEEDED: PRICE DECONTROL

Federal price controls were the culprit. Wellhead prices were held below 20 cents per 1,000 cubic feet (Mcf) during the 1960s and were still below 80 cents in 1977. This, combined with rising exploration costs, made it uneconomic to drill for gas except in shallow, generally unproductive fields. "The incentives to drill for deep and other hard-to-reach gas just weren't there," says chief economist Benjamin Schlesinger of the American Gas Association. "Everybody knew the gas existed, but nobody wanted to put it on line at such meager prices." As a result, additions to reserves fell dramatically, from 21 Tcf in 1967 to 10.6 Tcf in 1978.

At the same time, the controls made gas considerably cheaper than oil for both residential and industrial users. In 1970, for example, 1 million BTUs of home heating oil cost $1.33 compared to $1.06 for gas. For industrial customers, the savings were even greater: 73 cents per million BTUs for oil versus only 38 cents for gas. Understandably, gas demand rose smartly and production climbed to meet it, from 18 Tcf in 1967 to 22.6 Tcf in 1973.

At that point, however, limited supply became a drag on consumption. Concerned about declining reserves, utility commissions began to prohibit the conversions of home furances from oil to gas. And during the severe winter of 1976–77, the federal government cut off supplies of gas to industrial customers in the East and Midwest, forcing a number of plants to shut down.

Once burned, industry became twice shy, turning from gas to oil, and more or less accepting the 1978 limits on gas use by industrial and utility plants. "The gas supply situation looked so bleak then that industry decided there was no sense arguing about the new restraints," says Rick Richard, energy expert for Senator Bennett Johnston of gas-rich Louisiana.

Since the Natural Gas Policy and Fuel Use Acts became law, however, the gas supply picture has brightened dramatically. With wellhead prices averaging $1.14 per Mcf and running to $4.50 for deep gas—supplies found below 15,000 feet—explorers have practically stampeded into the field. In 1978, deep drilling alone jumped 46 percent following by a respectable 5 percent gain last year, while total drilling rose 19 percent in 1978 and 10 percent in 1979. This new "gaseous gold" rush in turn boosted reserve additions to 14.3 Tcf in 1978, up 35 percent from 1978 and a whopping 120 percent from 1973, with the biggest finds coming from deep wells in Louisiana, Oklahoma and the Rockies.

Of course, production is still greater than new reserves, but the gap shrank to only 5.3 Tcf last year, versus 16.1 Tcf in 1973, and gas industry gurus believe this trend will accelerate as prices are fully decontrolled. "We've finally turned the supply corner," says AGA President George ("Bud") Lawrence. "We have every reason to be optimistic about the future of United States gas supplies."

Potentially, U.S. gas supplies are enormous. The Colorado School of Mines estimates that in addition to 200 Tcf of proven reserves from conventional sources, the nation possesses about 1,202 Tcf in potential reserves. Most of this is in hard-to-reach areas; about 19 percent in Alaska; 20 percent in deep formations; and 34 percent below the ocean floor. Still, it is recoverable. "We have the technology," says Harry Kent, director of the school's Potential Gas Committee. "Reaching it is strictly a question of economics."

In addition to these so-called conventional sources—gas that is recoverable given existing prices and technology—there are "nonconventional" sources that potentially dwarf all others but may not be economically recoverable. These include Western tight sands, slow-producing formations in the Rocky Mountains, Devonian shale in Appalachia, coal seams and geopressurized acquifers in the Gulf region. Estimates of the potential gas supplies from these sources run as high as 1,700 Tcf, a heady but far from reliable figure. Then there is domestic synthetic gas, whose development the new Synthetic Fuels Corp. should boost, and foreign imports.

Assuming decontrol is completed on schedule and adequate demand exists, the American Gas Association believes that total annual U.S. supplies—both domestic and foreign—could range as high as 33 Tcf by the year 2000 versus 21 Tcf now. All of the additional supply, and more, however, will have to come from imports, Alaska, nonconventional and synthetic sources. Conventional production in the Lower 48 is likely to decline to the 12-to-14 Tcf range from today's 19.5 Tcf, the AGA estimates.

The future of nonconventional and synthetic sources depends on price and technology. For example, the Gas Research Institute estimates that with current technology and prices at $4.50 an Mcf, industry can produce 2.5 Tcf of gas from tight sands by the year 2000; but if technology is improved and prices rise to $6, production could hit 6 Tcf.

Though not as optimistic as the gas industry, government regulators also take a more positive view of the supply picture. "While we're not ready to say we've turned the corner on gas supplies, we're more encouraged that we ever thought we'd be about stabilizing production in the 19-to-20 Tcf range," says FERC policy spokesman Walter Schroeder. Like many others, Schroeder frets that by limiting demand the government is also limiting supply.

RIGS SHIFT FROM GAS TO OIL

And these fears appear to be justified. Last year, gas consumption fell 7 percent to about 19.5 Tcf, due primarily to lower industrial demand. As a result, pipelines now have more gas than they can sell, and producers are beginning to shift some of their rigs from gas exploration to oil. In the first eight months of 1980, oil well completions rose 37 percent above the same period in 1979, while gas completion rose only 2.5 percent, the American Petroleum Institute reports. Experts agree that this is due to the fact that oil now sells for a higher price than gas, partly because of oil decontrol, but also because of the depressed demand for gas.

Gas consumption in the industrial sector, which represents about 40 percent of the domestic market, fell 7 percent last year to 7.8 Tcf. The recession, of course, was an important factor here as it dampened demand for fuel generally. But of greater long-term significance were the price and supply disincentives that industrial users faced.

"In the 1960s and early 1970s, gas was so cheap that it was automatically the fuel of choice," says Edward Grenier, a Washington lobbyist representing industrial gas users. "That's not true today, partly because of incremental pricing, which has helped push gas prices above those of residual fuel oil, and partly because industry is still skeptical about the security of supplies."

In the utility sector, on the other hand, demand has not yet fallen. Indeed, consumption rose 9 percent in 1979, to 3.5 Tcf. But by 1990, according to the Fuel Use Act, all utilities that have not been able to get exemptions must be off gas, and this could cut total gas demand by as much as 18 per cent. As for residential demand, no major changes are foreseen. While the conversion of home furnaces from oil to gas is expected to continue, conservation will more than offset this upward trend.

Fearing that this depressed demand outlook will discourage exploration and production, a growing number of industry and government leaders are now pushing for an easing of the regulatory restraints on gas use. Last year, the Senate passed a bill that would have allowed utilities to run their gas-fired plants until the end of their book lives. The bill died in the House, largely due to the opposition of Energy Subcommittee Chairman Charles Dingell. But Dingell, who becomes chairman of the full committee next year, has expressed interest in reviewing the off-gas provisions in the new Congress. And with Ronald Reagan in the White House and the Senate in Republican hands, most Washington observers agree that some liberalization of the Fuel Use Act is a very good bet for next year.

Similarly, the gas industry, its industrial customers, the regulators and many in Congress believe that some substitute must be found for the government's current incremental pricing and curtailment policies. The House recently rejected by a resounding 369-to-34 vote a plan to extend incremental pricing to processed gas users. And the FERC itself has been thinking of asking Congress to eliminate the system entirely and of replacing existing curtailment policies with a free-enterprise alternative, a so-called "white market" for industrial gas.

This could be done by creating a commodities market, complete with futures trading, such as the one that exists for home heating oil. Its big advantage would be flexibility. In times of abundance, prices would drop, encouraging industry to switch from residual oil to gas, a very easy adjustment. In turn, slack demand for residual would in turn push refineries to upgrade that low-quality fuel into a higher grade product, which would reduce the need to import oil. On the other hand, in times of shortages prices

would rise, pushing low priority users out of the market and back to cheaper residual oil. "It's still just an idea," Schroeder concedes, "but it could be a more efficient way of achieving Congress's goal of allocating gas among industrial users."

While creating a futures market for industrial gas could be done administratively, repealing incremental pricing would require Congressional action, and that could be tough. Dingell has said that the incremental pricing provisions of the Natural Gas Policy Act cannot be changed without reassessing the entire legislation. And that would mean reopening the long and bitter debate over the decontrol of wellhead prices, with business pushing for an accelerated schedule and consumer groups demanding either an extension of controls or a windfall tax on gas profits.

ANOTHER BLOODY BATTLE?

The oil companies, which tend to take a conservative approach to gas issues, would prefer to avoid another confrontation over price controls next year. But others believe that changes in incremental pricing can be achieved without reopening the NGPA's controversial well-head pricing provisions. Says AGA's Lawrence: "To say you have to get into Title I [decontrol] to deal with Title II [incremental pricing] is laughable. Title I, which was a bloody battle, is working. But most people now recognize that Title II is just a bad idea, and the prospects for eliminating it are much improved in the wake of the election."

A lot, of course, depends on our new President. If Ronald Reagan, who called repeatedly during his campaign for faster decontrol of natural gas, decides to make revisions in the NGPA a priority, it is possible that incremental pricing could be repealed and price decontrol accelerated next year. But if he does not, Congress will probably postpone this consideration at least until 1982.

Still, the prospects for a pro-industry solution are clearly improved. "There is no question we are better off," concludes U.S. Chamber energy expert Steven Hellem. "The atmosphere is more positive than ever."—Ann M. Reilly with Susan Antilla.

[From the Republic, Nov. 22, 1980]

WHALE COOKING WITH GAS: THE PERFECT FUEL

As we near the end of the first decade of America's bondage to OPEC, the need to find a fuel (or fuels) of the future grows increasingly acute. The problems with oil are that it is expensive and likely to grow more so, and that our supplies are disturbingly susceptible to interruption. The Iran-Iraq war has dramatized the drawbacks of oil. If the flow of oil from the Persian Gulf were to be halted for any length of time, the result would be astronomical oil prices and sufficient economic disruption to throw the entire industrialized West into a depression. It is easy enough to find other sources of energy that are relatively inexpensive and abundant here at home—nuclear power, coal, and solar energy, to name the most obvious possibilities. But each has serious flaws too. Nuclear power presents the danger of catastrophic accidents, such as the one that nearly happened at Three Mile Island in 1979. Coal is dirty to burn, environmentally destructive to extract, and dangerous to mine—problems that can be solved, but not easily. Solar energy suffers from having either limited practical use (roof collectors which provide mainly space and water heating) or else extremely high costs (photovoltaic cells, whose practical uses are unlimited)

If only we had a fuel that was clean and safe, like solar power; cheap, abundant, and homegrown, like coal and nuclear power; and, as long as we're wishing, versatile like oil. If we had such a fuel, of course, we'd use it in a minute, and our energy woes would be, if not cured, at least eased considerably.

Well, the truth is that there is such a fuel, one that has been around for years. But instead of using this fuel to meet our current energy needs and provide a bridge to the fuels of the next century, the federal government has been pursuing policies that actively discourage its production and use. The fuel is natural gas. It is clean and safe, it is cheap, it is suitable for a variety of uses, and it is plentiful. It could do much to alleviate our energy crisis, if only we would let it.

Natural gas has a rags-to-riches past. During the oil boom years of the 1920s and 1930s, natural gas often was found along with or adjacent to oil deposits, but since there was no way to transport it, the gas was simply burned at the wellhead. Gas came into its own during World War II, when the need to export oil for the war effort forced the building of interstate gas pipelines to facilitate the use of gas as a substitute. In 1940 barely two trillion cubic feet of gas was sold in the US, but by 1955 the figure was up to 14 trillion cubic feet. Nowadays gas provides a full quarter of our energy needs. It is most commonly used for residential and commercial heating and assorted industrial purposes, but, contrary to some expert opinion, it can even be used to run automobiles.

As natural gas grew in importance in the postwar years, it also engendered controversy. The prices charged by utilities and pipeline owners have been regulated by the Federal Power Commission since 1938. But not until 1954, when the Supreme Court ruled that the FPC also had the power to regulate gas controls, but a storm of controversy provoked by a gas producer's attempted bribe of a senator caused President Eisenhower, who had favored the bill, to veto it.

What usually happens when the government imposes price controls on a commodity is that it becomes scarcer as producers who can't make money at the controlled price invest elsewhere, even as consumers are stimulated to consume more of the commodity than they would at a higher uncontrolled price. By 1968 it was clear that the FPC controls had produced precisely this result. That was the first year that total annual consumption of gas exceeded the amount of new gas found in the U.S. In 1971, recognizing the looming shortage, the FPC substantially raised the price producers could charge. But by then the damage had been done, and the next few years exposed it. The first shortage occurred in 1973, and severe ones struck in the winters of 1976–77 and 1977–78. In this case the effects of the controls were magnified by the absence of controls on gas sold in intrastate markets. The price in this unregulated market rose well above the controlled price, giving producers an incentive not to sell their gas in the regulated market.

Mostly because of these shortages, the lingering dispute about gas price controls gathered force during and after the 1976 presidential campaign. President Ford had tried in vain to get Congress to lift price controls on natural gas, and Jimmy Carter promised, in a letter to the governor of Texas, that he would succeed where Ford had failed. Once in office, however, Carter and his energy Czar, James Schlesinger, took a firm stand against the growing sentiment in Congress for decontrol, proposing instead that federal price controls be expanded to include gas sold in intrastate markets. The result was a bitter 18-month battle which finally, in October 1978, produced the Natural Gas Policy Act. It gave something to both those who favored controls and those who opposed them. The former got an extension of the existing controls to intrastate gas, and the latter got a gradual phaseout of the controls, which would expire in 1985. The bill also decontrolled the prices of certain types of hard-to-get gas, notably that found 15,000 feet or more below the earth's surface. The new law was nightmarishly complex, with more than two dozen different price categories, but it was about as good as one could have hoped for. It did the most important thing, lifting price controls, and the next most important thing, ending the absurd dichotomy between interstate and intrastate gas.

So far the NGPA has worked reasonably well. The higher prices allowed for conventional gas have stimulated a flurry of drilling and exploration. In 1976, 9,085 new wells were sunk in the US; last year there were 14,681. Another crucial matter is the ratio of new gas reserves to gas consumed. In 1979 the ratio reached an all-time low. But this year, gas experts say, the 13-year-old decline has reversed itself. In fact, some experts think the long-range prospects for finding large new domestic reserves of gas are better than those for oil. Recent drilling has led to speculation that the Overthrust Belt, a long geologic formation running through several western states, may harbor as much as 250 trillion cubic feet of gas, or more than 10 years' supply at the current consumption rate. Higher prices have also led to the reopening of old Appalachian gas fields given up years ago as uneconomical. One direction the NGPA has sent oil and gas producers is deeper, and the deeper you go, experts say, the better the odds of finding gas rather than oil.

The NGPA, however, is not entirely satisfactory. The prices are still set too low to induce sufficient conservation, because they have kept gas prices well below those of oil. Currently oil sells on the world market for about $33; the equivalent amount of gas sells for less than $16 in the US. The discrepancy is particularly glaring because of gas's many advantages over oil (it is cleaner, for example, and requires no storage expenses.) "It's like selling steak at one-third the cost of hamburger," says David Foster, president of the Natural Gas Supply Association, with only a little exaggeration. It also casts doubt on the prospect of full decontrol in 1985. The bigger the gap between oil and gas prices, the more painful the removal of controls will be, since gas prices can be expected to rise to roughly the level of oil prices. Better to raise the regulated price more rapidly in the next five years (or even to lift controls immediately) than to cause one great shock in 1985. This measure would soften the impact of decontrol and also provide further incentives for production. Some experts worry that the gap between oil and gas prices is already causing producers to ignore gas and spend all their money looking for oil. Letting gas prices rise to the market level will not mean appreciably higher consumer costs, since most of the cost of supplying gas lies in the pipelines required to move it from place to place. Currently most of the nation's gas pipelines have plenty of spare capacity. Hence an increase in the number of factories, offices, and homes using natural gas could cancel out the effect of a wellhead price increase, since the huge overhead costs would be spread more widely. Most recent rate increases for natural gas can be blamed on the frequent curtailments of the last decade, which force a smaller number of gas users to pay the fixed costs. An increase in gas use, of course, is possible only with the higher production that decontrol may bring.

It's anyone's guess what the Reagan administration and a more conservative Congress will do about the NGPA. There surely

will be an effort to revise some pricing rules, and possibly even to remove controls right away. With Republicans in control of the Senate and the defeat of key supporters of continued price regulation, such as representatives Bob Eckhardt of Texas and Andrew McGuire of New Jersey, the chances of lifting controls would be better next year than they were in 1977. But many people in the industry don't want to reopen the issue of gas price regulation. "It's not in our interest to have another bloody battle," says one gas lobbyist. "We'd prefer just to let the controls be phased out on schedule."

Past and present price controls, however, are only one of the ways the government has impeded the transition to natural gas. The most celebrated, of course, was energy secretary Schlesinger's high-handed veto of a deal between US distributors and Mexico, which would have supplied about four percent of US gas needs, on the ground that the price was too high. Eventually he backed down and accepted an even higher price, but by then the Mexicans weren't willing to supply nearly as much gas as originally promised.

Schlesinger's ill-starred intervention could be dismissed as mere bungling, but other federal policies are more calculated. Until recently, the conventional wisdom in Washington was that we were rapidly running out of gas and hence had to wean ourselves from it. (In 1977 Schlesinger said the world's gas supplies should be regarded as "gone.") Several measures intended to reduce natural gas consumption (in favor of other energy sources) were written into law. The most important is a provision of the 1978 Fuel Use Act, which forbids the construction of any new natural gas boilers by utilities or industrial firms and requires existing ones to be converted to coal by 1990. This provision made a certain amount of sense at the time, since gas appeared to be running out. Now, however, gas doesn't appear to be running out.

Kevin Rooney, a legislative aide for the Edison Electric Institute, a utility trade association, says that the prohibition on gas boilers will force one Texas utility to use oil instead. (The Fuel Use Act also was supposed to phase out the use of oil by utilities, but here the law is so weak as to be ineffectual.) It is expected to increase its annual consumption of oil from about half a million barrels a year to about 32 million. The coal industry naturally supports anything that is likely to increase the demand for coal, as restrictions on natural gas use will, but in fact the cost advantage of coal over gas is great enough that most utilities have no interest in building gas boilers anyway. For many, though, the cost of converting existing gas boilers to coal is prohibitive, so they will simply switch to oil, a much cheaper conversion. This will only stimulate the national appetite for oil, hardly a sane policy for a nation so dependent on oil that it is prepared to risk nuclear war to protect its access to the Persian Gulf.

There are signs that Congress may correct this mistake. It has already largely corrected another one, a provision in the NGPA that required the Federal Energy Regulatory Commission to set higher prices for industrial users than for residential customers. This was also meant to avert a general shift to using natural gas instead of oil and coal. FERC submitted a proposal to Congress but made plain its doubts about the wisdom of the scheme. Congress obliged by vetoing the proposal. (Unfortunately an earlier plan, applying a higher rate to a much smaller class of utility and industrial users, was approved.)

Perhaps a bigger obstacle to greater industrial use of natural gas than its price is its availability. Under federally mandated curtailment plans, which are implemented when supplies are short, utilities are required to cut off industrial users first and residential customers last. Hence industrial users have had to bear the brunt of each of the shortages in the last decade. This federal policy is just the opposite of how the government handles oil shortages. In the latter, industrial users are protected against the loss of their supplies, with the shortage borne mostly by drivers. Another reason gas users are more vulnerable to shortages is that oil is easier for users or speculators to stockpile for emergencies. Gas is more expensive to store, and price controls have prevented the type of speculation that would hoard supplies for sale during shortages—the same price controls that cause the shortages. Even new industrial users who are willing to pay a premium for gas will be cut off first, which tends to dampen the enthusiasm for gas. A recent letter from FERC blamed the curtailment plans for the sluggish industrial market for gas:

"New long-priority gas customers confront an environment where they will be the first users kicked off the gas stream during periods of excess demand. . . . An oil user is not going to jeopardize his oil supplier relationship to obtain cheaper but insecure access to gas."

The letter, signed by Walter Schroeder, director of regulatory analysis at FERC, suggested that shortages be allocated proportionately among all industrial users, rather than cutting off the newest users completely. Under this scheme, industrial and commercial users would be able to buy and sell rights to gas, thus allowing gas to go where it is most valued. But if FERC and Congress are serious about encouraging natural gas use to reduce our dependence on oil, they also should be looking at the possibility of allocating some of the shortages to residential customers. A better approach, though, would be to lift the price controls on gas, which would greatly minimize the chance of more shortages.

It is easy to expect too much of natural gas in helping us out of the existing crisis. When all possible sources of gas are considered, the amount existing on this globe is truly fantastic. By the Wall Street Journal's estimate, the planet has 20 million years' worth of gas at the current rate of consumption. Numbers like this have led some observers to regard gas as the ultimate panacea. It is not. Most of the huge deposits of gas are much too costly to extract, even at today's energy prices. But there is plenty of natural gas for the foreseeable future, and probably beyond, as long as prices are allowed to rise to the level set by the market. There are hardly any fuels to compare with natural gas. As long as we've got it, we ought to use it.—STEPHEN CHAPMAN.

[From the Washington Post, Feb. 2, 1981]

PLUNGING POWER: BIG FINANCIAL PROBLEMS HIT ELECTRIC UTILITIES; BANKRUPTCIES FEARED

(By John R. Emshwiller)

NEW YORK.—Arkansas Power & Light Co. had plenty of cause to call off a planned $70 million bond sale recently.

Record interest rates had thrown the bond market into chaos and had already forced several utilities to postpone offerings. And with low ratings from major credit-rating services, Arkansas Power was faced with paying a 16.1% interest rate, one of the highest ever borne by a public utility.

But the subsidiary of Middle South Utilities Inc. completed the bond sale anyway, for one overpowering reason: It was running out of cash. "We needed money so badly we didn't have any option," says Edwin Lupberger, Middle South's vice president and chief financial officer.

Such predicaments have become all too frequent. Electric utilities, once considered pillars of financial strength, have turned into wobbling giants. And there is increasing concern that one or more may topple.

AN ARRAY OF PROBLEMS

Many electric utilities no longer generate enough cash earnings to even pay for their common-stock dividends, and they finance the payouts from sources such as depreciation, borrowings or the sale of more stock. Utilities have piled up tens of billions of dollars of debt to finance power-plan projects so huge and so costly that they threaten to overwhelm the financial capacity of the companies building them. Utility credit ratings are deteriorating steadily, and traditional sources of funds—particularly the long-term bond market—are drying up.

Indeed, some observers believe that a once-unthinkable event has become quite possible: A major U.S. utility could fall into bankruptcy. The cash bind is so serious that "some of these companies are eating themselves up," says Irvin C. Bupp, a Harvard Business School professor who has worked on utility financial issues.

No operating utility has ever gone bankrupt, and powerful protections have been erected over the years to keep that record intact. Spurred by the recognition that electricity somehow must be kept flowing to homes and factories, state regulators, bankers and others involved with a sick utility probably would arrange major emergency help to avoid an insolvency. The companies' strongest safeguard is their indispensability.

Yet people inside and outside the utility industry agree that safety margins have been narrowing, and some fear that a company might slip into an unresolvable cash crunch before remedial action could be taken. This danger, they add, rises significantly in times such as these, when credit is expensive. Many utilities "are walking a real financial tightrope," says John Attalienti, utility analyst for Argus Research Corp.

NO EASY ANSWERS

Solving utilities' financial problems will be extremely difficult. Utility executives plead for higher electricity rates, but other observers note that rates have risen sharply in recent years and have badly strained customers' tolerance for further increases. Conservationists contend that utilities must conserve cash by canceling some power-plant construction plans and promoting efforts to hold down energy use. Utility officials reply that heavy reliance on conservation would lead to future power shortages and jeopardize billions of dollars already invested in unfinished generating plants.

The industry's problems are so thorny partly because of fundamental, long-term changes in the economics of electricity. For years, continuing improvements in generating technology pushed down the cost of power and helped increase demand for it. In the process, utilities reaped healthy profits. "Those were our golden years," recalls W. C. Tallman, chairman of Public Service Co. of New Hampshire.

That era started fading in the late 1960s, and major signs of trouble first surfaced in 1974, when oil prices surged after the Arab embargo. U.S. utilities found themselves pinched for cash, and Consolidated Edison Co. of New York even omitted its dividend for one quarter—an action that shook the entire utility industry.

Then, the position of utilities improved for a while, partly because of hefty rate increases granted by worried regulatory commissions. But the industry's fundamental problems remained. And amid the current high inflation, sluggish economic activity and stagnant demand for electricity, utilities are falling into a new and deeper financial trough.

COST OF CONSTRUCTION

Probably the biggest burden weighing them down is the very thing that long brought them prosperity: building new power plants. Construction costs have grown astronomically in recent years. Bills for labor and materials climb relentlessly. Everchanging federal regulations, especially for nuclear plants, have forced utilities to redesign, at great cost, parts of many facilities to meet new rules. The sheer size and complexity of many projects—partly due, ironically, to the utilities' desire to save money by building ever-larger, ever-more-efficient plants—have sometimes overtaxed contractors' abilities. And building delays arising from such construction problems, from blocking actions by environmentalists or from utilities' inability to raise money further increase project costs.

The upshot: so many cost overruns at many projects that financial planning has become almost impossible. And when the total costs are eventually pinned down, they tend to be sickening. For instance, the price tag of a nuclear plant being built in Michigan has soared from $350 million to $3.1 billion.

Capital-spending estimates for the electric-utility industry over the next decade range up to $700 billion, about three times the current investment in all of its existing facilities. Many experts worry that financing huge construction programs while trying to meet other bills may be more than many utilities can handle. "I don't care how big a company is, some of these construction budgets hurt," says Argus Research's Mr. Attalienti.

Meanwhile, the average utility's ability to generate money internally has steadily weakened despite increased earnings.

Merrill Lynch, Pierce, Fenner & Smith Inc. calculates that electric utilities' per-share earnings increased 2.6 percent a year between 1969 and 1979. Yet, at the beginning of that period, the average utility could pay its common dividend out of net income and had some cash earnings left over. But by 1979, the average utility was having to dip into other sources, such as its depreciation fund or bank borrowings. "That isn't the textbook way to pay dividends," says John Kellenyi, utility analyst for Drexel Burnham Lambert Inc.

AN ACCOUNTING MATTER

One reason utilities' net income hasn't kept up with dividends is that an increasing share of reported earnings isn't cash but rather comes from an accounting credit known as the allowance for funds used during construction. This AFUDC allows a company to take credit for its investment in a power plant that it is building even though the company can't earn any cash return on the investment until the plant is completed and operating. In 1979, AFUDC accounted for about 14 percent of net income available to utilities' common shareholders; in 1980, it was about 50 percent.

Though a firmly established accounting principle, AFUDC doesn't help a company pay bills. Indeed, it can often hurt, executives say, by pushing up reported earnings and making it harder to get public acceptance for rate increases that would improve cash flow.

Utility executives concede that cash earnings don't justify current dividend levels, but they contend that the companies really don't have much choice. They explain that a dividend rate acceptable to investors is needed to enable a utility to sell common stock and that occasional stock sales are needed to keep the constantly increasing debt from reaching a disquieting proportion of total capital.

DOMINO THEORY

"The industry is caught in a box because selling common stock is the key to all other financing. Cut the dividend, and you could be pushing over the first domino," says K. L. Harrison, senior vice president for finance at Portland General Electric Co., the big Oregon utility.

To keep the dominoes standing, utilities plan to sell hundreds of billions of dollars of long-term debt and common stock over the next decade. But the very problems forcing them into so much outside financing are making them less and less attractive as investments.

Despite some recent gains, prices of utility stocks remain depressed. Most of the stocks are selling below book value, the per-share equivalent of all the money invested by current shareholders, plus retained earnings. By selling stock below book value, a utility progressively dilutes a shareholder's ownership and makes its stock even more unpopular.

And bond issues also are becoming tougher to sell as inflation frightens many investors away from long-term debt of any kind and as utilities' credit ratings steadily decline. In 1970, only 4 percent of American electric utilities got a BBB rating from Standard & Poor's Corp.—the lowest investment-grade rating and a level of creditworthiness that many institutional investors avoid. Today, about 30 percent are rated BBB.

SOME SPECULATIVE CASES

Moreover, the senior debt of four utilities is rated BB or lower, which means that the issues have "speculative" characteristics. Three of them are subsidiaries of General Public Utilities Corp., which owns the now-closed nuclear plant at Three Mile Island.

The other is United Illuminating Co., a utility based in New Haven, Conn. that is part owner of four nuclear reactors under construction. Its capital spending between 1981 and 1987 is projected at about $640 million, roughly equal to its assets at the end of 1979. An estimated 90 percent of that spending will have to be financed from outside sources.

Even if a utility scrapes together all the cash needed to complete its construction projects over the next few years, it may face a final hurdle: Utility regulators might refuse to let it charge customers for the investment. That happened recently when the Missouri Public Service Commission wouldn't permit Kansas City Power & Light Co. to include in its rate base a $165 million investment in a new coal-fired power plant. The commission decided that the plant wasn't needed yet because the company already had enough generating capacity. Although the utility has challenged the decision in court, Merrill Lynch immediately put all Missouri utilities on its sell list.

BIG POTENTIAL DANGER

Kansas City Power has been able to weather the ensuing financial storm, but analysts fear that a similar decision on a bigger power project could have far worse consequences. Such "second-guessing" by regulators "is becoming a big problem," says Leonard Hyman, a Merrill Lynch analyst. Like other observers, he is especially worried that a commission might refuse to include a new nuclear plant in a utility's rate base. "Though I don't think any commission would push that far, if it did, the company would have a difficult time surviving," he says.

Some observers contend, in fact, that most commissions have been trying to ensure the utilities' survival with the most obvious form of help: by increasing company revenues. Wall Street analysts estimate that last year's increases in utilities' base rates totaled $5 billion on an annual basis, topping the previous record of about $3.1 billion in 1975. They add that projected revenues went up an additional $3 billion a year in 1980 to cover higher generating-fuel costs. The total rise, about $8 billion, equaled about 10 percent of the industry's 1979 revenues.

However, analysts also estimate that restoring the companies even close to financial health would require rate increases of $5 billion to $8 billion a year beyond any increases designed to keep pace with rising costs. Given the "political realities" of already-unhappy utility customers, granting such increases "wouldn't be an easy thing to do," says Ernest Liu, an analyst at Goldman, Sachs & Co.

Mr. JOHNSTON. Mr. President, I ask unanimous consent that these three bills be printed in the RECORD.

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

The bills are as follows:

S. 409

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS

(a) This Act may be cited as the "Standby Petroleum Authorities Act of 1981".

(b)—

Sec. 1. Short title; table of contents.
Sec. 2. Statement of findings and purposes.
Sec. 3. Definitions.

TITLE I—STANDBY PETROLEUM PRICE AND ALLOCATION AUTHORITY

Sec. 101. Findings and purpose.
Sec. 102. Definitions.
Sec. 103. Standby allocation.
Sec. 104. Implementation.
Sec. 105. Administration and enforcement.
Sec. 106. Effect on other laws.
Sec. 107. Reimbursement to States.
Sec. 108. Expiration.

TITLE II—CRUDE OIL ACCESS

Sec. 201. Findings and purposes.
Sec. 202. Definition.
Sec. 203. Standby program.
Sec. 204. Eligibility.
Sec. 205. Crude oil sales.
Sec. 206. Effect on other law.
Sec. 207. Penalties.
Sec. 208. Expiration.

TITLE III—INVESTIGATION AND REPORT

Sec. 301. Investigation and report.

STATEMENT OF FINDINGS AND PURPOSES

SEC. 2. (a) Congress finds and declares that—

(1) the national security and economic well-being of the United States require that the President have discretionary authority under specific and limited circumstances to allocate, and establish ceiling prices for, petroleum so as to minimize adverse effects on the public health, safety, and welfare during a severe petroleum supply interruption; and

(2) the national security and economic well-being of the Nation will be enhanced by the development and maintenance of a strong, competitive and technologically advanced domestic refining industry so that the petroleum products required to maintain public services and priority economic activities are available during periods of normal supply as well as during periods when petroleum supplies are interrupted.

(b) It is the policy of the United States and the purpose of this Act to—

(1) authorize the President, during a severe petroleum supply interruption, to exercise standby authority under specific and limited circumstances to allocate and set ceiling prices for available supplies of crude oil and refined petroleum products in a manner which achieves the objectives set forth in section 103(b)(1) of this Act;

(2) insure that the capability exists during any significant interruption in the availability of imported petroleum to supply essential national and regional requirements for

refined petroleum products, including transportation fuels and home heating oil, from domestic refineries;

(3) establish incentives so that an adequate, flexible and technologically advanced refinery capacity will be developed and maintained within the United States; and

(4) insure, to the maximum extent practicable, that domestic demand for refined petroleum products can be satisfied from refineries located in the United States.

SEC. 3. DEFINITIONS.

As used in this Act, the term—

(1) "domestic refiner" means a petroleum refiner whose total petroleum refinery capacity (including the refinery capacity of any person who controls, is controlled by, or is under common control with such refiner) is located within the United States.

(2) "independent refiner", during any calendar year, means a domestic refiner who as certified to the Secretary by such refiner obtained, directly or indirectly, in the previous calendar year, more than 70 percentum of his refinery input of domestic crude oil (or 70 percentum of his refinery input of domestic and imported crude oil) from producers who do not control, are not controlled by, and are not under common control with such refiner.

(3) "Secretary" means the Secretary of Energy.

(4) "small refiner", during any calendar year, means domestic refiner whose total refinery capacity as certified by such refiner to the Secretary (including the refinery capacity of any person who controls, is controlled by, or is under common control with such refiner) does not exceed 175,00 barrels per calendar day on January 1 of such year.

(5) "United States" means the several States, the Commonwealth of Puerto Rico and the District of Columbia.

TITLE I—STANDBY PETROLEUM PRICE AND ALLOCATION AUTHORITY

FINDINGS AND PURPOSE

SEC. 101. (a) Congress finds and declares—

(1) shortages of crude oil and refined petroleum products have occurred in the recent past and are highly likely to occur in the future;

(2) such shortages have created and will create severe economic dislocations and hardships, including loss of jobs, closing of factories and businesses, reduction of crop plantings and harvesting, and curtailment of vital public services, including transportation of food and other essential goods; and

(3) such hardships and dislocations jeopardize the normal flow of commerce and constitute a threat to the public health, safety and welfare which can most effectively, efficiently and equitably be dealt with through prompt action by the executive branch of government.

(b) It is the purpose of this title to grant the President specific temporary authority to deal with shortages of crude oil and refined petroleum products or dislocations in the national distribution system. The authority granted under this title shall be exercised for the purpose of minimizing the adverse impacts of such shortages or dislocations on the American people and the domestic economy.

DEFINITIONS

SEC. 102. As used in this title the term—

(1) "severe petroleum supply interruption" means a national or regional petroleum supply shortage which the President determines—

(A) has resulted or is likely to result in a substantial shortfall nationally or in such region of gasoline, diesel fuel and No. 2 heating oil supplies for a period in excess of 30 days;

(B) is not manageable under other appropriate emergency authorities available to the President;

(C) is expected to persist for a period of time sufficient to seriously threaten the adequacy of national or regional stocks of gasoline, diesel fuel, and No. 2 heating oil; and

(D) is having or can reasonably be expected to have a major adverse impact on public health, safety or welfare or the national or regional economy.

(2) "international energy program" has the same meaning as is assigned such term in section (3)(7) of the Energy Policy and Conservation Act.

STANDBY ALLOCATION

SEC. 103. (a) Not later than 120 days after the date of the enactment of this title the President shall promulgate a standby regulation which when implemented will provide for the mandatory allocation of crude oil and each refined petroleum product, in amounts specified in (or determined in a manner prescribed by) and at ceiling prices specified in (or determined in a manner prescribed by) such regulation. Such standby regulation may only be implemented in accordance with section 104. Such regulation when implemented shall apply to all crude oil and refined petroleum products produced in or imported into the United States.

(b)(1) The standby regulation under subsection (a), to the maximum extent practicable, shall provide for—

(A) protection of public health (including the production of pharmaceuticals), safety and welfare (including maintenance of residential heating, such as individual homes, apartments and similar occupied dwelling units), and the national defense;

(B) maintenance of all public services (including facilities and services provided municipally, cooperatively, or investor owned utilities or by any State or local government or authority, and including transportation facilities and services which serve the public at large);

(C) maintenance of agricultural operations, including farming, ranching, dairy, and fishing activities, and service directly related thereto;

(D) preservation of an economically sound and competitive petroleum industry; including the priority needs to foster competition in the producing, refining, distribution, marketing, and petrochemical sectors of such industry, and to preserve the competitive viability of independent refiners and marketers;

(E) the allocation of suitable types, grades, and quality of crude oil to refineries in the United States to permit such refineries to operate to the extent practicable at full capacity;

(F) equitable distribution of crude oil and refined petroleum products at equitable prices among all regions and areas of the United States and sectors of the petroleum industry, including independent refiners and marketers, and among all users;

(G) allocation of refined petroleum products in such amounts and in such manner as may be necessary for the maintenance of, exploration for, and production or extraction of—

(i) fuels, and

(ii) minerals essential to the requirements of the United States,

and for required transportation related thereto;

(H) economic efficiency; and

(I) minimization of economic distortion, inflexibility, and unnecessary interference with market mechanisms.

(2) In specifying prices (or prescribing the manner for determining them), the standby regulation under subsection (a) shall provide for a dollar-for-dollar passthrough of net increases in the cost of crude oil and refined petroleum products at all levels of distribution from the producer through the retail level.

IMPLEMENTATION

SEC. 104. (a) The President shall implement the standby regulation under section 103 whenever the President determines that a severe petroleum supply interruption exists or is imminent or that such implementation is necessary to comply with obligations of the United States under the international energy program.

(b) The President may continue the regulation under section 103 in effect for no more than 90 days after implementation under subsection (a), except that the President, in his discretion, may extend the period of effectiveness of such regulation for an additional 30 days. Thereafter, the President may not continue such regulation in effect unless he complies with subsection (a).

ADMINISTRATION AND ENFORCEMENT

SEC. 105. (a)(1) Except as provided in paragraph (2), (A) sections 205 through 207 and sections 209 through 211 of the Economic Stabilization Act of 1970 shall apply to the regulation promulgated under section 103(a), to any order under this title, and to any action taken by the President (or his delegate) under this title, as if such regulation had been promulgated, such order had been issued, or such action had been taken under the Economic Stabilization Act of 1970; and (B) section 212 (other than 212(b)) and 213 of such Act shall apply to functions under this title to the same extent such sections would apply to functions under the Economic Stabilization Act of 1970.

(2) The expiration of authority to issue and enforce orders and regulations under section 218 of such Act shall not affect any authority to amend and enforce the regulation or to issue and enforce any order under this title, and shall not effect any authority under sections 212 and 213 insofar as such authority is made applicable to functions under this title.

(b) The President may delegate all or any portion of the authority granted to him under this title to such officers, departments, or agencies of the United States, or to any State (or officer thereof), as he deems appropriate.

(3)(A) Whoever violates any provision of the regulation under section 103(a), or any order under this title shall be subject to a civil penalty—

(i) with respect to activities relating to the production, distribution, or refining of crude oil, of not more than $20,000 for each violation;

(ii) with respect to activities relating to the distribution of any refined petroleum product (other than activities entirely at the retail level), of not more than $10,000 for each violation; and

(iii) with respect to activities—

(I) entirely relating to the distribution of any refined petroleum product at the retail level, or

(II) activities not referred to in clause (i) or (ii) or subclause (I) of this clause, of not more than $2,500 for each violation.

(B) Whoever willfully violates any provision of such regulation, or any such order—

(i) with respect to activities relating to the production or refining of crude oil, shall be fined not more than $40,000 for each violation;

(ii) with respect to activities relating to the distribution of any refined petroleum product (other than at the retail level), shall be fined not more than $20,000 for each violation;

(iii) with respect to activities relating to the distribution of any refined petroleum product at the retail level or any other person shall be fined not more than $10,000 for each violation;

(4) Any individual director, officer, or agent of a corporation or other business enterprise who knowingly and willfully authorizes, orders, or performs any of the acts

or practices constituting in whole or in part a violation of paragraph (3), shall be subject to penalties under this subsection without regard to any penalties to which that corporation or other business enterprise may be subject under paragraph (3).

EFFECT ON OTHER LAW

SEC. 106. (a) The regulation under section 103 and any order issued thereof shall preempt any provisions of any program for the allocation of crude oil or any refined petroleum product established by any State or local government if such provision is inconsistent with such regulation or any such order.

(b) There shall be available as a defense to any action brought for breach of contract in any Federal or State court arising out of delay or failure to provide, sell, or offer for sale or exchange crude oil or any refined petroleum product, that such delay or failure was caused solely by compliance with the provisions of this title or with the regulation or any order under this title.

REIMBURSEMENT TO STATES

SEC. 107. (a) The President may reimburse any State for expenses incurred by such State in carrying out responsibilities delegated to such State by the President under this title.

(b) Such reimbursements may be paid from any funds appropriated for the purpose of carrying out responsibilities under this title unless any appropriation Act specifically provides to the contrary.

EXPIRATION

SEC. 108. The provisions of this title shall cease to have effect on October 1, 1989, but such expiration shall not affect any action or pending proceeding, administrative or civil, not finally determined on such date, nor any administrative or civil action or proceeding, whether or not pending, based on any act committed or liability incurred prior to such expiration date.

TITLE II—CRUDE OIL ACCESS

FINDINGS AND PURPOSES

SEC. 201. (a) Congress finds and declares that—

(1) adverse effects on the economy, nationally and regionally, are likely to result during periods when U.S. petroleum supplies are interrupted;

(2) these adverse effects can be minimized if the U.S. develops and maintains a competitive, efficient and technologically advanced domestic refining industry; and

(3) during any such interruption, the Federal government has the responsibility to insure that available crude oil supplies are used to produce in an efficient and timely manner the refined petroleum products required to maintain essential public service and economic activities.

(b) It is the purpose of this title to authorize the President, acting through the Secretary, to—

(1) provide for ready access by qualified domestic petroleum refiners to crude oil to insure that, to the maximum extent practicable, during a petroleum supply interruption the refined petroleum products required to maintain essential public service and economic activities are available in each region of the United States; and

(2) provide reasonable assurance to qualified domestic petroleum refiners willing to commit to make appropriate improvements in the quality of their refining capacity that crude oil can be acquired at reasonable prices during such a petroleum supply interruption.

DEFINITIONS

SEC. 202. As used in this title the term—

"essential public service or economic activity" means with respect to any region of the United States

(A) protection of public health (including the production of pharmaceuticals), safety and welfare (including maintenance of residential heating, such as individual homes, apartments and similar occupied dwelling units), and the national defense;

(B) maintenance of all public services (including facilities and services provided by municipally, cooperatively, or investor owned utilities or by any State or local government or authority, and including transportation facilities and services which serve the public at large);

(C) maintenance of agricultural operations, including farming, ranching, dairy, and fishing activities, and service directly related thereto; or

(D) the maintenance of, exploration for, and production or extraction of—

(i) fuels, and

(ii) minerals essential to the requirements of the United States,

and for required transportation related thereto.

STANDBY PROGRAM

SEC. 203. (a) Within 120 days after the date of the enactment of this title the Secretary shall by rule establish in accordance with the provisions of this title a standby program which when activated will provide for ready access by qualified refiners to supplies of crude oil.

(b) The President shall direct the Secretary to implement the standby program under subsection (a) if the President determines that an interruption in petroleum supplies to the United States exists or is imminent, and that such interruption is likely to result in circumstances nationally or in any region of the United States which will significantly impair essential public service or economic activity.

(c) The President may also direct the Secretary to implement the standby program under subsection (a) with respect to any qualified refiner or refiners whenever the President determines that

(1) such refiner or refiners provide, during periods when petroleum supplies to the United States have not been interrupted, a significant quantity of refined petroleum products for essential public service or economic activity in a region of the United States;

(2) such refiner or refiners provide evidence convincing to the President of an inability to acquire crude oil at reasonable prices under reasonable conditions; and

(3) the percentage rate of operation of the refining capacity controlled by such refiner or refiners is, or will be because of an inability to obtain reasonably priced crude oil supplies, significantly below the average percentage rate of operation of all domestic refineries for a period of at least 90 days.

(d) The Secretary shall continue the program under subsection (a) in effect for no more than 90 days after any determination under subsection (b) or subsection (c). Thereafter, the Secretary may continue any action under subsection (b) or subsection (c) for an additional period of no more than 90 days in duration only to the extent that the Secretary determines, but for the availability of crude oil under this title, the conditions referred to in such subsection would continue to exist.

(e) Any qualified refiner may petition the President to make a determination under subsections (b) or (c). After notice and opportunity for a hearing, the President shall decide promptly whether to grant or deny the petition. The President may waive the requirement for a hearing under this subsection with respect to any determination under subsection (b) if the President finds that the urgency of the circumstances referred to in subsection (b) justifies such a waiver.

ELIGIBILITY

SEC. 204. (a) The Secretary shall by rule establish criteria the Secretary will use in deciding whether to designate a refiner as a qualified refiner under this title. In making such a designation the Secretary shall consider the national and regional need for particular types of petroleum refining capacity and the cost of supplying such capacity.

(b)(1) The Secretary shall upon application designate any domestic refiner as a qualified refiner under this title if based on information provided by such refiner the Secretary determines that

(A) such refiner meets the criteria established under subsection (a) or

(B) such refiner has provided a written commitment, including a commitment of funds, satisfactory to the Secretary, that the refiner through control of a new, expanded or retrofitted refinery or refineries will comply with subparagraph (A) within a time period specified by the Secretary.

(2) Notwithstanding paragraph (1), the Secretary may designate a domestic refiner as a qualified refiner under this title if the Secretary determines, based on information provided by such refiner, that, but for such designation, it is likely that essential public service or economic activity in a region or regions of the United States will be impaired during a petroleum supply iterruption to an extent significantly greater than would otherwise be the case.

(c) Any refiner designated a qualified refiner under paragraph (b)(1)(B) shall make such progress reports with respect to any commitment under such paragraph as the Secretary may reasonably require. The Secretary may periodically review any designation under subsection (b), but may not rescind any such designation unless he determines, after notice and opportunity for a hearing, that the requirements for the designation are not being met or, in the case of a designation under paragraph (b)(1)(B), are not likely to be met within the time period set forth in the commitment under such subparagraph or any reasonable extension thereof.

CRUDE OIL SALES

SEC. 205. (a) The standby program under subsection 203(a) shall require that when such program is implemented under subsecions 203(b) or (c) a refiner who is not a small or independent refiner (hereinafter referred to as a "refiner-seller") will enter into a negotiation for the sale of crude oil to a qualified refiner designaetd by the Secretary in amounts which are sufficient to operate the refinery capacity controlled by such qualified refiner over a specified period at an average percentage rate no greater than the lesser of

(1) ninety-five percent of the average percentage rate of operation for the previous ninety days of all domestic refineries;

(2) ninety-five percent of the average percentage rate of operation for the previous twelve months of all refineries controlled by the qualified refiner purchasing the crude oil; or

(3) ninety-five percent of the average percentage rate of operation during the previous ninety days of all refineries controlled by the refiner-seller.

(b) The obligation of any refiner-seller to sell volumes of crude oil under this section during any period shall bear the same proportion to the total obligation of all refiner-sellers to sell volumes of crude oil as the total crude oil runs to stills of refineries under the control of such refiner-seller bears to the total crude runs to stills of all refiner-sellers during such period.

(c) The price per barrel charged by a refiner-seller to a qualified refiner and the characteristics of the crude oil sold in any

sale of crude oil during any period under this section shall be determined by negotiation between such refiner-seller and such qualified refiner, except that, in the event either the refiner-seller or the qualified refiner notifies the Secretary that the negotiation is not likely to be concluded within a reasonable period of time, the Secretary may establish terms and conditions, including a price, for such sale. The Secretary shall by rule prescribe a formula establishing a maximum price for sales of crude oil under this section, which price may not exceed the arithmetic mean of the refiner-seller's average per barrel price of crude oil imported during such period and the replacement cost per barrel, as determined by the Secretary, of the crude oil to be transferred under the sale. Such formula may include reasonable adjustments in the sales price to take account of the cost of transportation and handling and the sulfur content and viscosity of the crude oil to be transferred under the sale.

(d) Notwithstanding the provisions of subsection (b),

(1) The obligation of any refiner-seller during any period to enter into sales of volumes of crude oil under this section may be reduced by the Secretary to the extent that the Secretary determines that such obligation would—

(A) significantly reduce the supply of refined petroleum products required to maintain essential public service or economic activity in any region supplied by such refiner-seller;

(B) result in an average percentage rate of operation for refineries under control of such refiner-seller for the period referred to in paragraph (1) which is significantly less than the average percentage rate of operation of all domestic refineries;

(C) unreasonably impair the maintenance of prudent inventories of crude oil or refined petroleum products by such refiner-seller;

(D) otherwise result in a gross inequity or constitute an unreasonable burden on such refiner-seller; or

(E) otherwise be inconsistent with the purposes of this title.

(2) Any reduction in the obligation of refiner-sellers under paragraph (1) shall be allocated among all qualified refiners purchasing crude oil under this section in proportion to the volumes so purchased by each such qualified refiner.

EFFECT ON OTHER LAW

SEC. 206. (a) Nothing in this title affects the authority of the Secretary or the President to take actions under any other provision of this Act or under any other provision of law to provide for the allocation of crude oil or any refined petroleum product (or a manner determining such allocation) or determination of a ceiling price (or a manner of determining such a price) for crude oil or any refined petroleum product.

(b) Any rule, regulation or order under this title shall preempt any provisions of any program for the allocation of crude oil or any other refining feedstock established by any State or local government to the extent that such provision is inconsistent with such rule, regulation or order.

(c) There shall be available as a defense to any action brought for breach of contract in any Federal or State court arising out of delay or failure to provide, sell or offer for sale or exchange crude oil, refinery feedstock or any refined petroleum product that such delay or failure was caused solely by compliance with a rule, regulation or order under this title.

PENALTIES

SEC. 207. Whoever violates any rule, regulation or order under this title shall be subject to a civil penalty of not more than $10,000 for each violation.

EXPIRATION

SEC. 208. The provisions of this title shall cease to have effect on October 1, 1985, but such expiration shall not affect any action or pending proceeding, administrative or civil, not finally determined on such date, nor any administrative or civil action or proceeding, whether or not pending, based on any act committed or liability incurred prior to such expiration date.

TITLE III—INVESTIGATION AND REPORT

SEC. 301. Within thirty days after the date of the enactment of this title the Secretary of Commerce, in consultation with the Secretary and the Secretary of Defense, shall initiate an investigation in accordance with the provisions of section 1862 of title 19, United States Code, to determine the effects on the national security of imports of refined petroleum products. In carrying out this investigation the Secretary of Commerce shall hold public hearings affording interested persons opportunity to present information and advice relevant to such investigation. The report and recommendation of the Secretary under subsection (b) of 19 USC 1862 shall be transmitted to the President no later than one year and thirty days after the date of the enactment of this title and shall be published in accordance with subsection (d) of 19 USC 1862.

S. 410

Be in enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Petroleum Displacement Act of 1981".

SEC. 2. FINDINGS AND STATEMENT OF PURPOSE.

(a) FINDINGS.—The Congress finds that natural gas is a clean, economical fuel with the clear potential of displacing significant amounts of petroleum used as a primary energy source by existing electric powerplants and that allowing its use in existing powerplants will aid utilities in their transition to alternate fuels.

(b) STATEMENT OF PURPOSES.—The purposes of this Act are—

(1) to reduce petroleum consumption by existing electric powerplants.

(2) to improve air quality;

(3) to allow utilities the flexibility to continue their transition to alternate fuels and;

(4) thereby to benefit consumers of electrical power by restraining the cost of electricity.

SEC. 3. INCREASED PETROLEUM DISPLACEMENT

Section 301 of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. 8431) is hereby repealed.

S. 411

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 of the Energy Policy and Conservation Act (42 U.S.C. 6263) is amended by deleting subsection (e) and redesignating subsequent subsections accordingly.

Mr. McCLURE. Mr. President, I take this time only to state to the Senator from Louisiana that, with respect to the small refiners and the necessity for the allocation of supplies, I think there is widespread understanding of the necessity to have a standby provision that will allow us to allocate supplies in the event of a severe supply interruption.

The Senator from Louisiana knows, as does the Senator from Idaho, the difficulty of determining when that happens. How do we distinguish between a chronic supply situation that may become progressively tighter, as distinguished from one that does justify the interposition of governmental allocation? And we have experienced what happens under allocations in which both the problem becomes acute and becomes more acute when allocation is invoked and the fact that a government bureaucracy is interposed to determine what the allocation is and slows down the process of getting supply to the ultimate users and impel us to say that there has to be a severe supply interruption before it is invoked. I think the Senator from Louisiana would agree with the Senator from Idaho on that point.

Mr. JOHNSTON. Precisely, Mr. President. We thought about trying to put in the same kind of trigger we have in the gasoline rationing bill, which is a 20-percent cutoff. And then we thought better of that and thought that we could give this to the President, who is clearly on record as being against controls, as am I, and give him the discretion to determine when that supply is severe enough to warrant the imposition of controls, which I think would be very severe indeed.

But I think the Senator from Idaho would agree that this President can be trusted not to overuse that power. But it is a power that he ought to have if things get bad enough.

Mr. McCLURE. Well, certainly the Committee on Energy, which I have the privilege and the duty to chair, I am certain will be looking at this legislation that the Senator is proposing today and the general problem of how to assure an adequate supply to those refiners that do not have independent production capacity, to make certain that as we go through this period of adjustment, because of the deregulation of price controls and, hopefully, dismantling of the regulatory apparatus that supported the price controls, that there may be some market disruption or market changes.

It has been my determination that we ought not to assume the worst and try now to legislate for those situations because we fear they might develop, but to monitor very carefully what actually does happen as we move into a market-clearing system that is free from Government restraints and to leave the governmental authority and allocation to those severe emergencies which the Senator has described in his statement in the introduction of this legislation.

Mr. JOHNSTON. Will the Senator yield?

Mr. McCLURE. I am happy to yield.

Mr. JOHNSTON. The Senator correctly describes my intent here. Let me say as an aside, Mr. President, that I think the Senate Energy Committee, the Senate, and, indeed, the country are very lucky to have the leadership of the Senator from Idaho for the Energy Committee. We have worked very closely on that committee in past years, not only the Senator from Idaho and the Senator

from Louisiana, but the Senator from Idaho and the entire committee. I believe we have produced better legislation because of his involvement. I welcome his chairmanship of that committee and look forward to working very closely with him.

I appreciate very much what I have heard as being the offer of early and in-depth hearings. This is a most complicated subject. I would be surprised if the bill would pass without a comma or a period changed. Indeed, it needs to be very carefully looked at. But I think it needs to be looked at early so that we do have in place some kind of stand-by mechanism.

Mr. McCLURE. I can say to the Senator that it is a matter of concern to the Senator from Idaho and it will be my intention for the committee to look at this field with a view to finding a legislative solution for the concerns he has expressed.

I can also say to the Senator from Louisiana that I am certain that the Congress will want to look at the Fuel Use Act to determine whether or not the conditions which were anticipated at the time the legislation was passed are still prevailing, or whether or not our judgments might indicate to us that some adjustment in that act might be prudent.

As the Senator knows, at the time that act was passed it was conventional wisdom in this country that natural gas was a declining, depleting resource, and there was not any way we could meet the needs of the population of this country in the use of natural gas. There was a shortage and it was growing more short every year. But the free market and intrastate markets, coupled with the action taken in the Natural Gas Act, made available those supplies which have been locked in intrastate markets to the entire national market, together with the determination to deregulate prices on a schedule that would get natural gas to the market.

This has led to increased supplies of natural gas in this country to the point where we can now say with some confidence that there is an adequate supply of natural gas for the foreseeable future in this country. As a matter of fact, we are now seeing drilling activities constrained because people do not have adequate markets if they should be able to discover more natural gas, a dramatic change in the situation. It ought to indicate to us that perhaps a change in policy is indicated by the facts as we see them now. I think the Senator from Louisiana would agree with that.

Mr. JOHNSTON. I believe the Senator makes an eloquent plea for the kind of legislation just introduced.

Mr. McCLURE. I will say to the Senator from Louisiana the committee will look at it and I hope we will take action with respect to the Fuel Use Act this calendar year, and I hope early rather than later in the year.

Mr. JOHNSTON. I thank my colleague.

By Mr. TOWER:

S. 412. A bill to amend the Intergovernmental Cooperation Act of 1968 to improve coordination between Federal agencies and State and local governments and regional organizations regarding establishment of Federal development programs or projects and applications for Federal assistance and permits, and to provide for judicial review of Federal approval of such applications; to the Committee on Governmental Affairs.

INTERGOVERNMENTAL COOPERATION AND JUDICIAL REVIEW ACT OF 1981

● Mr. TOWER. Mr. President, today, I am introducing legislation to amend section 401 of the Intergovernmental Cooperation Act of 1968. The purpose of this legislation is to improve coordination between Federal agencies and local, regional, and State organizations which review and comment on various applications for Federal assistance.

Under Office of Management and Budget circular A-95, State and regional planning agencies are charged with reviewing and making recommendations on proposals for Federal assistance. These applications run the gamut from Meals on Wheels to CETA programs. By Federal mandate, councils of Government (COG's) must submit to the appropriate Federal agency a formal statement as to the application's consistency with regional and/or State development plans or programs. Theoretically, if the COG or State planning agency forward negative comments, or suggests changes in the application prior to funding, the Federal agency must consider and respond to those recommendations.

Practically speaking, however, some Federal agencies all but ignore the COG reviews. Too often, only lip service is given to the review and comment process, with the Federal agency proceeding to approve the application without appropriate response to the reviewing organization. This is the situation my legislation addresses.

Councils of Government are voluntary organizations consisting of representatives of multi- and single-purpose governmental units. Most cities, counties, school districts, and other governmental bodies are members of COG's. By mandating that the COG's review applications for Federal assistance, the Federal Government tapped an important resource which was intended to insure proper and appropriate expenditure of taxpayers' moneys. From my own personal experience, I have seen the quality work produced by the COG's. Because of the tremendous expenditures in time and money spent on review and comment, it is imperative that we utilize the findings and recommendations of the COG's to the utmost.

To insure that Federal departments take seriously the work of the COG's and the various State review agencies, I urge the adoption of the legislation I have submitted. This bill will provide for judicial review of Federal agency decisions which are not consistent with local, regional, or State development plans and programs. Certainly nothing in this legislation precludes the Federal Government from implementing programs which, while not meeting local plans, are consistent with national objectives under which the Federal agency operates. Furthermore, the burden of proof would rest with the petitioner to overturn a decision by a Federal agency.

I am a firm supporter of the A-95 review and comment process. Adoption of this legislation will improve that process and strengthen our intergovernmental system.●

By Mr. PRESSLER:

S. 413. A bill to extend the Older Americans Act of 1965 for 5 years; to the Committee on Labor and Human Resources.

OLDER AMERICANS AMENDMENTS OF 1981

Mr. PRESSLER. Mr. President, I am today introducing a bill to reauthorize the Older Americans Act for 5 years. This legislation will extend needed services to the more vulnerable members of our society—the elderly.

As a member of the Senate Select Committee on Aging, I intend to participate in a series of hearings to explore the efficiency of the current programs authorized in this act. In the meantime, I hope this measure will serve as a vehicle for reviewing such programs. While we may wish to expand or reduce authorization levels upon such a review, the amounts established by this legislation allow for anticipated inflation rates.

Mr. President, the need for this legislation is evident. In 1980, there were an estimated 25 million people age 65 years and older living in the United States. The changing demographic profile of our Nation will result in an even larger number of older persons—a greater proportion of the population. By the year 2000, 31.8 million Americans or 12 percent of the population will be over the age of 65. We must be prepared to accept our responsibility to the elderly.

Over the past years, I have conducted numerous senior citizen seminars in South Dakota. As a result, I have familiarized myself with elderly programs and their effectiveness. I have discovered that too often, the programs in practice are not reaching those individuals most in need. For example, the Indian elderly continue to suffer from the lowest standard of living. And in our rural areas, social services and health care programs are often rendered useless due to inadequate transportation. During this reauthorization process, we must examine these issues as well as elderly abuse and crime and the attitude toward the elderly in the family and the country.

In my discussions with older people, I have found the fear of inadequate income to be the most critical problem of the elderly. Inflation and rising taxes are felt the hardest by the aged on fixed incomes. Having saved for years, the senior citizen finds his savings eroded by the cost of food, clothing, shelter, heat, and medical care. One quarter of our Nation's elderly live in or near poverty and the threatened bankruptcy of the social security system is now creating additional anxiety among senior citizens whose major source of income is social security and supplemental security income.

Such economic pressures are forcing the older American to make sacrifices in such critical areas as nutrition and health care. I realize that our Nation's economic problems reach far beyond the Older Americans Act. However, the health and social services programs of this legislation do provide a defense mechanism for our elderly population.

Second, older Americans are concerned about the cost and availability of health care. The increasing cost of long-term health care is a financial burden whether the elderly individual is confined to a nursing home, a hospital, or their own home. The Older Americans Act has provided alternatives to institutional care. Such programs include: First, the highly successful home health care program which allows the elderly to remain in their own home as long as possible, second, the congregate and home-delivered meals program which promotes health through good nutrition and reduces the isolation of old age, and third, the homemaker program where homemakers provide assistance with daily household chores and food activities.

Mr. President, I believe such programs foster a sense of independence in the retirement years. Having been a productive, active member of their community, the elderly's self-concept is often hurt by the feeling of dependence and insecurity. This loneliness and loss of productivity is the third most common problem for the elderly. To combat it—the volunteer and community service employment programs of the Older Americans Act. Trained and experienced older people represent one of our country's vast resources. Their extraordinary talents have been recognized through such programs as the Retired Senior Volunteer program, the Foster Grandparent program, the Senior Companion program and many others within communities. Such involvement has given the elderly a sense of fulfillment and the eagerness to enjoy life. Meanwhile, our Nation has benefited from the skills and expertise of its aged.

Mr. President, all of these programs must be strengthened and supported. But we must do so without burdening them with bureaucratic redtape and Government interference. The State and community senior citizen programs and centers must be allowed the flexibility to channel the right services to those in need.

Aging is inevitable. But it can also be frightening because of the great changes it can make in individual lives. We must do everything we can to make the lives of the elderly, who have contributed so much to our Nation, as comfortable and secure as possible. This reauthorization of the Older Americans Act allows us to renew our commitment to the elderly. We must first strengthen their financial capability; second provide them with affordable housing, health care and social services; and third permit them to remain in the mainstream of community life. In doing so, we allow our older Americans to live their remaining years in dignity.

Mr. President, I urge my colleagues to join in support of the legislation and I hope that the pertinent committees of the Senate will give full consideration to the subject. I ask unanimous consent that the text of the bill be printed in the RECORD.

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

S. 413

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 "Older Americans Amendments of 1981".

SEC. 2. (a) Section 102(1) of the Older Americans Act of 1965 (hereafter in this Act referred to as the "Act") (42 U.S.C. 3002 (1)) is amended by striking out "Secretary of Health, Education and Welfare" and inserting in lieu thereof "Secretary of Health and Human Services".

(b) Section 202(a)(1) of the Act (42 U.S.C. 3012(a)(1)) is amended by striking out "Department of Health, Education and Welfare" and inserting in lieu thereof "Department of Health and Human Services".

SEC. 3. Section 204(c) of the Act (42 U.S.C. 3014(c)) is amended—

(1) by striking out "and" after "1980"; and

(2) by inserting "1982, 1983, 1984, 1985, and 1986" after "1981,".

SEC. 4. (a) Section 303(a) of the Act (42 U.S.C. 3023(a)) is amended—

(1) by striking out "and" after "1980,"; and

(2) by inserting after "1981" a comma and the following: "$528,000,000 for fiscal year 1982, $575,000,000 for fiscal year 1983, $622,000,000 for fiscal year 1984, $665,000,000 for fiscal year 1985, and $705,000,000 for fiscal year 1986".

(b)(1) Section 303(b)(1) of the Act (42 U.S.C. 302(b)(1)) is amended—

(A) by striking out "and" after "1980,"; and

(B) by inserting after "1981" a comma and the following: "$440,000,000 for fiscal year 1982, $480,000,000 for fiscal year 1983, $518,000,000 for fiscal year 1984, $554,000,000 for fiscal year 1985, and $587,000,000 for fiscal year 1986".

(2) Section 303(b)(2) of this Act (42 U.S.C. 3023(b)(2) is amended—

(A) striking out "and" after "1980,"; and

(B) by inserting after "1981" a comma and the following: "$132,000,000 for fiscal year 1982, $144,000,000 for fiscal year 1983, $156,000,000 for fiscal year 1984, $167,000,000 for fiscal year 1985, and $177,000,000 for fiscal year 1986".

SEC. 5. Section 451(a) of this Act (42 U.S.C. 3037(a)) is amended by striking out "1981" and inserting in lieu thereof "1983".

SEC. 6. Section 508 of this Act (42 U.S.C. 3056f) is amended—

(1) by striking out "and" after "1980,"; and

(2) by inserting before the period at the end of the section "$495,000,000 for the fiscal year ending September 30, 1982, $540,000,000 for the fiscal year ending September 30, 1983, $583,000,000 for the fiscal year ending September 30, 1984, $624,000,000 for the fiscal year ending September 30, 1985, and $661,000,000 for the fiscal year ending September 30, 1986".

SEC. 7. (a) Section 608(a) of the Act (42 U.S.C. 3057c(a)) is amended—

(1) by striking out "and" after "1980,"; and

(2) by inserting "1982, 1983, 1984, 1985, and 1986," after "1981,".

(b) Section 608(c) of the Act (42 U.S.C. 3057g(c)) is amended—

(1) by striking out "and" after "1980,"; and

(2) by inserting "1982, 1983, 1984, 1985, and 1986" after "1981,".

By Mr. CHAFEE (for himself, Mr. GARN, and Mr. TOWER):

S. 414. A bill to amend the Truth in Lending Act to encourage cash discounts, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

CASH DISCOUNTS ACT

● Mr. CHAFEE. Mr. President, today, Senator GARN, Senator TOWER, and I are introducing the Cash Discount Act. It will benefit consumers by permitting merchants to offer unlimited discounts to cash-paying customers while at the same time continuing a provision of current law which prohibits merchants from penalizing their credit card customers.

As originally enacted, the Truth in Lending Act required cash discounts to be disclosed as part of the cost of credit for credit card customers. This requirement effectively precluded merchants from offering discounts to cash customers. Therefore, in 1974, the law was amended so that discounts for cash up to 5 percent would not have to be disclosed as a finance charge. While the intent was to remove impediments to the offering of discounts, few discounts are being offered and those that are must be limited to 5 percent.

The Cash Discount Act would remove the 5-percent restriction, thereby paving the way for merchants to offer much larger discounts to induce customers to pay by cash. It provides that any discount from the regular price shall not constitute a finance charge if it is available to all customers and its availability is disclosed.

While attempting to provide incentives for cash discounts, the present law specifically prohibits merchants from penalizing credit card customers through the imposition of surcharges upon purchases made by credit card or through open end credit accounts. Originally enacted in 1976 for a 3-year period, the prohibition was extended for 2 years in 1979. Now it is due to expire again on February 27. S. 414 would continue the surcharge prohibition for another 3-year period. This time period will give Congress the opportunity it needs to study this issue fully and to determine a permanent policy on surcharges and discounts.

Removing the restrictions on cash discounts is certainly in the best interest of the American public. If more and more merchants begin offering discounts and if discounts of greater than 5 percent become available, some of the inflationary pressures being exerted upon consumers may be alleviated. In addition, if the present artificial constraint is removed, the free marketplace will determine the level of cash discounts. Such competitive pricing of goods and services can only benefit the consumer.

While strongly favoring unlimited cash discounts, I believe it is unfair to consumers to add a surcharge to the regular price if that consumer wishes to pay by credit card. Credit cards offer distinct benefits, not the least of which is their convenience. Consumers should not be penalized for choosing to use that payment mechanism.

I am well aware of the argument that surcharges on credit card purchases are

economically identical to discounts for cash purchasers. That may be true to the extent that in some cases the differential is mathematically the same. But, whether a merchant is permitted to add a surcharge to the regular price which is posted or tagged on an item rather than reducing or discounting that tagged or posted price is important as to its economic effect and its impact upon consumers and consumer behavior.

I am concerned that merchants might simply add to the regular price. This would result in credit card customers paying higher prices with no commensurate benefit for all other consumers. Further, the regular price could have the effect of misleading credit card users as to the item's true cost to them.

For these reasons, I am introducing a bill which would allow unlimited cash discounts while continuing the present prohibition against surcharges until we can finally adopt a permanent solution. It will provide substantial benefits for consumers without hindering their present ability to shop for the best deal in both merchandise and credit.

Provisions almost identical to these were reported by the Senate Banking Committee with no dissent late in the last Congress, the only deviation being that S. 414 provides a 3-year extension of the surcharge prohibition rather than a one year extension. Those provisions were never enacted because they were part of a larger omnibus bill which contained numerous controversial provisions. In addition, Congressman ANNUNZIO, chairman of the Consumer Affairs Subcommittee in the House, has introduced a bill with similar provisions on discounts and surcharges.

Mr. President, I should also add that S. 414 contains a technical amendment to clarify the intent of the 96th Congress when it enacted the Truth in Lending Simplification Act. Although the law does not require creditors to comply with the new provisions of the Truth in Lending Act until April 1, 1982, the law specifically permits creditors to comply earlier in accordance with regulations promulgated by the Federal Reserve Board. However, the statutory provisions do not make it clear that all the new provisions of the act apply to creditors who begin complying sooner than the required date. This has posed a problem with regard to the civil liability provisions of the act since they constitute a direction to the judiciary rather than the credit industry.

I am sure that it was the intent of the Congress that creditors who comply with the new provisions of the act should also be subject to the new civil liability requirements. Either all the provisions of the old act or all the provisions of the new act should apply for a single creditor or in a single transaction. This amendment clarifies such intent.

I intend to have prompt hearings on this bill, in order that the Senate can act upon it prior to the February 27th deadline. I hope my fellow Senators will support this measure, which will protect credit card users from extra charges or fees and provide the consumer with greater flexibility and choice, during the interim period of congressional review.●

By Mr. CRANSTON (for himself, Mr. RANDOLPH, Mr. MATSUNAGA, Mr. DECONCINI, and Mr. THURMOND):

S. 415. A bill to amend title 38, United States Code, to increase the maximum amount payable in Veterans' Administration specially adapted housing assistance, and for other purposes; to the Committee on Veterans Affairs.

SPECIALLY ADAPTED HOUSING ASSISTANCE FOR VETERANS

Mr. CRANSTON. Mr. President, I am introducing today, on behalf of Senators RANDOLPH, MATSUNAGA, DECONCINI, THURMOND, and myself, S. 415. This measure would increase from $30,000 to $35,000, effective October 1, 1981, the maximum amount payable by the Veterans' Administration in specially adapted housing assistance to certain veterans with total and permanent service-connected disabilities.

BACKGROUND

Under the program of specially adapted housing assistance for disabled veterans provided for in chapter 21 of title 38, United States Code—often referred to as the "wheelchair home" program—the VA assists veterans with certain permanent and total service-connected disabilities in acquiring suitable housing with adaptations made necessary by the nature of their disabilities. Under current law, these disabled veterans are eligible for a grant not to exceed 50 percent of the cost of the home and the necessary land, up to a maximum of $30,000.

Veterans eligible for housing assistance grants are principally quadraplegics, paraplegics, amputees, and others who require the use of a wheelchair, braces, or crutches to move about. Their disabling conditions may require ramps, special bathroom equipment, extra-large rooms and hallways, and other adaptations that are essential for their health and safety.

NEED FOR AN INCREASE

Mr. President, this bill would provide for an increase, effective October 1, 1981, in the maximum amount of specially adapted housing assistance from $30,000 to $35,000 in order to help keep pace with increased housing costs since the time of the last increase on October 1, 1978. The bill would also make certain technical changes in chapter 21.

When originally enacted in Public Law 80–702 in 1948, the specially adapted housing program provided for assistance of up to $10,000. At that time, the average cost of construction for a new single-family residence was $7,800. Housing construction costs have risen steadily since then, and the maximum amount of assistance has been increased on four occasions. The last increase was made by Public Law 95–476, which raised the maximum to $30,000, effective October 1, 1978. At that time, the average cost for the construction of a specially adapted home was estimated to be $66,000. Since then it appears, based on data provided by the National Association of Home Builders, that the average cost of such a home has risen to $75,700. By raising the maximum limit from $30,000 to $35,000, our bill would enable a majority of veterans who are eligible for this benefit to obtain assistance approximating 50 percent of the cost of the home and thus help meet the needs of this special group of veterans.

Preliminary estimates by the Congressional Budget Office indicate that the first-year—fiscal year 1982—cost of our proposal would be $2.6 million and the 5-year cost would be $12.4 million.

Mr. President, I ask unanimous consent that the text of S. 415 be printed in the RECORD at this point along with a document showing the changes that the measure would make in current law.

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

S. 415

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 802 of title 38, United States Code, is amended by—

(1) striking out "$30,000" and inserting in lieu thereof "$35,000";

(2) striking out "him" each place it appears and inserting in lieu thereof "such veteran"; and

(3) striking out "his" in clause (3) and inserting in lieu thereof "such veteran's".

CHANGES IN EXISTING LAW PROPOSED BY S. 415

Changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—VETERAN'S BENEFITS

* * * * *

PART II—GENERAL BENEFITS

* * * * *

CHAPTER 21—SPECIALLY ADAPTED HOUSING FOR DISABLED VETERANS

* * * * *

§ 802. Limitations on assistance furnished

The assistance authorized by section 801 of this title shall be limited in the case of any veteran to one housing unit, and necessary land therefor, and shall be afforded under one of the following plans, at the option of the veteran but shall not exceed [$30,000] *$35,000* in any one case—

(1) where the veteran elects to construct a housing unit on land to be acquired by [him] *such veteran*, the Administrator shall pay not to exceed 50 per centum of the total cost to the veteran of (A) the housing unit and (B) the necessary land upon which it is to be situated;

(2) where the veteran elects to construct a housing unit on land acquired by [him] *such veteran* prior to application for assistance under this chapter, the Administrator shall pay not to exceed the smaller of the following sums: (A) 50 per centum of the total cost to the veteran of the housing unit and the land necessary for such housing unit, or (B) 50 per centum of the cost to the veteran of the housing unit plus the full amount of the unpaid balance, if any, of the cost to the veteran of the land necessary for such housing unit;

(3) where the veteran elects to remodel a dwelling which is not adapted to the requirements of [his] *such veteran's* disability, acquired by [him] *such veteran* prior to application for assistance under this chapter, the Administrator shall pay not to exceed (A) the cost to the veteran of such remodeling; or (B) 50 per centum of the cost to the veteran of such remodeling; plus the smaller of the following sums: (1) 50 per centum of the cost to the veteran of such dwelling and the necessary land upon which it is situated, or

(ii) the full amount of the unpaid balance, if any, of the cost to the veteran of such dwelling and the necessary land upon which it is situated; and

(4) where the veteran has acquired a suitable housing unit, the Administrator shall pay not to exceed the smaller of the following sums: (A) 50 per centum of the cost to the veteran of such housing unit and the necessary land upon which it is situated, or (B) the full amount of the unpaid balance, if any, of the cost to the veteran of such housing unit and the necessary land upon which it is situated.

By Mr. CRANSTON (for himself, Mr. RANDOLPH, Mr. MATSUNAGA, Mr. DECONCINI, and Mr. THURMOND):

S. 416. A bill to amend title 38, United States Code, to increase the maximum amount of the automobile assistance provided to certain severely service-connected disabled veterans, to extend eligibility for the provision of automobile adaptive equipment to certain other service-connected disabled veterans, and for other purposes; to the Committee on Veterans' Affairs.

VETERANS' AUTOMOBILE ASSISTANCE AND ADAPTIVE EQUIPMENT AMENDMENTS OF 1981

Mr. CRANSTON. Mr. President, I am introducing today S. 416, the proposed Veterans' Automobile Assistance and Adaptive Equipment Amendments of 1981. Joining me as cosponsors are Senators RANDOLPH, MATSUNAGA, DECONCINI, and THURMOND. This measure would increase the amount of the automobile assistance allowance provided by the Veterans' Administration to veterans with certain severe service-connected disabilities and would extend eligibility for the provision of automobile adaptive equipment to certain other service-connected disabled veterans.

AUTOMOBILE ASSISTANCE ALLOWANCE INCREASE

The program of automobile assistance—now codified in chapter 39 of title 38, United States Code—was established by the Congress in Public Law 79–663, enacted in 1946. Under this program, veterans who have suffered the service-connected loss or loss of use of one or both feet, or one or both hands, or service-connected blindness are entitled to a one-time VA grant to assist them in purchasing an automobile.

Public Law 91–666, enacted in 1970 and which I authored, increased effective January 11, 1971, the maximum amount of the allowance payable toward the purchase of an automobile or other conveyance from the original allowance of $1,600 to $2,800. According to the Senate report accompanying the Senate version of H.R. 370—Senate Report No. 91–1232, page 14—this increase was enacted in order "to reestablish, to an effective degree, the comparability which originally existed between the cost of an automobile or other conveyance and the monetary assistance provided for its purchase."

In 1974, I again authored legislation, Public Law 93–548, to increase the amount of the allowance to $3,300, effective February 1, 1975. An increase to the current level—$3,800—was provided for by enactment of my proposal in Public Law 95–479, effective October 1, 1978. Since the effective date of this last increase, the Bureau of Labor Statistics' Consumer Price Index component for new automobiles had risen 16.98 percent as of the end of fiscal year 1980. According to Congressional Budget Office projections, this component will increase another 12.87 percent by October 1, 1981.

Hence, Mr. President, the measure I am introducing today would increase the automobile assistance allowance to $5,000 effective October 1, 1981—an increase of $1,200—so as to help insure that the value of this benefit keeps pace with inflation.

EXTENSION OF ELIGIBILITY FOR ADAPTIVE EQUIPMENT

Mr. President, in 1970, Public Law 91–666 also provided for the VA to furnish—in addition to the automobile assistance allowance—necessary adaptive equipment and installation, maintenance, and replacement for those eligible for the allowance. Pursuant to DVB circular 20–76–105 and D.M. & S. Circular 10–75–137, payment for the adaptive equipment is generally made by reimbursement to the veteran of the appropriate cost of the equipment.

Service-connected disabled veterans who have not actually suffered an amputation, but who have incurred serious injury resulting in the loss of use of an extremity are eligible for this payment. However, there are veterans who have incurred certain disabilities which can preclude them from safely operating a motor vehicle that has not been adapted but who are not so eligible under current law.

Specifically, service-connected disabled veterans who suffer from ankylosis—the stiffening of a joint as the result of abnormal bone fusion—of the knees or hips at so-called favorable angles do not meet the VA's criterion for the requisite determination that the veteran has suffered the "loss of use" of a lower extremity. VA data indicate that 2,512 veterans are in receipt of service-connected compensation for such a disability.

Although veterans who suffer from ankylosis of the knees or hips at an unfavorable angle meet the VA's "loss of use" criterion and are therefore eligible for adaptive equipment assistance, veterans who suffer from ankylosis at favorable angles do not qualify for either the automobile award or the adaptive equipment assistance. However, in some cases, these veterans may need special adaptive equipment—such as left-foot accelerators, power brakes, hand-held parking brakes, or automatic transmissions—before they can safely operate their motor vehicles.

In my view, it is appropriate that the Federal Government assist these veterans in bearing the cost of the adaptive equipment they need in order to operate a motor vehicle. Based on our research to date, this category of service-connected disabled veterans is the only category of such veterans who need automobile adaptive equipment and who are not considered to have lost or lost the use of one of their limbs. However, I would certainly want to explore this question further at hearings on the measure we are introducing today.

Our proposal, would extend, effective October 1, 1981, eligibility under specified circumstances for an adaptive equipment award to a veteran who is entitled to service-connected compensation for ankylosis of one or both knees, or one or both hips but who is not considered to have lost the use of a lower extremity. In such cases, the award would be made to provide such adaptive equipment to overcome the resulting disability as is necessary for the veteran to satisfy his or her State's drivers' licensing laws or regulations, or as is determined to be necessary by the VA's Chief Medical Director, to operate his or her motor vehicle safely.

This portion of the measure I am introducing today is based on resolution No. 515, 'Liberalization of Automotive Adaptive Equipment for Certain Veterans," adopted by the Disabled American Veterans at their annual convention last summer. In this regard, I want to express my appreciation for the DAV's help and cooperation in developing this provision.

COST ESTIMATE

Mr. President, according to preliminary cost estimates received from the Congressional Budget Office, the first year—fiscal year 1982—cost of my proposal would be $1.7 million, $0.8 million for the increase in the automobile assistance allowance and $0.9 million for the extension of eligibility for adaptive equipment. The total 5-year cost is estimated to be $6.8 million.

I ask unanimous consent that the text of the bill along with a document showing the changes it would make in existing law be printed at this point in the RECORD.

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

S. 416

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 "Veterans' Automobile Assistance and Adaptive Equipment Amendments of 1981".

SEC. 2. Section 1902 of title 38, United States Code, is amended—

(1) by striking out "he" each place it appears and inserting in lieu thereof "the Administrator";

(2) in subsection (a), by striking out "$3,800" and inserting in lieu thereof "$5,000"; and

(3) in subsection (b), by—

(A) inserting "(1)" before "The";

(B) striking out "his" and inserting in lieu thereof "such person's"; and

(C) adding at the end the following new paragraph:

"(2) In the case of any veteran (other than an eligible person) who is entitled to compensation under chapter 11 of this title for ankylosis of one or both knees, or one or both hips, the Administrator, under the terms and conditions set forth in section 1903(a), (c), and (d) of this title and under regulations which the Administrator shall prescribe, shall provide such adaptive equipment to overcome the disability resulting from such ankylosis as is (A) necessary to meet the applicable standards of licensure established by the State of such veteran's residency or other proper licensing authority for the operation of such veteran's automobile or other conveyance by such veteran, or (B) determined to be necessary by the Chief Medical Director for the safe operation of such automobile or other conveyance by such veteran.".

SEC. 3. Section 1903(b) of title 38, United

States Code, is amended by striking out "he" and inserting in lieu thereof "the Administrator" and striking out "his" both places it appears and inserting in lieu thereof "such person's".

CHANGES IN EXISTING LAW PROPOSED TO BE MADE BY S. 416

Changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—VETERANS' BENEFITS

* * * * * *

PART III—READJUSTMENT AND RELATED BENEFITS

* * * * * *

CHAPTER 39—AUTOMOBILES AND ADAPTIVE EQUIPMENT FOR CERTAIN DISABLED VETERANS AND MEMBERS OF THE ARMED FORCES

* * * * * *

§ 1902. Assistance for providing automobile and adaptive equipment

(a) The Administrator, under regulations which [he] *the Administrator* shall prescribe, shall provide or assist in providing an automobile or other conveyance to each eligible person by paying the total purchase price of the automobile or other conveyance (including all State, local, and other taxes) or [$3,800], *$5,000,* whichever is the lesser, to the seller from whom the eligible person is purchasing under a sales agreement between the seller and the eligible person.

(b)(*1*) The Administrator, under regulations which [he] *the Administrator* shall prescribe, shall provide each eligible person the adaptive equipment deemed necessary to insure that the eligible person will be able to operate the automobile or other conveyance in a manner consistent with [his] *such person's* own safety and the safety of others and so as to satisfy the applicable standards of licensure established by the State of [his] *such person's* residency or other proper licensing authority.

(2) In the case of any veteran (other than an eligible person) who is entitled to compensation under chapter 11 of this title for ankylosis of one or both knees, or one or both hips, the Administrator, under the terms and conditions set forth in section 1903(a), (c), and (d) of this title and under regulations which the Administrator shall prescribe, shall provide such adaptive equipment to overcome the disability resulting from such ankylosis as is (A) necessary to meet the applicable standards of licensure established by the State of such veteran's residency or other proper licensing authority for the operation of such veteran's automobile or other conveyance by such veteran, or (B) determined to be necessary by the Chief Medical Director for the safe operation of such automobile or other conveyance by such veteran.

(c) In accordance with regulations which [he] *the Administrator* shall prescribe, the Administrator shall (1) repair, replace or reinstall adaptive equipment deemed necessary for the operation of an automobile or other conveyance acquired in accordance with the provisions of this chapter, and (2) provide, repair, replace, or reinstall such adaptive equipment for any automobile or other conveyance which an eligible person may previously or subsequently have acquired.

(d) If an eligible person cannot qualify to operate an automobile or other conveyance, the Administrator shall provide or assist in providing an automobile or other conveyance to such person, as provided in subsection (a) of this section, if the automobile or other conveyance is to be operated for the eligible person by another person.

§ 1903. Limitations on assistance; special training courses

(a) No eligible person shall be entitled to receive more than one automobile or other conveyance under the provisions of this chapter, and no payment shall be made under this chapter for the repair, maintenance, or replacement of an automobile or other conveyance.

(b) Except as provided in subsection (d) of section 1902 of this title, no eligible person shall be provided an automobile or other conveyance under this chapter until it is established to the satisfaction of the Administrator, in accordance with regulations [he] *the Administrator* shall prescribe, that the eligible person will be able to operate the automobile or other conveyance in a manner consistent with [his] *such person's* own safety and the safety of others and will satisfy the applicable standards of licensure to operate the automobile or other conveyance established by the State of [his] *such person's* residency or other proper licensing authority.

(c) An eligible person shall not be entitled to adaptive equipment under this chapter for more than one automobile or other conveyance at any one time.

By Mr. CRANSTON (for himself, Mr. MATSUNAGA, Mr. DECONCINI, and Mr. HART):

S. 417. A bill to amend title 38, United States Code, to provide a new educational assistance program for persons who enter the Armed Forces after June 30, 1981, to modify the December 31, 1989, termination date for the Vietnam-era GI bill, and for other purposes; to the Committee on Veterans' Affairs.

ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE ACT

Mr. CRANSTON. Mr. President, I am introducing today S. 417, the proposed All-Volunteer Force Educational Assistance Act. Joining with me in introducing this legislation are the distinguished Senators from Hawaii (Mr. MATSUNAGA), Arizona (Mr. DECONCINI), and Colorado (Mr. HART).

The measure is drawn from the provisions of S. 3263, which I introduced in the 96th Congress on December 12, 1980. It would amend title 38, United States Code, to add a new chapter 30, All-Volunteer Force educational assistance, which would establish a new program of educational incentives designed to increase recruitment of qualified men and women into this Nation's Armed Forces and to assist in the retention of skilled and experienced personnel in the military.

When I introduced this legislation last year, I indicated my intent to solicit the comments and suggestions of interested experts and organizations, including Defense Department officials, educators, recognized experts, and veterans and military associations.

As a result of the responses I received, and in an attempt to refine the measure further, a number of important modifications have been made in the measure I am introducing today. I will address these changes in detail later in my statement.

Mr. President, as I noted in introducing S. 3263 last year, I remain deeply committed to, and strongly supportive of, the All-Volunteer Military Force. But there is widespread recognition that the benefits and compensation offered by the military must be improved in order to continue the effectiveness of the force.

The dismal experience of the armed services in recruiting and retaining qualified military personnel in fiscal year 1979 has been well documented. In that year, the Army achieved a land force level of only 453,000 persons—27,300 short of its authorized strength. The Navy had such acute personnel shortages that it opposed the Congress attempts to reactivate two naval ships. The Air Force experienced a shortage of more than 1,300 pilots.

Although all four military services met their numerical recruiting goals in fiscal year 1980, there was for the first time since 1976 an overall drop in the education level of new recruits evidenced by the drop in high-school-graduate recruits from 73 to 68 percent. As noted by Gen. David C. Jones, Chairman of the Joint Chiefs of Staff, in a report entitled "United States Military Posture for FY 1982," this decline "could have an adverse effect on overall force readiness, especially as the military continues to become increasingly dependent on high-technology equipment." Maintaining an appropriate level of high school graduates is also vital in terms of reducing first-term attrition from the active service since, as noted in the January 1981 report entitled "Resources for Defense" prepared by the Congressional Budget Office—

[R]ecruits with high school diplomas not only may be more capable in some ways, but also are more likely than nongraduates to complete their first term of enlistment.

The military posture report goes on to indicate that—

[T]here is also concern that the current numerical recruiting successes are transitory, since it is evident that recessionary pressures and attendant high unemployment rates contributed to reaching numerical objectives in 1980.

Further exacerbating the recruitment situation is the fact that over the next 5 years, the youth population is expected to decline significantly. According to CBO projections, the number of potential eligibles from which the military must recruit will decline by about 13 percent by 1986.

Moreover, retention of quality personnel is cited in the military posture report as "an even more serious problem" than recruiting. Although it is likely that the general trend toward skilled military personnel leaving the service may be slowed or reversed by recent pay increases, the situation remains particularly acute with respect to pilots, health professionals, and those individuals with highly specialized, technical skills.

As Secretary of the Air Force-designate Verne Orr pointed out in his testimony before the Senate Armed Services Committee on January 28, the reason that retention of pilots has improved recently is that the civilian airlines have stopped hiring temporarily. However, we cannot count on a bad economy, which has caused the recent downturn in pilot hiring, to support a good retention rate

of pilots and military personnel with other critical skills, such as nuclear-qualified naval personnel and engineers in all the services.

Congress has already taken aggressive action to make the All-Volunteer Force attractive to potential recruits and to its current members. Major pay increases were enacted last year by Congress—both across-the-board increases and special-pay increases for those with skills in acute short supply. The military compensation system, however, has always been made up of both pay and benefits, and I believe that educational benefits have a special, very significant role to play in increasing the numbers and quality of the people we attract to and retain in the armed services. Thus, I believe that educational incentives, if properly designed, can play a major role in helping to insure the success of the All-Volunteer Force.

BACKGROUND

On June 22, 1944, Public Law No. 346, 78th Congress, the Servicemen's Readjustment Act of 1944, was signed by President Franklin D. Roosevelt. This legislation, which came to be known as the GI bill, created a major educational and vocational assistance program for those who had served the Nation during World War II. Since 1944, the original GI bill and successor programs—the Korean-conflict and the post-Korean conflict, or Vietnam-era, GI bills—have provided education and training for more than 17.7 million veterans of World War II, the Korean conflict, the post-Korean period, and the Vietnam era. My own work with the current Vietnam era GI bill began in 1969 when I started my Senate service as chairman of the then Subcommittee on Veterans' Affairs of the Committee on Labor and Public Welfare.

The first GI bill legislation that I authored was the Veterans' Education and Training Amendments Act of 1970, Public Law 91-219. Since then we have revised the current Vietnam-era GI bill program—which is codified in chapter 34 of title 38, United States Code—five times with laws in 1972, 1974, 1976, 1977, and 1980.

In 1976, Public Law 94-502 established, as a successor to the current GI bill, the chapter 32. post-Vietnam era veterans' educational assistance program—popularly known as VEAP. It was designed, in part, to achieve a reasonable balance between those who sought complete termination of GI bill benefits for persons entering the service after the end of the Vietnam era and those who supported continuation of the Vietnam-era GI bill without alteration. In some respects, VEAP might be viewed as a "5-year experiment" in developing an appropriate successor to the current Vietnam-era GI bill.

The chapter 32 program provides an educational assistance opportunity to those who entered the Armed Forces after December 31, 1976, and are thus not eligible for the current chapter 34 GI bill. The program, a contributory-matching one, was established to assist young men and women in obtaining an education they might not otherwise be able to afford and to promote and assist the All-Volunteer Force by attracting qualified men and women to serve in the Armed Forces.

Under VEAP, service members who are eligible for benefits may elect to contribute from $25 to $100 per month—modified from $50 and $75, respectively, by Public Law 96-466 last year—toward their VEAP accounts. After completion of the service member's initial tour of duty or 6 years of service, whichever is the lesser, the VA matches the service member's contribution on a 2-for-1 basis if the individual enrolls in an approved educational program. Under the law, the maximum contribution by a service member is $2,700 which, when matched with $5,400 of VA funds, provides a total of $8,100 for veteran's educational expenses which may be used in monthly payments of up to $225 for up to 36 months. In addition, the Department of Defense may make additional contributions to the service member's VEAP account, and the Department is currently testing a variety of additional VEAP incentives—or "kickers"—in order to assess their value as recruitment and retention devices.

The VEAP authority is scheduled to expire on December 31, 1981, unless the President makes a recommendation to the Congress that the program should be continued, neither the House nor the Senate adopts a resolution of disapproval of the President's recommendation, and the Department of Defense assumes budgetary responsibility for payment of the matching funds.

NEED FOR A NEW PROGRAM

However, Mr. President, evaluations of VEAP's success as a recruitment and retention device have been less than encouraging.

The Department of Defense in its June 1980 "Third Annual Report to the Congress on the Post-Vietnam Era Veterans' Educational Assistance Program," concluded that VEAP played only "a moderately important role in the enlistment decisions of some participants. * * *" The report suggested that there is a "need for a careful reassessment of the program's overall 'attractiveness' as an enlistment incentive." The VA, in its portion of the third annual report on VEAP, submitted on May 2, 1980, concluded that "early indicators lead to a less than optimistic view as to the programs viability."

Mr. President, these nonendorsements of VEAP were enlarged upon and reiterated by others at the June 19, 1980, hearing of the Committee on Veterans' Affairs which I called to focus on the role of educational incentives in the All-Volunteer Force. During the course of that hearing, the committee received much testimony citing the failure of VEAP as a recruitment tool and supporting the concept of a new program of educational incentives for the All-Volunteer Force—including testimony from the distinguished Senators from Colorado (Mr. ARMSTRONG), Maine (Mr. COHEN), and Virginia (Mr. WARNER), who have also introduced proposals addressing this issue. In addition, a most valued member of our committee and of the Armed Services Committee, the Senator from South Carolina (Mr. THURMOND), has introduced such legislation.

Dr. Charles Moskos, a well-known and widely-respected military sociologist, pointed in his testimony on the failure of all four services to meet [illegible] goals, the severity of manpower shortages in the ground combat arms, and the low educational levels of new recruits. He stated:

The major barriers to more effective recruitment have been the elimination of the GI bill in 1976 and concurrent expansion of Federal assistance to college students.

He concluded that:

[T]o meet military manpower needs in the all-volunteer context and to pursue equity, there must be an immediate restoration of post-service educational benefits for active-duty military members * * *.

Moreover, it is clear that offering an attractive program of educational incentives is a more effective approach to enhancing the recruitment and retention of well-qualified personnel than military pay increases alone. As Dr. Moskos testified:

Large raises in military pay for lower enlisted personnel were the principal rationale to induce persons to join the all-volunteer force. This has turned out to be a double-edged sword, however. Youth survey show that cash motivates less qualified youth (for example, high school dropouts) to join the armed services while having a negligible effect on college bound youth. Disproportionate emphasis on recruit pay, moreover, diverts compensation away from the career and technical force, precisely the areas where retention difficulties are most severe.

A June 1973 report to the Senate Committee on Armed Services prepared by the Brookings Institution, entitled the "All-Volunteer Armed Forces, Progress, Problems, and Prospects," stated that:

Data suggests that for a large number of potential enlistees, a paid school option might well have greater appeal than high pay. Moreover, recruits attracted by educational incentives would enhance the overall quality of the All-Volunteer Force.

Mr. President, the role a program of educational incentives can play is also evidenced by the results of a survey of Army recruits conducted by the Army in 1975 prior to the time that eligibility for the current GI bill was terminated. The survey found that one of every four recruits definitely would not have enlisted without the GI bill. Another 36 percent of those surveyed were not certain whether they would have enlisted without the GI bill.

The concept of a program of educational incentives as a recruitment and retention device to strengthen our Nation's defense was supported at our hearing by the Fleet Reserve Association, the Air Force Sergeants Association, the Noncommissioned Officers Association, the National Association for Uniformed Services, the American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, and the American Veterans Committee. In addition, this sentiment was shared by those responding to my request for comment, including the following top Defense Department officials: Gen. David C. Jones, Chairman

of the Joint Chiefs of Staff, Gen. E. C. Meyer, Chief of Staff of the Army, Gen. Lew Allen, Jr., Chief of Staff of the Air Force, Gen. R. H. Barrow, Commandant of the Marine Corps, and William D. Clark, Deputy Assistant Secretary of the Army for Manpower and Reserve Affairs

A TWO-TIER CONCEPT

Mr. President, my proposal would establish a two-tier approach. The first tier, the basic educational assistance program, would be available to all those entering the service—or reenlisting in the service—on or after July 1, 1981. Eligibility would be established by completion of 36 months of service after the date of such enlistment or reenlistment followed by discharge or release under conditions other than dishonorable or by completion of 24 months of service and entry into a commitment to serve 4 years in the Ready Reserve. The benefits in this first tier would be $9,000 in educational assistance, which would be paid at the rate of $250 a month for a maximum of 36-months' enrollment in a full-time program of approved education of training and paid at a proportionately reduced rate for less-than-full-time training.

The provision of the 2-year active duty and 4-year Ready Reserve option for establishing eligibility is the first of the modifications that was made in this measure. This option was developed in response to many of the comments I received—including all of the Defense Department officials whom I have just mentioned and Dr. Moskos—that a shorter enlistment period coupled with a Ready Reserve commitment would help meet some major, current specific military personnel needs. In this regard, we specifically took note of two comments of Deputy Assistant Secretary Clark in his letter in which he suggested a "24 month enlistment option with benefits earned at the same monthly rate" and "reduced-rate benefits for service in the Reserve Components." Further, Dr. Moskos, in his letter to me of January 5, stressed that "GI bill eligibility must be linked to reserve obligations."

With respect to the commitment to serve in the Ready Reserve, the measure would provide for the suspension of educational benefits when an eligible veteran is not satisfactorily carrying out this commitment. Benefits would be reinstated upon certification that the individual has again begun satisfactorily performing his or her Ready Reserve commitment.

In addition to the basic program, this legislation would provide a higher, second tier of supplemental educational assistance. Eligibility for this supplemental assistance would be limited to those who have completed the requisite service for the basic program, who have a high-school diploma or equivalency certificate prior to completion of the 3-year minimum service requirement, who have an honorable discharge, and who serve either a minimum of 6 years active duty or a minimum of 4 years on active duty and 4 years in the Ready Reserve. This Ready Reserve option would be subject to the same suspension and reinstatement provisions that I described in connection with the first-tier benefits.

Individuals meeting the eligibility criteria for the second tier would earn supplemental educational assistance at the rate of $375 a month for each month of continuous active-duty service beyond the 3 years required for the basic benefits.

For example, those who serve a total of 6 continuous years of active duty would earn the maximum supplemental educational assistance of $13,500, for a maximum total level of assistance of $22,500—$9,000 under the basic program and $13,500 under the supplemental. Those who serve at least a fourth year on active duty and make a commitment to serve 4 years in the Ready Reserve would earn $375 for each month of active-duty service in excess of the 36-month service requirement for basic assistance. For example, an individual who serves 5 full years on active duty and enters into a 4-year Ready Reserve commitment would earn $9,000 under the supplemental program—$375 for each of the 24 months of active duty after the first 36 months—in addition to the $9,000 under the basic program.

These supplemental benefits would generally be paid in the same way as the basic benefit—that is, at $250 a month for full-time pursuit—but could be paid, at the individual's choice, at a rate of up to $500 for enrollment in a full-time program of education and be combined with the basic benefit for a total maximum monthly assistance level of $750. At the $500 monthly rate, the maximum number of months for use of supplemental benefits would be 27 months, but the basic benefits would continue for a full 36 months.

Some of those commenting on our proposal have cited a need for a higher rate of benefits for those faced with greater educational and related expenses—such as high tuition and support of dependents. The provision in the bill entitling a veteran eligible for subchapter III assistance to use benefits at the rate of up to $750 per month is designed to recognize and be responsive to the needs of these individuals.

The requirement that an individual receive an honorable discharge in order to achieve eligibility for second-tier benefits is the second modification that has been made in this measure. This change has been made in response to the assertion of many commentors that this criterion for eligibility will serve to encourage more fully satisfactory service. In this regard, I note that virtually all the comments I received from officials in the Department of Defense stressed the desirability of inclusion of an honorable-discharge requirement. Specifically, General Barrow of the Marine Corps stated that—

> Requiring honorable service as a prerequisite to educational assistance would complement many other programs and efforts designed to encourage individual responsibility.

My proposal would require that, when an individual begins a period of active-duty service that would establish eligibility for the second tier of benefits—that is, service beyond the 3 years of active duty that earns entitlement to basic educational assistance—he or she be advised of the honorable discharge requirement. I have included this provision so as to insure that no servicemember be in a position of potentially losing his or her eligibility as a result of being unaware of the requirement for an honorable discharge.

In incorporating an honorable-discharge requirement in the supplemental assistance program only—and thus continuing to provide for eligibility for the basic assistance program on the traditional basis of a discharge under other than dishonorable conditions—I am keeping in mind the oft-noted lack of uniformity among and within the Services in the awarding of three types of administrative discharges—honorable discharge; general discharges, which are characterized as discharges under honorable conditions; and discharges under other than honorable conditions.

Many of the difficulties in this area including inadequate procedural safeguards, were most recently reported and analyzed in the January 15, 1980, General Accounting Office report (FPCD–80–13), entitled "Military Discharge Policies and Practices Result in Wide Disparities: Congressional Review Is Needed." In light of the reported disparities and due process shortcomings in the awarding of honorable discharges and in light of the comparative youthfulness and inexperience of those who would satisfy the 2- or 3-year active service requirement for the first-tier, basic benefits, I do not believe that it would be fair to condition entitlement to basic educational assistance on the receipt of an honorable discharge.

In the case of second-tier, supplemental benefits, it seems more appropriate to require an honorable discharge. The individuals involved would already have acquired eligibility for the basic benefits, would have more exposure to and experience in dealing successfully with military standards of performance and conduct, and could be expected both to have a full awareness of and ability to meet the requirements of an honorable discharge. Nevertheless, I remain concerned that, despite the very adverse financial consequences in the event the individual is awarded a nonqualifying discharge, not all such individuals would, under current service procedures as described in the GAO report, have the opportunity for a predischarge hearing on the issue of the nature of the discharge that they are being awarded.

Thus, I believe that the character-of-discharge requirements for any All-Volunteer Force educational assistance program and the procedural protections available to the servicemembers involved require intensive consideration during any hearings and deliberations on such a program, and I plan to give these matters very careful consideration.

AUGMENTATION AND TRANSFERABILITY

Mr. President, there are two additional areas in which I have made modifications that are important to stress.

First, our proposal would provide discretion under certain circumstances, in both tiers of the program, for benefit levels to be augmented by the individual service branches for the purpose of helping to overcome difficulties in the recruitment or retention of specific categories of personnel. Consistent with guidelines developed by and with the specific approval of the Secretary of Defense, as to a specific category, the services could target the provision of augmented benefits on certain areas where critical shortages of personnel are being experienced—such as in the combat arms area in the Army. The amount of the augmentation would be limited to the amount specifically appropriated by the Congress to the Secretary of Defense for this purpose.

This provision is based on the recommendations made by General Meyer and Deputy Assistant Secretary Clark in their letters to me. In this regard, Deputy Assistant Secretary Clark noted:

> Supplementing [the entitlement] selectively will enable us to better address critical recruiting and retention problems. The Army must have the supplementation authority to gain the necessary flexibility for the enlistment of personnel into difficult-to-fill skill positions.

The augmentation provision is designed to take into account the views of those I discussed previously who have suggested that higher rates of benefits would be appropriate in the cases of individuals facing higher education-related expenses.

Second, with respect to the ability of a servicemember to transfer his or her unused benefits to a spouse or child, the legislation contains several modifications from S. 3263.

Instead of being made available on an across-the-board basis to all those who serve 12 or more continuous years of active duty after January 30, 1981, transferability would be made available only on a discretionary basis—as in the case of benefit augmentation—in order to help overcome recruitment and retention problems as to specific categories of personnel. Thus, the services would be provided with another tool to use, in accordance with guidelines developed by the Secretary of Defense, in targeting resources on specific areas where problems may exist—particularly where retention of skilled military personnel is vital.

This measure also reduces from 12 years to 10 years the length of the minimum continuous period of active duty that the individual must serve in order possibly to earn the right to transfer these benefits to his or her dependents. In this regard, I note that the proposal developed by the Army suggests that the critical point for the decision to make service in the Armed Forces a career is the completion of 10 years of service. In accordance with the Secretary of Defense's guidelines, however, the length of service required for eligibility for transfer to dependents could be adjusted upward and could include service prior to July 1, 1981.

Finally, this measure provides that, when entitlement has been transferred to a dependent, all payments to the dependent be made from funds appropriated to the Department of Defense. This would insure that the direct cost of dependents' benefits not be reflected in the VA budget and is responsive to concerns voiced by certain veterans' organizations about the extent of the VA's financial responsibilities under this new program.

I want to emphasize, with respect to both the provision permitting augmentation and the provision relating to transfers to dependents, that our proposal would give the Secretary of Defense overall responsibility for development of appropriate guidelines for the implementation of the augmentation and transfer provisions by the Service branches.

In addition, with respect to augmentation, the approval of the Secretary of Defense would specifically be required before any branch could increase the level of benefits, and the augmentation authority would be subject to the availability of appropriations made specifically for this purpose to the Department of Defense—not those made to various services. It is my intention in these provisions, to provide the Secretary of Defense, not just with the authority needed to provide for flexible recruitment and retention tools, but with the means to forestall the occurrence of costly, wasteful "recruiting wars" between the various branches of the Armed Forces and to assure that the criteria that are developed for any augmentation and transfer take into account the real needs of the specific service branch.

CONTRACTUAL NATURE OF PROGRAM

Mr. President, I want to stress that our proposal is for an essentially contractual program—a very different concept from the World War II, Korean conflict, and current, Vietnam-era GI bills. Under this proposal, the basic benefits are payable only to those who satisfactorily complete the necessary service requirement. Those who leave the service without completing the minimum service requirement would receive no educational benefits at all—regardless of the reason for leaving, even if the reason is medical disability.

In this connection, however, I point out that those who are given medical early discharges—or who otherwise are given early discharges and develop ratable service-connected disabilities—and who need training or education to overcome the handicap of their service-connected disability would be entitled to educational and vocational assistance through the VA's rehabilitation program under chapter 31 of title 38, a program just revised, improved, and expanded in Public Law 96-466.

DELIMITING PERIOD AND ADMINISTRATIVE PROVISIONS

With respect to both tiers of the program, individuals would generally have 10 years following discharge or release from active duty in which to use their benefits—generally the same period as under the current chapter 34 GI bill. In-service use of benefits would be permitted following completion of the applicable minimum-service requirement.

The VA would be charged with the responsibility of administering the program, and the administration would be similar to the administration of benefits under the current GI bill.

With respect to funding of the program, the VA would be responsible for the cost of basic assistance benefits paid to the servicemember or veteran and the Department of Defense would be responsible for the cost of the supplemental assistance benefits paid to the servicemember or veteran and, as I have just noted, any benefits transferred and paid to dependents.

Every 2 years, the Secretary of Defense and the Administrator of Veterans' Affairs would be required to report to the Congress on the extent to which benefit levels are adequate to achieve the twin purposes of promoting recruitment and retention and defraying educational expenses, on the continuing necessity for the program, and on its administration.

The proposal would repeal the provisions in current law that could provide—through Presidential initiative without congressional disapproval—for the continuation of eligibility for the VEAP program for new recruits beyond December 31, 1981, but those who are participants in that program could continue their participation in it and would not be adversely affected in the event of such repeal. Individuals now on active duty and participating in VEAP who reenlist in order to establish eligibility for the new chapter 30 program would be automatically disenrolled from VEAP participation and be refunded all contributions they had made to their VEAP accounts.

PROMOTION OF RECRUITMENT AND RETENTION

Mr. President, the goals of promoting recruitment and retention in the military will be served by this legislation in a variety of ways. First, the benefits will encourage many individuals to enlist in the military for the first time. Recruiters will welcome this powerful tool to encourage people to enlist in order to finance their educations through military service.

Second, this educational program is designed to encourage entrants into military service to complete their initial terms of service. The costs to the military are very high when military personnel—especially first-term personnel—fail to complete enlistments. Military dropouts, like school dropouts, are expensive to society. The armed services must make a large outlay of funds to train and pay a new recruit but realize little return on that investment when the enlistee fails to complete his or her term of service. This bill would deal with the problem in two ways. Most important, no benefits would accrue to a person who fails to complete the 3-year minimum service requirement, or, in the case of the Ready Reserve option, fails to complete 2 years of active duty and to enter into a 4-year reserve commitment.

Also, it would encourage the enlistment of high school graduates—since a high school graduate will be eligible for both the basic as well as the supplemental educational assistance benefits—and, as I noted previously, experience has

shown that high school graduates are far more likely to complete their terms of service than are non-high-school graduates.

Third, this educational assistance program would provide incentives for active-duty personnel to remain in the military. Current active-duty personnel will have a very substantial incentive to reenlist in order to begin to earn the benefits which would be made available under the new program. Additionally, the program is designed to become increasingly attractive beyond the initial 3-year term of service during which the basic benefits are earned and would therefore encourage individuals to remain in the service for longer periods.

In particular, the program would encourage service personnel to serve for up to 6 years in order to earn maximum entitlement to the higher, supplemental educational assistance benefits. It would also provide an incentive for those serving in certain categories where particular recruitment or retention problems have been found to serve until the critical midcareer stage so as to earn educational benefits that may be transferred to their children and spouses by remaining in the service for 10 or more years.

Studies have shown that if military pay and benefits can encourage military personnel to stay 10 to 12 years, they are much more likely to serve until retirement age in order to earn full pension benefits. In recent years, the toughest retention challenge has been to keep people in as long as 10 to 12 years.

Fourth, as I have noted, by permitting the service branches, under the supervision of the Secretary of Defense, selectively to augment benefit levels and to permit transfer of benefits to dependents, the proposal provides flexibility and ample latitude to permit the Armed Forces to target on specific personnel and skills needs while seeking to avoid costly and inequitable competition among the services.

MODIFICATION OF THE 1989 TERMINATION DATE

Mr. President, another new provision in this measure would modify the 1989 termination date for the current GI bill. This provision is identical to that which passed the Senate on September 4, 1980, in section 506 of S. 1188, the proposed "Disabled Veterans' Rehabilitation Act of 1980," but to which the House would not agree. On September 26, 1980, when the Senate approved the compromise GI bill legislation—later enacted as Public Law 96-466, the Veterans' Rehabilitation and Education Amendments of 1980—I stated my intention to pursue vigorously enactment of that provision this year.

Under the current Vietnam-era GI bill, no chapter 34 educational assistance benefits may be paid after December 31, 1989. This termination date, which was added to chapter 34 in 1976 by Public Law 94-502, was designed generally to permit those who entered the service prior to December 31, 1976—the general termination date for entry into the service for current GI bill benefits eligibility—to complete their initial enlistments and then have a 10-year period in which to use their GI bill benefits.

I have been concerned by reports from persons now on active duty with eligibility for the GI bill suggesting that they will leave the service in order to utilize their GI bill benefits prior to the 1989 expiration date. Testimony by the Department of the Army at the Veterans' Affairs Committee hearing I chaired last June 19 tended to confirm these reports as more than a scattered phenomenon.

Additionally, General Barrow, Commandant of the Marine Corps, in his letter to me, stated that a porvision along these lines "would provide a necessary incentive [to remain in the service] for the group of service members eligible for educational assistance" under the current GI bill.

Our bill would address this problem by modifying the 1989 termination date to provide that a veteran who is discharged after December 31, 1979, would be entitled to educational assistance until either the end of the 5-year period beginning on the date following his or her initiation of a program of education under the GI bill after discharge if such initiation occurs within 2 years after discharge or release from active duty, or December 31, 1989, whichever is later.

The following are examples of how this provision would apply in certain cases:

First, a veteran discharged on January 1, 1982, would have until December 31, 1989, to utilize his GI bill benefits. This represents no change from current law.

Second, a veteran discharged on January 1, 1985, if she begins her first post-service program of education by December 31, 1986, would have 5 years from the date on which she begins that program of education to use GI bill benefits. Thus, if she begins a program of education on September 1, 1986, GI bill benefits would be available through August 31, 1991. If she did not begin a program of education on or before December 31, 1986, the December 31, 1989, cut-off date would apply.

Third, a veteran discharged on December 31, 1990, would have until December 31, 1992, to begin a program of educational assistance. If he began his first post-service program of education on September 1, 1992, he would have until August 31, 1997, to utilize his or her benefits. If he did not begin a program of education prior to December 31, 1992—that is, within 2 years after discharge—entitlement to educational benefits would be lost.

Our intention in including this modification of the current chapter 34 termination date is to remove any incentive for experienced and well-qualified military personnel to refuse to reenlist—or otherwise to leave the service well before December 31, 1989—in order to use their GI bill benefits before that date. For every service member who is retained in the service, the need for new recruits and the accompanying costs of training are reduced, the cost of maintaining our Nation's Armed Forces declines, and the defense of our Nation is strengthened.

I believe these factors substantially outweigh the administrative considerations behind fixing and continuing a date certain for terminating the current GI bill. I should point out that the necessity for this modification would be substantially reduced if a program along the lines of the new chapter 30 program we are proposing is enacted.

COST ESTIMATE

Mr. President, based on the most recent preliminary estimate from the Congressional Budget Office, the cost of our proposal would be $46.4 million in fiscal year 1985, the first full year in which basic benefits would be paid. Subsequently, the cost would increase to approximately $885.1 million by fiscal year 1995. It should be stressed, however, that this estimate assumes that there would be no augmentation of benefit levels by the Department of Defense and that all entitlement not used by the veteran or service member concerned would be transferred to dependents. At this time, I am advised by CBO that development of a cost-estimate taking into account these two provisions will require additional study and consultation with Defense Department officials. When such a cost estimate is available, I will make it known to my colleagues and to the public.

CONCLUSION

Mr. President, as I have noted, my proposal is designed to contribute to the recruitment and retention of well-qualified personnel in the All-Volunteer Force, and I believe it is fashioned in such a way as to do so in an equitable, efficient, and cost-effective manner. I intend to seek enactment of legislation along the lines of this proposal this year.

This legislation is a principal focus of mine as ranking minority member of the Veterans' Affairs Committee. The chairman of the Veterans' Affairs Committee, the Senator from Wyoming (Mr. SIMPSON), has assured me that he shares my interest in this issue and the consideration of legislation in this area will be one of the first orders of business for the committee this year.

Mr. President, I ask unanimous consent that the text of the bill, a document showing the changes that the bill would make in current law, and copies of the letters I have received in response to my request for comments be printed in the RECORD at this point.

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

S. 417

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 "All-Volunteer Force Educational Assistance Act".

SEC. 2. (a) Title 38, United States Code, is amended by inserting before chapter 31 the following new chapter:

"CHAPTER 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE

"Subchapter I—Purposes; Definitions

"Sec.
"1401. Purposes.
"1402. Definitions.

"Subchapter II—Basic Educational Assistance

"1411. Entitlement to basic educational assistance.
"1412. Payment of basic educational assistance.

"Subchapter III—Supplemental Educational Assistance
"1421. Entitlement to supplemental educational assistance.
"1422. Payment of supplemental educational assistance.
"Subchapter IV—Transfer of Entitlement; Periods for Use of Entitlement; General and Administrative Provisions
"1431. Transfer of entitlement to dependents.
"1432. Expiration of period during which entitlement may be used.
"1433. Suspension of educational assistance.
"1434. Exclusion of certain service for purpose of earning entitlement.
"1435. Extension to permit completion of term.
"1436. Program requirements.
"1437. Appropriations.
"1438. Additional amounts of assistance.
"1439. Reporting requirements.

"Subchapter I—Purposes; Definitions

"§ 1401. Purposes

"The purposes of this chapter are (1) to promote and assist the All-Volunteer Force program of the United States by establishing an improved program of educational assistance for those men and women who enter active duty in the Armed Forces after June 30, 1981, to help in the recruitment and retention of well-qualified men and women, and (2) to provide those men and women with assistance in obtaining an education that they might not otherwise be able to afford.

"§ 1402. Definitions

"For the purposes of this chapter:

"(1) The term 'basic educational assistance' means educational assistance provided under subchapter II of this chapter.

"(2) The term 'dependent' means—

"(A) a child of an eligible veterans; and

"(B) the spouse of an eligible veteran.

"(3) The term 'educational institution' has the same meaning provided in section 1652(c) of this title.

"(4) The term 'eligible veteran' means any person who—

"(A) entered a period of active duty in the Armed Forces after June 30, 1981,

"(B) after entering such period of active duty (i) served on active duty for a period of three or more consecutive years, or (ii) served on active duty for a period of two or more consecutive years and has agreed in writing to serve and has been accepted for service in the Ready Reserve of a component of the Armed Forces for a period of four or more years, and

"(C) (i) was discharged or released from such period of active duty under conditions other than dishonorable, or (ii) has served three or more consecutive years of an obligated period of active duty which began after June 30, 1981, and has not been discharged or released from such period of active duty.

"(5) The term 'program of education' has the same meaning provided in section 1652 (b) of this title.

"(6) The term 'supplemental educational assistance' means educational assistance provided under subchapter III of this chapter.

"Subchapter II—Basic Educational Assistance

"§ 1411. Entitlement to basic educational assistance

"An eligible veteran shall be entitled to basic educational assistance, in the maximum amount of $9,000, payable in accordance with the provisions of this chapter.

"§ 1412. Payment of basic educational assistance

"(a) The Administrator shall pay to each eligible veteran who is pursuing an approved program of education under this chapter basic educational assistance pursuant to this section to help meet, in part, the expenses of such veteran's subsistence, tuition, fees, supplies, books, equipment, and other educational costs.

"(b) The Administrator shall pay to an eligible veteran basic educational assistance (1) at the monthly rate of $250 if such veteran is pursuing an approved program of education under this chapter on a full-time basis, or (2) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, if such veteran is pursuing an approved program of education under this chapter on less than a full-time basis.

"Subchapter III—Supplemental Educational Assistance

"§ 1421. Entitlement to supplemental educational assistance

"(a) Except as provided in subsection (b) of this section, an eligible veteran who has received a secondary school diploma (or equivalency certificate) and who—

"(1) (A) has served after June 30, 1981, six or more consecutive years of active duty in the Armed Forces, and (B) (i) was honorably discharged or released therefrom, or (ii) has served six or more consecutive years of active duty in the Armed Forces and has not been discharged or released from such veteran's current period of active duty; or

"(2) (A) has served four or more consecutive years of active duty after such date but less than six, (B) has been honorably discharged or released therefrom, and (C) has agreed in writing to serve and has been accepted for service in the Ready Reserve of a component of the Armed Forces for a period of four years or more after such discharge or release,

shall be entitled to supplemental educational assistance in the amount of $375 for each consecutive month in excess of thirty-six consecutive months that such veteran served on active duty after June 30, 1981, up to a maximum total amount of $13,500, payable in accordance with the provisions of this chapter.

"(b) No part of any period of active duty that occurs prior to the period of active duty by which the veteran concerned qualifies as an eligible veteran under section 1402(4) of this title shall be counted for purposes of subsection (a) of this section.

"(c) On or before the first date on which a person who has entitlement to basic educational assistance enters a period of active duty that could serve, in whole or in part, to entitle such veteran to supplemental educational assistance, the Secretary concerned shall advise such person in writing of the requirement, in subsection (a) of this section, of being honorably discharged or released in order to be eligible for supplemental educational assistance.

"§ 1422. Payment of supplemental educational assistance

"(a) The Administrator shall pay to each eligible veteran who is pursuing an approved program of education under this chapter supplemental educational assistance pursuant to this section to help meet, in part, the expenses of such veteran's subsistence, tuition, fees, supplies, books, equipment, and other educational costs.

"(b) (1) Except as provided in paragraph (2) of this subsection, the Administrator shall pay to an eligible veteran supplemental educational assistance (A) at the monthly rate of $250 if such veteran is pursuing an approved program of education under this chapter on a full-time basis, or (B) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, if such veteran is pursuing an approved program of education under this chapter on less than a full-time basis.

"(2) An eligible veteran who is pursuing an approved program of education under this chapter on a full-time basis shall be paid supplemental educational assistance at such monthly rate between $250 and $500 as such veteran may elect in accordance with regulations which the Administrator shall prescribe. In such regulations, the Administrator, with the concurrence of the Secretary of Defense, may establish increments of assistance which the veteran may elect to be paid supplemental educational assistance as the Administrator considers necessary for efficient administration.

"(3) Supplemental educational assistance shall be paid to an eligible veteran concurrent with the payment of basic educational assistance to such veteran if such veteran so elects.

"Subchapter IV—Transfer of Entitlement; General and Administrative Provisions

"§ 1431. Transfer of entitlement to dependents

"(a) (1) Notwithstanding any other provision of law, if the Secretary concerned, in accordance with regulations which the Secretary of Defense shall prescribe to implement this section, determines it to be necessary in order to obtain or retain the services of sufficient numbers of qualified active-duty personnel in specific categories of such personnel, such Secretary concerned may authorize an eligible veteran who has served ten or more consecutive years of active duty, including such service as the Secretary concerned has specified in one or more such categories, to transfer to one or more of such veterans' dependents all or any part of such veteran's entitlement to basic and supplemental educational assistance. Entitlements transferred under this section shall be increased in accordance with amendments to this chapter.

"(2) A transfer of entitlement under this section may be made, changed, or canceled by an eligible veteran at any time before the expiration of the period within which such veteran may use such veteran's entitlement under this chapter.

"(3) In regulations relating to transfers of entitlement under this section, the Administrator, with the concurrence of the Secretary of Defense, may place such limits upon the making, changing, and cancellation of transfers as the Administrator considers necessary for efficient administration.

"(b) A dependent to whom entitlement is transferred under this section is entitled to educational assistance under this chapter in the same manner as the veteran from whom the entitlement was transferred would be entitled.

"(c) If a veteran has transferred entitlement under this section to one or more dependents, the basic educational assistance and supplemental educational assistance payable under this chapter shall be divided (1) in such manner as such veteran shall specify, or (2) if such veteran is deceased or is otherwise unable or unwilling to specify the manner in which such assistance shall be divided, on a pro rata basis except as otherwise determined under regulations which the Administrator shall prescribe.

"(d) Notwithstanding any other provision of this chapter, no assistance shall be paid under this chapter to a person divorced from the veteran on whose service such person's entitlement is based.

"§ 1432. Expiration of periods during which entitlement may be used

"(a) Except as provided in subsections (c) through (e) of this section, the period during which an eligible veteran may use such veteran's entitlement to educational assistance under this chapter expires at the end of the ten-year period beginning on the date of such veteran's last discharge or release from active duty.

"(b) Except as provided in subsection (e) of this section, the period during which a

dependent with entitlement transferred pursuant to section 1432 of this title may use such entitlement expires at the end of the ten-year period beginning on whichever is the later of—

"(1) in the case of a spouse of a veteran (A) the date that such veteran has completed ten consecutive years of active duty occurring after June 30, 1981, or (B) the first date on which such veteran would be eligible to use entitlement under this chapter pursuant to subsection (c) of this section if such veteran had not transferred all of such veteran's entitlement under this chapter; or

"(2) in the case of a child of a veteran (A) on the date such child reaches eighteen years of age, or (B) the first date on which such veteran would be eligible to use entitlement under this chapter pursuant to subsection (c) of this section if such veteran had not transferred all of such veteran's entitlement under this chapter.

"(c) In the case of any eligible veteran who has been prevented, as determined by the Administrator, from pursuing a program of education under subchapter II or III of this chapter within the ten-year period prescribed by subsection (a) of this section, because—

"(1) such veteran had not met the nature of discharge requirement of such subchapter before (A) the nature of such discharge or release was changed by appropriate authority, or (B) with respect to educational assistance under subchapter II of this section, the Administrator determined, under regulations prescribed by the Administrator, that such discharge or release was under conditions other than dishonorable, or

"(2) such veteran's discharge or dismissal was, under section 3103 of this title, a bar to benefits under this title before the Administrator determined that such discharge or dismissal is not a bar to such benefits,

such ten-year period shall not run during the period of time that such veteran was so prevented from pursuing such program of education.

"(d) In the case of a veteran eligible for educational assistance under the provisions of this chapter who, subsequent to such veteran's last discharge or release from active duty, was captured and held as a prisoner of war by a foreign government or power, the ten-year period described in subsection (a) of this section shall not run (1) while such veteran is so detained, or (2) during any period immediately following such veteran's release from such detention during which such veteran is hospitalized at a military, civilian, or Veterans' Administration medical facility.

"(e) In the case of any person who is an eligible veteran or a dependent to whom entitlement under this chapter has been transferred pursuant to section 1431 of this title and—

"(1) who was prevented from pursuing such person's chosen program of education prior to the expiration of the ten-year period for use of entitlement under this chapter otherwise applicable under this section because of a physical or mental disability which was not the result of such person's own willful misconduct, and

"(2) who applies for an extension of such ten-year period within one year after (A) the last day of such period, or (B) the last day on which such person was so prevented from pursuing such program, whichever is later,

such ten-year period shall not run with respect to such person during the period of time that such person was so prevented from pursuing such program and such ten-year period will again begin running on the first day following such person's recovery from such disability on which it is reasonably feasible, as determined under regulations which the Administrator shall prescribe, for such person to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"§ 1433. Suspension of educational assistance

"The payment of educational assistance under this chapter shall be suspended in the case of any eligible veteran who fails to serve satisfactorily in the Ready Reserve of a component of the Armed Forces during a period of Ready Reserve service that such veteran is committed to serve in connection with establishing entitlement to such assistance. The payment of such assistance shall be reinstated upon receipt of certification from the Secretary concerned that such veteran is serving satisfactorily as a member of such Ready Reserve.

"§ 1434. Exclusion of certain service for purpose of earning entitlement

"For the purpose of section 1402 of this title, the term 'active duty' does not include any period during which an individual was assigned full time by the Armed Forces to a civilian institution for a course of education which was substantially the same as established courses offered to civilians, served as a cadet or midshipman at one of the service academies, or served under the provisions of section 511(d) of title 10 pursuant to an enlistment in the Army National Guard or the Air National Guard, or as a Reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard Reserve.

"§ 11435. Extension to permit completion of term

"(a) If a person is enrolled under this chapter in an educational institution regularly operated on the quarter or semester system and the period during which such person may use such person's entitlement under this chapter would, under section 1432 of this title, expire during a quarter or semester, such period shall be extended to the termination of such quarter or semester.

"(b) If a person is enrolled under this chapter in an educational institution not regularly operated on the quarter or semester system and the period during which such person may use such person's entitlement under this chapter would, under section 1432 of this title, expire after a major portion of the course is completed, such period shall be extended to the end of the course or for twelve weeks, whichever is the lesser period of extension.

"§ 1436. Program requirements

"Except as otherwise provided in this chapter, the provisions of sections 1663, 1670, 1671, 1673, 1674, 1677, 1681(c), and 1683 of this title and the provisions of chapter 36 of this title, with the exception of section 1780(a)(6), shall be applicable to the provision of educational assistance under this chapter.

"§ 1437. Appropriations

"(a) Payments for entitlement earned under subchapter II of this chapter and not used by a dependent pursuant to a transfer under section 1431 of this title shall be made from appropriations made to the Veterans' Administration.

"(b) Payments for (1) entitlement earned under subchapter II and used by a dependent pursuant to a transfer under section 1431 of this title, and (2) entitlement earned under subchapter III of this chapter, shall be made from appropriations made to the Department of Defense.

"§ 1438. Additional amounts of assistance

"Subject to the availability of appropriations made to the Office of the Secretary of Defense specifically for the purposes of this section, if the Secretary concerned, in accordance with regulations which the Secretary of Defense may prescribe to implement this section, determines it to be necessary and appropriate in order to obtain or retain the services of sufficient numbers of qualified active-duty personnel in specific categories of such personnel, such Secretary concerned may, if the Secretary of Defense approves in the cases of particular categories, increase the amount of basic or supplemental educational assistance, or both, payable on account of active-duty service performed in one or more such categories and the monthly rate or rates at which such assistance may be paid.

"§ 1439. Reporting requirements

"The Secretary of Defense and the Administrator shall submit to the Congress at least once every two years separate reports on the operation of the programs provided for in this chapter and shall include in each such report (1) information indicating (A) the extent to which the benefit levels provided under this chapter are adequate to achieve the recruitment and retention purposes of this chapter and of providing an adequate level of financial assistance to help meet the cost of pursuing a program of education, and (B) whether it is necessary for the purposes of maintaining adequate levels of well-qualified active-duty personnel in the Armed Forces to continue to offer the opportunity for educational assistance under this chapter to persons who have not yet entered active-duty service, and (2) such recommendations for administrative or legislative changes regarding the provision of educational assistance under this chapter as the Secretary or Administrator, respectively, consider appropriate.".

(b) The tables of chapters at the beginning of such title and at the beginning of part III of such title are each amended by inserting above the item relating to chapter 31 the following new item:

"30. All-Volunteer Force Educational Assistance ---------- 1401".

SEC. 3. Section 1508(f)(1) of title 38, United States Code, is amended—

(1) in subparagraph (A), by inserting "30 or" before "34" the first place it appears and striking out "chapter 34" the second place it appears and inserting in lieu thereof "either chapter 30 or chapter 34"; and

(2) in subparagraph (B), by inserting "30 or" before "34".

SEC. 4. Section 1623 of title 38, United States Code, is amended by adding at the end the following new subsection:

"(e) In the event the participant becomes entitled to basic educational assistance under subchapter II of chapter 30 of this title, such participant shall be disenrolled from the program under this chapter effective the last day of the month in which such participant becomes entitled to such assistance.".

SEC. 5. Section 1795 of title 38, United States Code, is amended—

(1) in subsection (b)—

(A) by striking out "of this section" and inserting in lieu thereof "of subsection (a) of this section or under chapter 30 of this title"; and

(B) by inserting at the end the following new sentence: "Computations made for the purposes of this subsection with respect to chapter 30 of this title shall be based on counting one-forty-eighth of the maximum total amount of assistance payable under such chapter 30 of this title as one month of assistance under such chapter."; and

(2) by adding at the end the following new subsection:

"(c)(1) A person who is an eligible veteran as defined in section 1402(4) of this title for purposes of chapter 30 of this title shall not be afforded educational assistance under any provision of chapter 34, 35, or 36 of this title.

"(2) The entitlement of any person to

educational assistance under chapter 30 of this title shall be reduced by one dollar for each dollar of assistance that has been paid to such person under chapter 34, 35, or 36 of this title.".

SEC. 6. Section 408 of the Veterans' Education and Employment Assistance Act of 1976 (Public Law 94-502, 90 Stat. 2383, 2397) is amended—

(1) in subsection (a), by (A) striking out "(a)(1)" and (B)) striking out all after "December 31, 1981" and inserting a period in lieu thereof; and

(2) by striking out subsection (b) in its entirety.

SEC. 7. Section 1662 of title 38, United States Code, is amended—

(1) in subsection (a)—

(A) by inserting before the semicolon in paragraph (1) a comma and "and before January 1, 1980"; and

(B) by adding at the end the following new paragraph:

"(3) An eligible veteran whose last discharge or release from active duty occurs after December 31, 1979, shall not be entitled to educational assistance under this chapter after (A) the expiration of the five-year period following the date on which such veteran first begins to pursue a program of education under this chapter after such discharge or release if such date occurs no later than two years after such discharge or release from active duty or (B) December 31, 1989, whichever is the later."; and

(2) by striking out subsection (e) in its entirety.

SEC. 8. The provisions of this Act shall be effective on the date of the enactment of this Act.

CHANGES IN EXISTING LAW MADE BY S. 417

Changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—VETERANS' BENEFITS

* * * * *

PART III—READJUSTMENT AND RELATED BENEFITS

CHAPTER	SEC.
30. All-Volunteer Force Educational Assistance	*1401*
31. Training and Rehabilitation for Veterans with Service-Connected Disabilities	1500
32. Post-Vietnam Era Veterans' Educational Assistance	1601
34. Veterans' Educational Assistance	1650
35. Survivors' and Dependents' Educational Assistance	1700
36. Administration of Educational Benefits	1770
37. Home, Condominium, and Mobile Home Loans	1801
39. Automobiles and Adaptive Equipment for Certain Disabled Veterans and Members of the Armed Forces	1901
41. Job Counseling, Training, and Placement Service for Veterans	2001
42. Employment and Training of Disabled and Vietnam Era Veterans	2011
43. Veterans' Reemployment Rights	2021

Chapter 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE

Subchapter I—Purposes; Definitions

Sec.

1401. Purposes.

1402. Definitions.

Subchapter II—Basic Educational Assistance

1411. Entitlement to basic educational assistance.

1412. Payment of basic educational assistance.

Subchapter III—Supplemental Educational Assistance

1421. Entitlement to supplemental educational assistance.

1422. Payment of supplemental educational assistance.

Subchapter IV—Transfer of Entitlement; Periods for Use of Entitlement; General and Administrative Provisions

1431. Transfer of Entitlement to dependents.

1432. Expiration of period during which entitlement may be used.

1433. Suspension of educational assistance.

1434. Exclusion of certain service for purpose of earning entitlement.

1435. Extension to permit completion of term.

1436. Program requirements.

1437. Appropriations.

1438. Additional amounts of assistance.

1439. Reporting requirements.

Subchapter I—Purposes; Definitions

§ 1401. Purposes

The purposes of this chapter are (1) to promote and assist the All-Volunteer Force program of the United States by establishing an improved program of educational assistance for those men and women who enter active duty in the Armed Forces after June 30, 1981, to help in the recruitment and retention of well-qualified men and women, and (2) to provide those men and women with assistance in obtaining an education that they might not otherwise be able to afford.

§ 1402. Definitions

For the purposes of this chapter—

(1) The term "basic educational assistance" means educational assistance provided under subchapter II of this chapter.

(2) The term "dependent" means—

(A) a child of an eligible veteran; and

(B) the spouse of an eligible veteran.

(3) The term "educational institution" has the same meaning provided in section 1652 (c) of this title.

(4) The term "eligible veteran" means any person who—

(A) entered a period of active duty in the Armed Forces after June 30, 1981,

(B) after entering such period of active duty (i) served on active duty for a period of three or more consecutive years, or (ii) served on active duty for a period of two or more consecutive years and has agreed in writing to serve and has been accepted for service in the Ready Reserve of a component of the Armed Forces for a period of four or more years, and

(C) (i) was discharged or released from such period of active duty under conditions other than dishonorable, or (ii) has served three or more consecutive years of an obligated period of active duty which began after June 30, 1981, and has not been discharged or released from such period of active duty.

(5) The term "program of education" has the same meaning provided in section 1652 (b) of this title.

(6) The term "supplemental educational assistance" means educational assistance provided under subchapter III of this chapter.

Subchapter II—Basic Educational Assistance

§ 1411. Entitlement to basic educational assistance

An eligible veteran shall be entitled to basic educational assistance, in the maximum amount of $9,000, payable in accordance with the provisions of this chapter.

§ 1412. Payment of basic educational assistance

(a) The Administrator shall pay to each eligible veteran who is pursuing an approved program of education under this chapter basic educational assistance pursuant to this section to help meet, in part, the expenses of such veteran's subsistence, tuition, fees, supplies, books, equipment and other educational cost.

(b) The Administrator shall pay to an eligible veteran basic educational assistance (1) at the monthly rate of $250 if such veteran is pursuing an approved program of education under this chapter on a full-time basis, or (2) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, if such veteran is pursuing an approved program of education under this chapter on less than a full-time basis.

Subchapter III—Supplemental Educational Assistance

§ 1421. Entitlement to supplemental educational assistance

(a) Except as provided in subsection (b) of this section, an eligible veteran who has received a secondary school diploma (or equivalency certificate) and who—

(1) (A) has served after June 30, 1981, six or more consecutive years of active duty in the Armed Forces, and (B) (i) was honorably discharged or released therefrom, or (ii) has served six or more consecutive years of active duty in the Armed Forces and has not been discharged or released from such veteran's current period of active duty; or

(2) (A) has served four or more consecutive years of active duty after such date but less than six, (B) has been honorably discharged or released therefrom, and (C) has agreed in writing to serve and has been accepted for service in the Ready Reserve of a component of the Armed Forces for a period of four years or more after such discharge or release,

shall be entitled to supplemental educational assistance in the amount of $375 for each consecutive month in excess of 36 consecutive months that such veteran serves on active duty after June 30, 1981, up to a maximum total amount of $13,500, payable in accordance with the provisions of this chapter.

(b) No part of any period of active duty that occurs prior to the period of active duty by which the veteran concerned qualifies as an eligible veteran under section 1402(4) of this title shall be counted for purposes of subsection (a) of this section.

(c) On or before the first date on which a person who has entitlement to basic educational assistance enters a period of active duty that could serve, in whole or in part, to entitle such veteran to supplemental educational assistance, the Secretary concerned shall advise such person in writing of the requirement, in subsection (a) of this section, of being honorably discharged or released in order to be eligible for supplemental educational assistance.

§1422. Payment of supplemental educational assistance

(a) The Administrator shall pay to each eligible veteran who is pursuing an approved program of education under this chapter supplemental educational assistance pursuant to this section to help meet, in part, the expenses of such veteran's subsistence, tuition, fees, supplies, books, equipment, and other educational costs.

(b) (1) Except as provided in paragraph (2) of this subsection, the Administrator shall pay to an eligible veteran supplemental educational assistance (A) at the monthly rate of $250 if such veteran is pursuing an approved program of education under this chapter on a full-time basis, or (B) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, if such veteran is pursuing an approved prgoram of education under this chapter on less than a full-time basis.

(2) An eligible veteran who is pursuing an approved program of education under this

chapter on a full-time basis shall be paid supplemental educational assistance at such monthly rate between $250 and $500 as such veteran may elect in accordance with regulations which the Administrator shall prescribe. In such regulations, the Administrator, with the concurrence of the Secretary of Defense, may establish increments of assistance which the veteran may elect to be paid supplemental educational assistance as the Administrator considers necessary for efficient administration.

(3) Supplemental educational assistance shall be paid to an eligible veteran concurrently with the payment of basic educational assistance to such veteran if such veteran so elects.

Subchapter IV—Transfer of Entitlement; Periods for Use of Entitlement; General and Administrative Provisions

§ 1431. Transfer of entitlement to dependents

(a)(1) Notwithstanding any other provision of law, if the Secretary concerned, in accordance with regulations which the Secretary of Defense shall prescribe to implement this section, determines it to be necessary in order to obtain or retain the services of sufficient numbers of qualified active-duty personnel in specific categories of such personnel, such Secretary concerned may authorize an eligible veteran who has served ten or more consecutive years of active duty, including such service as the Secretary concerned has specified in one or more such categories, to transfer to one or more of such veterans' dependents all or any part of such veterans' entitlement to basic and supplemental educational assistance. Entitlements transferred under this section shall be increased in accordance with amendments to this chapter

(2) A transfer of entitlement under this section may be made, changed, or canceled by an eligible veteran at any time before the expiration of the period within which such veteran may use such veteran's entitlement under this chapter.

(3) In regulations relating to transfers of entitlement under this section, the Administrator, with the concurrence of the Secretary of Defense, may place such limits upon the making, changing, and cancellation of transfers as the Administrator considers necessary for efficient administration.

(b) A dependent to whom entitlement is transferred under this section is entitled to educational assistance under this chapter in the same manner as the veteran from whom the entitlement was transferred would be entitled.

(c) If a veteran has transferred entitlement under this section to one or more dependents, the basic educational assistance and supplemental educational assistance payable under this chapter shall be divided (1) in such manner as such veteran shall specify, or (2) if such veteran is deceased or is otherwise unable or unwilling to specify the manner in which such assistance shall be divided, on a pro rata basis except as otherwise determined under regulations which the Administrator shall prescribe.

(d) Notwithstanding any other provision of this chapter, no assistance shall be paid under this chapter to a person divorced from the veteran on whose service such person's entitlement is based.

§ 1432. Expiration of period during which entitlement may be used

(a) Except as provided in subsections (c) through (e) of this section, the period during which an eligible veteran may use such veteran's entitlement to educational assistance under this chapter expires at the end of the ten-year period beginning on the date of such veteran's last discharge or release from active duty.

(b) Except as provided in subsection (e) of this section, the period during which a dependent with entitlement transferred pursuant to section 1432 of this title may use such entitlement expires at the end of the ten-year period beginning on whichever is the later of—

(1) in the case of a spouse of a veteran (A) the date that such veteran has completed ten consecutive years of active duty occurring after June 30, 1981, or (B) the first date on which such veteran would be eligible to use entitlement under this chapter pursuant to subsection (c) of this section if such veteran had not transferred all of such veteran's entitlement under this chapter; or

(2) In the case of a child of a veteran (A) on the date such child reaches eighteen years of age, or (B) the first date on which such veteran would be eligible to use entitlement under this chapter pursuant to subsection (c) of this section if such veteran had not transferred all of such veteran's entitlement under this chapter.

(c) In the case of any eligible veteran who has been prevented, as determined by the Administrator, from pursuing a program of education under subchapter II or III of this chapter within the ten-year period prescribed by subsection (a) of this section, because—

(1) such veteran had not met the nature of discharge requirement of such subchapter before (A) the nature of such discharge or release was changed by appropriate authority, or (B) with respect to educational assistance under subchapter II of this section, the Administrator determined, under regulations prescribed by the Administrator, that such discharge or release was under conditions other than dishonorable, or

(2) such veteran's discharge or dismissal was, under section 3103 of this title, a bar to benefits under this title before the Administrator determined that such discharge or dismissal is not a bar to such benefits, such ten-year period shall not run during the period of time that such veteran was so prevented from pursuing such program of education.

(d) In the case of a veteran eligible for educational assistance under the provisions of this chapter who, subsequent to such veteran's last discharge or release from active duty, was captured and held as a prisoner of war by a foreign government or power, the ten-year period described in subsection (a) of this section shall not run (1) while such veteran is so detained, or (2) during any period immediately following such veteran's release from such detention during which such veteran is hospitalized at a miiltary, civilian, or Veterans' Administration medical facility.

(e) In the case of any person who is an eligible veteran or a dependent to whom entitlement under this chapter has been transferred pursuant to section 1431 of this title and—

(1) who was prevented from pursuing such person's chosen program of education prior to the expiration of the ten-year period for use of entitlement under this section because of a physical or mental disability which was not the result of such person's own willful misconduct, and

(2) who applies for an extension of such ten-year period within one year after (A) the last day of such period, or (B) the last day on which such person was so prevented from pursuing such program, whichever is later,

such ten-year period shall not run with respect to such person during the period of time that such person was so prevented from pursuing such program and such ten-year period will again begin running on the first day following such person's recovery from such disability on which it is reasonably feasible, as determined under regulations which the Administrator shall prescribe, for such person to initiate or resume pursuit of a program of education with educational assistance under this chapter.

§ 1433. Suspension of educational assistance

The payment of educational assistance under this chapter shall be suspended in the case of any eligible veteran who fails to serve satisfactorily in the Ready Reserve of a component of the Armed Forces during a period of Ready Reserve service that such veteran is committed to serve in connection with establishing entitlement to such assistance. The payment of such assistance shall be reinstated upon receipt of certification from the Secretary concerned that such veteran is serving satisfactorily as a member of such Ready Reserve.

§ 1434. Exclusion of certain service for purpose of earning entitlement

For the purpose of section 1402 of this title, the term "active duty" does not include any period during which an individual was assigned full time by the Armed Forces to a civilian institution for a course of education which was substantially the same as established courses offered to civilians, served as a cadet or midshipman at one of the service academies, or served under the provisions of section 511(d) of title 10 pursuant to an enlistment in the Army National Guard or the Air National Guard, or as a Reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard Reserve.

§ 1435. Extension to permit completion of term

(a) If a person is enrolled under this chapter in an educational institution regularly operated on the quarter or semester system and the period during which such person may use such person's entitlement under this chapter would, under section 1432 of this title, expire during a quarter or semester, such period shall be extended to the termination of such quarter or semester.

(b) If a person is enrolled under this chapter in an educational institution not regularly operated on the quarter or semester system and the period during which such person may use such person's entitlement under this chapter would, under section 1432 of this title, expire after a major portion of the course is completed, such period shall be extended to the end of the course or for twelve weeks, whichever is the lesser period of extension.

§ 1436. Program requirements

Except as otherwise provided in this chapter, the provisions of sections 1663, 1670, 1671, 1673, 1674, 1677 1681, and 1683 of this title and the provisions of chapter 36 of this title, with the exception of section 1780 (a)(6), shall be applicable to the provision of educational assistance under this chapter.

§ 1437. Appropriations

(a) Payments for entitlement earned under subchapter II of this chapter and not used by a dependent pursuant to a transfer under section 1431 of this title shall be made from appropriations made to the Veterans' Administration.

(b) Payments for (1) entitlement earned under subchapter II and used by a dependent pursuant to a transfer under section 1431 of this title, and (2) entitlement earned under subchapter III of this chapter, shall be made from appropriations made to the Department of Defense.

§ 1438. Additional amounts of assistance

Subject to the availability of appropriations made to the Office of the Secretary of Defense specifically for the purposes of this section, if the Secretary concerned, in accordance with regulations which the Secretary of Defense may prescribe to implement this section, determines it to be necessary and appropriate in order to obtain or retain the services of sufficient numbers of qualified ac-

tive-duty personnel in specific categories of such personnel, such Secretary concerned may, if the Secretary of Defense approves in the cases of particular categories, increase the amount of basic or supplemental educational assistance, or both, payable on account of active-duty service performed in one or more such categories and the monthly rate or rates at which such assistance may be paid.

§ 1439. Reporting requirements

The Secretary of Defense and the Administrator shall submit to the Congress at least once every two years separate reports on the operations of the programs provided for in this chapter and shall include in each such report (1) information indicating (A) the extent to which the benefit levels provided under this chapter are adequate to achieve the recruitment and retention purposes of this chapter and of providing an adequate level of financial assistance to help meet the cost of pursuing a program of education, and (B) whether it is necessary for the purposes of maintaining adequate levels of well-qualified active-duty personnel in the Armed Forces to continue to offer the opportunity for educational assistance under this chapter to persons who have not yet entered active-duty service, and (2) such recommendations for administrative or legislative changes regarding the provision of educational assistance under this chapter as the Secretary or Administrator, respectively, consider appropriate.

* * * * *

CHAPTER 31—TRAINING AND REHABILITATION FOR VETERANS WITH SERVICE-CONNECTED DISABILITIES

* * * * *

§ 1508. Allowances

(a)(1) * * *

* * * * *

(f)(1)(A) In any case in which the Administrator determines that a veteran is entitled to rehabilitation under this chapter, to the extent that such veteran has remaining eligibility for and entitlement to educational assistance benefits under chapter *30 or* 34 of this title, such veteran may elect, as part of a vocational rehabilitation program under this chapter, to pursue an approved program of education and receive allowances and other forms of assistance equivalent to those authorized for veterans enrolled under *either chapter 30 or* chapter 34 of this title, if the Administrator approves the educational, professional, or vocational objective chosen by such veteran for such program.

(B) In the event that such veteran makes such an election, the terms and conditions applicable to the pursuit of a comparable program of education and the payment of allowances and provisions of assistance under chapter *30 or* 34 of this title for such a comparable program shall be applied to the pursuit of the approved program of education under this chapter.

(2) A veteran who is receiving an allowance pursuant to paragraph (1) of this subsection may not receive any of the services or assistance described in section 1504(a)(3), (7), and (8) of this title (other than an allowance and other assistance under this subsection).

* * * * *

CHAPTER 32—POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE

* * * * *

Subchapter II—Eligibility; Contributions; and Matching Fund

* * * * *

§ 1623. Refunds of contributions upon disenrollment

(a) Contributions made to the program by a participant may be refunded only after the participant has disenrolled from the program or as provided in section 1624.

(b) If a participant disenrolls from the program prior to discharge or release from active duty, such participant's contributions will be refunded on the date of the participant's discharge or release from active duty or within 60 days of receipt of notice by the Administrator of the participant's discharge or disenrollment, except that refunds may be made earlier in instances of hardship or other good reason as prescribed in regulations issued jointly by the Administrator and the Secretary.

(c) If a participant disenrolls from the program after discharge or release from active duty, the participant's contributions shall be refunded within 60 days of receipt of an application for a refund from the participant.

(d) In the event the participant (1) dies while on active duty, (2) dies after discharge or release from active duty, or (3) disenrolls or is disenrolled from the program without having utilized any entitlement, the participant may have accrued under the program, or, in the event the participant utilizes part of such participant's entitlement and disenrolls or is disenrolled from the program, the amount contributed by the Secretary under the authority of section 1622(c) remaining in the fund shall be refunded to the Secretary.

(e) In the event the participant becomes entitled to basic educational assistance under subchapter II of chapter 30 of this title, such participant shall be disenrolled from the program under this chapter effective the last day of the month in which such participant becomes entitled to such assistance.

* * * * *

CHAPTER 34—VETERANS' EDUCATIONAL ASSISTANCE

* * * * *

Subchapter II—Eligibility and Entitlement

* * * * *

§ 1662. Time limitations for completing a program of education

Delimiting Period for Completion

(a)(1) No educational assistance shall be afforded an eligible veteran under this chapter beyond the date 10 years after the veteran's last discharge or release from active duty after January 31, 1955, *and before January 1, 1980*; except that, in the case of any eligible veteran who was prevented from initiating or completing such veteran's chosen program of education within such time period because of a physical or mental disability which was not the result of such veteran's own willful misconduct, such veteran shall, upon application made within one year after (A) the last date of the delimiting period otherwise applicable under this section, (B) the termination of the period of such mental or physical disability, or (C) the effective date of the Veterans' Rehabilitation and Education Amendments of 1980, whichever is the latest, be granted an extension of the applicable delimiting period for such length of time as the Administrator determines from the evidence, that such veteran was so prevented from initiating or completing such program of education. When an extension of the applicable delimiting period is granted a veteran under the preceding sentence, the delimiting period with respect to such veteran will again begin running on the first day following such veteran's recovery from such disability on which it is reasonably feasible, as determined in accordance with regulations which the Administrator shall prescribe, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

(2)(A) Notwithstanding the provisions of paragraph (1) of this subsection, any veteran shall be permitted to use any of such veteran's unused entitlement under section 1661 of this title for the purposes of eligibility for an education loan, pursuant to the provisions of subchapter III of chapter 36 of this title, after the delimiting date otherwise applicable to such veteran under such paragraph (1), if such veteran was pursuing an approved program of education on a full-time basis at the time of the expiration of such veteran's eligibility.

(B) Notwithstanding any other provision of this chapter or chapter 36 of this title, any veteran whose delimiting period is extended under subparagraph (A) of this paragraph may continue to use any unused loan entitlement under this paragraph as long as the veteran continues to be enrolled on a full-time basis in pursuit of the approved program of education in which such veteran was enrolled at the time of expiration of such veteran's eligibility (i) until such entitlement is exhausted, (ii) until the expiration of two years after the date of enactment of this paragraph or the date of the expiration of the delimiting date otherwise applicable to such veteran under paragraph (1) of this subsection, whichever is later, or (iii) until such veteran has completed the approved program of education in which such veteran was enrolled at the end of the delimiting period referred to in paragraph (1) of this subsection, whichever occurs first.

* * * * *

(3) An eligible veteran whose last discharge or release from active duty occurs after December 31, 1979, shall not be entitled to educational assistance under this chapter after (A) the expiration of the five-year period following the date on which such veteran first begins to pursue a program of education under this chapter after such discharge or release if such date occurs no later than two years after such discharge or release from active duty or (B) December 31, 1989, whichever is the later.

* * * * *

Savings Clause

* * * * *

[(e) No educational assistance shall be afforded any eligible veteran under this chapter or chapter 36 of this title after December 31, 1989.]

* * * * *

CHAPTER 36—ADMINISTRATION OF EDUCATIONAL BENEFITS

* * * * *

Subchapter II—Miscellaneous Provisions

* * * * *

§ 1795. Limitation on period of assistance under two or more programs

(a) The aggregate period for which any person may receive assistance under two or more of the laws listed below—

(1) parts VII or VIII, Veterans Regulation numbered 1(a), as amended;

(2) title II of the Veterans' Readjustment Assistance Act of 1952;

(3) the War Orphans Educational Assistance Act of 1956;

(4) chapters 32, 34, 35, and 36 of this title, and the former chapter 88;

may not exceed forty-eight months (or the part-time equivalent thereof.

(b) No person may receive assistance under chapter 31 of this title in combination with assistance under any of the provisions of law cited in clauses (1), (2), (3), and (4) *of subsection (a)* of this section or under *chapter 30 of this title* in excess of forty-eight months (or the part-time equivalent thereof) unless the Administrator determines that additional months of benefits under chapter 31 of this title are necessary to accomplish the purposes of a rehabilitation program (as defined in section 1501(5) of this title) in the individual case. *Computations made for the purposes of this subsection with respect to chapter 30 of this title shall be based on counting one-forty-eighth of the maximum total amount of*

assistance payable under such chapter 30 of this title as one month of assistance under such chapter.

(c)(1) A person who is an eligible veteran as defined in section 1402(4) of this title for purposes of chapter 30 of this title shall not be afforded educational assistance under any provision of chapter 34, 35, or 36 of this title.

(2) The entitlement of any person to educational assistance under chapter 30 of this title shall be reduced by one dollar for each dollar of assistance that has been paid to such person under chapter 34, 35, or 36 of this title.

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PUBLIC LAW 94-502—OCT. 15, 1976

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TITLE IV—POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE ACT

• • • • • •

SEC. 408. [(a)(1)] No individual on active duty in the Armed Forces may initially enroll in the educational assistance program provided for in chapter 32 of title 38, United States Code (as added by section 404 of this Act) after December 31, 1981. [, unless—].

[(A) before June 1, 1981, the President submits to both Houses of Congress a written recommendation that such program continue to be open for new enrollments; and

[(B) before the close of the 60-day period after the day on which the President submits to Congress the recommendation described in subparagraph (A), neither the House of Representatives nor the Senate adopts, by an affirmative vote of a majority of those present and voting in that House, a resolution which in substance disapproves such recommendation.

[(2) For purposes of computing the 60-day period referred to in paragraph (1)(B), there shall be excluded—

[(A) the days on which either House is not in session because of an adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die, and

[(B) any Saturday and Sunday, not excluded under the preceding subparagraph, when either House is not in session.

The recommendation referred to in paragraph (1) (A) shall be delivered to both Houses of Congress on the same day and shall be delivered to the Clerk of the House of Representatives if the House is not in session and to the Secretary of the Senate if the Senate is not in session.

[(b) If new enrollments after December 31, 1981, in the educational assistance program provided for in such chapter 32 are authorized after the application of the provisions of subsection (a), then effective January 1, 1982, section 1622(b) of title 38, United States Code, is amended by striking out "Veterans' Administration" and inserting in lieu thereof "Department of Defense."]

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AIR FORCE SERGEANTS ASSOCIATION,
Washington, D.C. December 31, 1980.

The Honorable ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for sending me your proposed legislation on the Educational Assistance Program Act of 1980 and the opportunity to once again give my analysis of the proposed legislation you will introduce in the 97th Congress.

I thoroughly enjoyed the opportunity to testify before you and the distinguished members of your committee on S. 3263, and I compliment you on your personal efforts on behalf of our Armed Services people. As to my comments on the bill, I offer the following:

A. The basic premise of the bill is good and should enhance the retention of the type of people needed for our All-Volunteer Forces.

B. I do, once again, question the transferability clause in the bill, as it certainly favors the officers, while it does little for the enlisted members of the Military Services. The officers already have their college degree, while the majority of the enlisted men and women have not had the opportunity nor the means to obtain their higher educational pursuits. Secondly, I do not understand why we are extending such benefits beyond the individual man or woman who signs the contract for service in our Defense Forces. I can foresee all kinds of problems entailed with the transferability clause. Permit me to so elaborate.

1. What are we doing for the single individual, who is the least expensive to the government, has very few distractions from his assigned duty and is better prepared to serve anywhere our service missions so dictate?

2. In view of the decisions being rendered by the courts today, what protection does the individual service member have once the educational benefit is transferred and there is a subsequent divorce? Undoubtedly, the courts would favor the spouse or child retaining the transferred educational benefits.

3. For those individual service members having more than one child, how does he or she make the decision as to which child shall be favored with the transferability of educational benefits?

4. What obligation does the spouse or child have toward service in our Armed Forces after they have benefited from the educational program? That is a problem we now have with those students obtaining government loans, getting their education, failing to repay the government, yet still have no obligation to serve our nation in any capacity.

While the transferability feature will certainly be most appealing to many in our Armed Services, I question the Congress ever passing such legislation that will ultimately be extremely costly, for the return anticipated.

I would further ask for your consideration and that of your colleagues, as to why we can't get back to the basic principles that have always enabled us to have good people in our Armed Services. Take care of the individual who signs the contract to serve. Provide him or her with a G.I. Bill that is simple, similar to the one now in effect. The responsibility of the family must continue to rest with the individual servicemember, and not become a ward of the government. After all, the services are doing so much more than they ever did for the families of service members while in many instances they fail to give too much consideration to the single individuals.

On behalf of all those I so proudly serve, I would think of nothing the 97th Congress could do to enhance retention in our Armed Services than to pass a simple G.I. Educational Bill, that will not be overly costly to the government, yet would sustain the force with adequate manpower resources over the long haul.

Having knowledge of the educational bill your distinguished colleague Senator Bill Armstrong also plans to enter in the Senate, and the somewhat different bill, I understand that will be forwarded by the Department of Defense, I have concern over any of the bills actually being approved during the coming year.

Again, I thank you for the opportunity to comment on your bill and I stand ready and willing to discuss the issue with you or members of your staff at any time convenient.

With all good wishes, I remain.

Sincerely,

DONALD L. HARLOW,
CMSAF, Ret., Deputy Executive Director.

JANUARY 5, 1981.

The Honorable ALAN CRANSTON,
U.S. Senate, Committee on Veterans' Affairs,
Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for your letter requesting comments on S. 3623, re an AVF GI Bill. I think your bill is a major step in the direction of saving the AVF. As you know, for the past few years I have been in the forefront of those advocating just such a GI Bill over the opposition of the Office of the Secretary of Defense. My comments will be brief inasmuch as the inclosed article presents most of my findings and thoughts on the AVF and an AVF GI Bill.

1. An AVF GI Bill must compete with present and projected federal educational aid to college students (over $5 billion annually). Unless such aid is linked to a national service obligation, no GI Bill (unless extraordinary) will attract a cross-section of youth.

2. One ought not preclude two-year enlistments for GI Bill eligibility. Sure it would be nice to have three-year and over-volunteers, but a short enlistment will attract more of a cross-section.

3. GI Bill eligibility must be linked to reserve obligations. Without larger numbers of prior-service personnel, there is no way to salvage the Army reserves in the AVF. (We might also consider a "little GI Bill" for those who serve six months on active duty followed by five or six years of reserve duty.)

4. S. 3623 is to be commended in that it imaginatively proposes that GI Bill benefits can be transferred to a soldier's dependents under certain circumstances. We need more discussion on ways to make a GI Bill consistent with needed retention in the career force, e.g., "Banking" one's GI Bill sum in an interest-bearing account for careerists only, allowing for a "sabbatical" in order to train career personnel in technical and scientific specialities.

5. That only those who successfully complete their tour ought be eligible for GI Bill benefits is a stipulation long overdue. S. 3623 should be a model bill in this regard.

I realize that many of the above points cannot be handled solely by the Veterans' Committee. This makes the task of saving the AVF difficult, but still possible.

Sincerely,

CHARLES C. MOSKOS.

AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES,
Washington, D.C., January 8, 1981.

Ms. BABETTE POLZER,
Professional Staff Member, Senate Committee on Veterans Affairs, Russell Senate Office Building, Washington, D.C.

DEAR BABETTE: I am responding to Senator Cranston's letter of December 19, asking for comments on S. 3263. My colleagues and I also have had several meetings at One Dupont about this bill, the draft Armstrong bill, and other possible G.I. alternatives. As you know, Mike Kelly has called upon most of us. In fact, I would like to comment a bit on the Armstrong bill, too, since I gather that will have strong support.

My first point is that we feel, as we always have, that it would be very valuable both to the military and to the national well-being to revive a peacetime G.I. Bill. Millions of people have benefited from the past bills, people who otherwise would probably never had a chance for further education and better opportunities. We have testified in the past for continuation of a peacetime bill, and were sorry when this was not politically possible.

We are also conscious of the serious problems the military faces in recruitment and retention. They have been well spelled out in recent Washington Star articles and elsewhere.

AASCU has a special interest in military education and upgrading because we administer the Servicemembers Opportunity Colleges (SOC), under contract with DOD, through which several hundred colleges, public and private, two-year and four-year, provide education to the armed services and permit people to work toward AA or BA degrees. I enclose a brochure on this program, which is an outgrowth of the Carnegie-sponsored Program for Veterans and Servicemen on which I worked with Jon Steinberg some years ago.

I have several comments about the Cranston bill and Armstrong bill, some of which are views shared with my colleagues, especially those in the public college sector.

The Cranston bill: I think our principal concern is that the payments may be too low. I realize that you feel that peacetime servicemen should perhaps not get the same benefits as wartime men, but the costs of college (and subsistence) have risen fast in the last few years. If the payments are to be a true incentive to enlistment for college-potential people, they probably will have to be higher than $250 a month.

Our second concern is that, unlike the Armstrong bill, you do not deal with the retention problem. I believe the parts of that bill which provide in-service education, with the possible transfer of benefits to spouses and children, are an incentive to retention. So are the education leaves, an idea I know DOD favors. However, I am not sure these ideas, especially the Career Serviceperson's Education Assistance Program (a modified VEAP), are adequate to meet this need. Perhaps a program which involves a smaller or no contribution by the serviceman would be better; but I believe that something should be done to address retention as well as recruitment. I know DOD would agree.

The Armstrong Bill: We see same problems with the Armstrong bill. One is that a separate tuition payment of up to $2,500 a year, in addition to a $250 monthly subsistence allowance, can encourage abuse. Colleges may raise their tuition and fees or "play games" with fees in order to obtain more money. This was the experience with the World War II bill, as you know, in which many public, private, and profit-making schools raised their tuitions or added extra fees to obtain more money.

Kelly told me that profit-making schools would not be eligible for his bill, but a careful reading by all of us reveals that they are indeed eligible. Even if they were excluded in the bill, their lobbying power in Congress is such that they probably would be included—in the House if not in the Senate.

Kelly also has proposed, in response to private college concerns, that rather than a flat maximum of $2,500 the bill might pay say 80 percent of tuition up to $3,000. We believe that this is simply a way of punishing the very large number of veterans who would probably choose public colleges anyway—as over 80 percent of all students do now.

It would not encourage anyone to go to a private college, we believe, if he were told that he could get 80 percent of $800 tuition at a public (i.e. $640) as opposed to $2400 at a $4000-a-year private. But many private college people appear to believe that paying somewhat less than full tuition will make public colleges "less attractive" to veterans and private colleges somehow more attractive. This is a variation on arguments about half-cost in BEOG, paying a percentage tuition tax credit rather than a flat grant, etc. All of these ideas are simply intended to make public colleges less attractive without really helping private colleges; but Kelly has indicated he will probably go this route, in order to win private college support for the bill.

The most important consideration here is to help the military recruit better people, and give such people educational benefits. Paying a percentage like 80 percent does nothing to help this purpose, and it is likely to discourage recruitment. Over 80 percent of all students attend public colleges anyway, and it is likely for many reasons that many veterans would do so.

The fact that many will be married, working part-time, commuting, and seeking job-related training is likely to encourage many to go to a public college, often in commuting distance, rather than a residential four-year college. However, the Higher Education Act now provides large additional sums in grants, work-study, and loans, for which veterans who wanted a more expensive education could apply. I also assume that the current G.I. loans and work-study would probably continue.

You should know that the public college sector is especially concerned about this percentage idea.

I would add that allowing a percentage of tuition and fees could also lead to abuse. For one thing, "fees" are hard to define. We are told by college business officers that different colleges use literally hundreds of different fees for various purposes. By adding additional fees, colleges could collect more revenue. Many colleges also charge differential tuition. They charge lower tuition to students they want, or who cannot afford full tuition; but they would presumably be reimbursed on the "list price" tuition, whatever they actually charged; a flat maximum would avoid some of these problems, if you don't pay a flat rate per month.

In any case, since the Committee will have to review the Armstrong bill and perhaps similar bills as well as the Cranston bill, I wanted to alert you to some of these concerns. We also have shared them with Mike Kelly.

We do appreciate the Senator's interest in new legislation in this area. We would like to help in any way we can. Please call on us again.

Sincerely yours,

JOHN MALLAN,
Vice President for Governmental Relations.

VETERANS ADMINISTRATION,
January 8, 1981.

Hon. ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: This is in reply to your letter dated December 19, 1980, requesting our views on your new bill, S. 3263, 96th Congress, a measure "To amend title 38, United States Code, to provide a new educational assistance program for persons who enter the Armed Forces after June 30, 1981."

The intent of your proposal is to provide a new GI Bill educational program for the present All-Volunteer Armed Forces. I am in accord with you that the existing educational programs as they relate to the volunteer military personnel need to be closely studied and a new, more effective program devised.

To that end, my staff has begun a review of existing programs in the light of the needs of the current Armed Forces. However, we do not contemplate being able to formulate suitable alternatives to existing programs before the incoming administration assumes office. I believe that a decision on a suitable program and policy in this area should be deferred to allow us to complete our review and to allow the new administration to provide us with its guidance on this important matter. Therefore, I do not believe it would be appropriate for me to comment upon S. 3263 by January 12, 1981, as you have requested.

I sincerely appreciate your interest in receiving our views on this important and needed program.

Sincerely,

MAX CLELAND,
Administrator.

NON COMMISSIONED OFFICERS
ASSOCIATION OF THE UNITED
STATES OF AMERICA,
Washington, D.C., January 9, 1981.

The Honorable ALAN CRANSTON,
Committee on Veterans' Affairs,
Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for inviting NCOA to comment on your proposed "All Volunteer Force Educational Assistance Program Act." The introduction of such a bill demonstrates your sincere desire to provide for our nation's veterans. It also demonstrates your commitment to improved recruiting and retention in the All Volunteer Force. NCOA applauds your efforts.

There are three general areas which concern NCOA in the development of any new education program. They are length and character of service required; amount of educational assistance payments; and, provisions for transferability to dependents.

The Association favors a program that includes as its first requirement an honorable discharge. Your bill requires a minimum service period of three years. While NCOA believes a two year service commitment would be adequate, we would support legislation that requires three years.

The amount of any educational assistance payments should be uniform, in our opinion. As you recall, NCOA supported a proposal last year which called for some disparity in the educational earnings of service members based on occupational specialty. Since that time we have reassessed this view. As a result, the Association believes that a successful G.I. Bill will allow for equal earnings and payments to persons completing a fixed period of service. We will not, at this point, support a tiered earning program or a program which pays separate tuition and subsistence allowances.

Accordingly, the Association supports the provisions of current law providing the circumstances and amounts of payments for the Vietnam Era G.I. Bill. Using this schedule of payments will alleviate regulatory problems and lead to a very immediate understanding of the bill. This simplicity and uniformity can only enhance the bill's effectiveness, acceptance and success. We also believe it would be among the least expensive options of payment proposals.

Finally, NCOA strongly opposes provisions providing for direct transferability of education benefits to a dependent. We do not believe such a program is fiscally desirable or supportable. However, we are sensitive to the needs and desires of the Armed Forces and its members; perhaps more than most organizations since 83 percent of our members are on active duty.

In order to accommodate their needs and desires, NCOA will support a "contributory" dependents educational assistance program. Using the existing VEAP program as a model, we would allow a service member to begin contributing to an education fund after completing six years of service. No matching funds or payments would be made until the member has completed ten years of service under our proposal. We also hope to improve some of the withdrawal and vesting provisions of VEAP model for the dependents education program. Notwithstanding that, we believe a contributory program would fulfill the need of a dependents education program and still preserve the integrity of "veterans benefits."

In conclusion, NCOA is now working with Senator Cohen on improvements to his bill, S. 48. It is our desire to incorporate into S. 48 or a new bill the several recommendations

we have made here. However, we look forward to working with you during the coming year to provide what consensus shows to be the most appropriate new G.I. Bill for the All Volunteer Force.

With highest commendation and deepest thanks, I am,

Sincerely,

RICHARD W. JOHNSON, Jr.,
Assistant Director for Legislation.

CHAIRMAN OF THE JOINT CHIEFS OF STAFF,
Washington, D.C., January 10, 1981.

Hon. ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: I appreciate the opportunity to provide my views on the proposed "All-Volunteer Force Educational Assistance Program Act of 1980."

The details of S. 3263 and other similar proposals have not yet been carefully analyzed by the Joint Chiefs of Staff. However, the Chiefs are on record in support of a noncontributory education program for members of the Armed Forces as a means to assist in meeting manpower requirements.

The bill you have proposed has a number of features which I personally support: cost-free educational assistance to members of the Armed Forces, supplemental assistance for continued service, and provision for eligible Service members to transfer unused benefits to their dependents. The following additional features are offered for your consideration:

a. Provide benefits (at reduced level) for service in the Reserve Components.

b. Increase the basic monthly stipend to more accurately reflect basic educational programs. As an example, the monthly stipend for a single veteran under the Vietnam-era GI Bill is $342.

c. Make eligibility conditional upon receipt of an honorable discharge or medical discharge for a Service-connected disability.

Your efforts on educational assistance are greatly appreciated. I look forward to a successful program that will fill a variety of needs and be an important recruiting and retention incentive.

Sincerely,

DAVID C. JONES,
General, USAF.

DISABLED AMERICAN VETERANS,
Washington, D.C., January 12, 1981.

Hon. ALAN CRANSTON,
Ranking Minority Member, Senate Veterans Affairs Committee, Russell Senate Office Bldg., Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for your letter of December 19, 1980 wherein you requested our comments and suggestions regarding your bill S. 3263—The All Volunteer Force Educational Assistance Act of 1980.

Initially, I must state that the DAV supports and acknowledges the need for a strong and viable military to insure our national security.

Furthermore, we also recognize the fact that the All Volunteer Force is in serious trouble and has had great difficulty in attracting and retaining high quality personnel.

As proposed, S. 3263 seeks "to promote and assist the All Volunteer Force Program of the United States by establishing an improved program of educational assistance for those men and women who enter active duty in the Armed Forces after June 30, 1981, to help in the recruitment of well-qualified men and women, and to provide those men and women with assistance in obtaining an education that they might not otherwise be able to afford."

Clearly, S. 3263, as set forth in its purpose, is intended as a recruitment and retention device to assist the ailing All Volunteer Military Force.

A glaring deficiency we have noted in the proposal is one of providing a mechanism that would enable the military service departments to offer immediately the supplemental educational assistance and transferability provisions of the bill, as a means of retaining those men and women who are presently serving in the Armed Forces.

Due to the serious retention problems the All-Volunteer Force is experiencing at the present time, we believe such a provision could be helpful in resolving some of these retention problems in the immediate future.

Another point, which was apparently just an oversight, is that the bill does not preclude the dual receipt of educational benefits under the proposed Chapter 30 and the present Chapters 31 and 35 of Title 38, U.S. Code. I am certain that you did not intend that individuals who might gain eligibility for two educational programs would be able to receive benefits from both.

Senator Cranston, the DAV supports the purpose and premise upon which this legislation is founded. We believe your proposal is particularly attractive and could very well go a long way to resolving some of the recruiting problems experienced by the Department of Defense.

Those provisions of your bill which would provide supplemental educational assistance to the service member and transferability to their dependents are by far one of the most attractive proposals to help solve the retention problems of the military services.

However, as I stated in my testimony before the Senate Veterans Affairs Committee on June 19, 1980, the DAV is adamantly opposed to the VA "footing the bill" for any proposal to establish new programs of educational assistance for the purpose of improving and strengthening the All Volunteer Military Force.

As proposed, S. 3263 would require the VA to be responsible for the cost of administering the program, as well as the cost of the basic educational assistance. The Department of Defense would only be responsible for the cost of the supplemental educational assistance.

Your remarks, appearing in the Congressional Record of December 12, 1980, make perfectly clear the nature of this program and its relationship with past VA educational readjustment programs, and I quote—"In closing, I want to stress that my proposal is for an essentially contractual program—a very different concept from the World War II, Korean Conflict, and current, Vietnam Era GI Bill."

Eligibility and entitlement for the All Volunteer Force Educational Assistance Program is based upon a contractual agreement between the Department of Defense and those individuals entering and serving in the peacetime All Volunteer Military Force. As such, in our considered opinion, the Department of Defense must be responsible for bearing the entire cost of this defense-oriented program.

In addition to the foregoing conclusions regarding the funding of this program, I think it is important to keep in mind the philosophical basis upon which veterans' educational readjustment benefits have been traditionally provided in the past. Failing to do so would undermine the fundamental purpose of past and present educational readjustment programs and could bring an enormous storm of protest from Vietnam Era GI Bill critics and groups.

The DAV has no objections to the VA administering the program or even placing the program in Title 38, U.S. Code for ease of such administration, but we do object to the VA "picking up the tab."

The Veterans Administration, as you well known, has suffered severe reductions in personnel in the Department of Veterans Benefits in recent years. And it appears, at the present time, that these reductions in personnel will continue unless Congressional action is taken to restore the losses.

During your deliberations regarding S. 3263, I hope you will keep this important point in mind.

I trust you and your colleagues will find our comments and suggestions helpful regarding this important matter and, again, I wish to express our sincere appreciation to you for providing us this opportunity to comment on the provisions of S. 3263.

Sincerely yours,

STEPHEN L. EDMISTON,
Administrative Assistant.

DEPARTMENT OF THE NAVY,
HEADQUARTERS U.S. MARINE CORPS,
Washington, D.C., January 13, 1981.

The Honorable ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: I appreciate the opportunity to provide my views on the proposed "All Volunteer Force Educational Assistance Program Act of 1980."

The bill you have proposed has a number of features that I strongly support: cost-free educational assistance to members of the Armed Forces, incrementally higher benefits for continued service beyond three years, and provision for eligible service members to transfer unused benefits to their dependents. The following modifications would, in my judgment, provide an educational assistance program that most effectively meets our needs.

a. Entitlements tied to length of enlistment, by providing one month of benefit for one month of service through the third year (at which time full entitlements would be earned), would enhance educational opportunities for in-service use by the service member. Honorable service concluded prior to the end of the third year would entitle the service member to that portion of the benefits earned.

b. All funding and administration accomplished by the Veterans Administration would clearly establish responsibility for the educational assistance program in one agency, leaving other direct methods of encouraging enlistment and retention a responsibility of the Department of Defense.

c. A right of transferability of unused benefits, made to dependents after appropriate service, would provide a strong incentive to continue active service. Rather than the procedure proposed in the "All Volunteer Force Educational Assistance Program Act of 1980," we would prefer that after ten years' active service, the service member would have the right of transferability of unused benefits to dependents, if the service member remains on active duty, or until the service member enters retirement status at which time the service member or dependents have ten years to use the benefit.

d. An entitlement for Selected Reserves of up to one-half of the active duty benefit would improve manning of reserve forces.

e. A change to Chapter 34 of Title 38 United States Code providing for benefits up to ten years after separation would provide a necessary incentive for the group of service members eligible for educational assistance under that Act.

f. Requiring honorable service as a prerequisite to educational assistance would complement many other programs and efforts designed to encourage individual responsibility.

Along with pay comparability, an effective educational assistance program would return great dividends in gaining and keeping men and women who have characteristics that we need in the Marine Corps. Its additional long-term impact on our society in bringing out the abilities of individuals who otherwise might not have the advantage of other opportunities makes the investment doubly attractive.

I trust that the foregoing information will be of use to you. If I may be of assistance to you in the future, please do not hesitate to call on me.

Sincerely,

R. H. BARROW,
General, U.S. Marine Corps, Commandant of the Marine Corps.

THE AMERICAN LEGION,
Washington, D.C., January 14, 1981.

Hon. ALAN CRANSTON,
Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: This is in response to your correspondence dated December 19, 1980, with which you enclosed a copy of S. 3263 for the purpose of soliciting our comments thereon. We have enclosed a copy of Resolution No. 36, approved by our National Executive Committee during its October 1980 meeting, which places The American Legion in a position to support legislation providing education incentives for individuals enlisting in the Active and Reserve forces. Unfortunately, we are unable to respond to all provisions within the bill since several of them involve features which remain as subjects of discussions within our organization's staff.

However, we would like to specifically comment on one provision of S. 3263. Section 1436 provides that payments for entitlement earned under subchapter II of the measure shall be made from appropriations made to the Veterans Administration, and payments made for entitlement earned under subchapter III shall be made from appropriations made to the Department of Defense. It is the recommendation of The American Legion that any such education incentive program be funded as a Department of Defense function since the purpose is for the recruitment and retention of Armed Forces personnel, but be administered by the Veterans Administration, as that agency currently has staff experience in administering such a program.

The American Legion appreciates the opportunity to review and comment on your proposal.

Sincerely,

MYLIO KRAJA, *Director,*
National Legislative Commission.

VETERANS OF FOREIGN WARS
OF THE UNITED STATES,
Washington, D.C., January 14, 1981.

Hon. ALAN CRANSTON,
Ranking Minority Member, Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for having afforded us the opportunity to comment on your "All Volunteer Force Educational Assistance Act of 1980," which you intend to reintroduce in the near future.

First, permit me to state we are generally supportive of any program to enhance the recruitment and retention of higher caliber personnel for our all-volunteer military establishment. However, the legislation in question is alien to the concept and philosophy of veterans' benefits and would establish precedents which would be costly and difficult to duplicate for the millions of veterans another war or conflict would generate. To be specific, I refer to the two-tiered benefit, the transfer of entitlement to the veteran's dependents and allowing the 10 year delimiting date to toll from the date of retirement, among others.

In addition to the foregoing, our position has been and remains that educational benefits for peacetime veterans who enlist of their own volition should be paid in full from the Department of Defense appropriation and administered by the Veterans Administration. Under the instant bill, the Basic Educational Assistance allowance would be payable to each beneficiary from the Veterans Administration appropriation which remains inadequate to carry out the existing mandates of Congress.

Several bills have already been introduced with respect to peacetime educational benefits and at this point in time, we are not in a position to commit ourselves to which would be the most beneficial and acceptable.

With best wishes and kind regards, I am

Sincerely,

DONALD H. SCHWAB,
Director, National Legislative Service.

U.S. ARMY,
THE CHIEF OF STAFF,
January 15, 1981.

Hon. ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: I appreciate the opportunity to provide my views on the proposed "All-Volunteer Force Educational Assistance Program Act of 1980." Your bill embodies many features I support, especially cost-free educational assistance and a provision for eligible servicemembers to transfer unused benefits to their dependents. I do, however, suggest some additional features including benefits at a reduced rate for service in the Reserve Components, eligibility based on an honorable discharge, an increase in the monthly entitlement and a capability to supplement it.

Increasing the entitlement will assist in meeting today's high cost of education and make us more competitive with other federally funded programs which do not have a national service obligation. Allowing the Service Secretaries to selectively supplement the monthly entitlement will permit us flexibility in enlisting personnel into difficult-to-fill skill positions, especially in the combat arms.

I have enclosed a chart comparing your Bill provisions with the Army's initial position, its revised position developed in an attempt to reach Service unanimity and supporting rationale. I believe that a Bill containing these features will assist in solving many of our manpower needs. Thank you for your interest and support in this matter. Please do not hesitate to contact me if there is any other information you need.

Sincerely,

E. C. MEYER,
General, U.S. Army, Chief of Staff.

COMPARISON OF ARMY EDUCATION INCENTIVE PROPOSAL WITH CRANSTON BILL (S. 3263)

Basic Army proposal	Revised Army position (to obtain service unanimity)	Cranston bill	Rationale for Army position versus Cranston bill (S 3263)
Features:			
1. Noncontributory; all personnel; in-service use after 1 yr.	Concur with proviso for transfer from chs 32 (Vietnam era bill) and 34 (VEAP) for in-service personnel with service obligation.	Noncontributory to all personnel (2-tier prog concept); 1–basic assistance; 2–supplemental assistance.	Acceptable, if basic is higher.
2. Administered and funded by VA; basic benefit funded by VA.	Same	Basic VA funded. VA administered; supplemental DOD funded. VA administered.	Acceptable.
3. Earning rate of 1½ mo per month; total of 36 mo.	1 mo benefit/1 mo service 36 mo	1 mo basic benefit for 1 mo service—36 mo. 1 mo supplement benefit for each month beyond 36 mo.	Acceptable, except for needed provision for 2-yr enlistee to earn benefits and return to selected Reserve and help fill large Reserve component needs/shortfall.
4. Monthly entitlement of $400 for full-time use.	3 yr. ($300 mo); 6 yr. ($600 mo)	Basic—$250 per mo. $9,000 maximum (3 yr); supplement—$375 per mo. $13,500 maximum (6 yr); Both—possible for 6 yr service $625 per month, $22,500.	Basic entitlement is too low to be an incentive to attract HS diploma graduate college-oriented youth who are necessary to man the force, primarily in combat arms MOS's. The entitlement must be sufficient to compete with other federally funded programs that do not have any national service obligation.
5. Service can supplement stipend to aid recruiting and retention.	Same	No provision	Army must have this flexible option to selectively solve recruiting and retention problems.
6. Transfer unused benefits to dependents (transfer point established by service section).	Transfer after 10 yr service while on active duty or after retirement.	After 12 yr of service	Transfer point should be flexible, but not earlier than at 10-yr point. This feature is a retention incentive and would assist in solving the Army's retention problem at the mid-career level.
7. Option to establish contributory education fund for dependents.	Withdrawn	No provision	N/A.
8. Reserves entitled to ½ AD benefit fund for dependents.	Same with part-time use provision	Only through supplemental program after 36 mo of active duty.	Benefit necessary to address severe Reserve component personnel shortages.
9. Benefits to be used within 10 yr from separation.	Same	10 yr from separation	Same.
10. Honorable discharge after completion of service.	Same	Honorable or general discharge	An incentive as a reward for honorable service to reduce attrition of 1st-term enlistees.

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., January 15, 1981.

Hon. ALAN CRANSTON,
Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: This is in response to your letter of 19 December 1980 concerning your legislation S. 3263, the "All-Volunteer Force Educational Assistance Program Act of 1980."

In general, I believe that educational incentives can play a valuable role as a recruitment and retention tool for the Armed Services. But designers of new education programs for the military must in their planning take into account those education programs which are already available to both the civilian and military populations. The drawing power of generalized military educational assistance today is much different from what it was even five years ago because of the rapid growth in other education programs. Consequently, any new military educational benefit package must recognize the interests of both military and education constituencies and the full spectrum of federal programs in this area, as well as the realities of the federal budget.

As you know, the Department of Defense is currently testing several educational benefit proposals mandated by the Congress. We hope to answer several important questions about educational assistance: What is the proper benefit level? What retention provisions would prove attractive? Should the program be contributory or noncontributory? I believe it is premature to design any new program before our test results are complete. We plan a final report to the Congress in about one year's time.

Regarding your specific legislation, S. 3263, I have several comments.

a. Outlay level: An estimated 300,000 new enlistees receiving a $9000 educational entitlement means a potential $2.7 billion annual outlay. This price tag would not include the supplemental educational benefit to be funded by the Department of Defense. I question the merit of adding such large outlays in addition to the $10 billion currently authorized for federal loan/grant programs.

b. Retention: I support the efforts in the bill to provide retention incentives. The transfer provision is similar to one that we will test in the FY 81 test program, to learn whether it is truly a retention incentive. My presumption is that people will use the transfer provision, but there is as yet no data to support such a notion. And I am uncertain whether the transfer provision is a strong enough incentive to retain a member past the twelve year point.

c. Benefit Value: At this time there are differing views on what should be the proper benefit level and the value of specific educational incentives, e.g., transferability, in-service use cash-out. Some favor a general entitlement; others believe educational benefits should be targeted as in the FY 81 test package. Such questions are being addressed in our current test.

I hope that these comments are helpful. I appreciate your continued support of and concern for the All-Volunteer Force, and I believe we are in agreement that educational benefits for the military might indeed improve the quality and attractiveness of the AVF.

Sincerely,

ROBERT B. PIRIE, Jr.,
Assistant Secretary of Defense (MRA&L).

DEPARTMENT OF THE ARMY,
OFFICE OF THE UNDER SECRETARY,
Washington, D.C., January 19, 1981.

Hon. ALAN CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: Some thirty-five years ago, along with millions of others, I participated in the G.I. Bill, which has been called the most successful educational program in the history of our Nation. I can think of no veterans' or educational assistance program, past or present, which can match the impact that the G.I. Bill has had on the Armed Services, our educational institutions, and the American society.

It appears that the American people and Congress are again prepared to support some form of G.I. Bill as a reward for, and as an inducement to, honorable service. As a citizen, long-time educator, and as the departing Under Secretary of the Army, I want to express my personal support for your efforts to reestablish the G.I. Bill.

Although I support the concept, I would like to offer my personal views on what features the new G.I. Bill should contain. As a minimum, the entitlement should be divided into tuition assistance and a monthly living allowance. Tuition assistance should be scaled to minimize the dramatic cost differential between public and private institutions. Public junior colleges may charge only a very minimal matriculation fee of $200 to $300 per year; state universities generally charge a student $500 to $1,000 per year; most private, independent institutions must require a tuition charge of $2,000 to $5,000 per year. Thus, without a differential, almost all veterans would feel compelled to opt for an education at a state institution. I recommend a two-tiered grant of the cost of state college tuition (not to exceed some average cost) and a separate annual entitlement, not to exceed $2,500, for those enrolled in independent colleges or universities.

General "Shy" Meyer has championed a proposal to allow a transfer of an educational entitlement from a soldier to his dependents after a specified period of service. I concur in his recommendation. It would be an invaluable retention tool targeted to retain those soldiers who value education the most by rewarding them for remaining in the service of their country.

Educational benefits as a reward for honorable service are compatible with our Nation's view of military life as an act of service. The G.I. Bill, in all its iterations, has recognized that there was a social contract between the Nation and its soldiers that was more than a paycheck. The Nation gains, as well as the individual, from such an arrangement.

Sincerely,

ROBERT H. SPIRO, Jr.,
Under Secretary of the Army.

DEPARTMENT OF THE AIR FORCE,
OFFICE OF THE CHIEF OF STAFF,
Washington, D.C., January 19,1981.

Hon. ALAN CRANSTON,
Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: This is in response to your letter of 19 December 1980, in which you ask for our comments on S3263, "The All Volunteer Force Educational Assistance Program Act of 1980." I very much appreciate your concern for enhancing the capability of the services to both attract well qualified men and women into the armed forces and to assist in their retention. A program such as that described in your Bill could well mean the difference between continuance of the All Volunteer Force concept and return to some form of conscription.

The major features of S3263 parallel quite closely those of proposed legislation under development by an inter-service working group. This group has achieved consensus on eight of ten provisions targeted at achieving the very purpose of your Bill. The inter-service proposal envisages a two-tiered approach as does yours—with a slightly higher initial amount—as well as a transferability feature, so long as the military member agrees to career status. The inter-service proposal also contains a provision for a basic educational entitlement at a reduced rate for entry into the ready reserve (Guard or Reserve).

I have asked my staff experts to contact Ms. Polzer and provide her with greater detail regarding the differences that exist between S3263, the inter-service proposal and the Air Force position in this latter regard. Thank you for the opportunity to comment on this important legislation.

Sincerely

LEW ALLEN, Jr.,
General, USAF, Chief of Staff.

DEPARTMENT OF THE ARMY,
OFFICE OF THE ASSISTANT SECRETARY,
Washington, D.C., January 19, 1981.

Hon. ALAN. CRANSTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CRANSTON: I am pleased to respond to your request for comments and suggestions on S. 3263, the proposed "All-Volunteer Force Educational Assistance Program Act of 1980." Your proposal contains features that clearly meet Army needs, such as cost-free educational assistance to Service personnel and the provision to transfer unused educational benefits to eligible dependents.

Other features I offer for your consideration include eligibility based on an honorable discharge, reduced-rate benefits for service in the Reserve Components, a higher monthly entitlement and the capability for Service Secretaries to supplement the entitlement. Increasing the entitlement will assist in better meeting current educational costs and permit the Services to compete with other federally funded educational programs. Supplementing it selectively will enable us to better address critical recruiting and retention problems. The Army must have the supplementation authority to gain the necessary flexibility for the enlistment of personnel into difficult-to-fill skill positions and also creates a new recruiting market for college bound youth for the combat arms. Your Bill requires a minimum of 36 months military service. The Army needs a 24 month enlistment option with benefits earned at the same monthly rate.

I am enclosing a chart comparing the features of your proposal and those desired by the Army. The chart also contains changes in the Army position in an effort to gain unanimity among the Services as well as the rationale for the features we desire. Hopefully, provisions such as these in a Bill will go far in resolving many of our recruiting and retention problems. If there is any other information you desire regarding my views, please do not hesitate to call me.

Sincerely,

WILLIAM D. CLARK,
Deputy Assistant Secretary of the Army (Manpower and Reserve Affairs).

COMPARISON OF ARMY EDUCATION INCENTIVE PROPOSAL WITH CRANSTON BILL (S. 3263)

Basic Army proposal	Revised Army position (to obtain service unanimity)	Cranston Bill	Rationale for Army position versus Cranston Bill (S. 3263)
Features:			
1. Noncontributory; all personnel; in-service use after 1 yr.	Concur with proviso for transfer from chapters 32 (Vietnam era bill) and 34 (VEAP) for in-service personnel with service obligation.	Noncontributory to all personnel (2-tier prog concept); 1—basic assistance; 2—supplemental assistance.	Acceptable, if basic is higher.
2. Administered and funded by VA; basic benefit funded by VA.	Same	Basic VA funded, VA administered; supplemental DOD funded, VA administered.	Acceptable.
3. Earning rate of 1½ mo per month; total of 36 mo.	1 mo benefit/1 mo service 36 mo	1 mo basic benefit for 1 mo service—36 mo; 1 mo supplement benefit for each month beyond 36 mo.	Acceptable, except for needed provision for 2-yr enlistee to earn benefits and return to selected Reserve and help fill large Reserve component needs/shortfall.
4. Monthly entitlement of $400 for full time use.	3 yr. ($300 mo); 6 yr ($600 mo)	Basic—$250 per mo, $9,000 maximum (3 yr.); supplemental—$375 per mo, $13,500 maximum (6 yr); Both—possible for 6 yr service $625 per month, $22,500.	Basic entitlement is too low to be an incentive to attract HS diploma graduate college-oriented youth who are necessary to man the force, primarily in combat arms MOS's. The entitlement must be sufficient to compete with other federally funded programs that do not have any national service obligation.
5. Service can supplement stipend to aid recruiting and retention.	Same	No provision	Army must have this flexible option to selectively solve recruiting and retention problems.
6. Transfer unused benefits to dependents (transfer point established by service section.)	Transfer after 10 yr service while on active duty or after retirement.	After 12 yr of service	Transfer point should be flexible, but not earlier than at 10-yr point. This feature is a retention incentive and would assist in solving the Army's retention problem at the mid-career level.
7. Option to establish contributory education fund for dependents.	Withdrawn	No provision	N/A.
8. Reserves entitled to one-half AD benefit fund for dependents.	Same with part-time use provision	Only through supplemental program after 36 mo of active duty.	Benefit necessary to address severe reserve component personnel shortages.
9. Benefits to be used within 10 yr from separation.	do	10 yr from separation	Do.
10. Honorable discharge after completion of service.	do	Honorable or general discharge	An incentives as a reward for honorable service to reduce attrition of 1st-term enlistees.

● MR. HART. Mr. President, today I join with my colleague from California (Mr. CRANSTON) in sponsoring The All-Volunteer Educational Assistance Act of 1981. This measure will provide for the establishment of a new educational assistance program for veterans of military service. The purpose of this bill is to increase the recruitment of qualified men and women into the armed services and to help in the retention of skilled and experienced military personnel by offering a new GI educational assistance program upon completion of a specified period of honorable military service.

As a member of the Senate Armed Services Committee, I have supported the concept of the All-Volunter Military Force. However, I am very much concerned about the critical manpower problems facing the Nation's Armed Forces. The shortage of mid-level skilled personnel is seriously affecting this Nation's ability to meet its military commitment around the world. The Congress, in the last session, reaffirmed that commitment in providing for a major increase in military compensation, special pay incentives for skilled military personnel and other improved benefits for members of the armed services.

I believe this legislation will enhance significantly the attractiveness of military service for qualified young men and women. In addition, a new educational assistance program, as proposed by my distinguished colleague from California, would provide specific incentives that would encourage service members to extend their enlistment period by an additional 3 years.

Senator CRANSTON, as former chairman of the Senate Veterans Affairs Committee, has considerable expertise, experience and an understanding of the complexities of Veterans Administration educational programs. That experience is reflected clearly in the thoughtfulness and quality work embodied in this bill. Senator CRANSTON, as a strong advocate of the American veteran, has shown considerable insight into the military manpower problems facing the defense establishment.

Mr. President, I am aware there are several measures that have been introduced which provide for a new GI education assistance program for military veterans. I am convinced there is a need for this Congress to enact a measure that is equitable and will meet the prescribed goal of improving the quality of our military force structure. In my judgment, this legislation meets that criteria and I urge all Members to support it.●

By Mr. PRESSLER:

S. 418. A bill to rescind the authority of the President to impose an embargo on United States export sales of agricultural commodities for foreign policy purposes; to the Committee on Banking, Housing, and Urban Affairs.

S. 419. A bill to amend the Export Administration Act of 1979, to provide for Congressional Veto of agricultural embargoes; to the Committee on Banking, Housing, and Urban Affairs.

PROTECTION OF AGRICULTURE FROM FOREIGN POLICY

Mr. PRESSLER. Mr. President, today I am introducing three pieces of legislation which are necessary to protect agriculture from the effects of foreign policy decisions. Our farmers are paying too much of our foreign policy bill. Food has too often been used as a foreign policy tool without regard to the impact it has on farmers, small business, and agricultural communities. The legislation I am introducing will correct this inequity.

First, I am introducing a bill that would prevent the President from using agricultural embargoes as a foreign policy tool. An embargo for foreign policy purposes is not only ineffective—it does not allow the United States to be a reliable supplier. Our producers suffer when the United States is not a reliable supplier because of the stability producers need to plan their investment and operations. It also hurts our ability to take advantage of growing export market potential. Indeed, an embargo of U.S. agricultural commodities is an inducement for other suppliers to produce and sell more to meet the demand created by the embargo.

Mr. President, I have taken it upon myself to attempt to learn as much as I can about the international grain trade. I had the privilege of visiting China last fall. The Chinese said that one of the most important things about a reliable supplier was that the supplier did not periodically place embargoes on grain for political reasons, because a country that has hungry people wants to have an adequate and reliable supply of food.

The second bill I am introducing today on this subject, providing for a congressional veto, a followup to the position of the House of Representatives and conference committee during consideration of the Export Administration Act in 1979.

Prior to the enactment of the 1979 Export Administration Act, there existed a provision for congressional veto of export controls. The House version of the 1979 bill retained language providing for a congressional veto, continuing an export control safeguard which had been in effect since 1969. However, the Senate version of the 1979 Export Administration Act did not include a congressional veto provision. Subsequently, the conference committee dropped the House provision with the result that there is no congressional veto authority over ex-

port controls imposed for foreign policy purposes.

But the members of that conference committee stated the following in their report—

In agreeing to eliminate the House provision for congressional veto by concurrent resolution of new forms of export controls for foreign policy purposes, the conferees emphasized their expectation that the executive branch would consult fully with Congress prior to employing any such controls, and agreed to give further consideration to a congressional veto mechanism in subsequent legislation in the event prior consultation on foreign policy controls proved inadequate under the provisions of this act.

Our distinguished colleagues will recall that on September 26, 1980, the Senate voted to adopt an amendment which I had offered to end appropriations for enforcement of the grain embargo. In a sense, what the Senate did at that point was to express a veto of the embargo, contrary to the 1979 position of the Senate in opposing the House-passed provision for a congressional veto of export controls.

Thus, the Senate may now be ready to seriously consider amending the 1979 act. My bill does exactly that by authorizing Congress to exercise a veto on export controls imposed on agriculture commodities for foreign policy purposes.

Finally, I am introducing a resolution expressing the sense of the Senate that a total embargo on U.S. export sales should be imposed whenever an agricultural commodity embargo is in effect.

Mr. President, in principle I do not like trade embargoes. I share the desire of a great many of our colleagues and friends that the United States should be more competitive in international trade and reduce the balance-of-trade deficit. Should an embargo be imposed, however, it should not be selective but should be borne by all segments of the economy. During the current embargo, we have continued to sell all manner of goods and manufactured items to the Soviets, including farm machinery which the Soviets use to grow their own grain.

Mr. President, the Soviet embargo is a dramatic example of our current policy, and exactly the type of situation my legislation addresses. We are all familiar with the Soviet embargo and its intended and actual effects: First, it has not succeeded in provoking the withdrawal of Soviet troops from Afghanistan; second, there is not adequate proof that the Soviets are suffering economically; third, it has forestalled billions of dollars of sales of U.S. exports, primarily grains; and fourth, American farmers have borne an unfair share of the burden of lost sales.

Let me also say that Argentina has taken up most of the slack in selling to the Soviets and. as has been pointed out here, we have continued to sell the Soviets material to grow their own grain while, at the same time, we have an embargo affecting one aspect of the American economy.

My point is this: That if we are to have an embargo. let us have a total embargo on everything.

It has now been 13 months since the Soviet grain embargo was first imposed. As I have noted, last fall the Senate adopted my amendment to stop funding for enforcement of the embargo. Campaign promises to lift the embargo were made in abundance, by members of both parties. The new administration has not yet decided whether or not to rescind the embargo.

I have been informed by the White House that a meeting on the embargo will be held in about a week. I hope the President has not made up his mind, as the Washington Post indicated this morning. I hope he keeps his campaign promise and his campaign commitment. Conditions have not changed. Yet, our farmers are still suffering. I urge my colleagues in the Senate and the administration to give my legislation prompt consideration and their strong support.

Mr. President, I ask unanimous consent to have the legislation printed in the RECORD.

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

S. 418

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any restrictions heretofore or hereafter imposed by the President on the export or reexport of United States agricultural commodities to any country under the authority of Section 6 of the Export Administration Act of 1979 are terminated effective on the date of enactment of this Act.

S. 419

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 6 of the Export Administration Act of 1979 is hereby amended by the addition of the following new subsection:

(l) CONGRESSIONAL VETO.—Notwithstanding other provisions of this Act, any export controls on agricultural commodities imposed under the authority of this Section shall cease to be effective upon the adoption of a Congressional concurrent resolution of disapproval within 60 days of Presidential notification of the Congress as provided in Subsection (e) of this Section.

By Mr. STAFFORD:

S. 420. A bill to authorize the U.S. Army Corps of Engineers to provide assistance to local communities, and for other purposes; to the Committee on Environment and Public Works.

SMALL COMMUNITIES WATER RESOURCES ASSISTANCE ACT OF 1981

● Mr. STAFFORD. Mr. President, during the 96th Congress, as well as during the preceding one, this Senator sponsored legislation that would authorize the U.S. Army Corps of Engineers to assist local communities in a variety of ways. Much of this legislation was passed by the Senate in the 95th Congress. Much of it was approved in committee during the 96th Congress. But, in each case, it failed to be enacted by the full Congress as there was no omnibus water legislation.

I am today reintroducing this legislation, modified to reflect some minor changes made in committee last year. Let me outline the basic features of this bill:

Section 2 concerns a seasonal problem that afflicts many areas of our Nation, and might be termed "ice flooding." When a sudden thaw follows a buildup in river ice, flooding is often produced by "ice dams," which accumulate at bridge abutments or other impediments in the river.

Ice flooding and ice damage occurs in many areas every winter. The danger of ice buildup can sometimes be handled effectively through the authority of the Corps of Engineers to perform emergency work. But these efforts often come too late, or may involve costly, last-minute activities such as the use of explosives.

With systematic and coordinated planning, I am convinced we can develop methods to control river ice, to improve ice breakup techniques, and to provide this information to affected communities. The Army Corps of Engineers is the proper organization to undertake this work.

Section 2, therefore, establishes a new authority for the corps to spend up to $5 million a year to assist communities in controlling river ice before it becomes a problem, rather than after the problem causes damages.

Section 3 of this bill authorizes the corps to assist local communities in designing new hydroelectric facilities at existing dams, industrial sites, millraces, and similar facilities. Many areas of the Nation, particularly in the Northeast, have the opportunity to develop significant and reliable sources of power, using old damsites. While the Department of Energy and the corps are working together on a program to retrofit larger dams owned by the corps and others, I believe we also need to examine and develop the potential at smaller sites.

I should point out that this section does not provide funds for actual construction work. Rather, it will enable the corps to help small communities with technical assistance in design of such retrofit projects. This, too, is funded at $5 million yearly.

Section 4 establishes a new, small program to control streambank erosion, which is a most troublesome water-related problem for many areas of the Nation. Streambank erosion cuts away at property, undermines homes, and produces severe siltation. At times of heavy rainfall, erosion often uproots trees, which then block streams and produce significant flooding.

During the 93d Congress, the Streambank Erosion Control Evaluation and Demonstration Act of 1974 was enacted, authorizing a number of demonstration projects. This bill would provide a supplemental authority, allowing the Army Corps of Engineers to assist local government and individuals in planning to combat serious streambank erosion. By making the corps' expertise available to local communities and property owners, this bill should enable the public more effectively to help itself.

The section also would make available $50 million in interest-free loans to

assist individual and communities in providing more effective erosion control. Frankly, I cannot state that the dollar figure necessarily reflects the broad national need. Also, there may be a valid need to impose a modest interest charge on such loans. But I believe that a pressing need exists for streambank erosion control. I would hope that hearings can be held on this legislation, hearings that will focus attention on the need and benefits from a stepped-up effort to control streambank erosion.

Section 5 directs Federal agencies to expedite the licensing of small hydroelectric projects, defined as those of 25 megawatts or less. In addition, there is a requirement for a General Accounting Office study of the implementation of this directive.

Mr. President, I ask unanimous consent that the text of 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. 420

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 "Small Communities Water Resources Assistance Act of 1981."

RIVER ICE CONTROL

SEC. 2 (a) The Secretary of the Army, acting through the Chief of Engineers (hereinafter referred to as the "Secretary"), shall undertake a program of research to increase his capability to control river ice, and to assist communities in breaking up such ice that would otherwise be likely to cause or aggravate flood damage or severe streambank erosion.

(b) The Secretary is further authorized to provide technical assistance to local units of government to implement local plans to control or break up river ice. As part of such authority, the Secretary is authorized to acquire and loan necessary ice-control or ice-breaking equipment to local units of government.

(c) For the purposes of this section, the sum of $5,000,000 is authorized to be appropriated to the Secretary in each of the fiscal years ending September 30, 1982, September 30, 1983, September 30, 1984 and September 30, 1985, to remain available until expended.

(d) No later than March 1, 1985, the Secretary shall report to the Congress on activities under this section.

IMPROVEMENTS AT FORMER INDUSTRIAL SITES

SEC. 3. (a) The Secretary shall, upon the request of local public officials survey the potential and methods for rehabilitating former industrial sites, millraces, and similar types of facilities already constructed, for use as hydroelectric facilities. The Secretary, shall upon request, provide technical assistance to local public agencies and electric cooperatives in designing projects to rehabilitate sites that are surveyed, or qualified for survey, under this section.

(b) There is authorized to be appropriated to the Secretary, to implement this section, the sum of $5,000,000 for each of the fiscal years ending September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, to remain available until expended.

STREAMBANK EROSION CONTROL

SEC. 4. (a)(1) The Congress finds that streambank erosion destroys property, both public and private, creates and aggravates flooding, increases sedimentation in the Nation's rivers, adds to the needs for disaster assistance in many areas, and creates significant financial and environmental losses to the Nation.

(2) The Congress, therefore, declares that it is in the national interest to assist communities and individuals, in lessening, and when possible preventing, the erosion of streambanks, particularly when such erosion threatens, or can be expected to threaten, public and private facilities and structures.

(b)(1) The Secretary shall provide technical assistance in methods to retard streambank erosion to any person or agency requesting such assistance, if the applicant is experiencing, or can be expected to experience, erosion threatening dwellings or loss of property. The Secretary may also provide assistance to an applicant who would be likely to be affected by flooding downstream from property threatened by erosion: *Provided,* That the owner of such property agrees to allow the applicant to perform such erosion retarding work.

(2) For the purposes of this subsection, the sum of $2,000,000 is authorized to be appropriated to the Secretary in each of the fiscal years ending September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, to remain available until expended.

(c)(1) The Secretary is authorized to provide loans, to be repaid within 10 years, of up to $10,000 to any public or private group or agency or individual for the purpose of stabilizing streambanks when erosion of such streambanks threatens, or can be expected to threaten, any facility or structure, or produce or seriously aggravate the danger of flooding. Plans for any work to be undertaken with a loan under this subsection shall be submitted to the Secretary. Approval by the Secretary of such plans shall be a commitment of the Secretary to such loan. Notwithstanding the first sentence of this subsection, any loan to a public agency may be for a period of twenty years and for a sum up to $25,000. Loans granted under this section shall be free of interest. Repayment shall be required in equal installments.

(2) For the purposes of this subsection, the sum of $50,000,000 is authorized to be appropriated to the Secretary for the fiscal year ending September 30, 1982, and thereafter, and shall remain available until expended.

LICENSING OF FACILITIES

SEC. 5. (a) Any agency of the United States with the authority and responsibility to grant or review any license or permit needed to utilize hydroelectric power at newly proposed or existing facilities, with anticipated installed capacity of twenty-five megawatts or less, shall make every effort to simplify the application procedures and to expedite the consideration of any license or permit that may be necessary for the construction or operation of such facility, or the sale of power from such facility.

(b) The Comptroller General of the United States shall report to the Congress within one year of the enactment of this Act on the implementation of this section, his evaluation of any continuing institutional problems involved in hydroelectric development at newly proposed or existing facilities, and his assessment of the need for additional congressional action to facilitate hydroelectric development at such facilities.●

By Mr. DECONCINI (for himself, Mr. SASSER, and Mr. PRYOR):

S. 421. A bill to provide for reductions for fiscal year 1982 in obligations by the departments, agencies, and establishments of the executive branch of the Government; to the Committee on Governmental Affairs.

GENERAL GOVERNMENT CONTROL AND EFFICIENCIES ACT OF 1981

Mr. DECONCINI. Mr. President, today Senator SASSER, Senator PRYOR, and I are introducing the General Government Expenditure Control and Efficiencies Act of 1981, that would reduce expenditures and affect savings in fiscal year 1982 of $3.9 billion in travel, consultant services, audiovisual activities, public relations, and advertising; and collection of Federal debts. I ask that statements by both Senator PRYOR and Senator SASSER be allowed to follow my introductory remarks in today's RECORD.

Mr. President, between January 26 and 30, the Senate Appropriations Committee held 4 days of hearings on the issue of the economy and its effect on the budget for fiscal years 1981 and 1982. The committee heard from two of the top ranking administration officials—Secretary of the Treasury, Donald Regan, and Office of Management and Budget Director, David Stockman; four eminent economists—Walter Heller, Otto Eckstein, Michael Evans, and Alan Greenspan; Chairman of the Federal Reserve Board, Mr. Paul Volcker; and a number of distinquished outside witnesses, including Elmer Staats, head of the General Accounting Office, and Mrs. Alice Rivlin, head of the Congressional Budget Office.

Although their approaches to whipping the economy back in shape differed in some respects, they were nearly unanimous in their call for a substantial decrease in Federal spending. The legislation that I am introducing today hopefully will be the first of many expenditure reduction and economy measures that will challenge both the new administration and the Congress to make the tough unpopular budget cuts that we all agree are essential in order to cut off one of the root causes of the current inflationary spiral.

This legislation would authorize a total of $3,900 million in reductions in the fiscal year 1982 budget of the United States as submitted to the Congress by former President Carter in January of this year.

These economies would be made in the following areas:

First, Government travel:—$750,000,000.

Second, consultant services, consultant contracts, and special consultant studies:—$1,000,000,000.

Third, audiovisual/filmmaking activities:—$250,000,000.

Fourth, public relations, public affairs, public information and advertising activities:—$150,000,000.

Fifth, debt collection: Direct OMB to achieve savings of $1,750,000,000 from more aggressive collections.

These reductions or savings were not merely drawn out of a magic hat with the hope that some of them might be attainable. No, indeed. Each and every one of these "general government" expenditure reductions has had a day in court through intense study and review by the General Accounting Office; various authorizing committees of the Congress, the Appropriations Committees of the Congress, or outside reviews by ad hoc research and spending limitation committees and panels. They represent a consensus, if you will, of those activities that, during years of tight budget restraint, occupy a lower priority than oth-

er more essential Federal activities. Let us take a look at each of these areas and talk briefly about why I feel that a good case can be made for these sharp cutbacks in fiscal year 1982.

TRAVEL: —$750,000,000

According to the Office of Management and Budget (OMB), the Federal Government plans to spend $4,841,000,000 on travel in fiscal year 1982 (Carter budget), an increase of more than $800,000,000 over the current fiscal year 1981 estimate for travel for the executive branch, the Judiciary, and the Congress. This does not include the current administration's reduction in travel for fiscal 1981, the size of which is not yet determined.

It is also estimated that the Federal Government spends another approximately $4,000,000,000 for so-called nonpersonnel travel (moving supplies, materials, etc.) so my proposed reduction of $750,000,000 would constitute less than a 10-percent reduction in the total Government travel and transportation budget for fiscal 1982.

Abuses in travel have been well-documented and I will not go into the myriad of examples that have surfaced over the past few years. Senator SASSER of Tennessee has taken the lead in exposing waste and abuse in the Federal travel business and I am pleased to have the distinguished Senator as a cosponsor of this bill.

There is no question that some Federal travel is essential. For example, disabled veterans are entitled to receive transportation assistance in getting to and from VA hospitals to receive medical care. Law enforcement officials in the area of drug enforcement must be allowed to pursue, apprehend, and intercept drug traffickers who attempt to carry illegal narcotics into the country by land, sea, and air.

These are not the elements of the Federal travel budget that this legislation intends to address. However, much of the Federal travel budget is fraught with unnecessary, low-priority trips that should be curtailed and eliminated. For example, according to the draft report of the interagency travel management improvement project, more than 25 percent of Federal travel goes for conference attendance, speech presentations, training attendance, information meetings, and other nonessential activities that could be sharply reduced without affecting necessary military and nonmilitary travel requirements.

Reports from the General Accounting Office, congressional hearings, and other sources have indicated that as much as 15 percent of the trips taken during a given period of time did not meet OMB criteria for need, and that, in one survey taken by Senator SASSER, 53 percent of 241 trips were authorized by the person taking the trip.

Agency "retreats" to conferences in such glamorous jet-set cities as Las Vegas, Honolulu, and other resort cities are not uncommon. Federal agencies must be forced to approve only those trips that are essential to the mission of the agency—and the best way I know to force that type of discipline is to cut the Federal travel budget and cut it sharply. This legislation would do just that.

CONSULTANT SERVICES, CONSULTANT CONTRACTS, AND SPECIAL STUDIES: —$1,000,000,000

Another area of waste and abuse that has been well-documented is the area of consultant services, contracts, and studies. My bill would reduce the Federal consultant services budget request for fiscal 1982 by $1,000,000,000.

Perhaps the most shocking commentary on the issue of Federal expenditures for consultant services is that we really do not have a firm figure for what is actually spent. Imagine a large corporation, such as IBM or AT & T, not knowing how much they spent on outside experts or consultants. The stockholders would go through the roof. And the taxpayers must be going through the roof when they learn that the Federal Government may be spending as much as $2.4 billion a year on outside experts, consultant contracts, and special studies by consultants that often end up on the proverbial dusty shelf, unused, and worthless. That was the estimate that Senator Warren Magnuson, former chairman of the Senate Appropriations Committee, gave last year as he attempted to reduce consultant spending for fiscal year 1981.

The Office of Management and Budget, using a much narrower definition of what constitutes a consultant, has estimated that the Federal Government only spends $400,000,000 on such assistance. But Senator DAVID PRYOR, who has been the champion of the Senate in exposing waste and abuse in the Federal consulting business, held hearings in his Subcommittee on Civil Service and General Services that indicated over half of the Department of Energy's $11 billion budget alone was spent on outside consultants and contractors. The General Accounting Office, various congressional committees, and other outside groups have done their own evaluations of the Federal consultant "machine" and found a number of common abuses, such as failure to use competitive procurement practices in securing consultant services; excessive rates of compensation for consultants; outside consultants performing policymaking or other managerial functions that should be performed inhouse by Federal employees; and rampant duplication of studies which often are never used. There is no question that consultant services should be cut and cut substantially.

Again, my proposed reduction will force Federal agencies to reassess their need for outside experts, apply more stringent guidelines for going "outside" for assistance to supplement their inhouse work force, and use consultants only when such expertise is absolutely critical to the mission of the agency. The National Tax Limitation Committee, under the direction of Milton Friedman, noted economist, has suggested savings of $2 to $3 billion in consulting services annually. My "modest" reduction of $1 billion should not affect the critical consulting requirements of the Federal Government next year.

AUDIOVISUAL/FILMMAKING AND PRODUCTION: —$250,000,000

A little publicized fact that probably escapes the notice of the average American taxpayer is that the Federal Government, according to the National Audiovisual Center in GSA, spends approximately $450 million to $500 million a year on audiovisual activities, including over $53,000,000 on motion picture, T.V., and video tape and audio production activities. The Department of Defense alone spends well over $410,000,000 a year on audiovisual production, duplication, equipment and supplies. The National Audiovisual Center also reports in its fiscal 1979 report on audiovisual activities that the Federal Government owned or leased 1,519 audiovisual facilities, totaling 8.9 million square feet of space in fiscal 1979. The Department of Agriculture alone owned or leased 62 such facilities, the Veterans' Administration, 181 facilities, and the Department of Defense, 1,074 audiovisual facilities. In fiscal 1979, 11 departments and 23 agencies owned or leased their own facilities. Since 1978, the Office of Management and Budget has been attempting to force agencies to consolidate or even eliminate audiovisual facilities that may be underutilized or nonessential to the Government's missions. It does not appear that OMB's directives as outlined in Circular A–114 have had much effect to date. Therefore, I am proposing a reduction of $250,000,000 in the audiovisual, filmmaking, duplication, and equipment budget for fiscal year 1982.

Now, it is true that many of these Government-sponsored productions are used for training films for the military and other Federal agencies, and for useful public information on health, science, and history. But in a year when we need to make every dollar count and make economies wherever possible, these activities would seem to be a good candidate for sharp reductions.

Here are some of the films and productions that have been produced with the taxpayer's money over the past several years:

Tent Flaps and Flapjacks: Portrays the recreational opportunities in the national forests in the northcentral states.

Squirrel Cage Rotor Principles: Describes the laws of magnetism and induced electromotive force, explains how in squirrel-cage rotors electrons flow up magnetic poles.

Silver Fox Rodeo: Shows the Navy Attack squadron at work and play. Also shows enlisted personnel and officers flying over the Sierras, riding broncos and wild burros, and milking wild cows.

Signs of Profit: Depicts the dreams of a farmer and his wife; explains how these dreams for bettering farming are not so far off if the farmer has the incentive to work for them.

Blondes Prefer Gentlemen: Shows proper and improper etiquette on a dinner date.

Twenty-six audiocassettes on teaching Swahili.

Conducted Tours: Shows some of the things that commonly go wrong with conducted tours.

Faces of Freedom: A story about our hostages in Iran? No way. This film traces the history and purpose of the National Portrait Gallery since its founding.

The Autobiography of a Jeep: Gives a look at that most all American of vehicles, the

jeep. Celebrates our national love affair with the automobile, transferred here to a remarkable little machine which would become a symbol of America's presence throughout the world.

Arizona Strip: Presents a documentary of one of the last horse-driven roundups, details a cattle roundup from chuck wagon to branding, while cowboys express their views about the life of cattlemen.

Feelings—A Way to Better Letter Writing: Compares two kinds of letter writing—one simple, easy to read and to the point; the other wordy, pedantic and complicated; suggests how agencies should correspond with the public in a simple style to say what needs to be said.

I like the Overhead Projector Because: Designed to offer ideas to teachers on how to use the overhead projector.

Hidden Beauty: Shows that a profitable junkyard business need not be an eyesore to highway users.

These are just a few of the hundreds of films that have been produced at taxpayer's expense. Even if these films were important information tools, there is little indication that the number of target viewers or the effect of the message received justifies the cost. Surely, in a year of double-digit inflation, the Federal Government's filmmaking and audiovisual program can be reduced sharply without seriously affecting the military or civilian agency effort to inform the public or train their own people.

PUBLIC AFFAIRS, PUBLIC INFORMATION, AND ADVERTISING: —$150,000,000

Mr. President, Government is big business and, like big business, the Federal Government seems to be spending large amounts of its scarce resources on public relations, public affairs, public information programs and advertising, activities which appear to be largely self-promotional. Now I have no problem with the private sector using its capital for such activities—after all, businesses are in business to make money by selling their services, programs, and products to the public. But, frankly, I believe that the Federal Government is spending too much of the taxpayer's money on these promotional functions.

This legislation would reduce Federal spending for public affairs, public information, and advertising by $150,000,000 in fiscal year 1982, with $30,000,000 of this reduction applied to advertising costs.

According to UPI investigative reporter Don Lambro, whose 2-year study of Federal spending programs culminated in his book entitled "Fat City," OMB and the Office of Personnel Management have privately estimated the cost of Government public relations, self-promotion, and other public information activities of the Federal Government at over $1.5 billion a year. Now, this figure includes the $500 million I mentioned earlier that the Federal Government spends on audiovisual activities, but it also includes approximately $400,000,000 for public relations, public affairs, and the personnel that run these so-called "PR" programs for the Government agencies, and as much as $200,000,000 for advertising. Again, as with consultants, neither the OMB nor any other Federal entity has a solid estimate of exactly what the Federal Government spends on these activities, but the best information we have shows that Uncle Sam is running a close second to many major corporations in the amounts it spends on public affairs and advertising annually.

For example, according to the White House Reorganization Project of 1978, more than 1,000 people from 29 different agencies are assigned to congressional relations at a cost of approximately $24,000,000. Many of these civil servants serve a most useful purpose in providing information to Senators and Congressmen and their constituents. However, it appears that more and more these bureaucrats are largely responsible for "selling" their respective agency programs to the Hill and—for lack of a better term—"lobbying" Members of Congress, especially around Appropriations Committee markup time. Half the staff in committee markups are agency representatives, hovering over their "allies" and scowling at Members who may be inclined to vote the "wrong way" on certain key issues affecting their agency, slipping notes to staff, and running to the phones for reinforcements from agency officials.

Other agency personnel work within the agency to promote agency programs and inundate the public with information, charts, pictures, and press releases on their respective programs. Mr. Lambro's research revealed that in the Department of Agriculture alone, nearly 1,000 people are employed as information-media workers to handle public information and public relation duties, while the Department of Defense has a press and public affairs staff of more than 316 people in the Pentagon with another 1,200 scattered around the country to handle DOD's public relations and press activities. Those two agencies alone have a combined public relations and public information budget of more than $50 million. Add to this the 459 public affairs staff at the Department of Health and Human Services and their budget of $25.4 million a year and you can see that public affairs is big business in the Federal Government.

Finally, according to advertising industry sources, the Federal Government spends in excess of $128 million a year on advertising. Mr. Lambro's research revealed that the figure is probably closer to $200 million, after his discussions with GAO and other Federal officials. Of this amount, probably half is for military recruiting advertisement costs, which are admittedly essential to the country and will not be affected by my legislation. The balance should be cut and cut substantially. My proposed reduction of $150,000,000 in public affairs and advertising activities assumes a reduction in advertising of $30,000,000 with the balance applied to the public relations, public affairs, and public information function. Surely, a reduction of this size can easily be absorbed by Uncle Sam in fiscal year 1982 without any noticeable diminution of the Government's ability to properly inform the public about Federal programs and provide adequate information to Congressional offices.

SAVINGS RESULTING FROM MORE AGGRESSIVE DEBT COLLECTION: MINUS $1,750,000,000

Finally, Mr. President, this legislation would direct the Director of OMB to achieve savings totaling $1,750,000,000 through more aggressive, persistent collection of debts owed to the Government, which have been previously written off as "uncollectable."

Going back to 1977, the General Accounting Office has issued no fewer than 30 reports covering, at least in part, the issue of debt collection and steps the Federal Government should be taking to go after bad debts occurring in student loan programs, VA loan programs, and other Federal activities where borrowers have backed out of their obligations to repay Uncle Sam. Three or four reports have been done exclusively on the governmentwide debt collection problem. And what have been the results?

Well, according to the GAO, of the current $125.7 billion in governmentwide receivables due, an estimated $6.3 billion will be uncollectable—enough to fund the space program for an entire fiscal year. Of the $6.3 billion, an estimated $3.9 billion constitutes uncollectable student loans, benefit overpayments, and other similar obligations due the Government, with the balance consisting of delinquent income taxes that the Internal Revenue Service has deemed "uncollectable." In other words the Government has shrugged its shoulders, thrown up its hands, and essentially said that we cannot get back $6.3 billion that is due. We all know what happens in the private sector to you and me if we do not pay our bills or repay our loans. Our credit is affected and in many cases we end up in court. Congress has begun to attack the root cause of Government bad debts and proposed statutory changes to make debt collection more effective governmentwide, thanks to efforts by my distinguished colleagues, Senators SASSER, PROXMIRE, PRYOR, and PERCY, and others who have tackled this problem in their respective committees.

But we have a long way to go and I believe that the fastest way to force Federal agencies to vigorously pursue both overdue accounts and most importantly so-called uncollectable bad debts, is to force savings of the magnitude I am recommending in this bill. A savings of $1,750,000,000 in fiscal year 1982 would tell the beleaguered American taxpayers that, finally, the Federal Government is trying to get some of their investment back.

CONCLUSION

Mr. President, I am aware that some of these proposed savings are not new ideas, not new proposals for where waste, abuse, and mismanagement can be reduced or eliminated. A number of my distinguished colleagues, both on the Appropriations Committee and other committees, have reviewed these areas and uncovered abuses that exist. What this legislation intends to do is translate all of the GAO reports, all of the testimony, all of the committee hearings, all of the investigations, and all of the rhetoric about cutting these budgets into action. And I do not intend to stop here. I intend to pursue these proposed savings through the appropriate authorizing committees

that will have jurisdiction over this bill. I intend to request an opportunity to testify before the Senate Budget Committee to urge that committee to incorporate the economies proposed in this bill into the targets and assumptions established in the first concurrent budget resolution for fiscal year 1982. And, finally, as the ranking minority member on the Treasury, Postal Service, and General Government Subcommittee of the Senate Appropriations Committee, I intend to offer this package of governmentwide savings as a general provision to the Treasury, Postal Service, and general Government appropriation bill for fiscal year 1982.

Mr. President, I urge my colleagues to help start the process of reducing these nonessential general Government expenditures by supporting this bill and subsequent efforts I intend to make down the road to make these savings a reality in the next fiscal year.

● Mr. SASSER. Mr. President, I am pleased to join my colleagues in introducing this legislation which will reduce the Federal deficit by almost $4 billion in fiscal year 1982.

This is a tough bill. It mandates substantial real cuts in several areas of Government spending. By reducing travel costs and consultant contracts, the Congress is signaling the heads of departments and agencies that we are serious about the need to reduce wasteful Government expenditures. By mandating improvements in debt collection activities, we are indicating that it is our feeling that the executive branch must do a better job of collecting its debts. In addition, this legislation mandates a reduction in Government public relations costs.

Mr. President, this legislative initiative is similar to cuts and reductions which have been advocated in previous years by Senators PRYOR, BAUCUS, and myself. These reductions are substantial. They represent a large percentage of total Government travel, consultant contracts, and public relations activities. These reductions will not be easy to accomplish—but these savings can be achieved. In the area of debt collection the Office of Management and Budget has testified that up to $16 billion can be collected through improved debt collection practices.

Mr. President, I would like to call attention to a bill which is currently pending in the Committee on Governmental Affairs, S. 61. This bill essentially embodies the provisions of the so-called Sasser-Pryor resolution which we introduced last year. This bill would encourage savings of up to $2 billion for the current fiscal year. A major section of the Sasser-Pryor resolution provides the statutory tools necessary to enable the executive branch to do a better job of collecting its debts. These provisions were approved by the Senate last December, and I am hopeful we can secure approval of S. 61 during this session of Congress.

Mr. President, S. 61 and the legislation we introduce today will save the taxpayer $6 billion. These bills are designed to reduce waste and improve Government efficiency. I believe these are essential steps which must be taken as we move toward a balanced budget.●

● Mr. PRYOR. Mr. President, I am pleased to join the Senator from Arizona (Mr. DECONCINI) in sponsoring this legislation. I believe we need to cut the Federal budget and we need to begin that process at places where services to the American people will not suffer. The items contained in this bill—travel, consultants, audiovisuals, and public relations—are such activities. Likewise, commonsense, as well as sound management concepts, can only lead to one conclusion about just debts to the Federal Government—that we need to make sure every dollar is collected.

I have previously joined the Senator from Tennessee (Mr. SASSER) in efforts to cut Federal travel and cited my experience with a group of 14 Federal employees who flew to Washington from Arkansas to visit me and others in the Arkansas delegation. The trip cost the Federal Government about $300 per plane ticket plus hotel, meals, and the time the employees were away from their work. A $5 phone call would have accomplished as much.

Mr. President, we must curtail this type of Federal travel, and this is the time to start. We must change this mind set we have fallen into in which people think these travel dollars "belong to someone else." It must end.

I have spoken many times about the Federal Government's use of consultant services. Such services cost billions of dollars a year and the taxpayers get very little in return for their money. Hearings and investigations by the subcommittee I chaired in the 96th Congress showed that such activities are often characterized by waste, duplication, and excessive cost.

Last year, I worked with the distinguished former chairman of the Appropriations Committee, Senator Magnuson, the distinguished Senator from Tennessee (Mr. SASSER), and others on budget cuts for consultant services. I believe that such reductions will increase Government accountability by making agency personnel more directly responsible for policy and programs. By imposing budget cuts in this way, we may force Federal officials to focus on the need and justification for many of these consultant projects, and in fact, will force managers in Government to manage the Government from inside.

Debt collection is a business matter and the Federal Government owes the taxpayers the duty to proceed in a business-like manner. Taxpayers are the ultimate losers when debts go unpaid and we should not allow the Federal Government to be asking for tax dollars unless we are also diligently pursuing dollars already owed to the Government.

Finally, in a period of budget cutting for all Americans, I believe the Federal Government should reduce its spending for audiovisual and public relations activities. Such spending must be brought in line with the reality of the 1980's and we in Congress must be prepared to act accordingly.

In closing, I urge the support of Senators for this economy measure. These cuts will have a significant impact, without jeopardizing even one vital program or one service that today we are rendering to our constituents. We should move forward without delay to achieve these savings.●

By Mr. GLENN:

S. 422. A bill to provide for the extension of the period for repayment of revenue bonds issued by the St. Lawrence Seaway Development Corporation to the Secretary of the Treasury from 50 years to 80 years, and for other purposes; to the Committee on Foreign Relations.

ST. LAWRENCE SEAWAY

● Mr. GLENN. Mr. President, today I am introducing legislation that would extend the repayment period for the remaining bonded indebtedness of the St. Lawrence Seaway Development Corporation and provide for that debt's retirement through equal annual installments over the extended period ending in the year 2043.

The purpose of this bill is to moderate and stabilize somewhat the schedule of tolls that is sure to be increased as the result of joint United States-Canadian negotiations, due to start in the near future.

When my office was preparing this bill for introduction, the problem appeared to be extremely urgent. Former Treasury Secretary G. William Miller, however, relieved the short-term problem facing the Seaway Development Corporation early in January, when he approved a revised repayment schedule that will save the corporation $15 million in outlays over the next 5 years. Unfortunately, this short-term solution only exacerbates the longer-term problem because, unless Congress intervenes, it would result in the ballooning of payments from $2 million in 1981 to $9.5 million-per-year in 1986.

In my view, Congress should intervene—and we should do it in time to let the U.S. negotiators know that the Corporation will not face these enormous repayment requirements at the end of the 5-year period. That assurance will prove important, not only to the U.S. negotiators, but also to the many shippers, farmers, manufacturers, workers and others throughout the American interior who rely upon the access to international trade provided by the St. Lawrence Seaway.

Had it not been for the action taken by former Secretary Miller, the St. Lawrence Seaway Corporation would have entered this year's negotiations knowing that its debt repayment requirement would be $5 million, rather than $2 million annually. Clearly, tolls would have been raised to meet that requirement. While the sum may not seem large in the context of the overall budget of the United States, the impact on U.S. firms and workers would have been significant when it is recognized that the total revenue from tolls for 1980 is expected to

amount to about $10 million. In the absence of legislation, this problem will recur again and again.

To show how Seaway tolls can affect trade, Mr. President, let me cite an example arising out of the last round of toll negotiations. In 1977, a vessel moving out of the Great Lakes, carrying 16,236 net tons of rolled sheet steel for export, was required to pay a $14,612.40 toll charge on the cargo. As a result of the 3-year incremental toll increase negotiated between the United States and Canada in 1978 tolls on that same cargo increased to $31,667.35 in 1980. That is an increase of 117 percent.

Obviously, such an increase has heavy impact on the continued economic viability of Seaway useage by cargo carriers. Anything we can do to discourage such steep increases in the future will be worthwhile. Clearly, tolls will rise again, whether or not the bill I introduce today is enacted. If it is enacted, however, not only will the debt retirement figure be firmly established at about $2 million annually over the next 5 years, but the U.S. negotiators will know that the repayment schedule for the Corporation's existing debt will not rise above that figure in the "out" years.

In short, our negotiators will not face the problem of having to ignore the long-term impact of the amortization scheme in order to meet only short-term goals. I believe that my bill, by providing for a 30-year extension of the repayment period, by statutorily restructuring the remaining debt of about $108 million to insure equal annual installments, and by permitting future toll negotiations to reflect the change in the payback requirements, would fulfill an important U.S. interest.

Mr. President, this bill is but one small step toward the improvement of shipping between the heart of America and the rest of the world. Its budgetary impact over the short term is negligible, and over the long run it is not much greater. But the bill can make a difference, especially to those 11 States which—like Ohio—are wholly or partly included in the Great Lakes Economic Region. By passing this bill, Congress can send a clear message to farmers, port officials, vessel owners and operators, maritime labor, and shippers. We will be telling them that the importance of the Seaway is recognized—and that the Congress of the United States retains an abiding interest in insuring that the north coast of the United States remains open to seagoing traffic. Surely, that is a message worth sending—and a goal worth achieving.●

By Mr. DOMENICI:

S. 423. A bill to improve the operations of certain water resource projects submitted to the Committees on Public Works of the Congress; to the Committee on Environment and Public Works.

OPERATION OF CERTAIN WATER IMPROVEMENT PROJECTS

● Mr. DOMENICI. Mr. President, I am today reintroducing legislation that seeks to preserve the agricultural character of the small watershed program which is within the responsibility of the Department of Agriculture's Soil Conservation Service. This legislation would affect only those small watershed projects submitted for review and possible authorization to the Committee on Environment and Public Works.

This bill is similar to legislation I introduced in 1978, and again in the 96th Congress. This legislation has won full Senate approval, but has never become law due to the failure of Congress to complete action on a comprehensive water resources development bill.

Section 1 of the bill requires that the full Senate pass on those SCS projects that would cost $10,000,000 or more, rather than leaving that responsibility to the discretion of the Committee on Public Works of the two Houses.

Section 2 of the bill requires that at least 20 percent of the benefits of a SCS project relate directly to agriculture. Too often, I believe, the SCS program has moved into urban areas, rather than focusing attention on the many water resources problems still facing rural America. The requirement for a 20-percent agricultural benefit is a fair and equitable one, I believe.

Section 3 of the bill adds a requirement for a report to the Congress on the ways to assure public recreational opportunities at SCS projects.

Mr. President, I ask unanimous consent that 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. 423

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of the definition of "works of improvement", contained in section 2 of Public Law 83-566, as amended, is further amended by adding after "$250,000" the following: "but not more than $10,000,000, for any projects submitted to the Committee on Environment and Public Works of the Senate and the Committee on Public Works and Transportation of the House of Representatives: *Provided,* That any project anticipated to cost more than $10,000,000 must be authorized by an Act of Congress.".

SEC. 2. Section 2 of Public Law 83-566, as amended, is further amended by deleting the period and inserting a colon at the conclusion of the proviso, and adding the following: *"And provided further,* That each such subject must contain benefits directly related to agriculture that account for at least 20 per centum of the total benefits of the project.".

SEC. 3. The Secretary of Agriculture, acting through the Administrator of the Soil Conservation Service, shall study and report to the appropriate committees of the Senate and the House of Representatives by April 1, 1982, on the feasibility, the desirability, and the public interest involved in requiring that full public access be provided to all water impoundments that have recreation-related potential and that were authorized by Public Law 83-566, as amended.●

By Mr. PACKWOOD (for himself and Mr. HATFIELD):

S. 425. A bill to amend the Mortgage Subsidy Bond Tax Act of 1980 to exempt from the coverage of such act certain general obligation mortgage bond issues of the State of Oregon; to the Committee on Finance.

AMENDMENT OF MORTGAGE SUBSIDY BOND ACT

● Mr. PACKWOOD. Mr. President, today I am introducing a bill to provide relief for nearly 5,000 veterans in Oregon.

Congress passed the Mortgage Subsidy Bond Tax Act as an amendment to the Omnibus Reconciliation Act of 1980. The intention was to restrict the issuance of mortgage subsidy bonds by local governments, and I supported that intention. In many instances, these bonds were providing funds for housing for families of all income levels, not just those who could not otherwise afford decent housing. The drain on the Treasury and the effects on inflation were too great to continue these programs without some restrictions.

The reasoning, Mr. President, was just as sound when Congress decided that qualified general obligation veterans' mortgage bonds should be exempted from those restrictions. Veterans have served our country well, and the State of Oregon has always felt a deep sense of responsibility to its veterans.

Unfortunately, in the rush to pass the bill as an amendment to the Omnibus Reconciliation Act of 1980, Congress intent to exempt veterans was not fully met. As a result, today several thousand veterans in Oregon face serious, and in many cases catastrophic, financial harm.

This bill will provide relief for those veterans. It will exempt the first two—and only the first two—general obligation veterans' mortgage bond issues of 1981 from the provisions of the Mortgage Subsidy Bond Tax Act.

Let me explain why we need this exemption. Applications for loans covered by Oregon veterans' mortgage bonds are received, and qualifying applications are formally committed to, in advance of any bond issue. The bond issue occurs only when the amount of loan money necessary to fund qualifying applications reaches $200 million.

In this particular case, because Oregon's bond ceiling had been reached for 1980, applications received between August 22 and December 5, 1980 were to be funded by a bond issue in January 1981. The effective date of the Mortgage Subsidy Bond Tax Act was January 1, 1981. At the time these veterans applied and the applications were received by the Oregon State Department of Veterans' Affairs, there was no indication that future veterans' mortgage bonds would be subject to the restrictions of the Mortgage Subsidy Bond Tax Act. In fact, they were repeatedly assured these bonds would be exempt. Because of those assurances, formal loan commitments were issued to those veterans who had qualified under the State veterans' program.

The same is true for applications received between December 8, 1980 and December 31, 1980. Both groups of applicants had applied and their applications had been accepted with the understanding that they were exempt from the restricting provisions of the Mortgage Subsidy Bond Act.

Mr. President, I ask unanimous con-

sent to insert at this point in the RECORD a summary prepared by the Department of Veterans' Affairs describing the effects of the Mortgage Subsidy Bond Tax Act on the Oregon veterans' mortgage bond program; a copy of the Oregon Department of Justice opinion responding to questions raised by the Oregon Department of Veterans' Affairs; and a summary describing the serious situation created in Oregon as the result of this act.

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

DEPARTMENT OF VETERANS' AFFAIRS

THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980

In the Summer of 1979, Representative Al Ullman, Chairman of the Ways and Means Committee, introduced the Mortgage Subsidy Bond Tax Act in response to pressure from the Treasury Department. The primary purpose of the Act was to require tax-exempt bonds to be registered and secondarily, to stop major cities from issuing general obligation bonds to provide funds for single family dwellings for people of all income levels. The Act was hurriedly introduced in a pressure situation, and appeared to abolish all tax exempt financing for housing.

The Director of Veterans' Affairs immediately contacted Representative Al Ullman and his staff and was assured that there would be an exemption for veterans' home loan financing although its exact nature was uncertain. It was through Representative Ullman's efforts that the exemption on veterans' bonds was included in the bill. The original draft and conversations with the Administrative Counsel for Ways and Means and the Senate Finance Committee indicated that the Act would not affect Veterans' Home Loan programs. Prior to each bond sale, the Department Bond Counsel, Mr. Howard Rankin, checked with the Representatives in Washington and Representative Ullman's Office to insure that there had been no change. Mr. Rankin and the Department were continually assured that veterans' bonds were not affected and that the Department could proceed with the bond sales on those terms.

In September, 1980, the Act became an amendment to the Omnibus Reconciliation Act. This was a major bill that was designed to raise revenue and cut spending.

Bond Counsel and the Department continued to keep in close contact with Representative Al Ullman's office but in the closing days of Congress, it was impossible to get sound readings on the Act as the House and Senate versions were substantially different. In order to resolve the differences the House and Senate versions were referred to a Conference Committee on November 26, 1980.

Although verbally assured that the veterans' exemptions were still in the Act, the Oregon Congressional Delegation, the Department of Veterans' Affairs and Bond Counsel, were unaware that the Conference Committee had selected the House version which contained certain restrictions on the veterans' exemptions.

The Conference Committee version was subsequently referred out on December 1, 1980, and quickly approved by the House and Senate on December 3, 1980. It was signed into law by the President on December 5, 1980.

How does the Mortgage Subsidy Bond Tax Act of 1980 affect the Department of Veterans' Affairs?

It should first, be clarified, that the Act has no effect on bond sales completed prior to January 1, 1981.

On bond sales after January 1, 1981, the Department has an obligation to proceed cautiously, to insure that the proceeds from the bond sales are disbursed in accordance with clear provisions as set down in the Mortgage Subsidy Bond Tax Act of 1980.

The penalty for non conformance is the loss of the tax exempt status of the bonds used to finance the program. To elaborate on this point, the interest earned on the tax-exempt Veterans' bonds is exempt from both Federal income tax as well as Oregon personal tax. Since the bonds are primarily purchased by large Eastern investors, their interest is in the exemption benefit from federal income tax. For investors in the 90 percent tax bracket, the interest earned on a 9 percent tax-exempt bond on today's market is equivalent to a 17¾ percent return on a non-exempted investment.

If the Department was found in violation of the terms of the Act, the interest earned by the purchasers of our bonds immediately becomes taxable. Since the Department issues a final bond opinion before each bond sale that the interest earned is exempt, the Department could owe the purchasers the difference between the 9 percent and the 17¾ percent. The Department would have to refinance the bonds at 17¾ percent and subsequently be forced to lend it to veterans at upwards to 18¾ percent.

In order to avoid being in violation of the Act, the Department is working closely with Bond Counsel, Mr. Howard Rankin and the State Attorney General's Office. Both Mr. Rankin and the Attorney General's Office are of the opinion that if the Department proceeds in a prudent manner with the advice of Counsel we will not be in violation of the Act and veterans' bonds will not lose their tax-exempt status.

In collaboration with Bond Counsel and the Attorney General's Office, we have made the following "good faith" interpretations:

The Act stipulates that "Substantially all of the proceeds from the bonds must be used to provide residences for veterans." The word "substantially" is determined to mean the same as when it is used in Section 103(B) of the code which relates to financing of industrial development bond facilities. In that section it states that "substantially all" of the bond proceeds must be used as prescribed, whereas the remaining 10 percent, the so-called "dirty money" is not subject to this same restriction. Because of its proximity in the IRS code, Bond Counsel advised this 90 percent-10 percent relationship for the word "substantially" as it related it to veterans' bonds is acceptable.

The Act defines "residence" so the Oregon Veteran Program may be subject to that definition, i.e., "Meets requirements only if it is a single-family residence which can reasonably be expected to become the principal residence . . ."

The Act does not define what is a "veteran". The Oregon Constitution defines "Veteran" and Bond Counsel believes this definition is probably acceptable. What is not clear is whether we can make a loan to a surviving widow.

What kinds of loans appear to qualify under the 90 percent category?

(A) Purchase of a single family residence which includes mobile homes and purchasing the equity of an ex-spouse. Nothing is said in the Act about farms. Bond Counsel, however, believes that if a farm loan contains the principal residence of the veteran mortgagor, that farm loans of $50,000 to $78,000 may be made until such time as the Treasurer more strictly restricts the definition. Non contiguous farm loans in areas such as Pendleton, where the veteran lives in the city and has a farm in the country would not qualify for financing except from the remaining 10 percent "dirty money".

(B) Construction of a single-family residence to include set-up and on-site improvements for a mobile home.

(C) Improvement Advances of all types on existing loans.

(D) Construction period loans.

(E) Refinance of bridge loans or temporary initial financing to acquire a single-family residence.

What kinds of loans do not appear to qualify under the 90 percent category?

(A) Refinance loans—any existing obligation that does not meet the definition of a bridge loan or construction period loan. This will include most trust deeds, mortgages, contracts, notes, etc.

(B) Farm loans on non-contiguous farm land

(C) Loans to a surviving spouse

Types of loans on which a ruling will have to be made include:

(A) Rehabilitation loans

(B) Assumptions and Transfers of existing Department loans by non-qualifying veterans.

(C) Multifamily units—specifically duplexes

The Mortgage Subsidy Bond Tax Act of 1980 requires all tax exempt bonds issued after December 31, 1981, to be in registered form.

The Veterans bonds on the other hand, are in coupon form. This new requirement to register the bonds may require that greater fees be paid to the paying agent in order to maintain a registered list of owners. The bonds themselves will have to be endorsed as opposed to the open free negotiations of the market. This change in procedure, however, is a technicality and not a significant problem.

Our Congressional Delegation in Washington plans to introduce changes to the Act which, if approved, would authorize us to process all applications received before December 31, 1980. Our delegation also is drafting a second proposal that would totally exempt our program from this Act. That particular legislation, however, will take some time.

There are six states with similar veterans' programs but the Oregon program is by far the largest and has the greatest concern. The Department will continue to carefully monitor the changes brought about by this new legislation. Hopefully, within 90 days the new guidelines will be drafted by the Treasury Department.

DEPARTMENT OF JUSTICE,
Salem, Oreg., January 22, 1981.

This opinion is issued in response to questions submitted by Robert B. Ball, Deputy Director, Department of Veterans' Affairs.

FIRST QUESTION PRESENTED

What qualifications are imposed on bonds issued by the Department of Veterans' Affairs by the Mortgage Subsidy Bond Tax Act of 1980 (PL 96-499, sec 1101 *et seq.*) to preserve the tax-exempt status of the interest paid on those bonds?

ANSWER GIVEN

In order to preserve the tax-exempt status of bond interest, Department of Veterans' Affairs bonds issued after December 31, 1980, must comply with the following requirements:

1. Substantially all of the proceeds of the bond issue must be used to provide residences for veterans;

2. The payment of the principal and interest on the bonds must be secured by the general obligation of the State of Oregon; and

3. With certain exceptions, the bond issue proceeds cannot be used to acquire or replace existing mortgages.

4. After December 31, 1981, bonds issued must also be in registered form.

SECOND QUESTION PRESENTED

The Act provides that the proceeds of a bond issue cannot be used to acquire or replace an existing mortgage. "Mortgage" is defined in the bill to include any other owner-financing. In light of these provisions, can the Department of Veterans' Affairs continue to refinance land sale contracts with bond proceeds?

ANSWER GIVEN

No. However, regulations to be issued by the Internal Revenue Service may permit bond proceeds to be used for refinancing purposes under certain conditions.

THIRD QUESTION PRESENTED

An exception to the prohibition on replacement of existing mortgages is made in the case of bridge loans or other temporary financing. What is a bridge loan? Does the term "temporary financing" include circumstances in which the Department of Veterans' Affairs has given a commitment letter, before funds are actually available, and a bank provides temporary financing until the Department of Veterans' Affairs funds are available?

ANSWER GIVEN

A bridge loan is short-term financing between the termination of one loan and the commencement of another. Temporary financing given on the security of a commitment letter from the Department of Veterans' Affairs should qualify as an exception to the prohibition on replacement of existing mortgages under future Internal Revenue Service regulations.

FOURTH QUESTION PRESENTED

Can the Department of Veterans' Affairs continue to make home improvement loans from tax-exempt bond proceeds under the provisions of the Act?

ANSWER GIVEN

Yes. However, until regulations clarifying the application of the Act are issued, home improvement loans made for purposes other than to protect or improve the basic livability or energy efficiency of the property cumulatively with all other loans discussed below which are not clearly qualified under the Act as residential mortgages for veterans) should not exceed 10 percent of the proceeds of any given bond issue, or should be made out of the proceeds of bonds issued not later than December 31, 1980.

FIFTH QUESTION PRESENTED

May the Department of Veterans' Affairs continue to make loans from tax-exempt bond proceeds for the purchase of (a) mobile homes, (b) multi-family housing or (c) farms?

ANSWER GIVEN

(a) Yes.

(b) Yes, under certain conditions. Two, three and four-family residences, first occupied at least five years before the mortgage is executed and at least one unit of which is owner-occupied, are eligible under the Act; other multi-family housing is not. Until regulations clarifying the scope of the Act are issued, the department should limit the amount of non-qualifying multi-family housing loans to less than 10 percent (cumulatively with other loans similarly discussed) of the proceeds of a bond issue, except for loans made out of proceeds of bonds issued not later than December 31, 1980.

(c) Yes, under certain conditions. Until regulations clarifying the eligibility of farm loans under the Act are issued, loans for farm properties having a substantial amount of non-residential acreage should be made in such a manner that the loan funds secured by the non-residential acreage have an identifiable source that does not exceed 10 percent (cumulatively with other loans similarly discussed) of the proceeds of a post-1980 bond issue, or that is from the proceeds of a bond issued not later than December 31, 1980.

SIXTH QUESTION PRESENTED

Can the Department of Veterans' Affairs continue to make loans to surviving spouses of members of the armed forces who died or were missing in action or prisoners of war while on active duty, from tax-exempt bond proceeds under the provisions of the Act?

ANSWER GIVEN

Yes, under certain conditions. Until regulations clarifying the scope of the Act are issued, the department should limit the amount of such loans to surviving spouses to less than 10 percent (cumulatively with other loans similarly discussed) of the proceeds of a bond issue, except for loans made out of proceeds of bonds issued not later than December 31, 1980.

SEVENTH QUESTION PRESENTED

After what date must bonds issued by the Department of Veterans' Affairs comply with the requirements of the Act?

ANSWER GIVEN

Any bonds issued by the Department of Veterans' Affairs after December 31, 1980, must comply with the requirements of the Act. The requirement that bonds must be issued in registered form first applies to bonds issued after December 31, 1981.

EIGHTH QUESTION PRESENTED

May the Department of Veterans' Affairs issue tax-exempt advance refunding bonds after December 31, 1980?

ANSWER GIVEN

No, except that refunding bonds may be issued to refund bonds outstanding on April 24, 1979. The maturity date of refunding bonds can be no more than two years after the maturity date of the mortgages funded by the original issue.

NINTH QUESTION PRESENTED

Do the provisions of the Act affect the rate of interest the Department of Veterans' Affairs may charge on loans for mobile homes?

ANSWER GIVEN

No. The new arbitrage requirements of the Act do not apply to veterans' bonds. However, existing arbitrage restrictions contained in the Internal Revenue Code of 1954 and the Income Tax Regulations may affect the interest rates charged by the Department on mortgages.

TENTH QUESTION PRESENTED

Do the provisions of the Act prohibit the Department of Veterans' Affairs from depositing all or any part of the proceeds of the bonds sold after December 31, 1980 into a bond debt reserve fund?

ANSWER GIVEN

No. The provisions of the Act do not specifically address the creation of or contribution to a bond debt reserve fund. Deposit of more than 10 percent (cumulatively with loans not clearly qualifying) of the proceeds of any bond issue into such a fund should be deferred until regulations have been issued clarifying the applicabilty of the Act to a reserve fund.

ELEVENTH QUESTION PRESENTED

May loans not qualified under the Act be made out of interest and principal repayments on loans, and that part of the bond debt reserve fund, derived from proceeds of bonds issued not later than December 31, 1980?

ANSWER GIVEN

Yes, to the extent that such funds are not required for bond interest and principal repayment, and within the limits of existing arbitrage regulations.

DISCUSSION

On December 5, 1980, the Mortgage Subsidy Bond Tax Act of 1980 (PL 96-499, sec. 1101 *et seq.*) was signed into law. The scope of this opinion is limited to the effect of that Act on housing bonds issued by the Oregon Department of Veterans' Affairs.

Due to the fact that interpretive regulations will necessarily be adopted by the Treasury Department, we are unable to predict with certainty the effect of the provisions of this Act on the Oregon veterans' loan program. We hope that those regulations will not jeopardize the tax-exempt status of bonds issued by the Department of Veterans' Affairs for the proceeds of which loan commitment letters have already been issued. However, until regulations have been proposed and adopted to clarify areas identified in this opinion as questionable, we urge the Department of Veterans' Affairs to examine carefully loans that fall into those questionable categories, and make every attempt to provide funds for those loans from the 10 percent of post-1980 bond proceeds considered available for unrestricted loans, and from the proceeds of bonds issued not later than December 31, 1980.

The Mortgage Subsidy Bond Act of 1980 (PL 96-499, sec 1101 *et seq.*, 94 Stat—(1980)) adds a new section 103A to the Internal Revenue Code of 1954.[1] This new section provides that the interest received on a mortgage subsidy bond is not exempt from federal income taxation. A mortgage subsidy bond is any bond, of which a significant portion of the proceeds are to be used directly or indirectly for mortgages on owner-occupied residences. IRC sec. 103A(b)(1).

Two exceptions to the rule of taxability of interest on mortgage subsidy bonds are provided in IRC sec. 103A. These exceptions are for qualified mortgage bonds and qualified veterans' mortgage bonds. The requirements imposed upon veterans' mortgage bonds directly affect bonds issued by the Oregon Department of Veterans' Affairs.

IRC sec. 103A(c)(3) defines a qualified veterans' mortgage bond:

"(3) Qualified veterans' mortgage fund defined.—For purposes of this section, the term 'qualified veterans' mortgage bond' means any obligation—

"(A) which is issued in registered form as part of an issue substantially all of the proceeds of which are to be used to provide residences for veterans,

"(B) the payment of the principal and interest on which is secured by the general obligation of a State, and

"(C) which is part of an issue which meets the requirements of subsection (j)(2)."

Subsection (j)(2) provides that no part of the proceeds of a bond issue may be used to acquire or replace existing mortgages. IRC sec. 103A(j)(2).

The requirement that a qualified veterans' mortgage bond be registered first applies to bonds issued after December 31, 1981. PL 96-499, sec. 1104(i). This requirement and the requirement that a veteran's mortgage bond be a general obligation of the state present no difficulties for compliance, as the Oregon Department of Veterans' Affairs currently issues general obligation bonds for its farm and home loan mortgage program, and we assume that one year will be a sufficient period of time for the department to change its procedure for issuing bonds from coupon form to registered form.

The requirements of IRC sec. 103A that will have the most significant impact on the veterans' bond program are the requirement

[1] Section 1102 of PL 96-499 amended Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954, by adding a new section 103A. For clarity, this new section will be referred to in this opinion as IRC sec 103A rather than as sec 1102, PL 96-499.

that substantially all of the proceeds of a bond issue must be used to provide residences for veterans, and the general prohibition on use of bond proceeds to refinance existing mortgages.

"Substantially all" requirement

IRC sec 103A(c)(3)(A) requires that "substantially all" of the proceeds of qualified veterans' mortgage bonds be used to provide residences for veterans. No definition of this standard is given in the Act.[2] Current regulations affecting the tax-exempt status of other types of governmental obligations established a test for determining whether "substantially all" of the proceeds of a bond are used for the exempt purpose. Generally these regulations state that substantially all of the proceeds of an issue of governmental obligations are used for the exempt purpose, if 90 percent or more of the proceeds are used for the exempt purpose. *See* Income Tax Reg, 26 CFR, Part 1, secs 1.103–8(a)(1)(i) (industrial development bonds); 1.103–9(a)(1) (industrial parks); 1.103–10(b)(1)(ii) (exempt small issues); and 1.103–13(e)(1)(i) (exempt arbitrage bonds). If the Internal Revenue Service interprets the language "substantially all" in the same manner as it has in the past, the Department of Veterans' Affairs bonds should meet the "substantially all" test if 90 percent of the proceeds of the bonds are used for residential mortgages for veterans. As discussed below, if this standard is interpreted in this manner, approximately 10 percent of the proceeds of any given bond issue may be available for nonqualifying loans or purposes.

In the discussion below, every reference to a 10 percent limit of proceeds for certain types of loans must be taken to mean 10 percent cumulatively with all other non-qualifying loans or purposes similarly discussed.

Refinancing

IRC sec 103A(j)(2) requires that no part of the proceeds of a qualifying bond issue be used to acquire or replace existing mortgages. Three exceptions to this rule will be allowed, under regulations to be prescribed by the Secretary of the Treasury. These exceptions are the replacement of construction period loans, bridge loans or other temporary initial financing, and, in the case of a qualified rehabilitation loan, an existing mortgage.

The term "mortgage" is defined in IRC sec 103A(1). A "mortgage" includes any form of owner-financing. On its face, this appears to extend to traditional mortgages, trust deeds, land sale contracts and any other method by which a buyer would finance a real estate purchase. Therefore, with only three exceptions, no portion of the proceeds of a veterans' mortgage bond issued after December 31, 1980 may be used to refinance an existing mortgage, land sale contract or trust deed.

Of the three exceptions, the term "construction period loan" appears to be self-explanatory. A "qualified rehabilitation loan" means any form of owner-financing provided in connection with a qualified rehabilitation. IRC sec 103A(1)(7). Rehabilitation of a building is qualified within the meaning of IRC sec 103A(1)(7) if there is a period of at least 20 years between the date on which the building was first used and the date on which the physical work of rehabilitation began, if 75 percent or more of the existing external walls of the building are retained in place as external walls in the rehabilitation process, and if the expenditures for the rehabilitation are 25 percent or more of the mortgagor's adjusted basis in the residence after completion of the rehabilitation.

The only definition we have been able to find of a "bridge loan" or "bridge financing" is;

"[s]hort-term financing between the termination of one loan and the commencement of another, or between the acquisition of a property and its improvement or rehabilitation to make it eligible for a permanent mortgage, or between the maturity of a construction loan and the negotiation of permanent financing." Arnold & Kusnet, *The Arnold Encyclopedia of Real Estate*, p. 93 (1978).

A bridge loan, therefore, is temporary financing which anticipates the arrangement of permanent financing for purchase of a residence within a short period of time. The bridge loan exception to the requirement that the proceeds of a qualified veterans' bond issue not be used to replace existing mortgages will no doubt be the subject of regulations in the future.

For the present, we think it is safe to say that a temporary loan based upon a commitment letter from the Department of Veterans' Affairs, repayable when the veteran's loan is received and specifically tied to that loan, will qualify as a "bridge loan or similar temporary initial financing." We see no reason why temporary seller financing such as a land sale contract should not also qualify, if based upon a Department of Veterans' Affairs commitment letter and specifically tied to the veteran's loan. However, other forms of "creative financing" not based upon a commitment letter and tied to the veteran's loan may well not qualify.

Until the Secretary of the Treasury adopts regulations further defining permissible construction period loans, bridge loans or similar temporary initial financing, and qualified rehabilitation loans, the Department of Veterans' Affairs should avoid making any refinancing loans, except those which clearly qualify under this discussion of the exceptions identified in IRC sec 103A(j)(2), with funds obtained from bonds issued after December 31, 1980.

Home improvement loans

The only reference to home improvement loans in the Act occurs in IRC sec. 103A(e), which does not apply to veterans' mortgage bonds. This subsection requires that a mortgagor receiving proceeds of a qualified mortgage bond issue have no interest in a principal residence for three years before the date of execution of the mortgage. A "qualified home improvement loan" (as defined in IRC sec. 103A(1)(6)) is exempt from the three-year requirement.

No reference is made in the Act to home improvement loans as constituting a permissible use of proceeds "to provide residences for veterans." IRC sec. 103A(c)(3). It is reasonable to assume, however, that since certain home improvement loans are considered eligible to be made from the proceeds of a qualified mortgage bond, they should be eligible to be made from the proceeds of a qualified veterans' mortgage bond also.

Whether any limits would be imposed on home improvement loans made from the proceeds of veterans' mortgage bonds is not clear. If the Treasury Department imposes conditions on home improvement loans for veterans, they would likely be no more stringent than those conditions imposed by the Act on home improvement loans made from the proceeds of qualified mortgage bonds. As defined in IRC sec. 103A(1)(6), a "qualified home improvement loan" is

". . . the financing (in an amount which does not exceed $15,000)—

"(A) of alterations, repairs, and improvements on or in connection with an existing residence by the owner thereof, but

"(B) only of such items as substantially protect or improve the basic livability or energy efficiency of the property."

Until regulations clarifying this question are issued, the Department of Veterans' Affairs should use proceeds of bonds issued after December 31, 1980, only for those home improvement loans that meet the quoted definition. Loan uses that appear to satisfy the requirement that the alterations, repairs or improvements "substantially protect or improve the basic livability or energy efficiency of the property," are: the addition of living space, weatherization, modification of plumbing or electrical systems to comply with building code standards, major structural repairs and the like. The Department of Veterans' Affairs should exercise reasonable judgment in determining whether a proposed item qualifies. Such items as fencing, painting, landscaping, new carpeting or drapes, may not meet the standard established in the Act. Loans for these kinds of items should be restricted to less than 10 percent of post-December 31, 1980 bond proceeds.

"Residences"

The term "residence" is defined in the Act as "a single-family residence which can reasonably be expected to become the principal residence of the mortgagor" and which is "located within the jurisdiction of the authority issuing the obligation." IRC sec 103A(d). Although veterans' mortgage bonds are not specifically made subject to this definition, it is possible that it will be adopted as applicable in subsequent regulations.

The ORS 407.010(2)(c) definition of a "home" eligible for a veteran's loan is "any residential-type structure . . . which is established, maintained and used primarily as a principal residence by the veteran." A "home" meeting this requirement of Oregon law would clearly be a "residence" under the quoted language of IRC sec 103A(d). Neither the federal nor the state definition requires the home or residence to be real property, or excludes mobile homes. State law goes on specifically to authorize loans for mobile homes, which meet the definition of "home" and therefore meet the federal definition of "residence," if they meet minimum size requirements set forth in ORS 407.010(2)(e). *See also* ORS 407.070(1), requiring a shorter amortization period for mobile home loans, and ORS 407.072, authorizing a higher rate of interest. We are confident that the federal Act permits use of bond proceeds for veterans' loans on mobile homes which qualify as "homes."

IRC sec 103A(1)(9) further defines the term "single-family" when it is used with respect to a residence to include "two, three or four family residences one unit of which is occupied by the owner and which were first occupied five years before the mortgage is executed." Thus some multi-family residences (at least five years old, at least one unit owner-occupied, maximum four units) will qualify.

It is questionable whether all veterans' farm loans would qualify under the Act. A farm must include a residence to be eligible for a veterans' loan, and the fact that a residence sits on 80 acres rather than one-fourth acre does not seem to be significant under state law. Residential loans are limited to $50,000 or $58,000 under ORS 407.040(1), whereas under the same statute the limit on a farm loan is $180,000. Thus it appears that a veterans' farm mortgage must be secured by agricultural, non-residential property valued at least at the amount of the loan in excess of the limitation on residential loans. We cannot say that a loan on a residence accompanied by a substantial amount of non-residential property is a qualifying loan on a residence.

A reasonable interpretation of the term "residence" would be that a farm property having a small amount of acreage (for ex-

[2] The House Committee Report on HR 5741 (the predecessor to the bill finally enacted as sec 1102, PL 96–499) states that "substantially all" has the same meaning as under IRC sec 103(b)(4). HR Rep No. 96–678, 96th Cong, 2nd Sess 46, n 6 (1979).

ample five acres), located in an area subdivided for rural residential use, would be treated as a qualifying residence under the Act. Farm properties having a substantial amount of nonresidential acreage might not be so treated. Until regulations clarifying the dividing line between "residential" farms and "non-residential" farms are adopted, the Department of Veterans' Affairs in making loans on those properties that might be classified as having a substantial amount of non-residential property, should be careful to allocate post-December 31, 1980 bond proceeds only to the qualifying portion of the property. That is, any portion of the loan used for the non-residential acreage must come from only the 10 percent (cumulatively with other loans similarly discussed) of the proceeds of the bond issued after December 31, 1980 considered available for non-qualifying loans, or from the proceeds of a bond issued before December 31, 1980. The funds used to finance the residential portion of the property may come from any funds available to the department. This allocation should be clearly documented.

Unless an expanded definition of residence is adopted in forthcoming regulations, the Department of Veterans' Affairs will be limited in its use of 90 percent of the proceeds of a bond issue to qualifying residences. Until such regulations are issued, loans on the acreage portion of farms having substantial amounts of non-residential acreage and loans on multi-family housing which does not meet the requirements of IRC sec. 103A(1)(9), should be limited to 10 percent or less of the proceeds of any bond issued after December 31, 1980.

"Veterans"

The new Act also requires that loans for residences be made to veterans.[3] Although no definition of veteran is given in the Act, surviving spouses of veterans who died on active duty or who were missing in action or prisoners of war (eligible for loans under Or Const Art XI–A, sec 3) may not qualify under the provisions of IRC sec 103A as veterans. Until regulations are issued resolving this matter, the Department of Veteran's Affairs should limit any loans to surviving spouses of veterans to less than 10 percent of the proceeds of bonds issued after December 31, 1980, or make such loans only out of the proceeds of bonds issued before December 31, 1980. Also, if the class of veterans eligible for loans under Art XI–A, sec 3 is different than the class of eligible veterans under the Act, the department must limit loans to ineligible veterans to less than 10 percent of post-1980 bond proceeds.

Effective date of bond limitation

Section 1104(a)(1) of PL 96–499 provides that the provisions of new IRC sec 103A apply to any obligation issued after April 24, 1979. However, sec 1104 postpones the date of application of new IRC sec 103A to obligations issued on or after January 1, 1981 if substantially all of the proceeds of obligation issued before January 1, 1981 are committed by firm commitment letters within one year after the date of issuance of those obligations. PL 96–499, sec 1104(a)(2). We are advised that the Department of Veterans' Affairs has met this requirement for all bonds issued before January 1, 1981. Thus, the date the provisions of IRC sec 103A first apply to bonds issued by the Department of Veterans' Affairs is January 1, 1981. The single exception to this date is the registration requirement which applies to bonds issued after December 31, 1981.

[3] The House Committee Report on HR 5741 indicates that the term "Veteran" includes any person who served in the active military, naval or air service, and who was discharged or released from service other than dishonorably. HR Rep No. 96–678, *supra* 46.

Refunding of existing bonds

IRC sec 103A(n) provides:

"(n) Advance refunding of mortgage subsidy bonds not permitted.—On and after the date of the enactment of this section, no obligation may be issued for the advance refunding of a mortgage subsidy bond (determined without regard to subsection (b)(2))."

This provision first applies to obligations issued after December 5, 1980 (the date of enactment of the Mortgage Subsidy Bond Tax Act of 1980), that have been issued for the advance refunding of any outstanding obligation. The prohibition on advanced refunding contained in IRC sec 103A(n) applies equally to veterans' bonds as well as any other form of mortgage subsidy bond. We are advised that the Department of Veterans' Affairs does not issue advance refunding obligations.[4] However, this provision raises the question whether a refunding obligation will be treated as tax exempt when issued after December 31, 1980.

Subsection (g) of section 1104 of the Act provides that the restrictions placed on mortgage bonds in IRC sec 103A do not apply to refunding obligations which refinance tax-exempt bonds outstanding on April 24, 1979, if on April 24, 1979, there was "an agreed on period for the maturity of the mortgages, or other financing," and "the new obligations have a maturity date which does not exceed by more than two years" the agreed on period for maturity of the mortgages. The Conference Committee Report (HR Rep No. 96–1479, 96th Cong, 2nd Sess 179 (1980)) indicates that this provision authorizes tax-exempt indebtedness outstanding on April 24, 1979, to be rolled over where the maturity of the tax-exempt housing bond is no longer than two years after the life of the initial mortgages on the properties. Under this provision, the Department of Veterans' Affairs could issue refunding bonds for any bond outstanding on April 24, 1979, upon its maturity, so long as the maturity date of the refunding bond was no later than two years after the due date of the mortgages funded by the prior issue. The refunding bonds would not be subject to any of the requirements of IRC sec 103A so long as they complied with the provisions of section 1104(g) of the Act. In addition, section 1104(g)(2) provides that these kinds of refunding bonds can exceed the amount of the outstanding indebtedness by an amount reasonably necessary to cover reserves and costs of issuing new indebtedness.

Interest rates

IRC sec 103A contains provisions restricting the effective rate of mortgage interest that may be charged for loans from proceeds of a qualified mortgage bond. This restriction, contained in subsection (i) of IRC sec 103A, is not identified in IRC sec 103A(c)(3) as one of the provisions with which a qualified veterans' mortgage bond must comply in order to be tax exempt. The rates of interest charged by the Department of Veterans' Affairs for loans on personal as well as real property, that is on mobile homes which are personal property, are subject to existing arbitrage restrictions contained in IRC sec 103 and the provisions of Income Tax Reg sec 1.103–13. So long as existing interest rate restrictions are complied with, new IRC sec 103A does not impose further requirements.

Bond debt reserve fund

The provisions of new IRC sec 103A do not address the creation of or contribution to a bond debt reserve fund. Existing regulations (*see* Income Tax Reg sec 1.103–14) impose certain restrictions on reserve funds. Those regulations presumably affect the creation of a reserve fund by the Oregon Department of Veterans' Affairs, but the extent of their application is beyond the scope of this opinion. It is possible that similar regulations may be promulgated under the authority of new IRC sec 103A. We are unable to comment on the potential impact of such regulations at this time.

[4] The House Committee Report on HR 5741 states that a refunding bond issued more than 180 days before the refunded issue is redeemed will be considered an advance refunding bond. HR Rep. No. 96–678, *supra* 46.

Loans out of proceeds of previous bond issues

This opinion has been limited to effect of the Act on loans made out of the proceeds of bonds issued on or after January 1, 1981. On several occasions, our discussion specifically states that a particular conclusion is applicable only to such loans, or has no effect on loans made out of proceeds of earlier bond issues. However, we believe it appropriate to emphasize this point.

Of course, most payments of interest and principal by veterans must immediately or ultimately go to pay interest and principal on bonds. Yet it is possible that a surplus may exist at any time, whether or not temporary, which would be available for additional loans. Further, the department now maintains a debt reserve fund, some part of which may be available for additional loans. To the extent that such funds are originally derived from proceeds of bonds issued in 1980 or earlier, they are in no way subject to any limitations created by the Act. The principal limitation would be financial prudence, for of course no loan disbursements should be made which would jeopardize the ability of the department to pay principal and interest on its bonds when they come due.

We must caution, however, that existing restrictions on the reinvestment of proceeds of tax-exempt bonds under IRC sec 103(c) and Income Tax Regulations 26 CFR Part 1 sec. 1.103–13 *et seq.* (arbitrage regulations) must be observed.

DAVE FROHNMAYER,
Attorney General.

APPLICATION HARDSHIP CASES—JANUARY 16, 1981

1. A request for funds to refinance an existing obligation in the nature of a mortgage or purchase contract placed on the property at the time of earlier acquisition, when additional funds are also requested for extensive remodeling or construction of a dwelling on the property. This type of loan is apparently to be prohibited under the provisions of the Mortgage Subsidy Tax Act. Anticipating loan closure upon the sale of bonds in 1981, the veterans have obligated themselves extensively. Frequently, the indebtedness is sufficient that financial ruin could result, and in most cases, long range financial hardship will ensue when the loan cannot be closed because of restrictions of the Mortgage Subsidy Tax Act. See specific Hardship Case Number 1, attached.

2. Veterans have entered into purchase agreements for acquisition of farms where the residence is not contiguous. (The residence is on one parcel of land and the balance on another tract or tracts.) The Mortgage Subsidy Tax Act appears to preclude making such loans. Applicants in anticipation of closing when future bond sale funds were available have entered into various types of indebtedness, sold other property, moved in to property being offered as security for the loan, and taken any number of other actions which will result in very dire hardships and disruption of their lives if a loan cannot be consummated. See specific Hardship Case Number 2, attached.

3. Applications involving refinancing or paying off existing purchase mortgages and purchase contracts both on a long-term and short-term basis wherein the plan of the applicant was to build-up the necessary equity and then refinance using his veteran's loan entitlement. Very often such instruments were not prepared with such plans specified and are, therefore, unable to be considered

bridge or interim type loans. Veterans in such a category are often saddled with excessive payments interrupting long range plans to reduce payments through refinancing with their Oregon State Veterans' loan for the purpose of starting families, making improvements, buying furniture or educating their children. See specific Hardship Case Number 3, attached.

4. As many as 4,200 veterans currently awaiting completion of their loan applications could be adversely affected in varying degrees as reported above. Please see the attached capitulation of current pending applications.

HARDSHIP CASE NUMBER 1

Veteran came to the East Portland Office early in 1980. He asked to borrow $58,000; $18,000 balance of purchase contract and $40,000 for renovation of the house.

Since we cannot disburse construction funds until we hold title, and because the low point of value in the reconstruction of the house did not present sufficient value for us to disburse for title acquisition, the veteran was forced to borrow $18,000 from United States Bank and $40,000 from a Portland Credit Union.

On October 1, 1980, veteran came to the office and applied. On October 24, 1980, we made a commitment subject to availability of funds.

This is a refinance under the Omnibus Reconstruction Act of 1980 and as funds to finance this loan must come from bonds sold under the Act, the Act prevents our making this kind of a loan.

Veteran assures us that his only out is bankruptcy.

HARDSHIP CASE NUMBER 2

A veteran farmer entered into an agreement to purchase two parcels of 40 acres each; one parcel of 40 acres and the home, another 40 acre parcel one mile away. Veteran made a sizable down payment on a contract purchase with the intent to refinance with the Department of Veterans' Affairs when loan funds were available.

Veteran proceeded with additional improvements to both parcels consisting of storage barns and other on-site improvements, including weatherization.

Veteran encumbered himself and property with large payments at a high interest rate pending refinancing with the Department of Veterans' Affairs. That would allow him to continue with his farming program under a payment schedule he could afford.

The veteran is now in a position of losing the property plus his investment because of short-term payoff on the contract and heavy payments on other debts for improvements that could have been cleared with a Department of Veterans' Affairs loan.

HARDSHIP CASE NUMBER 3

Veteran applicant entered into agreement to purchase (contract or mortgage) several months ago. Loan amount needed was in the excess of limits allowed by the Department of Veterans' Affairs at the time of purchase.

The veteran's intent was to refinance that mortgage or contract after he or she had paid a sufficient amount to the principal to accrue the needed equity or reduce the principal to an amount that could come within the loan limits of the Department of Veterans' Affairs. This refinancing would save the veteran, in most cases, approximately $40 to $120 per month.

Most veteran applicants can manage a heavy payment schedule for a limited time, knowing that refinancing will provide relief. The veteran will, in all probability, lose his home because of the heavy payments if he is not allowed to use the Department of Veterans' Affairs loan program to refinance.

FUNDING FIGURES THROUGH JANUARY 15, 1981

Applications received 8-22-80 through 12-5-80:

(To be financed from proceeds of bond sale held January 7, 1981)

Regular	5,131	$203,963,213
Energy	666	2,025,721
	5,797	205,988,934

Applications received 12-8-80 through 12-31-80:

(To be financed from proceeds of future bond sales, probably April 1981)

Regular	7,724	$340,762,228
Energy	280	948,948
	8,004	341,711,176

Applications received 1-1-81 through ——:

(To be financed from proceeds of future bond sales, probably July 1981)

Regular	128	$4,533,252
Energy	28	77,696
	156	4,610,948
Totals:		
Regular	12,983	$549,258,693
Energy	974	3,052,365
	13,957	552,311,058

NOTE: Probably as much as 30 percent of loan applications listed above are of a type which will be restricted under the provisions of the Mortgage Subsidy Tax Act.

Mr. PACKWOOD. Mr. President, in order to guarantee the continued operation of the Oregon veterans' mortgage subsidy bond program, it may be necessary to permanently amend the Mortgage Subsidy Bond Tax Act. At this time, I ask unanimous consent to insert a copy of draft legislation which would clarify the definition of qualified veterans' mortgage bonds.

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

S. 425

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (3) of section 103A(c) of the Internal Revenue Code of 1954 (defining qualified veterans' mortgage bonds) is amended to read as follows:

"(3) Qualified veterans' mortgage bond defined.—

"(A) IN GENERAL.—For purposes of this section, the term 'qualified veterans' mortgage bond' means any obligation—

"(i) which is issued in registered form as part of an issue substantially all of the proceeds of which are to be used to provide residences for veterans and surviving spouses of veterans killed or missing in action, and

"(ii) the payment of the principal and interest on which is secured by the general obligation of a State, and

"(B) RESIDENCES.—For purposes of subparagraph (A)(i), proceeds of an obligation which are to be used for—

"(i) farms,

"(ii) personal property which may be used as a residence, or

"(iii) home improvement loans,

shall be treated as proceeds which are to be used to provide residences for veterans. The determination as to whether the funds are to be used for any such purpose shall be made under the applicable State law.

"(C) ASSUMPTIONS.—Mortgages with respect to which owner-financing has been provided by an obligation described in subparagraph (A) may be assumed only if the asumption meets the requirements of State law.".

SEC. 2. The amendment made by the first section of this Act shall take effect as if included in the amendments made by the Mortgage Subsidy Bond Tax Act of 1980.

Mr. PACKWOOD. Mr. President, the potential need for this legislation is described in the documents inserted earlier in the RECORD. I want to reemphasize, Mr. President, I am not asking for a change in the policy established by the passage of the Mortgage Subsidy Bond Tax Act. I am simply asking for amendments which will honor Congress intention to exempt State veterans' mortgage bond programs which rely on the full faith and credit of the State.

By Mr. MATSUNAGA (for himself and Mr. BAUCUS):

S. 426. A bill to implement the United Nations Convention on the Means of Prohibiting and Preventing the Illicit Import, Export, and Transfer of Ownership of Cultural Property; to the Committee on Finance.

UNITED NATIONS CONVENTION FOR CULTURAL PRESERVATION

Mr. MATSUNAGA. Mr. President, I am introducing today, with the Senator from Montana, Mr. BAUCUS, as cosponsor, a bill to implement articles 7(B) and 9 of the United Nations Convention on the Means of Prohibiting and Preventing the Illicit Import, Export, and Transfer of Ownership of Cultural Property.

The Convention's chief purpose is to combat the illegal international trade of national art treasures. The parties to the Convention undertake to prohibit importation of cultural property stolen from museums, public monuments, and similar institutions, and also undertake to recover and return such property to the rightful owners.

The United States played an active role in negotiating this Convention and it was adopted by the United Nations Educational Scientific and Cultural Organization (UNESCO) on November 14, 1970. The U.S. Senate approved the Convention by a vote of 77 to 0 on August 11, 1972. Despite the U.S. role in bringing about this Convention, the U.S. Congress has still to enact the implementing legislation.

Today the illegal traffic in stolen art objects has soared to unheard of levels. Recently, we in the United States had an experience demonstrating the importance of our own cultural patrimony. The Smithsonian Institution National Portrait Gallery announced the acquisition of the Gilbert Stuart portraits of George and Martha Washington from the Athenaeum of Boston. The removal of these famed portraits from Boston raised an outpouring of indignation from Boston citizens, and several public officials sharply criticized the removal of Boston's cultural patrimony by the Smithsonian Institution.

This uproar over Gilbert Stuart's portraits seems quaint when viewed in light of the plundering occurring abroad to satisfy art collectors. The cultural patrimony of various foreign countries are being stolen from museums, public monuments, and institutions, only to turn up in the hands of private collectors or museums in the United States and other Western countries.

Bronze figurines and marble reliefs from the archaeological sites of Herculaneum and Pompeii in Italy have been stolen; amber, glass, and bronze ornamental jewelry dating from the fourth century B.C. have been robbed from a museum in Yugoslavia; numerous bronze and gold artifacts from the tomb of the legendary King Midas have been taken from the Gordion Museum in Turkey; important archaeological sites in Thailand have been plundered. The cultural patrimony of these countries, equal in importance to the Stuart portraits to the United States, are being looted for sale to private collectors.

In some areas, this rape of cultural patrimony has been devastating. In the Mayan ruins in Mexico, huge sculptures are broken into pieces for clandestine shipment. Large statues have been battered with sledge hammers, sliced into pieces with stone saws, and mutilated. Mayan walls decorated with larger-than-life-size models of human and animal forms have been blasted into fragments, so that pieces may be transported out of Mexico and illegally sold.

To prevent this rape of other nations' cultural heritage, the United States advocated the adoption of the UNESCO Convention and the U.S. Senate approved the Convention on August 11, 1972, as earlier noted. Those good intentions must be translated into hard action. I believe that it is time for the Congress to adopt the implementing legislation. This bill is needed to end the trafficking in this country of stolen art objects which has encouraged the looting abroad. Just as we seek to protect our own cultural heritage, we should be willing to help other nations protect and maintain their own cultural heritage.

By Mr. BAUCUS:

S. 427. A bill for the relief of F. H. Stoltze Land and Lumber Co., Inc.; to the Committee on the Judiciary.

STOLTZE LUMBER CO.

● Mr. BAUCUS. Mr. President, last session a bill for the relief of Stoltze Land & Lumber Co. of Columbia Falls, Mont., was introduced to compensate it for losses suffered as a result of timber trespass by the U.S. Government.

In 1966, the Bureau of Indian Affairs made a sale of timber on the Flathead Indian Reservation. The Stoltze Co. owns parcels of timberland in section 34 and 35, township 25 north, range 24 west, principal meridian Montana, which abut the reservation. In laying out the sale and marking and designating the timber to be cut under contract, the Bureau of Indian Affairs inadvertently crossed the boundary of tribal lands and included trees on the Stoltze land in the timber sale.

The Stoltze Co. didn't discover the trespass until late in 1974 when employees hiked into the remote mountainous area to examine the company's timber and schedule it for harvesting operations in 1975. Early in 1975, the company made a claim to the BIA, which was forwarded to the regional office of the solicitor, Department of Interior, Billings, Mont. The regional office treated the claim as being founded on a tort. The Stoltze claim was denied because the statute of limitations for a claim founded on a tort bars action against the Government, unless the claim is submitted in writing to the appropriate Federal agency within 2 years after it has occurred. Prior submission to the appropriate agency is necessary to get jurisdiction by a U.S. district court.

The Stoltze Co. had its land examined by an independent consultant to determine the value of the timber that was cut and removed in trespass. Although the Stoltze figures were higher than those presented by the Bureau of Indian Affairs, Stoltze is willing to accept the Bureau's figures in an effort to remedy the situation as soon as possible. The Bureau has determined the trespass involved the cutting and removal from the Stoltze land of 824,493.64 board feet of timber for which the Bureau was paid $25,083.23 under the timber sale contract.

Stoltze seeks to recover from the U.S. Government, the funds received from the third party contractor to whom the timber was sold. The company also would like to receive interest on the money at an annual rate of 6 percent beginning January 1, 1969. This amounts to $1,504.99 per year for a total of $16,544.89 for the years 1969 through 1980. The total request for relief for the Stoltze Co. is $41,638.12.

I introduced a similar private relief bill for the Stoltze Co. during the 95th Congress when I served in the House. However, no action was taken on that bill by the House Judiciary Committee. I feel the Stoltze Co. deserves to receive compensation for the losses it has incurred due to a mistake made 10 years ago by the U.S. Government.

With these facts in mind, I urge my colleagues to give full consideration to the Stoltze case and to the legislation that would compensate the company for the Government's trespass.

I ask unanimous consent that a copy of the bill be reprinted in full in the RECORD at this time.

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

S. 427

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury shall pay, out of any money in the Treasury not otherwise appropriated, to F. H. Stoltze Land and Lumber Co., Inc., a corporation located in Columbia Falls, Montana, the sum of $41,638.12 in full settlement of all its claims against the United States for the wrongful cutting, removal, and sale during 1967 and 1968 of timber belonging to such company on Lot 5, Lot 7 and S.W. ¼ S.E. ¼, Section 34, Lot 5 and Lot 6, Section 35, T. 25 N., R. 24 W., Principal Meridian Montana by the Bureau of Indian Affairs, Department of Interior.

SEC. 2. No more than 10 percent of the amount appropriated in the first section of this Act shall be paid to or received by an agent or attorney for services rendered in connection with this claim. Any person violating the provisions of this section shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000.●

By Mr. BAUCUS:

S. 428. A bill for the relief of the Mondakota Gas Co., of Billings, Mont.; to the Committee on the Judiciary.

MONDAKOTA GAS CO.

● Mr. BAUCUS. Mr. President, last session a bill for the relief of the Mondakota Gas Co., of Billings, Mont., was introduced. Similar relief legislation was introduced for a number of years by the late Senator Lee Metcalf and former Senator Mike Mansfield. One of those bills passed the Senate during the 93d Congress and another passed the Senate during the 94th Congress.

In the early 1940's, the Mondakota Gas Co., a small independent company, wanted to transport its natural gas through the Montana-Dakota Utility Co. gaslines under the common-carrier requirements. Following years of unsuccessful attempts to use the MDU Co. lines, Mondakota brought suit in the eighth judicial circuit court in 1949, to establish the Montana-Dakota Utility Co. as a common carrier. The court held that the entire pipeline system of the MDU Co. was part of the common-carrier system. The MDU Co. continued to refuse to make its gathering lines available for the transportation of Mondakota gas, and was never forced to comply with the court decision.

In 1953, Congress repealed the common carrier requirements applying to all natural gas pipelines. Immediately after President Eisenhower signed the act into law, the MDU Co. notified Mondakota and other area independent producers that it was no longer legally required to accept gas from common-carrier transportation. Unable to afford to construct its own pipelines, Mondakota was forced to discontinue its business and lost all of its assets following the repeal.

This relief bill is to compensate the Mondakota Co. shareholders for the losses it incurred during the period the common-carrier requirements were not enforced against the MDU Co., and the subsequent loss of its assets following congressional repeal of the requirements.

I feel the Mondakota shareholders deserve this compensation, since their losses were the result of circumstances beyond their control. I urge my colleagues to give full consideration to the Mondakota case and to the legislation that would compensate them. I ask unanimous consent that a copy of the bill be reported in full in the RECORD at this point.

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

S. 428

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay out of the funds in the Treasury not otherwise appropriated, to the Mondakota Gas Company, incorporated under the laws of the State of Nevada (successors to the Mondakota Development Company, a Montana corporation), the sum of $800,000.00. Such amount is to indemnify in whole or in part, the Mondakota Gas Company for damages, excluding expected earnings, incurred between November 1942 and December 1953 as a direct result of the failure of the United States to enforce the common carrier provisions of Section 28 of the Mineral Leasing Act of 1920 and the enactment of the Act of August 12, 1953 (67 Stat. 557, Ch. 408).●

By Mr. BAUCUS:

S. 429. A bill for the relief of Charles V. Waldron; to the Committee on the Judiciary.

CHARLES V. WALDRON

● Mr. BAUCUS. Mr. President, before the close of last session, a bill for the relief of Charles V. Waldron of Montana was introduced. Mr. Waldron has been trying for the past 2 years to collect retirement and severance pay owed to him by the U.S. Navy. His claim, however, was recently rejected by the Claims Division of the General Accounting Office because his claim was received by GAO more than 6 years after the date it first accrued. The bill I am introducing would authorize the Secretary of the Navy to accept and consider Mr. Waldron's claim, and pay to him any amount of disability retired pay and any amount of severance pay which he would have received had he made a timely claim.

Mr. Waldron, a chief petty officer in the U.S. Navy, was given a temporary disability retirement from the Navy in 1963 under honorable conditions because during the course of his service in the Navy, he incurred bilateral hearing loss and a nervous condition. Subsequent to his temporary disability retirement, Mr. Waldron moved around the country, and had no contact with the Navy until he learned in 1978, through the Veterans' Administration, that he had been granted an honorable discharge on August 30, 1968. At the time of his honorable discharge, and until April 1978, Mr. Waldron was unaware that the Navy owed him any pay. He was also unaware that he was entitled to receive disability compensation.

In 1978, Mr. Waldron visited the VA Center in Fort Harrison, Mont., in order to see if the VA would pay for a new hearing aid. As a result of his visit to the VA hospital, Mr. Waldron learned for the first time that he was entitled to receive service-connected disability benefits for his bilateral hearing loss. Mr. Waldron learned from the VA that he was entitled to receive retirement pay as well as severance pay. The VA advised Mr. Waldron to contact the Navy Finance Center in Cleveland, Ohio, in order to file his back claim.

Having learned from the VA that he was entitled to these benefits, Mr. Waldron wrote to the Cleveland Navy Finance Center on July 29, 1978, requesting the severance and retired pay due to him. The Navy forwarded the claim as "doubtful" to the Claims Division of the General Accounting Office because of the period of time which had elapsed since the claim first accrued. On December 14, 1978, Mr. Waldron was informed by GAO that his claim was barred by the 6-year statute of limitations. Mr. Waldron then appealed the decision of the Claims Division. Upon review, the rejection of his claim was sustained by the Comptroller General on May 16, 1980.

Mr. President, I believe that notwithstanding the statute of limitations, Mr. Waldron's situation warrants a humanitarian response. It is undisputed that Mr. Waldron had to retire from the Navy because of physical disability. Moreover, he only learned in 1978 that he had been granted an honorable discharge from the Navy on August 30, 1968. And, it was not until some time later in 1978 that Mr. Waldron first learned that he was entitled to receive disability retirement pay and back severance pay from the Navy. Considering these factors, it comes as no surprise that the 6-year statute of limitations had run. With these facts in mind, I urge my colleagues to give full consideration to Mr. Waldron's case and the legislation that would provide him with the military service benefits he is entitled to receive.

I ask unanimous consent that a copy of the bill be reprinted in full in the RECORD at this point.

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

S. 429

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of the Act entitled "An Act providing for the barring of claims against the United States", approved October 9, 1940 (31 U.S.C. 71a), the Secretary of the Navy is authorized and directed to—

(1) accept and consider any claims filed with the Secretary within one year after the date of enactment of this Act by Charles V. Waldron of Deer Lodge, Montana, for disability retired pay for the period beginning on June 1, 1954, and ending on September 30, 1968, and for severance pay under section 1203 of title 10, United States Code; and

(2) pay to the said Charles V. Waldron any amount of disability retired pay which the said Charles V. Waldron would have been entitled to receive for the period referred to in clause (1) had the Secretary known the address of the said Charles V. Waldron during such period, and any amount of severance pay which the said Charles V. Waldron would have been entitled to receive had he made timely application therefor.

SEC. 2. The Secretary of the Navy is authorized to pay any amount determined by him to be payable under the first section out of funds available for the payment of retired or severance pay, as the case may be. Such payment shall be made in a lump sum within 60 days after the determination that an amount is payable under such section.●

By Mr. PERCY (for himself, Mr. THURMOND, Mr. ABDNOR, Mr. PRESSLER, Mr. SYMMS, Mr. HUMPHREY, and Mr. TOWER):

S. 430. A bill to authorize a youth minimum wage differential under the Fair Labor Standards Act of 1958, and for other purposes; to the Committee on Labor and Human Resources.

YOUTH EMPLOYMENT OPPORTUNITY ACT OF 1981

Mr. PERCY. Mr. President, on behalf of my colleagues the distinguished Senator from South Carolina (Mr. THURMOND), South Dakota (Messrs. ABDNOR and PRESSLER), Idaho (Mr. SYMMS), New Hampshire (Mr. HUMPHREY), Texas (Mr. TOWER) and myself, I am today reintroducing legislation to establish a special youth minimum wage.

Since Congress last voted on this issue in 1977, when it was defeated by only a few votes, the overall youth unemployment rate has remained consistently well over 15 percent. For the month of December 1980, the teenage unemployment rate was 17.8 percent. For black youth, the rate is more than twice as bad—37.5 percent. It is absolutely unacceptable.

For years, we have tried CETA employment and training programs, tax incentives, and other means to alleviate the critical youth unemployment situation. While I do not suggest at this point that those approaches be completely abandoned, it seems clear to me that something else is needed to get the job done. Up until just a few years ago, I was not a supporter of youth wage proposals, but the continuous and alarmingly high unemployment rates for this age group convinced me that it must be given a try.

Our legislation would establish a minimum wage for young persons 16–19 years of age at 85 percent of the adult minimum wage. This would provide for a youth wage rate of $2.85 per hour under present circumstances. Based on the premise that a young person should be paid a lower wage during his or her training period, the youth minimum wage would apply to the first 6 months of employment of an individual in that age bracket by a single employer.

Without creating a new Federal program, without creating a new Federal bureaucracy, without creating new and substantial Federal outlays, we have, through this legislation a way of overcoming some of the reluctance businesses express about hiring inexperienced young people at the current minimum wage of $3.35, which became effective on the first of this year.

In an issue paper published by the Congressional Budget Office entitled "Youth Employment and Education: Possible Federal Approaches," the following is stated:

Estimates of the effects of minimum wages on youth employment vary, but many researchers believe that each 10 percent rise in the minimum wage relative to the average hourly wage reduces youth employment by something between one and four percent. If the one percent estimate is valid, then lowering the minimum wage for all persons in 1981 from $3.35 to $2.85 could increase employment among youth aged 16–19 by perhaps 60,000 jobs. Establishing a subminimum wage only for youth might bring about even greater increases for them, although these increases might be offset by rising joblessness among older workers.

To address the reservation expressed in the last line of the excerpt from the CBO report, our legislation provides penalties for the abuse of the youth wage; that is, if it is used for the purpose of displacing older workers or other young people. It further provides for a twice yearly report to Congress by the Secretary of Labor on the effect of the youth wage on the employment rates of both young perons and adults.

Finally, Mr. President, in recognition of the fact that Congress seldom has perfect answers to our national problems, our legislation has a "sunset" provision. After 3 years, the youth minimum wage would have to be reviewed by Congress and would expire, unless specifically reauthorized. Since experts differ on the precise effects of a youth minimum wage, we believe a 3-year, experimental period would give us a sufficient data base and some practical experience on which to judge its usefulness as a tool in the fight against youth unemployment.

Mr. President, I have supported CETA youth employment and training programs in the past and I believe their continuation in some form is essential to the employment and training of young people with the most serious employment handicaps. But logic dictates that we should encourage the best employment and training program we have—our free enterprise system—to handle at least part of the youth employment problem: Young people in a marginal group who could be hired if only the minimum wage were not at its present level. A youth wage, in our judgment, is natural complement to Federal programs and a much needed effort to address the very critical problem we are facing.

I very much appreciate the support of my distinguished colleagues in this effort, Senators THURMOND, ABDNOR, PRESSLER, SYMMS, HUMPHREY, and TOWER. And commend Senator HATCH for his leadership in this important area of approach to a nagging problem and I look forward to our working together on this vital legislation.

I ask unanimous consent that the text of the bill be printed in the RECORD at this point, along with the accompanying factsheet.

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

S. 430

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 "Youth Employment Opportunity Act of 1981".

YOUTH EMPLOYMENT OPPORTUNITY ACT

SEC. 2. (a) Section 14(b) of the Fair Labor Standards Act of 1938 (29 U.S.C. 214(b)) is amended to read as follows:

"(b)(1) To encourage youth employment an employer may employ any youth who has not attained 20 years of age, for a period of 180 days, without prior or special certification by the Secretary of Labor, at a wage rate not less than 85 per centum of the otherwise applicable wage rate in effect under section 6 (or in the case of employment in Puerto Rico or the Virgin Islands not described in section 5(e) at a wage rate not less than 85 per centum of the otherwise applicable wage in effect under section 6(c)) in compliance with applicable child labor laws. This paragraph shall not apply to any youth employee who has been employed by the same employer for a period of at least 6 months or is currently employed by an employer at a rate of at least the minimum wage in effect on the day prior to the date of enactment of the Youth Employment Opportunity Act of 1981.

"(2) While no prior certification shall be required by the Secretary for purposes of paragraph (1), the Secretary is authorized under this Act to insure that the provisions of paragraph (1) of this subsection are not violated. Whenever the Secretary discovers that an employer is employing youth at a wage rate lower than the wage rate allowable under this subsection or at a wage rate lower than the applicable wage rate under section 6 after the period of time specified by this subsection, or is engaged in a pattern and practice of—

"(A) substituting younger workers employed at less than the minimum wage for older workers employed at or above the minimum wage, or

"(B) terminating the employment of youth employees and employing other youth employees in order to gain continual advantage of the wage provided for under this subsection,

the employer shall be deemed to have violated section 6 of this Act. The liability of such an employer under this paragraph shall include—

"(i) unpaid wages and overtime compensation determined on the basis of otherwise applicable minimum wage and overtime rates pursuant to sections 6 and 7 of this Act, and

"(ii) a fine to be determined by the Secretary not to exceed $2,500 for the first offense by an employer and not to exceed $10,000 for any subsequent offense by the same employer.

(b) Section 13(a)(7) (29 U.S.C. 312(a)(7)) is amended to read as follows:

"(7) any employee to the extent that such employee is exempted by regulations, order, or certificate of the Secretary under section 14, or in accordance with the provisions of section 14(b); or".

SEC. 3. (a) The amendments made by this Act are repealed, effective 3 years after the date of enactment of this Act.

(b) The Secretary of Labor shall prepare and submit a biannual report to the Congress on the effect of the amendments made by this Act. Such report shall include—

(1) the number of persons employed at the wages prescribed under the amendments made by this Act;

(2) the number of employers employing persons at wages prescribed under the amendments made by this Act;

(3) the general rate of unemployment of persons under 20 years of age;

(4) the effect of the amendments made by this Act upon employment of adults and persons under 20 years of age; and

(5) such other information as the Secretary of Labor determines appropriate.

FACTSHEET

1. Title: Youth Employment Opportunity Act.

2. Coverage: Persons aged 16–19 years of age, inclusive.

3. Duration: First 180 days of employment by each employer.

4. Wage level: 85 percent of the adult minimum wage rate; for the remainder of 1980, the youth wage level would be $2.63 per hour; for 1981, $2.85 per hour.

5. Exceptions: Shall not apply to any youth employee who has been employed by the same employer for a period of at least six months or who is employed by an employer at a rate of at least the full minimum wage at the time of enactment.

6. Penalties: Not to exceed $2,500 for first offense by an employer; not to exceed $10,000 for any subsequent offense by same employer; violations of the act include: employment of a young person at a rate lower than the youth subminimum, a pattern and practice of—

(a) substituting younger workers employed at less than minimum wage for older workers employed at or above the minimum wage;

(b) terminating the employment of youth employees and employing other youth employees in order to gain continual advantage of the subminimum.

7. Effective period of the Act: To expire three years from the date of enactment.

8. Report from Sec'y of Labor: Secretary of Labor shall report to Congress twice each year, while law is in effect, on its implementation and shall include the following information: number of young people employed at the subminimum number of employers utilizing the rate; the rates of youth unemployment; effects of youth subminimum on youth and adult unemployment.

By Mr. MATHIAS:

S. 432. A bill to establish a Commission on the International Application of Antitrust Laws; to the Committee on the Judiciary.

INTERNATIONAL ANTITRUST TASK FORCE

● Mr. MATHIAS. Mr. President, the importance of exports to our country cannot be overstated. One of every eight jobs in this country is involved in export; $1 of every $3 of U.S. corporate profits comes from international activities; 1 of every 3 acres of farmland produces for export; and exports now contribute more to our gross national product than private corporate investment does. Despite the importance of exports, the United States has lagged behind its major trading partners in export promotion. The U.S. share of international commerce has steadily decreased—from 27.7 percent in 1958 to 17 percent in 1979. And the figures for 1980, although an improvement, suggest that the problem is still with us. In Germany, France, Italy, and the United Kingdom, exports account for more than 50 percent of all goods produced, while in the United States they account for merely 14 percent.

In December 1980, the President's Export Council submitted its report to President Carter. The council found that a great deal can and must be done to increase our export effort, particularly in the area of removing self-imposed disincentives to U.S. exports. The council recommended that every reasonable effort must be made to facilitate U.S. export efforts and overseas operations by freeing U.S. firms from unnecessary antitrust constraints and uncertainties where U.S. consumers would not be adversely affected. To help accomplish this goal, the council specifically recommended the enactment of the bill which I am reintroducing today.

This bill passed the Senate last year without a dissenting vote. It would establish a 12-month task force to study the extraterritorial aspects of U.S. antitrust laws and their effect on our ability to compete overseas. Specifically, the task force would provide a forum to examine the whole gamut of issues raised by the extraterritorial application of

these laws, including how they interface with the laws of other nations, and what might be done to promote the doctrine of competition worldwide. The task force would report its findings to the President and to Congress, making recommendations on what changes, if any, should be made in our antitrust laws to insure that they promote competition without handicapping U.S. business abroad and without causing offense to our trading partners.

Extensive hearings were held on this bill last year before the Governmental Affairs Committee which reported the bill out unanimously. In addition to the President's Export Council, the bill has the support of many groups, including the U.S. Chamber of Commerce and the National Association of Manufacturers. Last year it attracted over 20 cosponsors in the Senate.

If we are going to beat inflation and get our decelerating economy moving again, we have got to reduce barriers to trade. And if export promotion is to become a top national priority—which it must—we need a team effort, with the Federal Government removing unwarranted barriers and substituting creative incentives to exports. Like Churchill in another context, U.S. business executives have asked us to give them the tools; they will finish the job.

Once we remove the disincentives, they will get out and fight for their share of the world trade. More trade means more jobs for U.S. workers, a reduced trade deficit, and a sounder dollar.

Whenever I discuss export policy, I recall the story of Alexander the Great and the Gordian knot. The Delphic oracle predicted that whoever unraveled the knot would rule the world. Shortly thereafter, Alexander, still trying to emerge from his father's shadow, strode up to the knot, looked at it thoughtfully for a moment, then drew his sword and cleft the knot apart.

For too long, the trade debate has been bogged down in the technical language of experts who have a very narrow area of responsibility. We have passively adopted their terms of reference, and conducted the debate at the wrong level. We must now raise the level of the debate and talk in terms of national interest and economic survival.

My point is simple—if rational men and women were to sit down to devise a rational trade policy, they would not devise a policy anything like the one that burdens us today. Our trading partners do not so burden their business people, and we must get our laws in order if we are to remain competitive in international markets. We have got to cut the Gordian knot that hobbles U.S. trade, not pick at its edges, and the task force I propose has an important role to play in this regard.

I think we should encourage a dialog and not pretend that the problem does not exist. A Presidential commission, chaired by the Vice President, would provide such a forum for discussion, and I urge all of my colleagues to join me in support of this bill.

I ask unanimous consent that the text of my bill appear in the RECORD following my statement.

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

S. 432

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Commission on the International Application of the United States Antirust Laws Act."

ESTABLISHMENT OF COMMISSION

SEC. 2. (a) There is established the Commission on the International Application of the United States Antitrust Laws (hereinafter referred to as the "Commission").

(b) The Commission shall be composed of eighteen members who shall be appointed by the President as follows:

(1) four members from the executive branch of the Government:

(A) the Vice President of the United States;

(B) the Assistant Attorney General for the Antitrust Division;

(C) the Chairman of the Federal Trade Commission; and

(D) the Legal Advisor of the Department of State;

(2) four members from the Senate, two members to be named upon the recommendation of the majority leader, and two members to be named upon the recommendation of the minority leader;

(3) four members from the House of Representatives to be named upon the recommendation of the Speaker of the House of Representatives; and

(4) six members from the private sector.

(c) The Chairman of the Commission shall be the Vice President of the United States.

(d) The President shall designate the Assistant Attorney General for the Antitrust Division and the Legal Advisor of the Department of State as the Vice Chairmen of the Commission.

(e) the majority and minority leaders and the Speaker of the House shall make recommendations for the appointments to be made pursuant to subsection (b) within thirty days of the enactment of this Act.

(f) The President shall make all of the appointments in accordance with subsection (b) after receiving the recommendations set forth in paragraphs (2) and (3) of subsection (b) but such appointments shall be made no later than sixty days after the date of enactment.

(g) The first meeting of the Commission shall be called by the President within thirty days following the date such appointments to the Commission are made.

(h) Not more than one-half of the members of each class of members set forth in paragraphs (2), (3), and (4) of subsection (b) shall be from the same political party.

(i) The term of office for members shall be for the term of the Commission.

(j) A vacancy in the Commission shall not affect its powers, and shall be filled in the same manner in which the original appointment was made.

(k) Ten members of the Commission shall constitute a quorum (but a lesser number may hold hearings).

(l) The membership of the Commission shall be selected in such a manner as to be broadly representative of the various interests, needs, and concerns which may be affected by the international aspects of the United States antitrust laws.

PURPOSES OF THE COMMISSION

SEC. 3. (a) The Commission shall—

(1) conduct a comprehensive study of and make recommendations concerning the international aspects of the antitrust laws of the United States, the applicable rules of court, related statutes, administrative procedures, and their applications, their consequences, and their interpretation by the courts and Federal agencies (hereinafter referred to as "the United States antitrust laws"); and

(2) make periodic reports to the President and to the Congress concerning its activities and make a final report to the President and the Congress concerning such comprehensive study.

(b) Such comprehensive study shall specifically address—

(1) the application of the United States antitrust laws in foreign commerce, and their effect on—

(A) the ability of United States enterprises to compete effectively abroad; and

(B) the ability of United States enterprises to compete or deal effectively with foreign controlled enterprises in market and nonmarket economies;

(2) the effect of the application of the United States antitrust laws on United States relations with other countries;

(3) the jurisdiction and scope of the application of the antitrust laws to foreign conduct and foreign parties;

(4) the issue of reciprocity between nations with respect to mutual access to markets, equal opportunities for foreign investments, and enforcement of antitrust laws;

(5) the applications of United States rules of court relating to the enforcement of antitrust laws in the context of international transactions (for example, the "per se" and "rule of reason" doctrines); and

(6) the application of the United States antitrust laws to joint ventures, mergers, acquisitions, and distributions and licensing arrangements between and among the United States and foreign based enterprises.

COMPENSATION OF MEMBERS OF THE COMMISSION

SEC. 4. (a) Members of Congress, who are members of the Commission, shall serve without compensation in addition to that received for their services as Members of Congress, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

(b) Notwithstanding section 5533 of title 5, United States Code, any member of the Commission who is in the executive branch of the Government shall receive the compensation which he would receive if he were not a member of the Commission, plus such additional compensation, if any, as is necessary to make his aggregate salary not in excess of the highest rate for employees compensated at the rate of GS–18 of the General Schedule under section 5332 of title 5, United States Code, and he shall be reimbursed for travel, subsistence, and other necessary expenses incurred by him in the performance of the duties vested in the Commission.

(c) Members from the private sector shall each receive compensation not exceeding $200 per diem when engaged in the performance of duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

POWERS OF THE COMMISSION

SEC. 5. (a) (1) The Commission or, on the authorization of the Commission, any subcommittee thereof, may, for the purpose of carrying out its functions and duties, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpoena or otherwise, the attendance and testimony of such witnesses, and the production of such books, records, correspondence, memorandums, papers, and documents as the Commission or such subcommittee may deem advisable. Subpoenas may be issued to any person within the jurisdiction of the United States courts, under

the signature of the Chairman or Vice Chairmen, or any duly designated member, and may be served by any person designated by the Chairman, the Vice Chairmen, or such member. In the case of the failure of any witness to comply with any subpoena or to testify when summoned under authority of this section, the provisions of section 102 through 104, inclusive, of the Revised Statutes (2 U.S.C. 192–194), shall apply to the Commission to the same extent as such provisions apply to Congress.

(2) For purposes of Section 552(e) of title 5, United States Code, the Commission shall not be considered to be an agency.

(b) Each department, agency, and instrumentality of the executive branch of the Government, including independent agencies, is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairmen, such information as the Commission deems necessary to carry out its function under this Act.

(c) Subject to such rules and regulations as may be adopted by the Commission, the Chairman shall have the power to—

(1) appoint and fix the compensation of an Executive Director, and such additional staff personnel as he deems necessary, 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 of the General Schedule under section 5332 of such title, and

(2) procure temporary and intermittent services in accordance with the provisions of section 3109 of title 5, United States Code, but at rates not to exceed $200 per day for individuals.

(d) The Commission is authorized to enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties to such extent and in such amount as are provided in appropriation Acts.

FINAL REPORT

SEC. 6. The Commission shall transmit to the President and to the Congress not later than one year after the first meeting of the Commission, a final report containing a detailed statement of the findings and conclusions of the Commission, including its recommendations for administrative, judicial, and legislative action which it deems advisable. Any formal recommendation made by the Commission to the President and to the Congress must have the majority vote of the Commission as present and voting.

EXPIRATION OF THE COMMISSION

SEC. 7. Sixty days after the submission to Congress of the final report provided for in section 6, the Commission shall cease to exist.

AUTHORIZATION OF APPROPRIATION

SEC. 8. There are hereby authorized to be appropriated such sums as may be necessary to carry out the activities of the Commission.

EFFECTIVE DATE

SEC. 9. The provisions of this Act shall take effect upon the date of enactment of this Act.●

By Mr. DURENBERGER (for himself, Mr. BOREN, and Mr. HEINZ):

S. 433. A bill to amend the Internal Revenue Code of 1954 to encourage competition in the health care industry, to encourage the provision of catastrophic health insurance by employers, and for other purposes; to the Committee on Finance.

HEALTH INCENTIVES REFORM ACT OF 1981

● Mr. DURENBERGER. Mr. President, Federal health care costs are continuing to rise, and it is critical that we continue the discussions begun in the last Congress on competition in the health care arena. This afternoon, on my own behalf and on behalf of my colleague from Oklahoma, Mr. BOREN, and my colleague from Pennsylvania, Mr. HEINZ, I am reintroducing the Health Incentives Reform Act (HIRA). HIRA is designed to foster competition in health care by introducing economic incentives and consumer choice.

The extensive discussion during the last session of Congress on HIRA and similar competition bills was gratifying. But it is also indicative of the seriousness of the problem HIRA begins to solve. Two approaches to cost-containment are available. One is to enforce mandatory regulations that artificially cap costs. That approach was rejected in the last session. The other method is to encourage competition in the health care system. HIRA is the first step toward achieving that objective.

We are also involved in extensive discussion on the best mechanism to meet the need for catastrophic health coverage. These discussions have focused on employers providing their employees coverage, and paying a percentage of the premium cost. This approach stifles competition and runs the serious risk of skewing health care to the high cost, high technology end of the medical spectrum.

It is essential to remember what competition means. It means that efficient providers of care—physicians, hospitals, and others—are rewarded with additional business. We must devise a system that permits these efficient providers to isolate their experience from that of the rest of the provider community. Since one-plan offerings must permit the use of any health provider in the community, cost-effective providers get mixed in with ineffective providers. Limited provider organizations would not be viable because they would not meet the needs of all employees.

The key provisions of HIRA would:

First, limit the amount of the employer tax deduction for employee health benefits.

Second, encourage multiple choice by consumers (employees), and

Third, provide for equal employer contributions to health plans.

The limitation of the employer deduction should encourage employers and employees to look for the more efficient and cost effective health insurance plans. These may be HMO's or any other plans that might develop in the market to meet the needs of that particular group.

The multiple choice offering is essential if we are to create an environment in which competitive plans with a limited number of providers can begin to develop. Without multiple choice, true competition in employer group markets cannot exist.

The other essential ingredient in establishing an environment in which competition can flourish is the requirement that the amount an employer contributes on behalf of an employee must be the same regardless of the plan chosen by the employee. Only if we let the employee realize the complete cost difference among options will we encourage them to make rational economic decisions. Competition is distorted if the employer subsidy varies.

I am convinced that true competition can be injected into the health care sector and that this effort deserves our utmost encouragement and support. These competitive considerations are essential in the construction of catastrophic health insurance or any other major piece of health legislation. We must begin to right the imbalanced incentives that exist in our health care system. We cannot afford the alternative.●

● Mr. HEINZ. Mr. President, I am pleased today to join my distinguished colleagues, Senator DURENBERGER and Senator BOREN, in introducing the Health Incentives Reform Act (HIRA).

Since we introduced the same legislation during the 96th Congress, HIRA and the economic principles it embodies, have received a great deal of national attention in economic, legislative, health-care delivery, and academic spheres. The proposal is emerging from these arenas with significant support, and it is our sincere hope that the 97th Congress will see the adoption of this vital dose of medicine for our country's ailing health-care industry.

Mr. President, the bill we are introducing today represents a sound, market-oriented approach to reconciling the complicated issues associated with reducing profligacy in health-care costs without jeopardizing the provision of the best possible health services for all Americans.

This legislation seeks to promote competition in the medical marketplace. In designing this bill, we recognize the ills of the present system of health-care delivery—a system that employs incentives that lead to serious cost inflations in the health-care industry; the tax laws that make it cheaper for an employer to give employees a raise by increasing health insurance benefits than to provide a salary increase; the predominant fee-for-service mode of payment that rewards providers for providing more, often unnecessary, care at greater costs; and the unsuccessful attempts by the Government to harness the rapid cost escalations via regulation.

Mr. President, we do not pretend that HIRA will cure all of these ills immediately, but nor will any other bill. HIRA will effectively insure that providers offer cost-efficient services, and employer-offered insurance plans will contract with cost-efficient providers. We do earnestly believe that our legislation is the critical, initial step needed to set us on our journey toward the provision of better health-care services at lower costs.

As the distinguished Senator from Minnesota has outlined, HIRA's basic features are to:

First, limit the amount of the employer tax deduction for employee health benefits.

Second, encourage multiple choice of health-care providers for consumers.

Third, provide for equal employer contributions to health plans, and refunds to employees who chose less expensive plans.

We are convinced that these fundamental elements are tantamount to the provision of better health care at lower costs, and the development of a system that is truly responsive to patient needs.

Mr. President, I commend Senator DURENBERGER and his staff for their careful analyses and research efforts in drafting HIRA. They have done an outstanding job in producing a very thoughtful, thorough piece of legislation.

The economic groundwork for this legislation was laid by Prof. Alain Enthoven of Stanford University. Senators DURENBERGER, BOREN, and I listened to Professor Enthoven when he testified before the Finance Committee in March, 1980, regarding his model designed to inject competition and reduce costs within the health-care delivery system—the model which legislatively translates into HIRA.

I have reflected in great depth upon his testimony, and believe that his work can also clarify to other Senators the merits of the proposal we are introducing today. Therefore, I ask unanimous consent that the text of Professor Enthoven's testimony be printed in the RECORD.

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

STATEMENT BY PROF. ALAIN C. ENTHOVEN

Mr. Chairman: Thank you for giving me the opportunity to appear before this Committee in support of this important piece of legislation, that is, the Health Incentives Reform Act of 1979 (S. 1968). I am appearing here as a private citizen representing my own views. What I have to say bears no necessary relationship to the views of my employer or any of my consulting clients.

The costs of health care in our country are rising at an alarming rate. I am sure that you are all familiar with the figures, so that I need not repeat them here. What is new and different now from, say, 6 or 8 years ago, is the sheer size of these outlays. For example, Medicare has been approximately doubling every 4 years. The problem for Federal finances created by a doubling of 1972's $9 billion outlay was far less severe than that which would be created by a doubling of the $34 billion projected for 1980. And these growing outlays are on a collision course with other urgent demands on the Federal budget such as for national defense and for tax reductions to spur productive investment needed to reverse the decline in productivity in our economy.

Many factors have contributed to the increase in costs: increased insurance coverage, new technology, an aging population, and others. We can do nothing about some of these; others we would not want to reverse even if we could.

But there is one factor of overriding importance that we can correct. Today's dominant health care financing system, the system on which most private insurance, Blue Cross, Blue Shield, Medicare and Medicaid are based, rewards providers of care with more revenue for providing more and more costly care, whether or not more is necessary or beneficial to the patient, and it provides insured patients with little or no financial incentive to question the need for or value of services or to seek out and cooperate with less costly providers. In short, we have a system in which there are many powerful cost-increasing incentives, and no rewards for economy in the use of health care resources. As a consequence, there is a great deal of waste and overutilization of services.

The incentives to which I am referring are those inherent in the system of paying doctors fee-for-service, cost-reimbursement and third-party payment of billed charges for hospitals, and 100 per cent government—or employer-paid health insurance to protect patients.

Mr. Chairman, my studies have convinced me that it would be possible to cut cost substantially while improving the quality of care, through proper organization and rational economic incentives. By "rational economic incentives" I mean incentives that reward providers of care for finding ways to give better care at less cost and that reward consumers for choosing economical providers.

For the past 10 to 15 years, the main line of public policy regarding health care costs has been to attempt to contain them by direct controls on prices, capacity, and utilization. This policy has failed both economically and politically. The main reason for the economic failure is that these controls have done nothing to correct the underlying cost-increasing incentives. Indeed, some of the control systems actually intensify the cost-increasing incentives.

If these cost-increasing incentives are such a bad thing, why do they persist? Why doesn't competition from other financing systems replace insured fee-for-service? The answer is that insured fee-for-service is protected from fair competition by law.

Medicare and Medicaid are based on fee-for-service and cost reimbursement. Thus, they systematically pay more on behalf of people who choose more costly providers or systems or styles of care. Beneficiaries who are given the choice and choose to join a health maintenance organization receive little or none of any economic savings resulting from that choice.

Under the tax laws, employer contributions to the health insurance or health care of employees and dependents are excluded from the employee's income subject to federal and state income taxes and social security taxes. These provisions of the tax laws have very powerful economic consequences for the health care system, consequences that were surely not foreseen when they were enacted. They are, briefly, as follows:

1. The tax laws have put health benefits under the control of employers and, where there are unions, under the joint control of labor and management. Thus, health benefits have become a tool employers use in the labor market, and that union leaders use as bargaining prizes. This creates continuing pressure for more benefits.

2. The tax laws motivate employees to take more of their gross compensation in health benefits than they would if health benefits were taxed like other income.

3. The tax laws make it logical for the employer to pay for 100 percent of all the health insurance the employees want to buy.

4. The tax laws have worked to block fair economic competition of health plans. Most employees are offered a single employer-provided health plan. For those who are offered choices, the employer usually pays more on behalf of those who choose more costly health plans. In fact, the employer often pays 100 per cent of the premium whichever plan the employee chooses. This leaves the employee with little or no reward for making an economical choice.

I have explained these effects of the tax laws in greater detail in my forthcoming book Health Plan: The Only Practical Solution to The Soaring Cost of Medical Care.

Some employers have told me that they recognize the harmful consequences of their behavior and consider it a serious mistake to have become committed to 100 percent payment of open-ended service benefits. But having done so, they find it hard to change unless everybody else changes too. That is, they need an external event to force them to make the change to a system that is more rational from an economic point of view.

What is needed is to replace the cost-increasing and anti-competitive provisions of Medicare, Medicaid and the tax laws by provisions based on the principles of fair economic competition among health care financing and delivery plans. Briefly stated, these principles are as follows:

1. Multiple Choice. Each consumer should be offered, annually, the opportunity to enroll for the coming year in any of several health care financing and delivery plans operating in his or her area meeting certain uniform standards governing all health plans. (Traditional insured fee-for-service would be one of the options.)

2. Fixed dollar subsidies, equal with respect to choice of plan. Whatever subsidy each consumer gets—from Medicare, Medicaid, an employer or through the tax laws, should be the same whichever plan he or she chooses. Thus, the consumer who chooses a less costly plan would save money. The consumer would have a reason—not usually present today—to make an economical choice.

3. Same rules for all. A system of fair economic competition intended to make good quality care affordable to all must be designed with great care. Not every scheme that calls itself "competition" will produce good results. Carefully drawn rules are needed.

One of the most important and subtle design problems is to set the rules in such a way that health plans will succeed by providing better care at less cost and not by selecting preferred risks. For example, if people were given an annual choice of a low cost insurance plan limited to catastrophic expense protection and a comprehensive plan with first-dollar coverage, those who expected little or no medical expense during the coming year would find it in their interest to pick the low cost plan. When they planned or expected substantial medical expenses, they would switch to the comprehensive plan until their medical needs were taken care of. Comprehensive plans would not be able to survive in such a competition; they would be destroyed by adverse risk selection.

Experience with multiple choice plans shows that preferred-risk selection can be prevented by such techniques as:

(a) The employer or government, and not the health plans, conducting the enrollment process; and

(b) Reasonable similarity of benefits in all plans.

Rules are also needed to prevent the selling of deceptive or inadequate coverage and to prevent unnecessary complexity in health plan offerings.

Such rules should be applied equally to all competitors.

4. Doctors in competing economic units. It must be possible for consumers voluntarily to limit their choice of doctors, for a year at a time, to one or another group of doctors, in exchange for better benefits at a lower cost. Thus, we need some "limited provider plans." In our predominant system of "free choice of doctor" insurance, the consumer's premium is the same whether he goes to the most expensive or economical doctors. Hence, there is no economic competition among doctors, i.e. no competition that rewards economy in the use of resources.

For the most part, we do not have fair economic competition today. But in those few places where these principles are being applied, such as Minneapolis-St. Paul, Hawaii, and Clackamas County, Oregon, we see very

promising results. Doctors work hard to improve service while cutting costs. Rates of hospitalization (i.e. hospital days per 1000 people per year) are cut drastically. Economy in the use of health care resources is rewarded. Senator Durenberger has observed this promising development in his own state and has based his proposal on a careful observation of demonstrated patterns of success there.

The principles of fair economic competition can be applied in various ways. We are dealing here with a complex ecology of incentives. Much judgment and some empirical tuning will be required. Senator Durenberger's Health Incentives Reform Act, S. 1968, represents a most important attempt to apply these principles. It requires employers of 100 or more to offer choices on an economically fair basis. It involves the consumer in the cost of care in a way that does not threaten serious financial harm. It allows the consumer to benefit from making an economical choice of health care system. It moves our health care economy toward more equal rules for all health plans. In short, it says: "Let's give people some choices on an economically fair basis." I believe it would be hard to justify opposition to that.

Nobody claims that correcting the incentives and requiring people to be offered choices is a panacea. This legislation will not immediately solve all our medical cost problems. (Nor will any other legislation.) It is, however, an important and fundamental step in a new direction—a direction in which consumers and providers of care will be rewarded for economical behavior.

Mr. Chairman this completes my prepared statement. With your kind permission, I would include in the record, as an attachment to my statement, detailed comments and suggestions relating to S. 1968.

DETAILED COMMENTS ON AND SUGGESTIONS FOR S. 1968

1. *Multiple Choice:* Any employer having a total of more than 100 employees covered under any health benefit plan must provide at least three options each of which is offered by a separate carrier.

The reason for requiring three choices, instead of two, is in order to connect the market" and increase the likelihood that particular health care financing and delivery plans will meet each other in direct competition in a significant number of employee groups.

The reason for requiring three separate carriers is to force the development of genuine competition in which the carriers would have to innovate and develop effective private means of cost control. The mere offering of three options by one carrier, all based on insured fee-for-service, would not have this desirable effect.

The experience of employers who do offer multiple choice, including the Federal government, the State of California, Stanford University, Control Data Corporation Honeywell, and many others shows that this is a simple and effective way to do business. Allegations that a requirement to offer three choices would lead to a "nightmare of administrative complexity" are shown by these experiences to be false.

2. Equal Employer Contribution: The amount of employer's contribution shall not depend on which option an employee chooses. If the employer's contribution amount exceeds the total cost of any option offered, the employer shall contribute the difference to the employee in cash or other benefits.

This requirement is essential to fair economic competition. It assures the employee an appropriate reward for making an economical choice, i.e. the right to keep the savings.

Yet this requirement does not unduly restrict the rights of labor and management to bargain over health benefits. It merely requires that the agreement they reach be compatible with fair economic competition.

It is appropriate to make the required cash rebates taxable income. To make them tax free would be tantamount to abolishing the tax subsidy that supports our private insurance system. The tax subsidy inherent in the exclusion of employer health benefits contributions from the employee's taxable income is an important and necessary support to our private health insurance system. A workable private health insurance system that makes affordable health insurance available to all must include some element of compulsory premium contribution. Without this, the healthy would find it in their interest not to insure, and only those fearing medical costs in excess of their premiums would insure. The premium costs would be driven up and the system would break down. The tax subsidy in the exclusion provides the needed incentive for most employee groups to buy insurance. Making the rebates tax free would create an incentive for employees to demand an extremely cheap "catastrophic only" option, and for the preferred risks to choose it.

For this reason, I would prefer to see the rebates also subject to FICA and FUTA tax on a basis that equalizes the gross cost to the employer of contributing to each alternative (i.e. the employer's share of FICA and FUTA tax on the rebate would be considered a part of his contribution.) However, this issue is a matter of judgment on which it would be hard to find much evidence for either side.

Also for these reasons, I think it appropriate, as S. 1968 does, to require no rebate or contribution in the case of an employee who chooses not to buy health insurance.

3. Limitation on Employer Contribution That Is Tax Free. S. 1968 provides a dollar limitation on the amount of the employer's health benefits contribution which is excluded from the employee's taxable income (e.g. $125 per family in 1980 indexed to the medical component of the CPI).

As explained above, the tax subsidy inherent in the exclusion of employer health benefits contributions from the employee's taxable income is an important and necessary support to our private health insurance system. But there is no reason for government to subsidize health insurance purchases above the level at which people can purchase membership in a good quality comprehensive care program. To do so is to encourage waste and to weaken or block economic competition.

Three arguments will be raised against the dollar limit.

First, health care costs per capita are much higher in some areas than in others. Thus, a uniform dollar limit will be too high for some and too low for others. In principle, one could correct this by applying different limits in different market areas, each proportional to health care costs per capita in that area. However, against this one could argue that to do so would be to set a precedent for adjusting the entire tax code for regional cost-of-living differences, an extremely complex task of uncertain outcome. Moreover, the uniform limit focuses the incentives for delivery system reform precisely on those areas that need reform the most, i.e. the high cost areas.

Second, employees now receiving tax-free employer contributions greater than the limit will be subjected to increased taxes, in effect, a "roll back" of existing benefits. This problem could be eased by a transition rule freezing excludable contributions above the limit in 1980 at their 1980 dollar level until inflation causes the general limit to catch up. In any case, the amount of increased tax would not be large.

Third, some groups have high premiums and employer contributions not because they have very generous benefits but because they are experience-rated and have high medical risks. Thus, they would be taxed more because of their poor health status. I believe that the appropriate response to this problem is to use the leverage of the tax laws to move our whole health insurance system away from experience rating by groups. In Consumer Choice Health Plan, I recommended a combination of community rating by actuarial category for premiums, and tax credits proportional to actuarial cost for premium subsides. You may wish to consider an actuarial adjustment to the limit on excludable employer contributions available at least on an exceptional basis to high risk groups who can demonstrate that their risk status is substantially above average.

4. Minimum Benefit Provisions. The minimum benefit provisions in subsections (h) and (i) are very constructive procompetitive steps. The requirement to cover specified health care services will move health plans toward greater uniformity and comparability. The requirement for catastrophic expense protection will assure that tax-subsidized premium dollars are spent first to prevent insured people from suffering medical bankruptcies or becoming a burden on the public sector after medical expenses have made them poor.

5. Continuity of Coverage Provisions. The continuity of coverage provisions are an important step in the direction of remedying one of the worst scandals of our private health insurance system based on employee groups, i.e. that people often lose their health insurance when they need it most, when the breadwinner loses membership in his or her employee group.●

By Mr. PELL (for himself and Mr. HARRY F. BYRD, JR.):

S.J. Res. 27. Joint resolution proposing an amendment to the Constitution of the United States relative to the commencement of the terms of Office of the President, Vice President, and for other purposes; to the Committee on the Judiciary.

PROPOSED CONSTITUTIONAL AMENDMENT TO CHANGE INAUGURATION DAY

● Mr. PELL. Mr. President, I am today introducing, for myself and for Senator HARRY F. BYRD, JR., a joint resolution proposing a constitutional amendment to shorten the existing interminable delay between the election of a President and his inauguration.

The amendment would change the inaugural date from January 20 following a Presidential election to November 20. Newly elected Members of Congress would take office on November 15 instead of January 3, as now provided by the Constitution, to permit the new Congress to count electoral ballots before the inauguration.

The arguments for drastically shortening the time between the election and installation of a President are compelling.

First, and foremost, I believe the American people, once they have elected a President, want to see him in office and pursuing his program and his policies as soon as possible. The casting and counting of millions of votes is accomplished in 1 day, and there is just no reason to wait 2½ months to give the people the President they have elected.

Second, in both foreign and domestic affairs, the transition is a period of near-paralysis of Government. Foreign governments defer dealing with a "dead-duck" administration or hasten to make

arrangements that a newly enfranchised President might not countenance. Similarly, in domestic policy decisions important to our economy and well-being may either be put off in deference to the incoming administration or expedited to accomplish goals contrary to those of the incoming President.

Third, the earlier inauguration would permit the new President to submit to the Congress his own budget for the following fiscal year instead of submitting revisions to a budget developed by the departing President. It would also permit a President a better opportunity to propose revision of the current year budget early in the fiscal year.

Finally, there is no real need, with modern communications and transportation, for a prolonged transition period. Indeed, a lengthy transition period permits and encourages needlessly elaborate transition planning. It encourages and permits the development of prolonged and intensive internal warfare among the newly elected President's own supporters and within his party, including unseemly jockeying for position, influence, and appointment.

Under the amendment I have proposed, a President would take office from 11 to 18 days after the date of the popular election, depending on when election days falls.

Some may contend that this would not give a new President time to select a Cabinet. As Columnist George Will commented in a column urging a shorter transition period—

Man's best friend is a deadline. When it comes to picking up the pace of things, there is nothing like the lash of necessity.

Even if a new President did not have his Cabinet completely in place within a shorter transition, a few Cabinet vacancies are far preferable to a paralysis of the entire Government. Every department has a senior career official capable of running the department on a caretaker basis.

Our Presidential election system has become an almost interminable marathon. Potential candidates for Presidential nomination begin tilling the fields in primary States 2 years before the date of elections, and for that 2-year period the public is exposed to the personalities, proposals, and policies of contenders through primaries, through the national political conventions, and then through the campaign to the election.

When a candidate has spent 2 years formulating his positions and policies and espousing them. he really does not need an additional 2½ months after the election to prepare himself to take office.

I ask unanimous consent that the text of the joint resolution be printed at the conclusion of these remarks and, following the resolution, several newspaper articles commenting on the need to shorten the transition period.

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

S.J. RES. 27

Resolved by the Senate and House of Representatives of the United States of America, in Congress assembled, (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States within seven years after the date of its submission to the States for ratification:

"ARTICLE —

"The terms of the Office of the President and Vice President shall end at noon on the twentieth day of November, and the terms of Senators and Representatives at noon on the fifteenth day of November of the years preceding the years in which such terms would have ended if this Article had not been ratified; and the terms of their successors shall then begin.".

[From the Washington Post, Jan. 25, 1981]

THE TOO-LONG TRANSITION

(By George F. Will)

Tinkering with the Constitution is generally unwise, even impertinent, but the time has come to change one word, replacing "January" with "December" in Section One of the 20th Amendment: "The tenure of the President and Vice President shall end at noon on the 20th day of January. . . ."

A recurring question today is: Are the constitutional arrangements, devised by the rural gentlemen in the 18th century for a sparsely populated fringe of an unexplored continent, suitable for a continental, urban, industrialized nation? The answer is an emphatic "yes." But large improvements can radiate from small changes, such as trimming four weeks from the transition period.

Until 1936, Inauguration Day was March 4. That date made sense when the speed (or possibility) of travel and communication depended on unpaved roads. But the March 4 date was set by the Founders when the pace of events was such that President Thomas Jefferson could say, speaking of the U.S. minister in Spain, "I haven't heard from him in two years. If I don't hear from him next year, I will write him a letter."

Today, waiting even until Jan. 20 is unnecessary and dangerous, and is especially dangerous when an incumbent has been rejected at the polls.

The decisiveness of the nation's rejection of Jimmy Carter seemed suddenly to render him almost invisible and negligible as a governmental force. It drained away most of the reserves of presence and authority that he would have required in a crisis, such as a Soviet invasion of Poland. If there is an invasion, everything—the effectiveness of the response, even the survival of the Western alliance as more than an empty shell—will depend on allied solidarity behind a stern policy. Had there been an invasion in the weeks after the election, Carter's ability to organize such solidarity would have been even less than it was in the best of his days.

Even a narrow election victory imparts something that is difficult to acquire, even more difficult to keep, and indispensable to energetic government: mo-(forgive me, George Bush)-mentum. Yet such is the inescapable toll taken by our unduly prolonged transition periods that when President Reagan stepped forward to deliver his inaugural address, he had to use part of his address to stir the cooling fire of the Nov. 4 consensus. That is, I suspect, why the first part of the speech, with its didactic tone about the economy's ailments, sounded a bit—which means a bit too much—like a campaign speech.

Just before the splendid peroration, there was one passage—the passage about contemplating "no compromise" about, among other things, lightening "our punitive tax burden"—that seemed designed to repair the damage done to the public's understanding of his economic intentions by too much talk during the too-long transition.

During a transition, and especially early in one, there is an unusually high ratio of journalistic energy to real news, so news reports contain an unusually high ratio of speculation to substance. In addition, nothing is more fun to report than disagreements within an administration, and the process of looking for them can produce them, especially when an administration is only half-formed and is taking shape in slow motion.

At that point, there is a lively swirl of persons who were campaign advisers and spokesmen, persons who have been appointed to the administration, and persons who have been "mentioned" as possible appointees. All these persons have opinions, few of which are perfectly harmonious with anyone else's. So the question of the hour becomes, Whose views represent the president-elect's immediate policy intentions?

During Reagan's transition there was a Niagara of analysis of all the fine shadings of Reaganite opinion about economic policy, from that of neopopulist tax-slashing Kemp-Roth supply-sided Lafferites to that of neo-orthodox semi-Greenspanians. Minds reeled, and so, occasionally, and perhaps not coincidentally, did some financial markets. A shortened transition period would minimize occasions for such confusions.

Those who think a shortened transition period would be impractical will note that the Reagan administration is not the first to find the federal machinery so sprawling and complex that, even given until Jan. 20, it had to take office with many important positions unfilled.

But a shortened transition might stimulate a greater sense of urgency. When it comes to picking up the pace of things, there is nothing like the lash of necessity. Journalists do not know much, but this they know: man's best friend is the deadline.

THE LAME DUCK SHOULD FLEE QUICKLY

(By Robert Wesson)

SANTA BARBARA, CALIF.—As the lame duck Carter administration wearily waddles toward its demise, we may well wonder whether the nation can still afford the oddity of the long period between the change of governments.

Delaying the entry of a new administration for 2½ months after the election is a practice peculiar to the United States and without a real counterpart in any other country. In countries with parliamentary government, the new chief executive usually takes office the day after election. Our practice derives from the 18th-Century origins of the Constitution. When the horse was the fastest carrier of messages, months were necessary to count the ballots, gather the electors, certify the results and get the new president properly into office.

Inauguration was March 4 during most of our history. The country had four months to slide into Depression between the election of Franklin D. Roosevelt in November and the beginning of his activity to end it in March 1933. The interregnum was shortened by six weeks because of this unhappy experience, and Inauguration Day was moved up to Jan. 20. But there still remains an unfortunate and unnecessary hiatus.

During this period, there is certainly a temptation for international adventurists to act, knowing that the outgoing president may be unable to react appropriately and that the incoming president may be unprepared to do so, and that it might be difficult for them both to coordinate a response.

This is a possibility. It is a certainty that there can be little or no positive action to meet any problems. Things have to wait until the new team takes over. If the economy

is sick, it must agonize until the new doctor's office hours.

The incoming president should take office as soon as feasible after the counting of the ballots. A week or 10 days should suffice for one occupant to move out of the White House and another to move in.

The most obvious argument against such dispatch is that it takes time to put the Cabinet together and to get directions sorted out. Ronald Reagan, after all, seems to have needed more than five weeks of diligent search to decide on his team.

Yet, this is really the strongest argument for an immediate transition. If the challenger is to assume office within a few days after victory, he must have his nominations prepared in advance—a shadow Cabinet, as it is called in Britain. This would greatly assist the electorate in making its judgment: It would see not only the nominee but also those who would act with, and for, him in shaping policy.

Under the existing system, the voters judge according to their impressions of personalities, performance in a so-called "debate," and stands on various issues, many of which will disappear from sight when the campaign is over. What kind of person the nominee will put in top positions hardly comes up. Yet this is the most important question of all.

The success of an administration does not depend on the engaging smile of the President, or his stamina on the campaign trail, or his ready wit, and his answers on issues are sure to change when he is in office. Far more important is the candidate's ability to select and work with persons of the highest qualifications who will formulate and carry out policies and decide the countless questions that he cannot or should not personally decide. Moreover, the kind of persons who are prepared to work in a candidate's prospective government tells much about his qualifications. This reform is important, and it should be easily achieved, because no one would be injured by it. If Americans treasure their free institutions, they should not hesitate to bring them up to date.

ADDITIONAL COSPONSORS

S. 2

At the request of Mr. MATHIAS, the Senator from Utah (Mr. GARN) was added as a cosponsor of S. 2, a bill to amend the Internal Revenue Code of 1954.

S. 53

At the request of Mr. HAYAKAWA, the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Georgia (Mr. MATTINGLY), the Senator from Idaho (Mr. MCCLURE), and the Senator from South Dakota (Mr. ABDNOR) were added as cosponsors of S. 53, a bill to amend the Voting Rights Act of 1965 to repeal certain requirements relating to bilingual election requirements.

S. 58

At the request of Mr. HAYAKAWA, the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 58, a bill to restrict the release of results from Presidential elections until all the polls are closed.

S. 87

At the request of Mr. BOREN, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 87, a bill to repeal the windfall profit tax.

S. 181

At the request of Mr. CRANSTON, the Senator from Texas (Mr. BENTSEN), the Senator from Hawaii (Mr. INOUYE), the Senator from Hawaii (Mr. MATSUNAGA), the Senator from Maryland (Mr. SARBANES), and the Senator from West Virginia (Mr. RANDOLPH) were added as cosponsors of S. 181, a bill to provide for the extension of the authorization of appropriations for the Head Start program.

S. 254

At the request of Mr. SCHMITT, the Senator from New Mexico (Mr. DOMENICI), and the Senator from Washington (Mr. GORTON) were added as cosponsors of S. 254, a bill to authorize public land States to select certain public lands in exchange for land taken by the United States for military and other uses, and for other purposes.

S. 307

At the request of Mr. COCHRAN, the Senator from Louisiana (Mr. LONG), the Senator from Arkansas (Mr. PRYOR), the Senator from Indiana (Mr. LUGAR), the Senator from Utah (Mr. GARN), and the Senator from Mississippi (Mr. STENNIS) were added as cosponsors of S. 307, a bill to amend the Internal Revenue Code of 1954 to exempt from the windfall profit tax oil produced from interests held by or for residential child care agencies.

S. 326

At the request of Mr. METZENBAUM, the Senator from Missouri (Mr. EAGLETON) was added as a cosponsor of S. 326, a bill to require the divorcement of motor fuel service stations from operation by certain producers and refiners of motor fuels, to control sales by producers and refiners of motor fuels, and for other purposes.

S. 328

At the request of Mr. PERCY, the Senator from Oregon (Mr. HATFIELD) was added as a cosponsor of S. 328, a bill to amend the Internal Revenue Code of 1954 to encourage the production of alcohol for fuel use by repealing the occupational tax on manufacturers of stills and condensers.

S. 354

At the request of Mr. PERCY, the Senator from South Dakota (Mr. ABDNOR), was added as a cosponsor of S. 354, a bill to amend the Export Administration Act of 1979.

SENATE JOINT RESOLUTION 22

At the request of Mr. PROXMIRE, the Senator from Michigan (Mr. LEVIN), the Senator from Arizona (Mr. GOLDWATER), the Senator from South Dakota (Mr. ABDNOR), the Senator from Minnesota (Mr. DURENBERGER), the Senator from North Dakota (Mr. BURDICK), the Senator from Florida (Mr. CHILES), the Senator from Kentucky (Mr. FORD), the Senator from Maine (Mr. MITCHELL), the Senator from Michigan (Mr. RIEGLE), the Senator from Indiana (Mr. LUGAR), the Senator from Illinois (Mr. DIXON), and the Senator from Tennessee (Mr. SASSER) were added as cosponsors of Senate Joint Resolution 22, a joint resolution authorizing the President to proclaim March 16 of each year as "Freedom of Information Day."

SENATE CONCURRENT RESOLUTION 4

At the request of Mr. DOLE, the Senator from Hawaii (Mr. MATSUNAGA) and the Senator from Minnesota (Mr. DURENBERGER) were added as cosponsors of Senate Concurrent Resolution 4, a concurrent resolution expressing the sense of the Congress with respect to implementing the objectives of the International Year of Disabled Persons (1981).

SENATE CONCURRENT RESOLUTION 6—CONCURRENT RESOLUTION DISAPPROVING LEGALIZED GAMBLING IN THE DISTRICT OF COLUMBIA

Mr. HATFIELD (for himself and Mr. HELMS) submitted the following concurrent resolution; which was referred to the Committee on Governmental Affairs:

S. CON. RES. 6

Resolved by the Senate (the House of Representatives concurring), That the Senate disapproves of the approval by the majority of the registered qualified voters of the District of Columbia voting in the referendum on November 4, 1980, described as follows: The Law to Legalize Lotteries, Daily Numbers Games, and Bingo and Raffles for Charitable Purposes in the District of Columbia, approved on November 4, 1980, results of the referendum certified on November 21, 1980, and transmitted to the Congress pursuant to section 602(c) of the District of Columbia Self-Government and Governmental Reorganization Act on December 2, 1980.

© Mr. HATFIELD. Mr. President, I am introducing a resolution today which will disapprove of the vote in the District of Columbia for legalized lotteries, daily numbers games, bingo and raffles for charitable purposes. I am doing this in conformance with section 8 of the Constitution of the United States which gives this Congress the right and, in this case, the obligation to exercise legislation in all cases whatsoever over the District of Columbia which is the seat of the Government of the United States.

I realize that we have come a long way since the days of the Constitutional Congress. There has sprung up a movement which I have supported, to institute home rule here in the District. We have acknowledged that citizens of the District of Columbia have been underrepresented throughout the history of this Nation. And so it is valid to ask why the Founding Fathers would include such a passage in the Constitution, and why I would call upon such a passage today.

In my mind, the answer is in the words "The Seat of The Government of the United States." The Founding Fathers could have located the Capitol of the United States in any of the 13 States.

We can argue that there would have been little effect on the operation of the Federal Government if we had done so. But they chose this unique institution, a Federal district. I believe that they took such action because they were aware that this district is the only impression of the United States that many foreign leaders ever receive. They were also doubtless aware that what happens in the Federal City is an example for the rest of the Nation.

I believe that the District of Columbia should obtain home rule. But I also believe that these concepts of the Founding Fathers remain as true today as they were 204 years ago. I recognize that this approach is somewhat at odds with my desire to see a total representation in the

District, and I will not try and accommodate these views here, though I think they must be accommodated eventually.

Why should anyone oppose gambling? It is one of America's major industries, ranking in dollar volume along with the automobile industry and the oil industry. In fact, horse racing accounts for over $6 billion in dollar volume. Football and other sports account for another $20 billion plus per year. Both Time and Newsweek have identified gambling as one of the great growth industries of the 1970's. A member of the Nevada Gaming Control Board has said that, "Statistically, gambling is the normal thing. It is the nongambler who is abnormal in the American society."

And so, having established that gambling is a trend; the way of life for many Americans; it is appropriate to ask what it is doing to our society. Who gambles? Who is affected? Where does the money come from and where does it go? In answering these questions, I would like to try and present persuasive evidence to my colleagues that gambling is harmful, and that if we allow it to take place in the District of Columbia we will be doing a disservice to residents of the District and to our fellow citizens of America.

Mr. President, the history of gambling in the United States is a long and treacherous one. From colonial times until 1869 games and lotteries were a feature of American life. In fact, one notorious lottery was authorized by the Commissioners of the District of Columbia for "improvement of the Federal City." President George Washington bought the first ticket. The first prize, devised by the lottery agent, was to be a "superb hotel, with baths, outhouses, et cetera, to cost $50,000." As soon as the first lottery was complete, the agent announced a second lottery to build residences in the Capital City. However, the lottery agent ran out of money to build the $50,000 hotel and the first prize winner took possession of an unfinished hotel and a lawsuit. After 6 years, the second lottery was only able to sell one-fourth of the tickets required to make it a success. It was then eliminated by the District Commissioners.

Several years later, President Madison authorized the District to begin a third lottery for the building of schools, a penitentiary, and a city hall. Ticket holders of all three lotteries made claims on all the prizes and the confusion and loss convinced the Federal Government to get out of the lottery business forever.

In 1818, the State of New York, which was in the process of raising $53 million with lotteries, launched an investigation committee into the lottery system. The commission report concluded that the only positive thing about the New York lotteries was "the cheerfulness with which—the money—is paid." Next, the Pennsylvania Union Canal Lottery took in $3 million from hopeful contestants and contributed only $150,000 to the canal project. Finally, in 1969, the Louisiana State Lottery Co., a national concern which took in $11 million a year, was caught buying off the State, the Governor, the legislators, clergymen, and the press. In response to this and other embarrassment, State after State passed laws against the lottery and other gambling schemes until, by 1894, legalized gambling was virtually outlawed in the United States.

Mr. President, I could go on with other stories of unsuccessful lotteries. However, I would like to focus on the reasons I believe this is an ill-considered vote which deserves to be disapproved by the Congress.

I stated at the beginning of this speech that I favored congressional action despite my support for home rule in the District of Columbia, because I felt that gambling will reflect on the character of the Federal City. We cannot avoid the fact that Washington is two cities. It is the home of our many residents, who deserve an equal voice in Government with the rest of the U.S. citizens. But, it is also the seat of Government and I have said that I believe gambling in the District will reflect poorly on the Nation. I hold this belief for several reasons.

Gambling is a tax on the poor. It is regressive. It has been demonstrated again and again that the poorest of the poor, who have much time and little hope of social advancement see gambling as a way to attempt to break out of their environment with one big strike. It is possible this happens. It is possible that some winners will use their earnings wisely and leave their environment behind forever. But, at what cost?

It is basic to gambling that it is nonproductive. Gambling is simply a method of transferring money from hand to hand with no increase in wealth. It is apparent that for each person who takes home a large prize, many more will be forced to do without. Representative Wright Patman of Texas, who was regarded as a taxation expert, called the growth of legalized gambling a dangerous trend.

In a floor statement, he said:

Instead of taxing the banks, the corporations, the foundations and other holders of great wealth, local governments are turning to gambling devices in an attempt to extract money from those who can least afford to pay . . . If necessary, Congress should consider legislation that will control, if not stop, some of these more outlandish schemes to raise public money through gambling . . . This is a tragic development . . . these schemes are being packaged in typical Madison Avenue style. We are told that a little gambling—backed by the State—will help educate children and provide other benefits . . . this is the purest form of hogwash.

I agree with Congressman Patman. I believe that if we add gambling to the woes of this already troubled city, we will find an increase in violent crime, and a decrease in family cohesiveness and little benefit against which we can balance these costs.

The purpose of gambling is to provide income for its sponsor. But the success of gambling relies on the return it can give to the gambler. This puts the operator in a difficult position. In order to make the gambling scheme a success, he must return the maximum to the gambler and in order to do that he must skim the minimum out of the pot. However, this defeats the purpose of the game. He must return less income to the charitable institution.

Now, if we do that, what is the purpose of the game in the first place?

If anyone really believes that the purpose of these games will be to benefit charitable institutions," he should look at the priority in which the pot is distributed. First comes the operator's expenses and profits. Then, taxes must be paid. Next, we must hold some capital for the next game. Finally, the beneficiary gets what is left. It is apparent to anyone who takes a moment to look at this list that the prime benefactor of the game is the operator, or the house.

Some argue that through legal gambling, we will eliminate illegal gambling.

I would like to suggest, Mr. President, something that every gambler knows. The percentage of the pot which goes out for other purposes, determines the odds. It is important to realize that as long as legalized games pay taxes, audits, benefits to charitable institutions, or any other expense not directly rleated to operations, they cannot hope to come close to the odds a gambler can get in an illegal game. Moreover, any legal game must report winnings. Since this is not an obligation of an illegal game, all the prizes in an illegal game can be much larger.

It appears the only effect of legal gambling would be to break down the stigma of gambling and thereby promote illegal games. It also appears that enforcement of gambling laws would be well nigh impossible. Any police officer who is human must think twice before risking his life and limb busting an illegal gambling game, when he knows that legal gambling is going on openly right next door. The only way to squeeze the illegal games is to put all the money from the legal games back into the pot for distribution as prizes and thereby raise the odds. Here again, we defeat the very purpose of legal gambling.

Finally, we should note the experiences of Las Vegas, Atlantic City, Reno, Nev., Havana, Cuba, and a host of other present and former legal gambling centers. Invariably, the Mafia has moved into these operations. We have seen it time and time again on the front pages to the point where I cannot imagine anyone who would be willing to refute that statement. I submit that we are asking for trouble if we do not disapprove this referendum. For all the reasons I have enunciated, I would plead with my colleagues to disapprove legalized gambling in the District of Columbia.●

SENATE RESOLUTION 62—ORIGINAL RESOLUTION REPORTED AUTHORIZING EXPENDITURES BY THE COMMITTEE ON LABOR AND HUMAN RESOURCES

Mr. HATCH, from the Committee on Labor and Human Resources, reported the following original resolution; which was referred to the Committee on Rules and Administration:

S. RES. 62

Resolved, That, in carrying out its powers, duties, and functions under the Standing Jurisdiction under rule XXV of such rules,

including holding hearings, reporting such hearings, and making investigations as authorized by paragraphs 1 and 8 of rule XXVI of the Standing Rules of the Senate, the Committee on Labor and Human Resources is authorized from March 1, 1981, through February 28, 1982, 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 $4,054,000 of which amount not to exceed $27,000 may be expended for the procurement of the services of individual consultants, or organizations thereof (as authorized by section 202(1) 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, 1982.

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, except that vouchers shall not be required for the disbursement of salaries of employees paid at an annual rate.

SENATE RESOLUTION 63—RESOLUTION RELATING TO TOTAL EMBARGO OF UNITED STATES GOODS WHEN AN AGRICULTURAL EMBARGO IS IN EFFECT

Mr. PRESSLER submitted the following resolution; which was referred to the Committee on Banking, Housing, and Urban Affairs:

S. RES. 63

Resolved, That it is the sense of the Senate that whenever an embargo on United States export sales of agricultural commodities to any country is in effect, a total embargo of all United States export sales to that country shall be imposed.

SEC. 2. The Secretary of the Senate shall transmit copies of this resolution to the President and to the Secretary of Commerce.

AMENDMENTS SUBMITTED FOR PRINTING

TEMPORARY INCREASE IN DEBT LIMIT

AMENDMENT NO. 2

Mr. JEPSEN (for himself, Mr. PORTEN, Mr. PRYOR, Mr. PRESSLER, and Mr. SYMMS) proposed an amendment to the bill (H.R. 1553) to provide for a temporary increase in the debt limit.

AMENDMENT NO. 3

(Ordered to be printed.)

Mr. ROBERT C. BYRD (for himself, Mr. BRADLEY, Mr. CHILES, Mr. BUMPERS, Mr. HART, Mr. LEVIN, Mr. MATSUNAGA, Mr. INOUYE, Mr. BAUCUS, Mr. BOREN, and Mr. GLENN) proposed an amendment to the bill H.R. 1553, supra.

NOTICES OF HEARINGS

SELECT COMMITTEE ON INDIAN AFFAIRS

Mr. COHEN. Mr. President, I would like to announce for the information of the Senate and the public, the scheduling of a public field hearing before the Select Committee on Indian Affairs, chaired by Senator JOHN MELCHER.

The hearing is scheduled for February 27, 1981, beginning at 10:30 a.m. in the city council chambers, Billings City Hall, 27th and 3d Avenue North, Billings, Mont. Testimony is invited regarding Federal supervision of oil and gas leasing on Indian lands.

For further information regarding the hearing you may wish to contact Virginia Boylan or Max Richtman of the committee staff on 224–2251. Those wishing to testify or who wish to submit a written statement for the hearing record should write to the Select Committee on Indian Affairs, U.S. Senate, Washington, D.C. 20510.

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. CHAFEE. Mr. President, the Subcommittee on Consumer Affairs of the Senate Banking Committee has scheduled a 1-day hearing on S. 414, the Cash Discount Act. The public hearing will be held at 2 p.m. on February 18, 1981, in room 5302 of the Dirksen Senate Office Building.

Questions regarding the bill or the hearings should be directed to Annette Fribourg, legislative assistant to Senator CHAFEE, 5229 Dirksen Senate Office Building, Washington, D.C. 20510 (202) 224–2921; or Beth L. Climo, counsel to the subcommittee, 5300 Dirksen Senate Office Building, Washington, D.C. 20510 (202) 224–0892.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON THE JUDICIARY

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet during the session of the Senate today to consider the nomination of Edward C. Schmultz to be Deputy Attorney General and that the hearing not extend beyond 2 p.m. today.

ADDITIONAL STATEMENTS

THE 63D ANNIVERSARY OF UKRAINIAN INDEPENDENCE

● Mr. HEINZ. Mr. President, January 22 marked the 63d anniversary of Ukraine's independence. The struggle of the Ukrainian people for liberty and autonomy provides an important lesson for the world. While the oppressive Soviet regime has denied the Ukrainians their independence, the persistence of the Ukrainian people in their attempts to regain their basic liberties serves to prove that no degree of tyranny can extinguish the spark of freedom.

The history of the Ukrainian nation is one of a struggle for autonomy. The Ukrainian people proclaimed their independence in 1918 following the collapse of the Russian czarist monarch. However, in 1920 the Ukrainian National Republic ceased to exist and was partitioned. Eastern Ukraine was taken by Soviet Russia. The Soviet regime has since continued systematic efforts to suppress Ukrainian ideals and aspirations. From 1932 to 1933 Stalin and the Soviet secret police engineered an artificial famine in an attempt to crush Ukrainian resistance to Russian domination. Approximately 6 million Ukrainians died as a result of the famine. In addition, Ukrainian dissident literature was destroyed, Ukrainian Bolsheviks were purged, and hundreds of thousands of Ukrainians were forcibly deported to Siberia. While conditions in the Ukraine temporarily improved under Khrushchev, the Soviet regime under Brezhnev is returning to a period of repression reminiscent of the Stalin era.

The current policy of the Soviet Government is aimed at the Russification of Ukraine and all republics under Soviet rule. The Soviets are seeking to obliterate all non-Russian cultural identities and languages. Ukrainian culture, literature, and history have been distorted and suppressed by the Soviets. Through the physical destruction of Ukrainian writers, artists, scholars, and scientists, the Ukrainian intelligentsia has been decimated. The Soviets are also attempting to liquidate religion in Ukraine. The Jewish, Ukrainian Orthodox, Catholic, Baptist, and other religions have all been the target of harassment. Priests, rabbis, and lay leaders have been executed and deported. Church properties have been confiscated and religious organizations have been closed down. In addition to the political, cultural, and religious subjugation of the Ukrainian people, the Soviet regime is guilty of the wholesale economic exploitation of Ukraine. Ukraine's natural resources have been utilized almost exclusively to aid Moscow's totalitarian expansion and aggrandizement.

Most disheartening and oppressive has been the Soviets' violations of the human rights of those valiant patriots who have chosen to speak out against the inhumanity and oppression of the Soviet regime. Thousands of innocent people lie suffering in the prisons, asylums, and camps of the U.S.S.R. merely for demanding their basic rights to free speech, assembly, religion, travel, and national identity. The cruelty and barbarism of the Soviet regime and the valiant persistence of the Ukrainian freedom fighters must be acknowledged throughout the world.

The list of Ukrainian freedom fighters is very long. Among them is Vasyl Fedorenko, arrested several times on charges of "anti-Soviet propaganda." Driven by the cruel treatment of the Vladimir Prison administrators, Fedorenko attempted suicide by self-immolation. Prison guards saved his life by dousing him with scalding hot water. On February 1, 1976, Fedorenko and the other prisoners began a hunger strike. There soon followed a series of punishments and tortures, solitary confinements, and forcible binding. Fedorenko remains in Vladimir Prison.

Yosyp Terelya, a 41-year-old dissident poet, and his fellow prisoners were made to pick up and stack granite slabs. They were forced to stand for days on one spot. Terelya was placed in a cell in which the temperature was changed hourly

from hot to cold. As a result of continual physical abuse his spine was struck with paralysis. Transferred to a psychiatric hospital, the poet's fingers were broken for trying to write with pencil and paper. Terelya remains in his cell amid the beatings and abuses.

In 1979 the body of the popular Ukrainian folk singer Volodymyr Ivasyuk was found near Lviv. The eyes had been plucked out, the fingers were broken, the body had branches of a tree shoved into it, and the entire torso was covered with bruises. While the KGB declared the death a suicide, most dissidents believe that the KGB was responsible for the death of the musician who had became a symbol for the preservation and development of Ukrainian cultural and national consciousness.

The Ukrainian Public Group To Promote the Implementation of the Helsinki Accords was formed to monitor compliance with the Helsenki Accords in Ukraine. At its first gathering the apartment serving as the group's meetingplace was bombarded with bricks. The group's members have been harrassed and for the most part imprisoned. Among them are Mykola Rudenko, Oleksy Tykhy, Myroslav Marynovych, and Mykola Matusevych.

Mr. President, I hope all our colleagues and all Americans will join me in honoring these valiant heroes of justice and freedom by commemorating the 63d anniversary of Ukranian Independence. Let us celebrate and reaffirm the culture and aspirations of the Ukrainian people and offer our support and prayers.●

ECONOMIC GOOD SENSE

● Mr. KENNEDY. Mr. President, before we rush to embrace the new fashion in economic visions, we ought to pause and reflect on warnings such as Michael Kinsley's discussion of "The Neo-Conservative Dream World" in the February 7th issue of the New Republic. Few in the Senate would agree with every element of Kinsley's review of the latest tome on supply-side economics, George Gilder's Wealth and Poverty. But Kinsley's review is important reading for all of us as we prepare to rewrite the tax laws and reshape the Federal budget in the months ahead. I believe Americans are ready to sacrifice—if the sacrifices are fair. I do not believe Americans want an economy where, in Gilder's prescription, women are second-class citizens—and where, in Kinsley's words, there will be "plenty of faith and hope, but not much charity."

Mr. President, I ask that Mr. Kinsley's review be printed in the RECORD at this point.

The review follows:

TENSION AND RELEASE—WEALTH AND POVERTY

(By George Gilder)

"Civilized society," says George Gilder, in a typical ex-cathedra pronunciamento, "is dependent upon the submission of the short-term sexuality of young men to the extended maternal horizons of women." He continues:

This is what happens in monogamous marriage; the man disciplines his sexuality and extends it into the future through the womb of a woman. The woman gives him access to his children, otherwise forever denied him; and he gives her the product of his labor, otherwise dissipated on temporary pleasures.

Gilder is a crackpot, all right, but this long-awaited attempt at grant synthesis of ascendant conservative thinking cannot be laughed off just because much of it is ridiculous. The author writes speeches for President Reagan, the editor was Midge Decter, the book is praised in newspaper columns and on its cover by conservative gurus who are themselves praised inside. David Stockman, Reagan's budget director, calls Wealth and Poverty "promethean in its intellectual power and insight." William J. Casey, Reagan's campaign chairman, says it "will serve as an inspiration and guide for the new administration." So the book is no joke. Conservatives talk about their "new ideas." Well, here they are.

The book's political appeal lies in its effort to combine a spiritual basis for supply-side economics with an economic justification of the traditional male-dominated family, thus uniting the concerns of the highbrow neoconservatives with those of the mass-based "new right." Gilder obviously is a bright and sincere man. He writes with flash and often with eloquence. But his grasp of economics (even his own supply-side theology) is more poetical than analytic; he can't resist hysterical overstatement; and his ape-man views on women are like roadblocks across the course of his argument. Gilder poses as promoter of a hungry and insurrectionary vision of capitalism, but he really has written a defense of established privilege. His pose might be more successful if he could stop himself from frequent expressions of personal devotion to the Rockefeller family.

Gilder wishes to defend the morality of capitalism which he feels is not appreciated, even by conservatives. His great moral insight is that capitalism is fundamentally altruistic. How so? Because, "Like gifts, capitalist investments are made without a predetermined return." A giver, says Gilder, tries to supply what will most please the recipient, with the thought that if the gift is successful it will be repaid, but without any certainty of this. The capitalist investor similarly must attempt to guess what consumers will want, with the always uncertain hope that a correct guess will be handsomely repaid. Even the act of using money is altruistic and "bears a presumption of faith," Gilder argues, because money is only a promise of future goods and services. Thus, like altruism, "Capitalism consists of providing first and getting later."

This kind of reasoning does more to make altruism look bad than to make capitalism look good. If you start out by assuming that all generous impulses are fundamentally selfish, you already have confirmed the most severe Marxist critiques of social life under capitalism. Adam Smith demonstrated that the miracle of capitalism is how it channels selfishness to serve the greater good, but Adam Smith's approach is too stinting for Gilder. Without giving, Gilder asserts, receiving has no meaning. A person "values his money because his expenditure of funds is psychologically rooted in his earlier expenditure of effort." This is a prelude to Gilder's views on welfare, but I can't help thinking here of his friends the Rockefellers. Do they value their money? If not, can I have it?

Gilder is hypnotized by the metaphor of "supply." What is to his fellow neoconservatives a rather technical critique of Keynesian economics—that it overemphasizes demand management and underemphasizes the incentive effect of marginal tax rates—is to Gilder a luminous deity. The antichrist is "demand." "The crucial difference" between capitalism and socialism is that under socialims, demand comes first." In capitalism, you recall, giving—i.e., supply—comes first.

Gilder interprets the history of economics as a long-running battle between the forces of good ("supply") and the forces of evil ("demand"). Adam Smith won round one for supply. The invention of supply and demand curves was an initial triumph for demand because "they seemingly assert an equivalence of potency between demand and supply." Demand, in reality, is a weak, vaporish, feminine sort of thing, whereas supply is manly and robust. Keynesianism was the ultimate inversion of the natural order, with demand on top, pumping away to no avail. But supply will dominate in the end, as it must.

Classical economics, with its stress on "perfect competition," Gilder argues, undersells the strengths of capitalism because classical analysis is "static." This is another great Gilder duality: "static" is bad; "dynamic" is good. Capitalism a la Gilder (borrowing heavily from Schumpeter)is a convulsive process in which courageous entrepreneurs stake their money and effort on some new enterprise which, if it succeeds, gives them "a unique niche in the system from which they can reap, as long as possible, monopoly profits," until some other ambitious entrepreneur takes it away from them.

This picture of capitalism at its best is also Gilder at his best. Small-time capitalist risk-takers are the heroes of his saga, and an admirable lot they are, generally. Gilder is right to compare them favorably to sluggish large corporations and to argue that their role in the strength of our economy is underappreciated. Where Gilder goes off is in blaming large corporations, somehow, on "the left." His sole basis for this indictment seems to be the half-admiring writings on big corporations of John Kenneth Galbraith. In fact, Galbraith's views are quite idiosyncratic on this point, not at all typical of "the left." More important, "the left" and government are hardly responsible for the growth of large corporations. These beasts are, for better or worse, primarily a development within capitalism. Having painted a heroic mural of capitalism as it ought to be, Gilder ignores capitalism as it really is. In his world, all business enterprises are small and dynamic, and all wealth is self-made and constantly at peril.

Like his idealized view of the private economy, Gilder's stark outline of government is illuminating as an abstraction, but absurd when he treats it as a complete portrait. Gilder sees the government as a vast insurance program. It protects people against the risk of being poor or sick. It protects corporations like Chrysler against the risk of going bankrupt and banks against the risk of default. Through its supervision of lawsuits, it gives people redress against an ever-wider assortment of life's physical and emotional buffetings. But a vigorous capitalist economy, Gilder argues, depends on taking risks, rewarding winners, and penalizing losers. And increasing opportunities for enrichment through transfer distract human energy from truly productive uses. All this insurance thus creates "national sclerosis." Borrowing an insurance industry term for a risk created by the very act of insuring against it (e.g., arson caused by fire insurance), Gilder groups all these effects together as "the moral hazards of liberalism." It's a clever overview of modern government, I think. But as the insurance industry would surely rush to point out here, not all insurance creates moral hazards. Some insurance is good for business, even essential. And Gilder is most eager to cancel the policies of just those who are least likely to benefit from bracing draughts of risk—the poor.

When Gilder turns to the subject of wealth, he offers another of his great distinctions: between "wealth" and "riches." Rich is static (bad); wealthy is dynamic (good). Having a lot of oil in the ground make you rich, but not wealthy." Americans confound money with wealth and confuse the actively invested

fortunes of rich [he means wealthy] families [guess who?] with the treasure chests and thronging servants of an Indian rajah or an Arabian prince." Indeed, Gilder argues, the value of all capital assets is evanescent. "As soon as the works of imagination . . . become concrete—are invested—they are trapped," and start to decay. In a vigorous capitalist environment, the only real wealth is ingenuity and a willingness to work. For example, a Lebanese family began selling vegetables in Lee, Massachusetts, 10 years ago, and now they own the biggest building in town. Q.E.D.

This is an inspiring story, but it hardly represents American wealth at its most typical. Much great American wealth, even today, is inherited (insert obvious example here), and very few self-made millionaires got that way solely through virtuous personal qualities. Gilder's implicit argument is that wealth is its own justification. Unequal distribution is not unfair, because "a capitalist system is based on an essential psychology of achievement that is equally possible for all classes." (The key word here is "psychology.") Wealth in concrete form is merely certification that you've got what it takes inside. Indeed, it demonstrates that you are engaged in a glorious mission. "Ownership . . . , whether it is one's own land and labor or IBM shares . . . means . . . that the owner lives on the crest of creation, continually informed and inspired, edified and motivated," et cetera. This may describe the life of a self-made vegetable seller, but it hardly captures the joys of owning IBM shares. Gilder willfully blurs the distinction between the few rich who got that way through their own hard work and creativity, and the many rich who did not, in order to steal the moral aura of the former for the latter. "The other groups on the pyramid of wealth should occasionally turn from the spectacles of consumption long enough to see the adventure on the frontiers of the economy above them—an adventure not without its note of nobility."

Not just nobility, but tragedy! According to Gilder, the crucial role of the rich—if they are not harassed and taxed out of performing it—is to supply the risk capital for new enterprises that keep our economy churning and vibrant. Yet paradoxically, by financing "capitalist ferment and creativity," the rich seal their own doom.

"Individuals with cash comprise the wild card—the mutagenic germ in capitalism, and it is relatively risky investments that ultimately both reseed the economy and unseat the rich, as the iron rule of gamblers' ruin plays itself out in the arena of business."

This proposition is not merely paradoxical; it is unbelievable. The mathematical law of regression toward the mean may work its will, in the long run, even on the Rockefellers (though in their case it surely will be the Keynesian long run, in which we are all dead). But I see no reason, and Gilder offers no evidence, that the rich would wish to hasten this process. Are they stupid? If the rich (or their advisers) truly believed that their usual course—which Gilder portrays as one of courageous investment and modest lifestyles—was hastening the decline of their fortunes, we could trust them to change it.

"The persecution complex is a standard psychological ill," Gilder says in explaining why blacks and women think discrimination exists. His own discussion of American attitudes toward the rich is a textbook example of a persecution complex. There is a "war against wealth," Gilder feels. "The idea that all wealth is acquired through stealing is popular in prisons and at Harvard." And "hatred of producers of wealth . . . has become, in fact, the racism of the intelligentsia." Gilder feels surrounded by "formulas of expropriation! Property is theft. Hate is community. Violence is freedom. Reality is oppression." Who is responsible for spreading these heresies? Gilder has a theory. He blames offspring of the old rich, "the defecting upper class," who, he says, have slithered away from the capitalist ramparts to soft jobs at foundations and in the media. From these posts, they use "their communicative skills and social refinements" to poison society's attitudes against the new rich "moving into the commanding heights" that they have cravenly abandoned.

Gilder (who, by the way, is program director of something called "the International Center for Economic Policy Studies") really should see someone about this elaborate fantasy. Perhaps I am equally deluded, but it is my sincere impression that social policy in this country is not based primarily on hatred of the rich. Even liberals, believe it or not, see tax-financed social welfare primarily as a way of helping the poor. If it could be done without disturbing the slumber of the rich, few would object.

And what about the poor? Just as money has nothing to do with being rich in Gilderland, it has little to do with being poor. "(R)eal poverty is less a state of income than a state of mind." Thus another paradox: social welfare just makes people poorer. "The fact that they have more income only makes the situation less remediable." Taking money from the rich undermines their unique role in expanding the economy and giving money to the poor discourages them from working (an effect money does not have on the rich, apparently), so redistribution causes poverty. If poverty existed before welfare was invented, you would not know it from this book.

Others have written about the damaging effects of the welfare culture with much truth, but Gilder's perspective is novel. According to George, here's how it works. Welfare undermines:

"Male confidence and authority, which determines sexual potency, respect from the wife and children, and motivation to face the tedium and frustration of daily labor. . . . The man has the sinking feeling that his role as provider, the definitive male activity from the primal days of the hunt . . . , has been largely seized from him; he has been cuckolded by the compassionate state.

"His response to this reality is that very combination of resignation and rage, escapism and violence, short horizons and promiscuous sexuality that characterizes everywhere the life of the poor."

Meanwhile, back at the ranch: "Once a family is headed by a woman, it is almost impossible for it to greatly raise its income. . . . Her family responsibilities and distractions tend to prevent her from the kind of all out commitment that is necessary for the full use of earning power."

Because welfare breaks up families, Gilder contends, "The lives of the poor, all too often, are governed by the rhythms of tension and release that characterize the sexual experience of young single men."

I'm told that Gilder exposes his feelings about women at great length in two other books, which I haven't read. In this one, he adopts the familiar neoconservative posture of courageously breaking a conspiracy of silence, imposed by liberal etiquette, around truths that are too obvious to require defense. Perhaps Gilder has observed the "resignation and rage, escapism and violence," and so on, of his editor's husband, and has concluded that her partial usurpation of his role as provider is responsible. ("This is Midge Decter's last book at Basic," Gilder reports. Has she seen the light?)

The only serious evidence Gilder offers about sex roles and work is a government study which "indicates," with laughable precision, "that married men work between two and one-third and four times harder than married women, and more than twice as hard as female family heads," and "husbands work 50 percent harder than bachelors. . . ." What "work harder" means, Gilder (typically) does not report. Whatever this "study" measures (hours worked?), it's of course just a reflection of present social arrangements, not proof that these arrangements are biologically inevitable.

As for the connection between all this rot and poverty, it is one thing to say that an uneducated woman trying to raise eight kids without a husband will have trouble escaping poverty, and quite another to insist that the problem is inherent in her chromosomes. How could a single man raise eight kids and work at the same time? Similarly, it is one thing to point out the stupidity of AFDC (Aid to Families with Dependent Children) rules that encourage men to leave home, and another to insist that welfare by its nature—no matter how it is structured—destroys family life by undercutting man-the-hunter.

What is Gilder's solution to the welfare morass? "The crucial goal should be to restrict the system as much as possible, by making it unattractive and even a bit demeaning." The most important step is "to permit a gradual lowering of the real worth of benefits—by allowing inflation to diminish their money value. . . ." As it happens, we have been experimenting with Gilder's type of reform for a decade. For example, inflation reduced the value of AFDC 42 percent between 1974 and 1980 in New York state, where getting welfare remains (really, George) just "a bit" demeaning. Lab reports indicate that poverty still exists in New York.

Gilder dismisses conservative-style welfare reform, which concentrates on eliminating fraud, on the grounds that "most of the cases are fraudulent, in the sense that most of the fathers could presumably marry the mothers of their children and could support them if they had to." He also dismisses the negative income tax (which he identifies as "liberal" even though it was conceived by Milton Friedman), based on the results of an HEW experiment which showed that income guarantees created a severe reduction in work effort. Gilder, naturally, thinks this is because the government usurped the role of male provider. "Unlike the mother's role, which is largely shaped by biology, the father's breadwinner duties must be defined and affirmed by the culture." He overlooks a more logical explanation from his own world of supply-side economics: Because benefits were steeply reduced as earnings increased, there was very little incentive to work.

The true solution to welfare is to make it more generous, not less so, by letting people keep their benefits when they go to work. If supply-siders believed their own theology, they would admit this. A guaranteed minimum family income that was not reduced as earned income increased (replacing the standard tax deduction at higher incomes), would never make it profitable to avoid work or to break up a home—conservatives' principal complaint about present arrangements. Strangely, Gilder virtually endorses such a system with a call for "child allowances given to every family, of whatever income, for each child" in order to encourage men to stay with their families and take low-paying jobs. This is what economists call a "pure" negative income tax, so I can't imagine what Gilder thought he was denouncing for pages leading up to this proposal.

If Gilder is a bit confused about what he wants to do for the poor, he's clear about what he wants to do for the rich: cut their taxes. The confusion comes when he tries to explain why. Not to help the rich, of course, but to help the poor. "Regressive taxes help the poor!" he sings. Low tax rates encourage the rich to invest more, so they make more money and pay more taxes, and "the lower and middle classes need pay less." You recognize this: it's the Laffer curve. The Laffer curve, says Gilder, is "demonstrably true,"

but he offers no demonstration. Instead, in one of my favorite passages, Gilder out-Laffers Laffer by asserting that high taxes lead to (take a deep breath) . . . cannibalism:

"The rates of taxation climb and the levels of capital decline, until the only remaining wealth beyond the reach of the regime is the very protein of human flesh, and that too is finally taxed, bound, and gagged, and brought to the colossal temple of the state—a final sacrifice of carnal revenue to feed the declining elite."

In a calmer moment, Gilder makes the usual Lafferite charge that liberals don't know how to think "marginally," and thus they confuse tax rates with tax revenues. This defect makes liberal economists mentally inferior to "a former football player trained in physical education," one Jack Kemp. But Gilder often makes this same "error" when it suits his own conclusions: when he says welfare discourages work whether or not benefits are reduced with income; when he says that inflation and high taxes force married women into paying jobs ("marginal" thinking suggests that high tax rates make it more tempting to stay at home); and when he charges that taxes cause inflation because "workers attempt to keep their after-tax earnings constant." Not thinking marginally, George. Tsk. Tsk.

To illustrate the burden of taxes on entrepreneurs, Gilder imagines, with relish, that Professor Galbraith has gone into business producing his own books. Under Gilder's assumptions, Galbraith puts in a million dollars and two years' labor, and ends up, after taxes, with only $5,719 a year. Ouch! Trouble is, Gilder's assumptions would land him a malpractice suit if he were Galbraith's lawyer or accountant. If Gilder wishes to publish his next book himself, he should come to me. I'll show him how, with the same business, he can shelter other income at first, put off most taxes for years, and never pay a higher tax rate than I pay on my own modest salary.

"Perhaps the supreme symbol of the struggle between past and future," says Gilder, is the tax on capital gains. The self-styled forces of the future, including Gilder, want it eliminated. Gilder says that capital gains are "the way people get rich," and thus the crucial incentive for entrepreneurial verve The capital gain tax, therefore, is "a big business protection act—a defense of . . . old wealth against new, the past against the future."

Let's get a few things straight about the capital gains tax. First, it is not high, compared to other taxes. Right now the top federal rate is 28 percent. How many *TNR* readers pay less than that on their wages? Second, the tax was *not* nearly doubled in 1969, and nobody ever paid "nearly 50 percent," as Gilder asserts. Tax-cut advocates consistently misrepresent what was a fairly technical change. Thanks to a major cut in 1978, today's capital gains tax rates are lower than they have been for decades. Third, most capital gains of rich people are never taxed at all, because of a loophole concerning the tax on inherited property. Fourth, lower rates for capital gains cause tax shelters and real estate speculation, both of which Gilder rails against for pages. Fifth, contrary to Gilder's theatrics, special breaks for capital gains *help* stodgy old companies and *hurt* hungry young entrepreneurs. This is because they subsidize retained earnings and discourage stockholders of established companies from taking their money out to invest it elsewhere.

If higher capital gains taxes protect big business and old wealth, why are large corporations and the New York Stock Exchange lobbying so hard to *lower* capital gains taxes? Another paradox here, Mr. Gilder? Either through gross ignorance or deceit. Gilder presents what he bills as an agenda for economic revolution, which in practice would have the effect of shoring up established wealth. Bless me if I can help thinking of those Rockefellers again, whether that is marginal thinking or not.

Now it's true, as Gilder says, that inflation has wreaked havoc on the tax code, especially on the taxation of savings and investment. But the worst effects have been on ordinary savings, which are taxed *every year* (not just when they're cashed in) at rates up to *70 per cent*. These taxes should be indexed for inflation. Capital gains taxes should be indexed, too, but only after all the other special breaks are eliminated. Meanwhile, a stroll down Rodeo Drive will persuade you that the capital gains tax has not yet become, as Gilder claims, "quite simply a tax of wealth confiscation." And if "an early purchase of shares in a pioneering firm . . . will often be taxed at confiscatory levels when sold," as Gilder also claims, the recent euphoria over new issues of Genentech and Apple Computer must have been episodes of mass insanity.

Need I even mention, at this point, that—according to Gilder—all antidiscrimination efforts are terribly harmful to minorities? Programs like busing and affirmative action are vulnerable (in my opinion) to conservative arguments that they don't serve their intended purpose. But Gilder attacks the purpose itself.

Gilder is against integration of schools and housing, for example. He argues—correctly, I think—that much prejudice against blacks is more a matter of class than a matter of race. But Gilder approves of class prejudice. In fact, he thinks there's a dangerous lack of it.

"If a capitalist system is to expand, it must give social and educational rewards and reinforcements to 'middle-class' discipline and morality. This means that successful families must take care in choosing their associates and those of their children. This process helps the poor by creating a distinctive culture of upward mobility which they may emulate [Gee, thanks], and it helps the rich by transmitting upper-class discipline to their children."

Now, are you ready for this?

"Many a wealthy youth has been mulcted, blackmailed, sued, or otherwise afflicted for his noble impulse to flee his 'stuffy' forebears. Many a wealthy ingenue has been fleeced and flummoxed by entrepreneurial admirers. Many a lower-class drug habit has been financed by rich kids desperate to be accepted as 'one of the boys.' Many a wealthy neighborhood has been robbed by the 'friends' of generous teenagers with nostalgie de la boue."

In Gilder's fevered brain these must be the same rich kids who go on to control foundations and the media, where they promote "a corrupt and destructive egalitarianism in politics." Back on Earth, there is no connection whatever between heiresses seduced by gigolos and government efforts, however ham-handed, to assure that Americans of different social backgrounds don't grow up total strangers. These efforts do not reflect contempt for middle-class values. Quite the contrary. A key premise of *Brown* v. *Board of Education*, the Supreme Court decision that started it all, was that middle-class values would rub off on underprivileged children. And social class mixing is not a poison flower of the welfare state: there is far less of it in America today than there was 100 years ago. The modern development that needs to be deplored is the intense social stratification that has occurred in this century.

Economic discrimination against blacks and women does not exist, you will be glad to hear. The lower income of blacks is dismissed on the logic of tout comprendre c'est tout pardonner. Once Gilder discounts for past discrimination against their parents, education at segregated schools, college degrees from "valuable but inferior Southern black institutions," and so on, not to mention "government-induced dependency and female-headed families," he calculates that black and white incomes are practically the same. As for women: "It is the greater aggressiveness of men, biologically determined but statistically incalculable, that accounts for much of their earnings superiority." After an exciting discussion involving "the neurophysiological demands of the sex act itself," Gilder aggressively concludes that biology "can fully explain all gaps in earnings."

Gilder's loopy antifeminism spoils what might have been a telling critique of the affirmative action mentality. Gilder argues persuasively that the burden of proving an absence of discrimination in hiring and promotion leads to an overemphasis on testing and credentials. These developments feed the trend away from the kind of fluid, unpredictable economy that Gilder correctly says is healthiest. Antidiscrimination lawsuits, he says, primarily help middleclass blacks and women, and do little for the untrained blacks at the bottom of the economy. But it's hard to take any of this seriously when he insists that "the antidiscrimination agencies have become an enemy of black progress" because they help "women, amply tested and credentialed, but in need of federal lawyers to make up for a wholly commendable lack of careerist drive and aggressiveness." Only in Gilderland does joining a job discrimination lawsuit prove a lack of careerist drive.

That about takes care of the pernicious nonsense in Gilder's book. Gilder's admirers in the White House can deal with his contention that inflation is good. Now let's relax with some amusing nonsense. (Tension and release, you know.) Wealth and Poverty styles itself a paean to "faith." "Faith in man, faith in the future, faith in the rising returns of giving, faith in the mutual benefits of trade, faith in the providence of God are all essential to successful capitalism," Gilder declares. There are no atheists in the boardrooms, apparently. Gilder's religion is not the opiate of the masses, but it's something equally sterile: the amphetamine of the elite. His reasoning is that rationality itself is fatal to capitalism, since it discourages risk. The successful capitalist must be filled with irrational hope. (Why, therefore, he must also have narrowly behavioristic tax incentives is another giant gap in Gilder's reasoning.) Wealth, because it is acquired through this mystical process, "taps the underlying and transcendent order of the universe." If this last step—wealth grows from chance, therefore it is divinely sanctioned—seems hard to follow, you probably are imprisoned in "the calculus of closed rationality." Gilder suffers no such debility.

Gilder's final chapter, "The Necessity for Faith," is suitable for reading aloud around the fire at Pocantico Hills on Sunday afternoon following church and a heavy meal (except that the ancestral Rockefeller estate, Gilder bitterly notes, has been abandoned to the public because of taxes and decadent heirs):

"Material progress is ineluctably elitist: it makes the rich richer and increases their numbers, exalting the few extraordinary men who can produce wealth over the democratic masses who consume it. . . . It is the idea of economic futility [Whose idea? Dunno.]—not capitalist growth—that gives license to the culture of hedonism and sensuality."

And on and on (Pass the port, would you?):

"The dream of stagnation exalts the politician. . . . Logical positivism, behavioral psychology, Freudianism, Marxism, classical economics, neo-Keynesianism, Bayesian probability analysis, information theory, socialist planning . . . the modern thinker assumes the universe is essentially dead. . . . God is the foundation of all living knowledge. . . ."

Well, you can't please everyone, God must

be thinking. In the days before social welfare, Anatole France observed ironically that the law majestically forbade rich and poor alike from sleeping under bridges and begging in the streets. Now comes George Gilder to complain, without perceptible irony, that the modern state is cutting people off from "the miraculous prodigality of chance . . . a resource that above all we should deny neither to the poor, who can be the most open of all to the future, nor to the rich or excellent of individuals. . . ." So *bon chance*, all you poor folks! In the gospel according to Gilder, there is plenty of faith and hope, but not much charity.●

CLIFFORD HATTEN

● Mr. METZENBAUM. Mr. President, the thousands of members of Ohio's credit unions will lose a great and good friend later this month when Clifford Hatten, director of governmental and consumer affairs for the Ohio Credit Union League, will retire.

Mr. Hatten has been an integral part of the development of credit unions in Ohio since the end of World War II, when he was employed by the Couch-Uthe Co. in Elyria, Ohio. After serving as the treasurer of that company's credit union, Mr. Hatten served on the Lake Erie Chapter Board in 1955.

Because of his outstanding service in the Cleveland area, Mr. Hatten was asked to join the staff of the Ohio Credit Union League as a field representative. During that time, Mr. President, Mr. Hatten performed as a financial "Johnny Appleseed," starting 160 credit unions in northeastern Ohio.

In 1967, Mr. Hatten was named director of public relations of the league and moved to the headquarters in Columbus. In 1969, he was chosen to be the director of governmental and consumer affairs, the position he holds at the present time.

Mr. President, few people have done more for the working man and woman in Ohio than Clifford Hatten. The citizens of Ohio owe their thanks to this man, and as a citizen, I join them.●

CONFIRMATION OF DAVID STOCKMAN AS DIRECTOR OF OMB

● Mr. ZORINSKY. Mr. President, last week the Senate confirmed the nomination of Mr. David Stockman to be Director of the Office of Management and Budget. Mr. Stockman has been a very vocal advocate of budget restraint, and I must say that I commend his enthusiasm and apparent dedication to the job of balacing our Nation's budget.

Nevertheless, Mr. President, I am compelled to express my grave concern with some of Mr. Stockman's recent and not-so-recent statements about the Department of Agriculture.

In December 1978 Mr. Stockman wrote to Secretary of Agriculture Bob Bergland deploring our Nation's commodity price-support programs. He complained about the "dog-eared claims and lame justifications" for what he calls agriculture's "special dispensations." Mr. Stockman believes that farmers—like auto dealers, aluminum smelters and scrap dealers—should be obliged to deal with the vagaries of weather, world crop supplies and onerous Federal regulations as in any other business proposition.

Mr. President, I will not quibble with Mr. Stockman's grasp of agricultural economics, although I might. I will not argue that farmers do face unique circumstances, although I might. I will not even say, Mr. President, that our country's farmers, with the help of the USDA, are the most efficient and prolific producers of food and fiber in the world, although I might.

I will say, Mr. President, that Mr. Stockman appears to be completely unaware of the important role the USDA's commodity price support programs play in stabilizing food prices for the American consumer. Any schoolchild can understand that drought, disease or insects can wipe out a farmer's crop, and with it the livelihood of himself and his family. Granted it takes a bit more familiarity with agricultural economics to understand that perfect weather and record crops can have the same effect. In the last analysis it does not matter to the farmer if he has no crop to sell at all, or an enormous crop to market at prices too low to return his costs. He still goes broke. And that, Mr. President, means that America has one less farmer to produce its food next year and is just a little more dependent on good weather and good crops for those who are still in business.

The USDA's price support programs play an important role in assuring the American consumer an adequate and stable supply of food. If we do not shelter the American farmer from the disasters at either extreme of the spectrum, crop wipeouts or price plunges, our country's consumers will suffer. Like Mother Hubbard, the American housewife may go to the cupboard in future years only to find that it is bare.

Mr. President, I have other concerns about Mr. Stockman's views of Department of Agriculture programs. In the past few weeks we have heard repeated comments about the Farmers Home Administration and the Department's rural development activities. For example, yesterday the New York Times quoted Mr. Stockman as saying that the Farmers Home Administration was a "sleeping giant of the budget." I hope that Mr. Stockman does not view his role as Jack the Giant Killer.

The Farmers Home Administration is, for the most part, one of the Federal Government's most successful endeavors. The agency is a vital source of credit to young and beginning farmers, as well as to those who face economic disaster because of depressed prices or natural catastrophes.

FmHA has aggressively promoted the development of rural America. Housing, medical facilities and new business ventures in remote areas of the country have been financed through FmHA.

While caution and careful review of Farmers Home programs is indeed merited, Mr. President, I would loath to see the continued development of our country's rural areas impeded by massive changes in the Farmers Home Administration programs.

Similarly, the Rural Electrification Administration's programs to assist in the extension of electric and telephone service to rural sections have demonstrated themselves to be valuable and necessary programs. I hope that Mr. Stockman will resist the temptation to curb the success of these programs.

The Office of Management and Budget has come to play an increasingly important role in the formation of all of our country's policies and programs. Agriculture is no exception. During the past 4 years of my tenure as a Senator I have more than once seen the efforts of the Senate Committee on Agriculture, Nutrition, and Forestry frustrated by OMB's dictums on spending.

For this reason, Mr. President, I intend to ask the chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, Senator HELMS, to invite Mr. Stockman at the soonest possible opportunity to come before the committee and present his views on the various USDA programs and to clarify some of his recent statements.

I hope that my colleague from North Carolina will concur in my judgment that an opportunity to question Mr. Stockman would be helpful, and that Mr. Stockman himself will accept an invitation from the Agriculture Committee.●

SRI LANKA

● Mr. HATFIELD. Mr. President, it is with great pleasure that I rise today to acknowledge a day of national independence. On February 4 the Republic of Sri Lanka will celebrate its 33d year since regaining independence. The year 1981 also marks the 50th year in which the citizens of Sri Lanka have been enjoying universal adult suffrage. As in all freedom loving countries, the citizens of Sri Lanka will celebrate their national day by giving thanks for the blessings of liberty. It is fitting that we should join them in celebration.

The Republic of Sri Lanka, formerly known as Ceylon, continues to make progress toward social and economic growth. Life expectancy figures are 64 for males and 67 for females. The literacy rate is 88 percent. As evidenced by these figures, the democratically elected government is meeting the basic needs of her people.

However, if progress is to continue the country is going to have to develop a solid agricultural and industrial base. I am happy to report that steps are being taken in Sri Lanka to insure this.

With the help of Western powers, including the United States, several dams have been constructed which will supply water for irrigation and power generation. In addition, the Government of Sri Lanka has attracted foreign capital with a program that includes tax incentives, free trade zones, and government decontrol and deregulation. To date, this policy has resulted in 130 different industrial ventures from 25 countries. With continued development of this solid economic base, democracy will flourish for many years to come.

As we have been recently reminded by the return of our former hostages, freedom is a glorious thing. We reach out

to the people of Sri Lanka with a wish for continued liberty and progress.●

RAYMOND J. DONOVAN

● Mr. BIDEN. Mr. President, on Tuesday I voted in support of the nomination of Raymond J. Donovan to be Secretary of Labor, but I found deciding how to cast that vote difficult and troubling.

My reluctance to support this nomination evolved largely from the volume of the allegations raised against Mr. Donovan. In the end, those allegations proved to be just that—allegations, allegations that have not been supported or substantiated.

Although I remain disturbed by the possibility that some of those many allegations may yet prove to be true, I believe it is important—not only to Mr. Donovan but also to the duty imposed on this body by the Constitution to advise and consent to Presidential nominations—that uncorroborated allegations must not be allowed to contaminate that process. To do so would diminish the constitutional role of the Senate and would hold future Presidential nominees hostage to the most irresponsible sort of opposition they might incur.

I am aware that in his sworn testimony, Mr. Donovan has vehemently denied every allegation brought against him and has satisfied the FBI and its investigation. But I must add that, in view of the uncertainties surrounding his nomination, that should any of the allegations he has denied ultimately be proven correct, I would most certainly expect that he would promptly resign from the Cabinet post to which he has been appointed. Furthermore, I would expect that the Justice Department, in such case, would immediately initiate prosecution on the charge of perjury.●

EXPORT TRADING COMPANIES

● Mr. COHEN. Mr. President, I am pleased to join with many of my distinguished Senate colleagues in cosponsoring the Export Trading Company Act of 1981, legislation to encourage small- and medium-sized businesses to enter export markets.

Exports have become increasingly important to the health of the American economy. If we are to maintain the stability of the dollar in world financial markets, overcome our huge oil deficit and fight inflation, we must have a strong and productive export sector.

Exports contribute significantly to U.S. employment, production and growth. In 1976, exports accounted for one out of every nine manufacturing jobs nationwide. In the State of Maine, 1 out of every 13 manufacturing jobs are dependent on exports.

But we have not realized our full export potential. The United States has the lowest percentage of gross national product explored of any industrialized nation. For many years, American businesses have concentrated on the domestic market, and exports have accounted for only 7.5 percent of domestic production. Now the energy crisis and the state of our economy demand that we implement more aggressive measures to expand our export sector.

The Commerce Department has estimated that only 8 percent of the Nation's 250,000 manufacturing firms ship their goods abroad and that, of those, 100 industrial giants account for more than one-half of all U.S. exports. There are at least 20,000 small- and medium-sized businesses which manufacture internationally competitive goods, but are not now engaged in exporting. Many others are exporting, but not to their full capacity.

This legislation is designed with these 20,000 firms in mind. Smaller firms are often reluctant to absorb the extra costs and risks associated with developing overseas markets. Export trading companies can provide them a vehicle for diversifying risk as well as providing international marketing expertise and financing.

Import-sensitive industries could also benefit from this legislation. Textile, apparel, and footwear firms, all important to Maine's economy, could form export trading companies to increase their sales and strengthen these important domestic industries.

This legislation attempts to correct provisions in present law that have inhibited the formation of export trading companies. A crucial ingredient in this bill is the clarification of the antitrust provisions of the Webb-Pomerene Act of 1918. This act allows manufacturers in the same industry to get together to bid for foreign business, it stipulates that these activities must not have an anticompetitive impact on domestic markets. Many businesses have been reluctant to enter into practices that might invite antitrust actions by the Justice Department. This legislation would provide a clearance procedure so that businesses would know in advance if specific ventures could violate antitrust law.

Another important provision of this bill would authorize additional funds for the Small Business Administration and the Economic Development Administration for loans and loan guarantees to support the needs of export trading companies.

Mr. President, the Commerce Department has estimated that this legislation could, in 3 to 5 years, increase exports by 30 percent. In this country, every $1 billion in exports generates 40,000 jobs. I pledge my support to this legislation which I believe would assist the new Administration in working toward one of its highest priorities—putting Americans back to work.●

OREGON VETERANS' LOAN PROGRAM

● Mr. HATFIELD. Mr. President, in an effort to balance the 1981 budget, the Congress invoked a reconciliation procedure contained in the 1974 Congressional Budget Act, which is designed to reduce expected Federal expenditures. The Congress committed itself to this procedure in mid-1980 and, as a result, several committees worked out a series of cuts and revenue measures that reduce the Federal deficit by $8 billion. The final product, the Omnibus Reconciliation Act, was approved in December 1980. The controversial provision that restricts mortgage revenue bonds and general obligation veteran bond issues was taken from a bill introduced by Representative Ullman as H.R. 5741 and passed by the House of Representatives in the spring of 1980.

I had introduced a counterproposal, S. 1751, on September 14, 1979, but the Senate Finance Committee did not consider my bill or any other. S. 1751 addressed legitimate abuses in the use of mortgage revenue bonds but exempted from its provisions State veteran loan programs, such as Oregon's. Instead, at the last minute, the House-passed H.R. 5741, which puts strict limits on revenue bonds and State veteran loan programs was attached to the Omnibus Reconciliation Act in a postpassage conference of both Houses.

I supported the conference report because of my commitment to a lower Federal deficit for 1981. Present projections call for a $60 billion deficit, and the Omnibus Reconciliation Act reduced the deficit by $8 billion and reduced planned spending in later years. The provisions relating to State veteran loan programs did not have my support and I attempted to eliminate or modify them. However, my commitment to a smaller Federal deficit forced me to support the omnibus reconciliation measure, despite inclusion of the sections on bonding to which I objected.

In 1978, Chicago instituted the first local mortgage bond program and within 9 months some $1.67 billion in tax-exempt bonds were issued by over 56 local governments. In 1979 alone, over $6 billion in local government bonds were issued. In contrast to earlier bond issues which concentrated upon multiple-family housing and specifically lower income persons, many of the new local bond issues contained no income limits and provided below market interest rates to individuals who needed no Federal housing assistance.

In sum, tax-exempt single family home financing rose from less than $1 billion in 1974 to $12 billion in 1979 and constituted over 25 percent of all tax-exempt issues for State and local governments. Since tax-exempt bonds lure high-income investors from other taxable investments, unrestricted use of tax-exempt bonds would have cost the taxpayers some $12 billion a year by 1985.

H.R. 5741 was designed to restrict the use of mortgage revenue bonds because they were viewed as an inefficient subsidy to housing in that administrative costs were high and benefits were going to individuals who could afford conventional mortgages at unsubsidized rates. This growing tax subsidy avoids the budget process in a time when constituents are looking for reduced taxes. Concern has also been expressed that growing demands for tax-exempt bonds by high-income investors would drive up the cost of bonds for other essential State and local services such as schools, sewer,

roads, and prison facilities, and that the tax-exempt status of mortgage bonds results in a shift needed from industrial capital investments to less productive home buying. Finally, the lack of restrictions on mortgage amounts and income cause the Government to compete increasingly with private mortgage lenders.

Unfortunately, H.R. 5741 goes much further than restricting the abuses already mentioned by putting new limits on State veteran loans programs. Specifically, the new law requires that a qualified bond issue for veteran loans must:

First, be backed by the general obligation of the State;

Second, be substantially used for the purchase of a residence;

Third, be in registered form; and

Fourth, cannot be used for refinancing an existing mortgage.

The second and fourth provisions are critical.

If one is buying a residence that is located on 3 or 4 acres of farmland, a strict interpretation of the law might require the State VA disapproval of the application. Similar problems could occur with those individuals who have spent sums, sold houses, and acted on the expectation of receiving new financing if they previously had financing on their homes.

Currently, some 13,000 Oregon veterans' loan applications have been accepted and approximately 40 percent of those are affected by the new law. The situation is difficult, especially for those who relied upon letters of commitment received from the VA last fall by making improvements, selling their homes, and otherwise acting in the expectation of receiving the VA loan. These individuals will be irreparably harmed.

I am committed to working with the Governor, the Attorney General, and other appropriate State officials toward a speedy resolution of the problem involving these current applications. I have agreed to work with other members of the Oregon delegation as well in requesting an administrative ruling by the IRS or by introducing correcting legislation. It is imperative that our immediate efforts concentrate upon those who have presently applied and acted in reliance upon letters of commitment.

It is also my intention to work toward the introduction of legislation to exempt the State veteran programs from the restrictions of H.R. 5741. The abuses mentioned above occurred in mortgage revenue bonds while the total amount of general obligation bonds over the last 5-year period has remained relatively unchanged. Thus, there seems to be no reason to restrict State veteran loan programs, especially in view of the crisis we face in inducing qualified people to join our Armed Forces.●

SENATOR STAFFORD DISCUSSES COMMITTEE PLANS FOR REVIEW OF CLEAN AIR ACT

● Mr. RANDOLPH. Mr. President, review of the Clean Air Act will probably be the major environmental activity of the Committee on Environment and Public Works this year.

The act was extensively revised in 1977 and we now have the perspective of 4 years of experience from which to examine the statute and its implementation. The chairman of our committee, Senator ROBERT T. STAFFORD, has indicated his desire to begin our consideration of the Clean Air Act as early as possible. Like him, I anticipate that we will receive numerous proposals to revise this important statute which is the basis for our national effort to reduce pollution in the air we breathe.

Mr. President, on Tuesday, January 27, Senator STAFFORD discussed our review of the Clean Air Act in an address before the National Environmental Development Association. He stressed that our examination of the act should be carried out in a spirit of cooperation rather than confrontation with interested individuals and organizations. He repeated his belief that Clean Air Act must not be abandoned but that it could be modified if necessary to further facilitate the achievement of its goals in a realistic, workable fashion. He committed the committee to an examination of the problems that may be brought before the committee.

Mr. President, I agree with Senator STAFFORD on these points. The Clean Air Act has helped us to make substantial progress in protecting public health through reducing air pollution, the existence of which can be found in virtually every community. Our objective this year must not be to turn our backs on this progress but to make such modifications as are necessary to continue it in the years ahead.

Mr. President, because of the importance of the review of the Clean Air Act in the Senate this year, I submit the text of Senator STAFFORD's address for printing in the RECORD.

The text is as follows:

REMARKS OF U.S. SENATOR ROBERT T. STAFFORD

Thank you for inviting me here today.

I understand that many members of this audience were also present at the Burson-Marsteller seminar of January 16th. For those members of the audience, I have some good news and some bad news.

The bad news is that much of what I say today will be new, but some of it will be a replay of the Burson-Marsteller seminar.

The good news is that I have restocked my supply of Vermont jokes; so those will be completely new.

Although some of what I have to say was originally presented at the Burson-Marsteller seminar, I believe that message bears repeating.

For, if that message is taken seriously—as I hope it will be—it will do much to set the tone and temperment of the upcoming reauthorization of the Clean Air Act as one of sweet reason.

If it is not taken seriously, I fear that we could see a long and bitter struggle, comparable to the Clean Air amendments of 1976–77, or to the three-year wrangle with the chemical "superfund" bill.

I feel it is neither necessary nor desirable to engage in a repeat of those kinds of performances.

From such a bitter struggle, there could emerge no winners, only losers.

A reauthorization in the spirit of confrontation should be avoided for a number of reasons.

The most important reason is that, as disagreement escalates into anger, reason and logic are early victims.

When that happens, the ultimate product is not legislation designed to resolve genuine problems in a rational manner.

Instead, it develops as a patchwork of sections, subsections and paragraphs with nothing in common except that each often represents the victory of one small and selfish interest.

Reauthorization becomes a series of skirmishes fought between conflicting, sometimes irrational groups, with the battles fought in committee chambers or on the Senate floor.

I have seen this happen in the past. It is the worst kind of environment in which to develop responsible legislation.

I do not intend to preside over that sort of legislative anarchy in our committee if it can be avoided.

And, I believe it can be avoided.

This is why.

First, every group that I know of has said it supports the intent and the goals of the Clean Air Act. That includes those of you here in this room.

Each of you participates directly or indirectly in the Clean Air Project. The first of the five principles on which that project is founded is, and I quote:

"The Clean Air Act must not be abandoned. Its goals to improve the quality of the nation's air should be pursued with the cooperation of every segment of American society."

I applaud that statement.

I support that statement.

And, I believe that statement—and shall continue to unless events prove otherwise.

In the legislative arena, actions speak louder than words. So, the true measure of whether outside interests—and by this I mean not only industry, but the public health and environmental groups as well—wish to engage in a dialogue, will be, what you and they do in the coming weeks and months.

For example, I do not see how support for the principles of the Clean Air Act could be reconciled with a suggestion that the primary standards of that act be abandoned.

The primary standards are the heart of the Clean Air Act as a public health law.

Abandoning those standards is tantamount to rejecting the notion that the public health must be protected from air pollution.

Thankfully, however, that is not a subject that needs to be explored with this audience, because you are on record in support of the Clean Air Act.

Similar expressions of support have come from a wide range of interested groups.

Moreover, I believe that President Reagan shares that view.

I do not believe that the mainstream of America, or the mainstream of American business, or even those on the fringes of the mainstream, wish to make fundamental changes in the Clean Air Act.

That is not to say that some changes in the act are not needed.

It is likely, however, that many of the necessary changes will be refinements, not basic rewritings of the law.

Many of the changes will be required in concert with our new needs for energy development at home. That was certainly the case during the last Congress—except that those attempts were not so much to refine provisions of the Clean Air Act as they were attempts to repeal some of those provisions.

One example of that was the so-called "oil blackout," or coal conversion bill, that would have converted about 80 oil-fired electrict generating plants to coal—but without necessary environmental controls on air pollution.

I supported conversion to coal—and I still do.

But, the conversion should be accompanied by concern for the health of Americans and for the quality of the air. My amendment to require necessary environmental controls was defeated in the Senate. But, when the bill arrived in the House, it was engulfed in the intense controversy over the environmental issue, and it ultimately died.

A similar fate met the so-called "fast track" bill, that would have permitted the waiver of federal, state and local laws that might delay major energy projects. The bill passed the Senate, but died in the House of Representatives.

Those two bills, and their fate, are examples of what is clearly a growing national consensus: Americans want to develop domestic sources of energy—but they also want to protect the environment.

Those two goals are not inconsistent.

They can be achieved simultaneously.

The best way to achieve them is for all of us to work in a spirit of cooperation and to avoid confrontation.

It would be a mistake to underestimate or to ignore the lesson that can be learned from the fate of those two bills.

It would have been quite simple for the supporters of each of those proposals to accommodate those of us who had some complaints.

In the case of the coal conversion bill, I sought only the installation of adequate pollution control mechanisms. It made no difference to me whether the control mechanisms were stack gas scrubbers, coal washing equipment or even the use of low-sulfur coal.

Those of us who felt that way were willing to pay for a very large portion of the costs associated with minimizing air pollution.

But, proponents of the legislation remained adamant, and refused any accommodation. The consequence was that the bill and its supporters won a battle in the Senate, but lost the war in the House. And all of us lost whatever benefits could result from converting those plants to coal.

Now, it may well be that the House of Representatives has changed somewhat. But, it seems to me that each of us—all of us—has an obligation to try to operate in the broad national interest during the reauthorization process for the Clean Air Act.

It is likely that, at one time or another, each of us will be tempted to serve only our vested interests, rather than the nation's interests.

When that happens, I hope that we will all set temptation to the side.

What we require for the Clean Air Act authorization process is an exercise in self-restraint. Each of you may have problems. Those problems should be examined. Others will have problems. They, too, should be examined.

But, examination is not the same as elimination.

In some cases, a problem may be the natural consequence of the Clean Air Act functioning in exactly the way it was designed to function.

In other cases, a problem may be the result of excessive regulation or excessive zeal on the part of a regulator.

In fact, much of the public attention may may be directed to the wrong arena. Perhaps the focus should be on regulatory adjustments, and not on legislative changes.

To the extent that is the case, the fastest and most efficient means of correcting them is in the hands of the President, not the Congress.

I do not know what President Reagan's intentions are in this regard, but certainly the man the President has named to head the Office of Management and Budget has some clearly defined notions.

David Stockman recently proposed specific regulatory adjustments in the Clean Air Act, including the following:

A waiver of the carbon monoxide emissions standard for Model Year 1982 automobiles.

A relaxation of the heavy duty truck emissions standard scheduled for 1984.

A modification of the ambient air standard for ozone, and

The elimination of new source performance standards for small industrial boilers.

I don't know what other objectives Dave Stockman or other members of the Reagan Administration may have in mind.

But, I do know that the legislative process can be agonizingly slow at times, as recall the three-year ordeal of "superfund" and the almost-as-lengthy trials of the 1977 amendments to the Clean Air Act.

In terms of quick achievement, the less legislation the better.

At the same time, we all recognize that executive action alone will not be enough to make all of the changes that are needed.

In deciding what changes need to be made and the direction we should take, I hope that the Congress will be able to rely heavily on the report of the National Commission on Air Quality.

That report is scheduled to be delivered on March 1, 1981, and it should provide us with a sound, reasoned basis for going ahead with the reauthorization of the Clean Air Act.

The commission was created for the express purpose of providing the Congress with impartial advice—or, at least, with advice balanced by the views of all interests—and I expect it to fulfill that goal.

That does not mean the report of the commission will form the complete record on which the Senate Committee on Environment and Public Works will proceed.

I am sure you understand that the role of the legislative branch of government is distinct from the role of the National Commission on Air Quality and the role of the executive branch.

It is the obligation of the legislative branch to arrive at its own conclusions independently. In that regard, during consideration of the Clean Air Act, I am sure the Congress will listen to the advice of the Reagan Administration and of the National Commission on Air Quality.

But, it is the responsibility of legislators to exercise their own judgments. As you know, there is never any guarantee that Congress will heed all the advice it receives—even when it asks for it.

And, I must tell you that the Senate Committee on Environment and Public Works is composed of many independent-minded members. Some might even be considered mavericks.

You may be sure that all the Members of that Committee will insist on their own review of the Clean Air Act, and that they will make their own judgments.

Indeed, I anticipate that other Members of Congress will want to do the same, and that they will want to become familiar with the Clean Air Act and with some of its impacts.

On the contrary, it will be vitally necessary to the members of the Congress to become familiar with the Clean Air Act and with some of its impacts.

This educational process cannot be accomplished entirely in Washington. We will have to make first-hand examinations of at least a few of the clean air issues in other parts of the country.

Here are some of the issues I have identified as among those that are worthy of examination under actual conditions:

Impacts of the Clean Air Act upon the development of synthetic fuels, including oil shale, coal gasification and coal liquefaction.

The long-range transport of air pollutants, especially as it affects the ability of some states and areas to meet ambient standards or other requirements of the law.

The impact of emission standards on the auto industry.

The impact of the law's requirement on other industries, including the steel industry.

If field hearings on these or other issues are determined to be worthwhile, the Committee on Environment and Pubic Works might consider the following locations:

Colorado, Wyoming, Utah or West Virginia on synfuels and other domestic energy development.

New England, the Upper Midwest or the Southwest on the long-range transport of pollutants.

California for heavy oil development offset policy, or vehicle inspection and maintenance.

Detroit or some other auto industry city for the issue of vehicle emissions, and

Pittsburgh or some other steel industry city for the questions of the impact on that industry.

Let me caution you that the list of issues and of potential field hearings is extremely tentative. Do not read any overtones into either the issues I have mentioned, or those I have not.

That list will expand and contract—some of the issues may even disappear—as we get into the hearing and oversight process.

We have already taken some preliminary steps in this process. The Senate is not going to rush headlong into the Clean Air Act reauthorization process, but we will move at a good, steady pace.

Let me emphasize again that these are the first steps in the procedure of refining the Clean Air Act, not of rewriting it.

Quite aside from the fact that I believe the Clean Air Act is fundamentally sound, there is at least one other compelling reason for emphasizing fine tuning, rather than drastic overhaul.

If the Clean Air Act were rewritten, industry would be forced to return to Step One in the implementation process.

Decisions that require years to make—not including the additional years that would be consumed while lawyers argued their cases to judges—would have to be made anew.

During the years of undoing and remaking decisions, more precious time would be lost.

Time in which oil shale could have been developed.

Time in which boilers could have been converted to coal.

Time in which better and less expensive American cars could have been built.

In short, time in which we could all have been working together toward a common goal.

It is my hope—and my intention—to use that time in the most productive way.●

THE URBAN DEVELOPMENT ACTION GRANT PROGRAM

● Mr. PELL. Mr. President, I am amazed to learn that the Reagan administration is considering a total elimination in funding for a key program which has played a successful role in revitalizing our declining urban centers.

The urban development action grant, or UDAG, program has been uniquely successful in accomplishing its goal of bringing private investment back into our older cities. In Rhode Island alone,

both Pawtucket and Woonsocket have already demonstrated the value of this program through their new industrial parks, which promise to create hundreds of new jobs during the early 1980's.

UDAG is a relatively small Federal program which has triggered a huge private sector investment in older cities throughout the country. It proves its worth through the private enterprise system, because the small Federal investment made in each grant to a city is contingent upon a much higher amount of private capital being pumped into areas which have been ravaged by years of high unemployment and neglect. This is a much more effective use of the taxpayers money than, as is apparently being considered, folding UDAG into the community development block grant program, which has no requirement for generating a penny of private investment.

I frankly do not understand why an administration which favors free enterprise would eliminate a program like UDAG which must face a free market test, in favor of a program that requires no private sector participation at all. For that reason, UDAG is a program which should have a particular appeal to Republicans and conservatives, and indeed anyone concerned with the task of rebuilding our declining urban centers.

I sincerely hope that the Reagan administration will reconsider its decision on the fate of the UDAG program, but, if it does not, I intend to strongly defend this small Federal program which has worked so well for our Nation and for Rhode Island.●

SONG OF THE YELLOW RIBBONS

● Mr. PELL. Mr. President, among the many Americans who rejoiced in the freeing of the 52 hostages from their bondage in Iran was a constituent of mine, Virginia Doris of Pawtucket, R.I.

Mrs. Doris watched the hostages on television on Christmas Day of 1980 and was so moved by their plight and that of their families that she dedicated a poem to them entitled "Song of the Yellow Ribbons."

Mr. President, I suggest that the full text of this poem be printed at this point in the RECORD.

The text of the poem is as follows:

SONG OF THE YELLOW RIBBONS

The pledge their faithful vigils keep,
  The prayerful hours are near
When trusting eyes refuse to weep,
  Yet still we linger here;
And what—the endless churl may ask—
  Can inspire such wonderous power
That Pain forbids his wonted task
  And Love his yearned-for hour?

The Memory's spirit no lesser thrills
  Or breathes a fainter tone;
The clarion pride from our Nation's hills,
  Heed! No weakness is shown;
And Patriotism's burning song entails
  Her Founder's enduring fire,
Still gathering o'er the ocean that veils
  The American hostage lyre.

But grieve not o'er its parted strings,
  Nor believe its soul hath died,
While yet the lark at dawn's light sings,
  As once o'er Star-Spangled side;
While waiting season sheds its bloom
  And dewy blossoms reach
Alike o'er iran's demanding tomb
  And family's rallying belief.

Thou glorious captives of this sea!
  Though wide the wicked flood
That parts our distant land from thee,
  We claim thy courageous blood;
Nor o'er thy cruel bondage springs
  One unhallowed star of fame,
But kindles, like an eagle's wings,
  Our welcoming skies in flame!●

S. 381: ADDRESSING WASTE AND MISCONDUCT AT THE DEPARTMENT OF JUSTICE

● Mr. BAUCUS. Mr. President, eliminating waste and mismanagement from Federal programs is one of my top priorities. Internal auditors, who analyze an agency's work and recommend ways to make it more efficient, are an essential tool in this effort.

Congress has recognized the importance of auditing and review of employee misconduct for several agencies. However, the Justice Department has not yet been required to establish a centralized mechanism for performing these functions.

As a member of the Senate Judiciary Committee, I share responsibility for overseeing the activities of the Department of Justice. For 2 years, I have studied the Department's present procedures for internal auditing and for employee misconduct. In the last Congress, I chaired hearings on these subjects and became convinced that congressional action was warranted.

As a result of these hearings, earlier this week, I introduced legislation, S. 381, that will lead to reduced Federal spending and increased faith in the performance of the Department of Justice. I wish to expand on the two major aspects of the bill.

TITLE I: ESTABLISHING A DEPARTMENT OF JUSTICE OFFICE OF AUDITS

It is my view that the Department of Justice has failed to establish a stable, independent and effective internal audit unit. Title I of S. 381 would consolidate the various auditing responsibilities of the Department of Justice and create a new Office of Audit. This office would be under an Assistant Attorney General who would be accountable directly to the Attorney General.

The need for a strong, politically independent auditing office that has full access to the Attorney General is critical if management of the Department of Justice is to be improved. Currently, there is only one small internal audit staff (IAS) located within a large budget office at the Justice Management Division.

Based on a hearing I chaired on March 13, 1980, and on previous work conducted by my staff, I am convinced this is not the most appropriate and effective way to structure internal auditing responsibilities.

Under the present structure within the Justice Management Division, IAS lacks accessibility and accountability to the Attorney General. The IAS has a history of instability within the Justice Department, being bounced from section to section within the Justice Management Division. Its organizational location within the Division, its effectiveness as a coordinator of all auditing activities for the Department, and the current lack of methodical implementation of Department and General Accounting Office audit recommendations are other problems that I identified.

According to guidelines set forth by GAO, any internal audit unit should report directly to the head of an agency or to the highest practical level.

The Justice Department's present structure violates those guidelines. The IAS currently is two organizational levels removed from the Attorney General. The Attorney General apparently has little input into the activities of the auditing unit.

Audit recommendations rarely filter up to the Attorney General and instead stagnate in the Justice Management Division where they are largely ignored.

Its internal structure and organizational location are defined by Department regulations which have been changed repeatedly to accommodate the whims of management. Just last year, IAS was downgraded to a low-level position reporting to the Comptroller within the Justice Management Division, now making it three levels removed from the Attorney General. The small 57-member auditing staff was drastically reduced by over 40 percent.

In addition, the Department of Justice also has been unable to coordinate auditing activities within the Department. The FBI, LEAA, and DEA have separate audit units, and all of the other bureaus have some form of audit or inspection or management review groups.

IAS has not had the authority to require that these units report to the IAS Director. According to testimony at the March hearing, IAS has "not had a very strong coordinating function with any of the functions in the other bureaus." Under this loose arrangement audit functions may be duplicated, and the failure to share expertise and findings results in additional waste.

Mr. President, the bill I introduced this week, S. 381, would address these problems.

The bill would create a statutory charter for an Office of Audit under the direction of an Assistant Attorney General. The Assistant Attorney General would be a Presidential appointee confirmed by the Senate. The Assistant Attorney General would be charged with the responsibility of reporting to the Attorney General any problems of compliance with audit recommendations.

The bill would create a separate, highly visible Office of Audit with the protections of a statutory charter. And, because such a charter could only be altered by Congress, the Office will remain intact until Congress—not the

officials who are being audited—determines that changes are appropriate. This kind of structure also would make it easier to hire and keep the best available auditors.

This kind of structure would separate the audit unit from those it is supposed to be auditing, thus complying with another GAO recommendation.

Mr. President, I know that the new Attorney General, Mr. William French Smith, is concerned with improving the organization and management of his Department. S. 381 would greatly assist him in gaining control of his agency and informing him of the problem areas where he can make corrective changes. The bill will also greatly assist those of us in the Congress who will monitor the progress made at the Department of Justice.

TITLE II: OFFICE OF PROFESSIONAL RESPONSIBILITY

Mr. President, title II of S. 381 would strengthen a companion office to the Office of Audit—the Office of Professional Responsibility.

The Office of Professional Responsibility (OPR) is currently the office responsible for investigating allegations of Justice Department employee misconduct. Many of the allegations handled by OPR are sensitive and complex and may involve complaints against the highest officials in the Department, such as the U.S. attorneys, or the FBI. The question is whether OPR is currently structured to investigate these complaints effectively.

On March 13, 1980, I chaired a Senate Judiciary Committee hearing on OPR. Testimony at that hearing supported the view that the lack of statutory protection for the Office is a major weakness. Because OPR is established only by Federal regulations, its continued existence cannot be guaranteed. In fact, the Office could easily be abolished or have its powers curtailed simply by changing the regulations. Such changes in the regulations could be initiated by Department officials who are subjected to investigation by OPR.

Our hearing highlighted another flaw in the current structure of OPR. The OPR counsel is appointed by the Attorney General rather than by the President. He could be in the position of investigating the individual he reports to. This raises obvious concerns about the independence and integrity of the Office.

One final problem that we uncovered at our hearing was that the Department of Justice has never established adequate standards of discipline which can be uniformly applied. According to the OPR counsel, there is "a disparate arrangement now, a disparate system, and inequitable application of sanctions or corrective behavior." For example, employees found guilty of comparable violations may be given widely disparate discipline if they are employed in different divisions of the Department. Because of the lack of standards, discipline is even haphazard within the six internal investigation units that report regularly to OPR.

Mr. President, nothing could be more corrosive to morale than arbitrarily applied discipline. Employee misconduct must be met swiftly and firmly but with sanctions that are uniform. S. 381 addresses this problem by charging OPR with the responsibility of formulating disciplinary standards for the Department. It also gives the office the power to monitor the imposition of these standards and recommend administrative sanctions.

S. 381 would establish a statutory charter which protects and increases the powers of the Office of Professional Responsibility. Such a charter can only be altered by Congress. Thus, the office would be protected from intervention, the threat of intervention, or the appearance of intervention from Justice Department officials. Under a statutory charter, OPR will become a permanent fixture at the Department of Justice until Congress, not the officials who are subject to investigation, determines changes in the structure are appropriate.

The independence of OPR would also be strengthened by making the OPR counsel a Presidential appointee to be confirmed by the Senate. The counsel would continue to report directly to the Attorney General, but as a Presidential appointee, the Counsel would have the appearance of independence so necessary for public trust in OPR operations.

CONCLUSION

Mr. President, a strengthened OPR, together with a new Office of Audit, will create a two-pronged attack on Government waste and mismanagement in the Department of Justice. More than any other agency in Government, the Department of Justice must have the total faith of the American people. I believe S. 381 will help enhance that faith.

Mr. President, I submit the text of the bill to be printed in the RECORD.

S. 381

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 "Department of Justice Audit and Professional Responsibility Act of 1981".

TITLE I—DEPARTMENT OF JUSTICE OFFICE OF AUDIT

AMENDMENTS TO TITLE 28 ESTABLISHING AN OFFICE OF AUDIT

SEC. 101. (a) Title 28 of the United States Code is amended by adding immediately after chapter 35 the following new chapter:

"Chapter 36—DEPARTMENT OF JUSTICE OFFICE OF AUDIT

"Sec.
"551. Establishment of Office of Audit.
"552. Duties and functions of the Office.
"553. Administrative provisions.
"554. Responsibilities within the Department.
"555. Report to Congress.

"§ 551. Establishment of Office of Audit

"There is established within the Department of Justice, under the general authority of the Attorney General, an Office of Audit (hereafter in this chapter referred to as the 'Office'). The Office shall be headed by an Assistant Attorney General appointed by the President, by and with the advice and consent of the Senate. The Assistant Attorney General shall be subject to the general supervision and direction of the Attorney General.

"§ 552. Duties and functions of the Office

"(a) The Assistant Attorney General for the Office shall—

"(1) conduct audits of each bureau, office, board, division, commission, or subdivision thereof, of the Department of Justice (hereafter in this chapter referred to as the 'Department') upon its request or the request of the Attorney General, or as the Assistant Attorney General considers appropriate;

"(2) supervise and coordinate implementation of audit recommendations made by the Office;

"(3) establish procedures and format guidelines for reporting to the Office by internal units with audit responsibilities in accordance with section 554;

"(4) ensure Department compliance with the auditing standards and procedures of the General Accounting Office and the Office of Management and Budget;

"(5) in consultation with the Attorney General and the head of the unit, require procedural changes in the operation of any internal unit with audit responsibilities;

"(6) coordinate activities with the Office of Professional Responsibility to prevent and detect fraud, mismanagement, and abuse of Department programs and operations;

"(7) serve as the Department liaison for the audit functions performed by the General Accounting Office;

"(8) review enacted and proposed legislation and regulations on programs and operations of the Department, and make recommendations to the Attorney General in the annual report required by section 555 on the impact of such legislation or regulations on (A) the economy and efficiency in the administration of such programs and operations, and (B) the prevention and detection of fraud and abuse in such programs and operations; and

"(9) keep the Attorney General and the Congress fully informed, by means of the annual report required by section 555 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations, recommend corrective action, and report on the progress made in implementing such corrective action.

"(b) The Assistant Attorney General shall establish such rules as may be necessary to carry out the provisions of this chapter.

"§ 553. Administrative provisions

"(a) The Assistant Attorney General for the Office shall be compensated at a rate equal to the rate of basic pay for ES–5 of the Senior Executive Schedule established by the President under section 5382 of title 5, United States Code.

"(b) The Assistant Attorney General is authorized to appoint such additional staff personnel as he deems necessary, at rates not in excess of the maximum rate for GS–18 of the General Schedule under section 5332 of title 5, United States Code, and may procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

"§ 554. Responsibilities within the Department

"(a) The head of each bureau, office, board, division, commission, or subdivision of the Department shall provide information and assistance requested by the Assistant Attorney General for the Office in connection with audits conducted by the Office or an internal unit with audit responsibilities, and by any other person asisgned to conduct audits.

"(b) If the Assistant Attorney General for the Office makes a recommendation to any Department official with respect to any audit, and that official declines to implement the recommendation, the declining official shall report in writing to the Assistant Attorney General, within forty-five days of the receipt

of the recommendation, the reason for declining to implement the recommendation. If the Assistant Attorney General disagrees with the position of the declining official, the Assistant Attorney General may appeal to the Attorney General for implementation of the recommendation.

"(c)(1) If the Assistant Attorney General for the Office makes a recommendation under subsection (b) to the Attorney General, the Attorney General shall report in writing to the Assistant Attorney General, within thirty days of the receipt of the recommendation, his proposed action on the recommendation.

"(2) Any recommendation by the Assistant Attorney General for the Office to the Attorney General which is not followed by the Attorney General shall be identified in the annual report to Congress under section 555.

"(d) The head of each internal unit with audit responsibilities shall report monthly to the Assistant Attorney General for the Office. Each report shall include, at a minimum, identification of ongoing audits and a summary of conclusions and recommendations made for any audit completed within the reporting period. Each report shall conform with the procedures and format guidelines established by the Assistant Attorney General under section 552(a).

"§ 555. Report to Congress

"(a) On or before September 30 of each year, the Assistant Attorney General for the Office shall report to the Congress. The report shall include, but need not be limited to—

"(1) a listing of each audit initiated or completed within the reporting period by the Office or any internal unit with audit responsibilities;

"(2) a summary of the recommendations by the Office and the actions taken for each audit;

"(3) a description of any significant problems, abuses, or deficiencies in the policies and procedures which have become evident during the course of any audit;

"(4) a recommendation for any action that may be taken by the Office or by a bureau, office, board, division, commission, or subdivision thereof to correct such problems, abuses, or deficiencies;

"(5) a summary of the recommendations submitted in any previous annual report under this section upon which corrective action has not been completed, with an explanation of the reasons action has not been completed; and

"(6) a description of any recommendation with respect to any audit made by the Assistant Attorney General for the Office to the Attorney General under section 554(c) which is not followed by the Attorney General.

"(b) The Congress shall have access to the results of each audit completed by the Office or an internal unit with audit responsibilities.".

(b) The table of chapters for part II of title 28, United States Code, is amended by adding immediately after the item relating to chapter 35 the following:

"36. Department of Justice Office of Audit ---------- 551.".

DELEGATION OF FUNCTIONS

SEC. 102. The Attorney General shall delegate to the Assistant Attorney General for the Office of Audit all functions administered by the Attorney General, prior to the date of enactment of this Act, through the Director of the Internal Audit Staff.

REPORT TO CONGRESS

SEC. 103. No later than three years from the date of enactment of this Act, the Assistant Attorney General for the Office of Audit shall submit to the Committees on the Judiciary of the House of Representatives and the Senate—

(1) a comprehensive evaluation of the implementation of the provisions of chapter 36 of title 28 of the United States Code, added by section 101 of this Act; and

(2) specific legislative recommendations designed to remedy any problems or deficiencies in the implementation of the provisions of that chapter.

AUTHORIZATION OF APPROPRIATIONS

SEC. 104. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title and the amendments made by this title.

TITLE II—DEPARTMENT OF JUSTICE OFFICE OF PROFESSIONAL RESPONSIBILITY

AMENDMENTS TO TITLE 28 ESTABLISHING AN OFFICE OF PROFESSIONAL RESPONSIBILITY

SEC. 201. (a) Title 28 of the United States Code is amended by adding immediately after chapter 37 the following new chapter:

"Chapter 38—DEPARTMENT OF JUSTICE OFFICE OF PROFESSIONAL RESPONSIBILITY

"Sec.
"576. Establishment of Office of Professional Responsibility; duties and functions.
"577. Relationship with internal inspection units.
"578. Disciplinary recommendations.
"579. Administrative provisions.

"§ 576. Establishment of Office of Professional Responsibility; duties and functions

"(a) There is established within the Department of Justice, under the general authority of the Attorney General, an Office of Professional Responsibility (hereafter referred to in this chapter as the 'Office').

"(b) The Office shall be headed by a Counsel appointed by the President, by and with the advice and consent of the Senate. The Counsel shall be subject to the general supervision and direction of the Attorney General, or when appropriate, of the Deputy Attorney General, the Associate Attorney General, or the Solicitor General.

"(c) The Attorney General may delegate to the Counsel the functions of any other bureau, office, board, division, commission, or subdivision thereof within the Department of Justice (hereafter referred to in this chapter as the 'Department') as the Attorney General determines are properly related to the functions of the Office and would, if so delegated, further the purposes of this chapter.

"(d) The Counsel shall—

"(1) initiate or order, as he considers appropriate, an investigation of any information or allegation relating to the conduct of an employee of the Department that is or may be in violation of a law, a regulation or order of the Department, or any applicable standard of ethics or conduct:

"(2) establish a procedure for receiving and processing requests for investigations made by persons employed by the Department as well as persons outside the Department, and insure the confidentiality of the source and nature of any such request;

"(3) prepare or review, as the case may be, any findings and reports filed as the result of an investigation under paragraph (1), and make recommendations to the Attorney General, or when appropriate, to the Deputy Attorney General, the Associate Attorney General, or the Solicitor General, concerning such findings and reports;

"(4) in addition to any investigation initiated or ordered under paragraph (1), undertake any relevant investigation assigned by the Attorney General, or when appropriate, the Deputy Attorney General, the Associate Attorney General, or the Solicitor General, and cooperate as directed with any other organization, task force, or individual that may be assigned by the Attorney General to undertake such an investigation;

"(5) establish uniform standards for the conduct of investigations by internal inspection units with such responsibilities;

"(6) monitor and evaluate the performance and procedures for investigations conducted by the internal inspection units within the Department;

"(7) establish procedures and format guidelines for reporting to the Office by internal inspection units in accordance with section 577(c);

"(8) in consultation with the Attorney General and the head of the unit, require procedural changes in the operation of any internal inspection unit;

"(9) not later than two years after the date of enactment of this chapter, establish uniform standards for the administration of disciplinary sanctions for each bureau, office, board, division, commission, or subdivision thereof;

"(10) monitor and evaluate the implementation of the standards established under paragraph (9) for the administration of disciplinary sanctions;

"(11) undertake any other appropriate responsibilities assigned by the Attorney General, including responsibilities relating to the improvement of the ethics and conduct of Department personnel;

"(12) submit recommendations to the Attorney General, or when appropriate, to the Deputy Attorney General, the Associate Attorney General, or the Solicitor General, on the need for changes in the standards and procedures that become evident during the course of implementing responsibilities under this chapter; and

"(13) report to Congress in accordance with subsection (e) of this section.

"(e)(1) On or before September 30th of each year, the Counsel shall report to the Congress on the number and a brief description of each allegation of employee misconduct received by the Office, a description of the manner in which such allegation was handled, and the final disposition of each such allegation. The information required under the preceding sentence shall include an identification with respect to the unit or Office which received the allegation and performed the investigation, if any.

"(2) In addition, the Counsel shall include in such report—

"(A) a description of any significant problems, abuses, and deficiencies in the policies and procedures which have become evident during the course of any investigation;

"(B) recommendations for actions that may be taken by the Office or by a bureau, office, board, division, commission, or subdivision thereof to correct such problems, abuses, or deficiencies;

"(C) a summary of the recommendations submitted in any previous annual report under this section upon which corrective action has not been completed, with an explanation of the reasons action has not been completed; and

"(D) a description of any recommendation for administrative sanctions or prosecution made under section 578 by the Counsel to the Attorney General or an official of the Department which is not followed.

"(3) If the Counsel conducts, or orders to be conducted, an investigation of information or an allegation that the Attorney General may be in violation of a law, a regulation or order of the Department, or of any applicable standard of ethics or conduct, he shall report the findings of his investigation to the Committees on the Judiciary of the House of Representatives and the Senate upon the completion of the investigation.

"(4) No later than three years from the date of enactment of this chapter, the Counsel shall submit to the Committee on the Judiciary of the House of Representatives and the Senate—

"(A) an evaluation of the procedures and

standards for administrative sanctions and prosecution established under section 576 (d)(9);

"(B) a comprehensive evaluation of the implementation of the provisions of this chapter; and

"(C) specific legislative recommendations designed to remedy any problems or deficiencies in the implementation of the provisions of this chapter.

"(f) The Counsel shall establish such rules as may be necessary to carry out the provisions of this chapter.

"§ 577. Relationship with internal inspection units

"(a) The internal inspection units within each bureau, office, board, division, commission, or subdivision thereof, of the Department shall retain the primary responsibility for receiving information on allegations concerning employees within their respective entities, and for conducting investigations, subject to the reporting requirements of subsection (c) of this section.

"(b) The head of each bureau, office, board, division, commission, or subdivision thereof shall provide information and assistance requested by the Counsel in connection with any investigation conducted by the Office or an internal inspection unit, and by any other person assigned to conduct an investigation.

"(c) The head of each internal inspection unit shall report monthly to the Counsel. Each report shall include notification of initiation of any investigation, and shall conform with the procedures and format guidelines established by the Counsel under section 576(d).

"§ 578. Disciplinary recommendations

"(a) The Counsel may, on the basis of any findings reported to him or of an investigation conducted by him—

"(1) recommend to the Attorney General or any appropriate supervising official within the Department that administrative sanctions be taken against a Department employee; and

"(2) recommend the prosecution of a Department employee to the appropriate Assistant Attorney General of division or the appropriate United States attorney.

"(b) If the Counsel makes a recommendation under subsection (a) of this section to any Department official other than the Attorney General, and that official declines to implement the recommendation, the declining official shall report in writing to the Counsel within thirty days of the receipt of the recommendation, the reason for declining to prosecute or administer such sanctions. If the Counsel disagrees with the position of the declining official, the Counsel may appeal to the Attorney General for implementation.

"(c)(1) If the Counsel makes a recommendation under subsection (b) of this section to the Attorney General, the Attorney General shall report in writing to the Counsel, within thirty days of the receipt of the recommendation, his proposed action on the recommendation.

"(2) Any recommendation by the Counsel to the Attorney General or to a declining official which is not followed by the Attorney General shall be identified in the annual report to Congress under section 576(e).

"§ 579. Administrative provisions

"(a) The Counsel shall be compensated at a rate equal to the rate of basic pay for ES–5 of the Senior Executive Schedule established by the President under section 5382 of title 5, United States Code.

"(b) The Counsel is authorized to appoint such additional staff personnel as he deems necessary, at rates not in excess of the maximum rate for GS–18 of the General Schedule under section 5332 of title 5, United States Code, and may procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code.

"(c) Upon request of the Counsel and in consultation with the Attorney General and the head of the unit to which the employee is regularly assigned, an employee of the Department may be assigned to the Office on a case-by-case basis to perform such duties as are designated by the Counsel. Employees assigned to the Office shall work under the direction of the Counsel.".

(b) The table of chapters for part II of title 28, United States Code, is amended by adding immediately after the item relating to chapter 37 the following:

"38. Department of Justice Office of Professional Responsibility.... 576.".

TERMINATION

SEC. 202. The Office of Professional Responsibility of the Department of Justice shall terminate on the date of enactment of this Act. All functions administered by and through that office shall be administered by the Counsel for the Office of Professional Responsibility of the Department of Justice established under chapter 38 of title 28, United States Code, as added by section 201 of this Act.

AUTHORIZATION OF APPROPRIATIONS

SEC. 203. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title and the amendments made by this title.●

THE STATE OF OUR NATIONAL PARKS

● Mr. BAUCUS. Mr. President, in the whirlwind pace of modern life, the opportunity to pause, reflect, and learn from the unique natural heritage of America is an all too infrequent occurrence. Fortunately, since the establishment of Yellowstone National Park in 1872, Congress has undertaken to preserve for generations to come, the finest example of this legacy as units of our national park system.

In the increasingly urbanized landscape of America our national parks form a string of oases. These natural resources provide a recreational respite. They are better seen as an investment for the future. Whether as laboratories to study the interchange of man and the environment, or as museums to learn from the lessons of natural history, our parks are a constantly appreciating investment.

Regrettably, this tremendous asset has been allowed to deteriorate in recent years. I am fully sympathetic to the need to live within our national budget, but I also believe that we cannot allow our national park facilities to waste away through a lack of maintenance. Similarly, we must not ignore the demands of millions of American park visitors for services essential to their health, safety, and enjoyment while visiting our national parks. These demands simply cannot be met by a National Park Service that is understaffed and underfunded year after year.

A case in point is Glacier National Park. Located high in the Rocky Mountains of northwest Montana, the dozens of alpine lakes and small glaciers set in spectacularly carved mountains lend credence to the park's unofficial motto: "The Crown of the Continent."

In recent years, the crown has become badly tarnished. The demands of 1.5 million visitors on a shrinking budget have resulted in deferred maintenance and elimination of visitor services.

A quick examination of the statistics illustrate the point. In 1965, Glacier National Park welcomed approximately 850,000 visitors; staffing was provided by 68 permanent employees and 422 seasonal workers hired for the summer months. Fifteen years later in 1980 visitation to Glacier was nearly double the 1965 figure as some 1.5 million visitors passed through the entrance gates. Staffing in no way kept up with this growth in park use. In fact, the permanent staff was down 9 positions to 59 employees and the seasonal and less-than-full-time positions totaled only 317.

Certainly, we all believe in lean, efficient Government operations. However, there is a grave difference between lean and malnourished. In the case of our national parks, I fear we are headed for the latter case.

The following budget analysis, which was developed at my request by the Denver regional office of the National Park Service, demonstrates the serious predicament of Glacier National Park. Comparisons are between fiscal year 1977 and the budget for fiscal year 1981.

Comparison of Funding and Positions, Fiscal Year 1977 and Fiscal Year 1981

Glacier National Park

	Fy 1977	Fy 1981
Positions:		
Permanent	60	54
Seasonal	272	255
Operating funds:		
ONPS	$3,328,200	$4,075,400
Rec fee	163,000	
Total operating funds	3,491,200	4,075,400
Fiscal year 1977 to fiscal year 1980 unfunded pay increases		105,400
Cost of fiscal year 1981 pay increases		183,200
Unfunded inflation costs		466,300
Fiscal year 1981 program reductions, fiscal year 1977 to fiscal year 1981		96,000
Additional funds needed in fiscal year 1981 to return to fiscal year 1977 level of operations		850,900

Of course, the dollars do not tell the whole story. These budget cutbacks must be translated into the kind of impact they have upon park users. Closing several campgrounds in the park resulting in a loss of a quarter of the campsites is a more dramatic indicator of the difficulties facing Glacier Park. Even more critical in the long run may be the elimination of several maintenance positions directly responsible for the upkeep of 800 buildings and miles of roadway which are yearly battered by the harsh winter elements.

Mr. President, Glacier National Park is not unique among the units of our national park system. Throughout the country, unprecedented burdens are being placed upon these irreplaceable resources. We simply cannot continue to

ask for more and more from our national parks while investing less and less in them.

Thus, I urge my colleagues to look seriously at the funding of our national park system. Each year, millions of Americans cast their votes of support for our national parks in a popular referendum as they pass through the entrance stations from coast to coast. I do not believe that the 97th Congress can ignore this directive.●

ORDER FOR RECESS UNTIL 9 A.M. TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 9 a.m. tomorrow.

The PRESIDING OFFICER (Mr. KASTEN). Without objection, it is so ordered.

ORDER FOR THE RECOGNITION OF SENATOR EAGLETON ON TOMORROW

Mr. BAKER. Mr. President, on tomorrow, after the two leaders are recognized under the standing order, I ask unanimous consent that the Senator from Missouri (Mr. EAGLETON) be recognized for not to exceed 15 minutes.

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

ORDER HOLDING HOUSE CONCURRENT RESOLUTION 58 AT THE DESK

Mr. BAKER. Mr. President, I have cleared this with the distinguished minority leader. I ask unanimous consent that House Concurrent Resolution 58, relating to the adjournment of the House and Senate, be held at the desk pending further disposition by the Senate.

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

ORDER FOR STAR PRINT OF S. 318 AND S. 320

Mr. MATSUNAGA. Mr. President, on behalf of Senator BENTSEN, I ask unanimous consent that S. 318 and S. 320 be star printed.

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

ORDER FOR TELEVISION CAMERAS TO BE PERMITTED IN SENATE CHAMBER WHILE SENATE IS NOT IN SESSION

Mr. MATHIAS. Mr. President, I ask unanimous consent that television cameras be permitted in the Senate Chamber while the Senate is not in session at some time during the coming week for the purpose of testing out the adequacy of the lighting, the adequacy of the sound system, and other matters related to the possible telecasting of the debates in the Senate.

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

Mr. MATHIAS. I thank the majority leader.

ORDER THAT THE NOMINATION OF RAY A. BARNHART BE HELD AT THE DESK

Mr. BAKER. Mr. President, this request has been cleared with the minority. I ask unanimous consent that the nomination of Ray A. Barnhart, of Texas, to be Administrator of the Federal Highway Administration, vice John S. Hassell, Jr., reported by the jurisdictional committee, be placed on the calendar.

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

PROGRAM

Mr. BAKER. Mr. President, on tomorrow when the Senate reconvenes, following the recognition of the two leaders under the standing order and the special order heretofore entered, the pending business will be the Jepsen amendment. Following the disposition of the Jepsen amendment, as provided for heretofore, the Senate will turn to the consideration of the Byrd amendment. It is my hope—it is, indeed, my very sincere hope—that we can dispose of all action in connection with the debt-limit bill early in the day on tomorrow and then proceed to the consideration of House Concurrent Resolution 58, the adjournment resolution, which has been adopted now by the House of Representatives and is being held at the desk pending further disposition by this body.

RECESS UNTIL 9 A.M. TOMORROW

Mr. BAKER. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the order previously entered, that the Senate stand in recess until the hour of 9 o'clock a.m. tomorrow.

The motion was agreed to; and at 6:14 p.m., the Senate recessed until Friday, February 6, 1981, at 9 a.m.

NOMINATIONS

Executive nominations received by the Senate February 5, 1981:

FEDERAL HIGHWAY ADMINISTRATION

Ray A. Barnhart, of Texas, to be Administrator of the Federal Highway Administration, vice John S. Hassell, Jr.

INTERNATIONAL BANKING ORGANIZATIONS

Donald T. Regan, of New Jersey, to be U.S. Governor of the International Monetary Fund for a term of 5 years and U.S. Governor of the International Bank for Reconstruction and Development for a term of 5 years; a Governor of the Inter-American Development Bank for a term of 5 years; and U.S. Governor of the Asian Development Bank and U.S. Governor of the African Development Fund.

IN THE AIR FORCE

The following named officers for promotion in the U.S. Air Force, under the appropriate provisions of Chapter 839, Title 10, United States Code, as amended.

DENTAL CORPS

Lieutenant colonel to colonel

Abbott, George G., xxx-xx-xxxx
Almquist, Theodore C., xxx-xx-xxxx
Barton, Ralph T., xxx-xx-xxxx
Biddle, Harold H., xxx-xx-xxxx
Boke, Bruce R., xxx-xx-xxxx
Brannon, Robert B., xxx-xx-xxxx
Buzenas, John A., xxx-xx-xxxx
Carey, Robert J., xxx-xx-xxxx
Coffe, Larry L., xxx-xx-xxxx
Cooley, Robert L., xxx-xx-xxxx
Cronin, Robert J. Jr., xxx-xx-xxxx
Davis, Fredric C., xxx-xx-xxxx
Drake, Philip L. Jr., xxx-xx-xxxx
Elledbruch, Eldon S., xxx-xx-xxxx
Ferland, Norman G., xxx-xx-xxxx
Freedman, Irving, xxx-xx-xxxx
Gleason, Robert W., xxx-xx-xxxx
Hartman, Garrett E., xxx-xx-xxxx
Hawkins, Maynard A., xxx-xx-xxxx
Kay, William D., xxx-xx-xxxx
Keaton, Wilfrid M., xxx-xx-xxxx
Klepetko, Ronald F., xxx-xx-xxxx
Kolker, Stanley L., xxx-xx-xxxx
Moskowicz, Donald G., xxx-xx-xxxx
Olesen, Harold P., xxx-xx-xxxx
Phillips, Homer L., xxx-xx-xxxx
Richard, Glenn E., xxx-xx-xxxx
Riley, Guy L., xxx-xx-xxxx
Simonton, James H., xxx-xx-xxxx
Staup, James C. Jr., xxx-xx-xxxx
Strohaver, Robert A., xxx-xx-xxxx
Usseglio, Robert J., xxx-xx-xxxx
Weinman, Morris L., xxx-xx-xxxx
Wilkinson, Raymond F., xxx-xx-xxxx
Wysocki, Stanley F., xxx-xx-xxxx

MEDICAL CORPS

Anderson, George K., xxx-xx-xxxx
Bailey, Robert J., xxx-xx-xxxx
Barrett, Robert T., xxx-xx-xxxx
Cloyd, Dale E., xxx-xx-xxxx
Darienzo, Charles M., xxx-xx-xxxx
Davis, Jeffrey G., xxx-xx-xxxx
Dewitt, Dexter D., xxx-xx-xxxx
Dumas, Paul A., xxx-xx-xxxx
Eaton, Wyley E., xxx-xx-xxxx
Gensler, Thomas D., xxx-xx-xxxx
Grant, William H., xxx-xx-xxxx
Hafermann, David R., xxx-xx-xxxx
Hart, Kenneth R., xxx-xx-xxxx
Jecha, Larry D., xxx-xx-xxxx
Johnson, Douglas N., xxx-xx-xxxx
Jones, George P., Jr., xxx-xx-xxxx
Kuhn, Charles R., xxx-xx-xxxx
Laurel, Santiago, xxx-xx-xxxx
Ngo, Narciso L., xxx-xx-xxxx
Novicki, Donald E., xxx-xx-xxxx
Omara, David J., xxx-xx-xxxx
Pumarejo, Ramon A., xxx-xx-xxxx
Reppart, John T., xxx-xx-xxxx
Rissier, Herbert L., xxx-xx-xxxx
Rivera, Antonio M., xxx-xx-xxxx
Roberge, Joseph L., xxx-xx-xxxx
Schaberl, Karl N., xxx-xx-xxxx
Schwab, Edward T., xxx-xx-xxxx
Seth, Suman, xxx-xx-xxxx
Studwell, Alfred W., xxx-xx-xxxx
Task, Steven A., xxx-xx-xxxx
Trabalsantos, Jose F., xxx-xx-xxxx
White, Stewart A., xxx-xx-xxxx
Wilder, Thomas C., Jr., xxx-xx-xxxx

DENTAL CORPS

Major to lieutenant colonel

Baker, Gerald E., xxx-xx-xxxx
Blosser, Fred M., xxx-xx-xxxx
Brown, Frederic H., xxx-xx-xxxx
Buche, William A., xxx-xx-xxxx
Burgess, John O., xxx-xx-xxxx
Combs, Charles H., xxx-xx-xxxx
Crine, James D., xxx-xx-xxxx
Daniel, Benge R., Jr., xxx-xx-xxxx
Donahue, William J., xxx-xx-xxxx
Dyer, Charles L., xxx-xx-xxxx
Faner, Richard M., xxx-xx-xxxx
Frank, Charles A., xxx-xx-xxxx
Gabryl, Roy S., xxx-xx-xxxx
Goaslind, Gary D., xxx-xx-xxxx
Hagarty, Timothy J., xxx-xx-xxxx
Hand, Ronald E., xxx-xx-xxxx
Hansen, Steven C., xxx-xx-xxxx
Heagy, William C., xxx-xx-xxxx
Heldt, Leroy V., xxx-xx-xxxx
Hew, Ellsworth, Y. K., xxx-xx-xxxx
Hott, Wayne E., xxx-xx-xxxx
Howard, Clinton W., III, xxx-xx-xxxx
Howard, James H., xxx-xx-xxxx
Klish, John W., xxx-xx-xxxx

Lukosik, David R., xxx-xx-xxxx
Mackall, Thomas R., Jr., xxx-xx-xxxx
Mann, Joseph G., xxx-xx-xxxx
Mansfield, Michael J., xxx-xx-xxxx
Matiasevich, Laurie N., Jr., xxx-xx-xxxx
Mikitka, Michael A., xxx-xx-xxxx
Miller, Ronald I., Jr., xxx-xx-xxxx
Mills, Michael P., xxx-xx-xxxx
Murata, Steven M., xxx-xx-xxxx
Musselwhite, James M., xxx-xx-xxxx
Ogletree, Robert C., Jr., xxx-xx-xxxx
Ortiz, Ramon F., xxx-xx-xxxx
Orto, John R., xxx-xx-xxxx
Parrott, Gerald E., xxx-xx-xxxx
Phillips, Robert L., xxx-xx-xxxx
Preisch, James W., xxx-xx-xxxx
Proett, James B., xxx-xx-xxxx
Rapley, John W., xxx-xx-xxxx
Raybeck, Gerald E., xxx-xx-xxxx
Rennard, Donald L., xxx-xx-xxxx
Roggenkamp, Clyde L., xxx-xx-xxxx
Roubian, Armen S., xxx-xx-xxxx
Saunders, Timothy R., xxx-xx-xxxx
Savage, Michael G., xxx-xx-xxxx
Schutte, Dale A., xxx-xx-xxxx
Seek, Brian J., xxx-xx-xxxx
Shaner, John W., xxx-xx-xxxx
Stilley, John F., xxx-xx-xxxx
Via, Thomas O., xxx-xx-xxxx
Walker, Robert C., Jr., xxx-xx-xxxx
Walker, William A., III, xxx-xx-xxxx
Wilcox, Charles W., xxx-xx-xxxx

MEDICAL CORPS

Abella, Emerita B., xxx-xx-xxxx
Abernathy, George T., xxx-xx-xxxx
Airhart, Richard A., xxx-xx-xxxx
Allred, Gerald L., xxx-xx-xxxx
Ansell, Lee V., xxx-xx-xxxx
Arnold, Barbara J., xxx-xx-xxxx
Arrants, Charles D., xxx-xx-xxxx
Atallah, Paul xxx-xx-xxxx
Auguste, Reynold C., xxx-xx-xxxx
Baskaran, Thanesseri S., xxx-xx-xxxx
Baugh, Eric R., xxx-xx-xxxx
Belasco, Marvin S., xxx-xx-xxxx
Bell, Christopher P., xxx-xx-xxxx
Bell, George C., xxx-xx-xxxx
Bergman, Ronald J., xxx-xx-xxxx
Berkowitz, Roy E., xxx-xx-xxxx
Bianchi, Patrick A., xxx-xx-xxxx
Billman, James K., Jr., xxx-xx-xxxx
Binghay, Ben P., xxx-xx-xxxx
Bissell, David D., xxx-xx-xxxx
Blew, Richard M., xxx-xx-xxxx
Bongolan, Lorenzo S., xxx-xx-xxxx
Borcherding, Harlan J., xxx-xx-xxxx
Bower, Jeffrey H., xxx-xx-xxxx
Breuder, Andrew J., xxx-xx-xxxx
Brewington, Kenneth C., xxx-xx-xxxx
Brown, Thomas W., xxx-xx-xxxx
Brown, William H., xxx-xx-xxxx
Bryant, Edward E., xxx-xx-xxxx
Budd, John C., xxx-xx-xxxx
Burns, George E., xxx-xx-xxxx
Burst, Stephen J., xxx-xx-xxxx
Campbell, James C., xxx-xx-xxxx
Carrizales, Arthur, xxx-xx-xxxx
Carter, Bruce, xxx-xx-xxxx
Casu, Nereide, xxx-xx-xxxx
Chevalier, Jimmy E., xxx-xx-xxxx
Clardy, William F., xxx-xx-xxxx
Clinchard, William R., xxx-xx-xxxx
Conage, Thomas J., Sr., xxx-xx-xxxx
Conatser, David G., xxx-xx-xxxx
David, Lydia D., xxx-xx-xxxx
Davidson, Thomas W., xxx-xx-xxxx
Delagarza, Carlos A., xxx-xx-xxxx
Delallana, Severiano F., xxx-xx-xxxx
Deleon, Francisco, S., xxx-xx-xxxx
Dennis, Larry G., xxx-xx-xxxx
Dillaplain, Robert P., xxx-xx-xxxx
Dix, Richard M., xxx-xx-xxxx
Dorf, Eugene C., xxx-xx-xxxx
Dozier, Kenneth C., xxx-xx-xxxx
Dyer, Morgan C. D., xxx-xx-xxxx
Dyrud, James P., xxx-xx-xxxx
Echols, Paul G., xxx-xx-xxxx
Eden, Billy M., xxx-xx-xxxx
Eglinton, Gary S., xxx-xx-xxxx
Eibling, David E., xxx-xx-xxxx
Elmasri, Magued R. D., xxx-xx-xxxx
Erickson, Donn R., xxx-xx-xxxx
Fitzgerald, Dennis C., xxx-xx-xxxx
Flannery, Michael J., xxx-xx-xxxx
Fornal, Robert E., xxx-xx-xxxx
Foster, Jerry J., xxx-xx-xxxx
Franks, Dennis W., xxx-xx-xxxx
Freda, Angelo J., xxx-xx-xxxx
Fronefield, Helen P., xxx-xx-xxxx
Fryling, Maliwan K., xxx-xx-xxxx
Gangitano, John L., xxx-xx-xxxx
Garland, Larry D., xxx-xx-xxxx
Garrison, James E., III, xxx-xx-xxxx
Gerber, William R., xxx-xx-xxxx
Gibbs, Harry R., xxx-xx-xxxx
Glaeser, Richard D., xxx-xx-xxxx
Gorman, Richard J., xxx-xx-xxxx
Grandjean, Richard L., xxx-xx-xxxx
Grassman, Eric D., xxx-xx-xxxx
Green, Robert P. Jr., xxx-xx-xxxx
Greer, Willis A., xxx-xx-xxxx
Hanumanthu, Vijaya K., xxx-xx-xxxx
Hassan, Robert M., xxx-xx-xxxx
Herndon, Charles M., xxx-xx-xxxx
Hill, Richard R., xxx-xx-xxxx
Hollister, Paul I., xxx-xx-xxxx
Hubbell, Charles G., xxx-xx-xxxx
Hucker, John A., xxx-xx-xxxx
Hui, Noel T., xxx-xx-xxxx
Ingle, Robert M. Jr., xxx-xx-xxxx
Ivan, Douglas J., xxx-xx-xxxx
Jacobson, James M., xxx-xx-xxxx
Joyner, Ira T. Jr., xxx-xx-xxxx
Kang, Dae O., xxx-xx-xxxx
Kangsumrith, Suriyun, xxx-xx-xxxx
Kidd, Ralph V III, xxx-xx-xxxx
King, Clarence G. Jr., xxx-xx-xxxx
Kirby, Edward E., xxx-xx-xxxx
Kotchmar, George S. Jr., xxx-xx-xxxx
Kramer, Thomas N., xxx-xx-xxxx
Kunkel, Alan R., xxx-xx-xxxx
Lagmanramones, Corzaon R., xxx-xx-xxxx
Lambert, Harry M., xxx-xx-xxxx
Lee, Seoup C., xxx-xx-xxxx
Lenihan, John P. Jr., xxx-xx-xxxx
Letard, Francis X Jr., xxx-xx-xxxx
Locker, Dan L., xxx-xx-xxxx
Looney, Timothy J., xxx-xx-xxxx
Maiorca, John P., xxx-xx-xxxx
Marsh, John R., xxx-xx-xxxx
Marshall, Douglas W., xxx-xx-xxxx
Martin, Thomas A. III, xxx-xx-xxxx
Matamoros, Aureio Jr., xxx-xx-xxxx
Maxwell, Michael W., xxx-xx-xxxx
McColgin, Sterling W., xxx-xx-xxxx
McDermott, David W., xxx-xx-xxxx
Michaud, Judith A., xxx-xx-xxxx
Miller, Edward A., xxx-xx-xxxx
Mitchell, Bennett E., xxx-xx-xxxx
Moore, Michael A., xxx-xx-xxxx
Morris, William H. Jr., xxx-xx-xxxx
Muehlberger, Gerald L., xxx-xx-xxxx
Mumm, Alan H., xxx-xx-xxxx
Murphy, Thomas F., xxx-xx-xxxx
Naversen, Douglas N., xxx-xx-xxxx
Neff, Scott B., xxx-xx-xxxx
Obenza, Nelia J., xxx-xx-xxxx
Ohagan, Richard B., xxx-xx-xxxx
Orzechowsk, Zygmunt, xxx-xx-xxxx
Osteria, Elpidio M., xxx-xx-xxxx
Palmer, Patrick M., xxx-xx-xxxx
Pangilinan, Arturo P., xxx-xx-xxxx
Parker, Martha E., xxx-xx-xxxx
Parker, Samuel B., II, xxx-xx-xxxx
Patterson, James T., Jr., xxx-xx-xxxx
Pees, Richard C., xxx-xx-xxxx
Percy, James R., xxx-xx-xxxx
Perkins, Edward W., xxx-xx-xxxx
Perlstein, Robert S., xxx-xx-xxxx
Pino, Salustiano A., xxx-xx-xxxx
Plotkin, Karl J., xxx-xx-xxxx
Rake, Geoffrey W., Jr., xxx-xx-xxxx
Ray, Reba, xxx-xx-xxxx
Reeves, Glen I., xxx-xx-xxxx
Robacker, Elbert C., xxx-xx-xxxx
Rostermundt, Gene E., xxx-xx-xxxx
Roybal, Robert E., xxx-xx-xxxx
Saguiguit, Gil D., xxx-xx-xxxx
Sanders, Ernest L., Jr., xxx-xx-xxxx
Santi, Antonio, xxx-xx-xxxx
Schade, Cristy M., xxx-xx-xxxx
Schultenover, Stephen J., xxx-xx-xxxx
Shelat, Sudhir P., xxx-xx-xxxx
Shore, John W., xxx-xx-xxxx
Sinha, Nanda K., xxx-xx-xxxx
Smithson, John B., xxx-xx-xxxx
Sopa, David, xxx-xx-xxxx
Spiegel, Robert S., xxx-xx-xxxx
Stake, Terry L., xxx-xx-xxxx
Steele, Steven J., xxx-xx-xxxx
Stottlemyer, Keith D., xxx-xx-xxxx
Strickland, Daniel M., xxx-xx-xxxx
Strobel, Cory T., xxx-xx-xxxx
Strong, John E., Jr., xxx-xx-xxxx
Sutliff, Lourell E., xxx-xx-xxxx
Thomas, Joseph R., Jr., xxx-xx-xxxx
Tilton, Frederick E., xxx-xx-xxxx
Toth, David N., xxx-xx-xxxx
Twedt, Gordon H., xxx-xx-xxxx
Vigh, Sara, xxx-xx-xxxx
Villano, Mercedes P., xxx-xx-xxxx
Wagnon, Alton H., Jr., xxx-xx-xxxx
Walhner, Kenneth F., Jr., xxx-xx-xxxx
Walker, Wayne T., xxx-xx-xxxx
Walley, Luther R., xxx-xx-xxxx
Ward, John A., xxx-xx-xxxx
Watters, David H., xxx-xx-xxxx
Welling, David R., xxx-xx-xxxx
Wheller, John J., xxx-xx-xxxx
Whinnery, James E., xxx-xx-xxxx
Wilkinson, Earl V., III, xxx-xx-xxxx
Williams, Victor T., xxx-xx-xxxx
Wilson, Stephen C., xxx-xx-xxxx
Winters, Adam D., III, xxx-xx-xxxx
Wise, Michael G., xxx-xx-xxxx
Wood, Barry C., xxx-xx-xxxx
Woods, Wayne G., xxx-xx-xxxx
Ynclino, Vicente C., xxx-xx-xxxx

The following officers for appointment in the Regular Air Force, in grades indicated, under the provisions of Section 8284, Title 10, United States Code, with a view to designation under the provisions of Section 8067, Title 10, United States Code, to perform the duties indicated, and with dates of rank to be determined by the Secretary of the Air Force:

MEDICAL CORPS

To be lieutenant colonel

Gensler, Thomas D., xxx-xx-xxxx

To be major

Arrants, Charles D., xxx-xx-xxxx
Borcherding, Harlan J., xxx-xx-xxxx
Fronefield, Helen P., xxx-xx-xxxx
Hafermann, David R., xxx-xx-xxxx

To be captain

Berkowitz, Roy E., xxx-xx-xxxx
Bryant, Edward E., xxx-xx-xxxx
Conatser, David G., xxx-xx-xxxx
Gibbs, Harry R., xxx-xx-xxxx
Moore, Michael A., xxx-xx-xxxx
Reeves, Glen I., xxx-xx-xxxx
Robacker, Elbert C., xxx-xx-xxxx
Sutliff, Lourell E., xxx-xx-xxxx
Watters, David H., xxx-xx-xxxx
Wilson, Stephen C., xxx-xx-xxxx
Winters, Adam D., III, xxx-xx-xxxx
Wood, Barry C., xxx-xx-xxxx

DENTAL CORPS

To be captain

Mills, Michael P., xxx-xx-xxxx

IN THE NAVY

The following named commanders of the U.S. Navy for temporary promotion to the grade of captain in the Medical Service Corps, pursuant to Title 10, United States Code; sections 5773 and 5791, subject to qualifications therefor as provided by law:

Chan, Robert S.
Christian, Elgin R.
Craig, Donald R.
Darr, Kenneth L.
Erie, James R.
Ferguson, Donald R.
Halverson, Charles W.
Levandowski, Thaddeus F.
Lucas, John R.
McCullagh, Robert F.
McKelvy, Patsy L.
Richardson, Fredric M.
Rover, Charles A.*
Schroeder, William H.
*Teague, Francis A., Jr.

The following named lieutenant commander of the U.S. Navy for temporary promotion to the grade of commander in the Medical Corps, pursuant to Title 10, United States Code, Sections 5793 and 5791, subject to qualifications therefor as provided by law:

Mangrum, John C.*

The following named lieutenants of the U.S. Navy for temporary promotion to the grade of lieutenant commander in the line and staff corps, as indicated, pursuant to Title 10, United States Code, Sections 5769 (line officers), 5773 (staff corps officer), and 5791, subject to qualifications therefor as provided by law:

LINE

Abel, Lloyd V.
Adams, Robin L.
Ahearn, James V., Jr.
Ainsley, William L., III.
Akins, Joseph L.
Alcorn, Marion E.
Allen, Harry E.
Allin, Robert W.
Allison, John S., Jr.
Almquist, Thomas V.
Alston, Robert W.
Altman, Kenneth B. Jr.
Anderson, Edward W.
Anderson, Eric B.
Andrews, Kenton G.
Archibald, Gary T.
Ardan, Nicholas L., III.
Armistead, Reginald G., Jr.
Arnold, Berthold K.
Arnold, Robert B.
Arnold, William G.
Ascione, Raymond A.
Ashbridge, George, IV.
Aten, John J.
Aukland, Bruce M.
Ault, Jon F.
Averill, Robert C.
Axelrod, William H.
Baas, Daniel L.
Babbitt, James C., Jr.
Babcock, Rowland A., Jr
Bagley, Edward G., III
Baily, Richard M.
Ballweber, William A.
Banek, Edward A. Jr.
Bannat, Steven J.*
Barber, Arthur H. III
Barber, Theodore Jr.
Barbor, Kenneth E.
Barkell, Richard C.
Barnes, David J.
Barnes, Leslie W.
Barnett, Peter G.
Barnhill, Arizona W.
Barthold, Lee G., III
Bassett, William T.
Bateman, Douglas A.*
Bates, William A., Jr.
Baugh, Dale E.
Bean, Jerry W.
Beardin, Larry D.
Beaver, Robert J.
Beck, Donald D.
Beck, Harold R.
Beer, Bill E.
Behringer, Stephen E.
Belcher, John C.
Bence, Ronald P.
Benedict, William L.
Bentley, Alan C.
Benziger, Philip E.
Berg, Delano R.
Bergersen, Leonard L.
Berry, Gale V.
Berry George Z.
Besal, Robert E.
Beukema, Paul
Biby, Dennis K.
Bienhoff, Paul A.
Bisceglia, Stephen V.
Bishop, Harold R.
Bixler, Charles H.
Blackman, Richard A.
Blackwell, Theodore I., Jr.
Blackey, Blake V., Jr.
Blanchard, Robert K.
Bledsoe, John R.
Blomeke, Hugh D.
Blunt, James M.
Bohannan, Gary W.
Bolan, Gregory E.
Bolton, Frederick A.
Booker, Robert W.
Borno, Louis M., Jr.
Boroff, Jeffrey L.
Bossio, Frank T.
Boutte, Andre L.
Bower, Michael J.
Bowlin, James A.
Boyer, Pelham G.
Boyington, John E. Jr.
Brady, Bernard G.
Brady, Edward D.
Branson, James L.
Breenan, Michael E.
Brewer, Craig W.
Bridges, James D.
Brittain, William G. Jr.
Broadley, Timothy S.
Brod, Herbert L.
Brodengeyer, James R.
Brooks, Frederick M.
Brown, David K.
Brown, Frank H.
Brown, Tommy A.
Brownhill, Lloyd D.
Brownsberger, Nicholas M.
Brucker, Blaine R.
Bruckman, David E.
Bruner, Todd T. W.
Brunstad, William J.
Brust, Stephen R.
Buchanan, Bobby A.
Buchspics, Kenneth L. Jr.
Bulai, Dennis M.
Bullough, Bruce L.
Burdett, Peter S.
Burdette, Allen L. II
Buresh, Jon A.
Burgess, James R.
Burkhart, Larry W.
Burns, Daniel P.
Burroughs, Bruce D.
Burton, Fred E.
Burtt, Chester A.
Buschmann, Roger L.
Busseno, Henry W.
Butler, James P.
Butler, Lester E., Jr.
Byrd, John T.
Cahoon, David C.
Calcaterra, Frank S.
Caldwell, Warren L., Jr.
Calhoun, Brian M.
Calhoun, Jimmy R.
Campbell, Clifford B.
Campbell, James A.
Campbell, Richard P.
Canavan, Michael P.
Candalor, Michael B.
Cantfil, Scott T.
Capello, Leonard W.
Caplinger, Lanny W.
Carle, Mark V.
Carlson, Dennis J.
Carmichael, John S.
Carpenter, John R.
Carrier, Guy J.
Carrington, David R.
Carro, Anthony
Carroll, Charles E.
Carter, Leslie R.
Carter, William L.
Casmer, Dennis R.
Casper, David C.
Caster, Gary D.
Castleman, Lexie C.
Cerveny, Alvin E.
Chambers, Regan S.
Chapman, Robert G.
Cheliras, Richard M.
Cheshire, Lehman F., II
Chin, Francis W. L.
Christensen, Erick T.
Christensen, Steven D.
Ciarula, Thomas A.
Cincotta, Paul E.
Clair, William C.
Clawson, Stephen H.
Clayman, William D.
Clayton, Irving B., III
Coggins, Andrew O., Jr.
Collins, John G.*
Collins, Richard W.
Colton, Arthur, II
Combs, Charles R.
Combs, Russell W.
Condon, Robert W.
Condon, Thomas J.
Connelly, Joseph B.
Conner, Roger A.
Connolly, Paul M.
Conrad, Allen S.
Cook, Robert B., Jr.
Cook, William E., Jr.
Cooke, Wilbur O., Jr.
Coonan, Robert P.
Cooper, Michael R.
Cosgrove, Patrick E.
Coste, Peter F.
Costigan, Kenneth M.
Cottrell, William R.
Coupland, Steve J.
Covington, Richard B.
Cox, Patrick G.
Coyle, Gary L.
Craig, Michael C.
Crall, Max R.
Crandall, Kenneth D.
Cranshaw, William R.
Crews, Jeffrey W.
Crooks, Dennis J.
Cross, Raymond S.
Crossland, Edward E.
Crouch, Orren R.
Crouse, David L.
Crowell, Charles D.
Crowley, Thomas N.
Cumings, Kenneth W., Jr.
Cummings, Darryl P.
Curry, Raymond M.
Curtin, Bruce E.
Curtsinger, Delbert A.
Cutter, David M.
Cutter, Duane S.
Dahlquist, Paul W.
Daley, Michael J.
Dalton, Merrill A.
Daly, Joseph T., III
Danco, Thomas R.
Danforth, Lawrence W.
Darling, Ralph E.
Darton, Terry H.
Darwin, George R.
Davidson, Michael A.
Davidsson, Jeffrey J.
Davis, Richard E., Jr.
Day, Edward W., Jr.
Dean, Dennis R.
Decker, Charles E.
Deese, David S.
Delauder, Roy A., Jr.
DeLong, Richard C.
Demain, William R.
DeMarco, Jimmy W.
DeMasi, Francis D.
Deneen, Brian M.
Denham, Stanley A.
Dentico, John P.
Dentler, John C.
Deuley, Thomas P.
Devlin, John C.
Dewald, Bruce F.
Dilgren, Glen A.
Dilick, Gregory F.
Dillon, David R.
Dimambro, Ronald E.
Disy, Edward G., Jr.
Divine, Michael D.
Dodenhoff, Andrew C.
Dom, Stuart N.
Donihi, Burleson M.
Donlan, Joseph A.
Donovan, Michael D.
Doran, Milton D., Jr.
Dowty, Bobby L.
Doyle, Patrick R.
Dragone, Joseph A., Jr.
Drake, Stephen L.
Dreiling, David L.
Drews, Robert A.
Driscoll, Joseph F.
Droz, Charles A., III
Drummond, Thomas F.
Dudek, David P.
Dundas, Geoffrey W.
Dunn, James P., Jr.
Dunscombe, Bruce E.
Duquette, Wilfred B.
Dussman, Thomas R., Jr.
Dwyer, Dennis M.
Earnest, William G.
Easton, William R., Jr.
Edwards, Charles T.
Edwards, Mark J.
Eichel, Laurence A.
Einsidler, Barry D.
Eisenstein, Donald A.
Eklof, Sven P.
Elder, Alfred
Elliker, John S., Jr.
Elliott, Richard M.
Ellis, Jimmy L.
Ellis, Robert B.
Emmert, Mark A.
Endicott, David C.
Engelhardt, Bruce B.
Ensley, Lee M.
Erickson, David P.
Etter, Alan Y.
Evans, Gary G.
Evans, Gary W.
Evers, William B.
Eyerly, Louis G.
Ezzell, Stephen M.
Falkey, Mark S.
Fargo, Stephen M.
Farmer, Linwood, E., Jr.
Fee, John F.
Fehrs, Thomas L.
Fennessey, Donald B.
Ferguson, Kevin J.
Filanowicz, Robert W.
Finkelstein, Mark A.
Finley, Charles C.
Firth, Barry E.
Fischbeck, Jeffrey A.
Fisher, Calvin
Fisher, John W.
Fisher, Richard J.
Fitzgerald, William R.
Fitzgerald, James P.
Fitzhugh, Gary L.
Flanigan, Richard J.
Fleming, Daniel E.
Flood, John T., Jr.
Fondren, Steven V.
Foster, Thomas H., II
Foti, Stephen G.
Fournier, Dean N.
Fowler, John D.
Fowler, Larry R.
Fox, Donald C.
Frahler, Donald A.
Frame, Danny R.
Frank, Richard R.
Franklin, Roland M.
Franz, Lornie A.
Frederick, Stephen E.
Freeland, Newton F., Jr.
Frieden, Charles O.
Froemel, Anthony F.
Froman, James C.
Frump, David A.
Fry, Norman J.
Fulham, Thomas A., Jr.
Fullerton, John A.
Funk, Duane H.
Gallic, Frank M.
Gallup, Frederick S., III
Gammage, Patrick O.
Garden, George C., Jr.
Garrett, Patrick M.
Garrish, James W.
Garrison, Paul C., II
Gastrock, Martin D., Jr.
Gavett, Wallace L., Jr.
Gay, James F.
Gear, Bud S.
Gebbia, Frank Jr.
Geel, Richard A.
Geiger, Edward C.
Geist, Gregory D.
Geopfarth, Robert N.
Getzfred, Lawrence D.
Giannotti, Bruce B.
Giarra, Paul S.
Givens, Joel D.
Glass, Joseph W.
Glenn, Michael
Glick, Dean F.
Glick, Robert C.
Gloor, Louis O.
Glover, Andrew L.
Glover, Ronald B.
Goad, Steven R.
Goddard, James R., Jr.
Godfrey, Thomas J.
Goessling, James R.
Goetz, Michael L.
Goforth, George T.
Goldman, Michael J.
Goldsby, Richard E.
Goldstein, Robert J.
Golisch, James A., Jr.
Golubovs, Paul
Gomez, Daniel S.
Good, Mark I.
Gooding, Brent B.
Goodwin, Thomas J.
Goodwin, William V.
Gordon, Douglas T.
Gordon, Harry J., III
Gorman, James F.
Gorman, Michael A.
Gorris, Frederick D.
Gossett, Jeffrey L.
Grabski, Timothy M.
Grafton, Thomas A., III
Graham, William L.
Grant, Geoffrey E.
Grant, Raymond J.
Grant, Roderick C.
Grau, David G.
Graves, Marshall W., Jr.
Gray, Gary J.
Greaser, Donald C.
Green, John M.
Gregory, Erik S.
Gregory, William H.
Griffith, Carl D., Jr.
Griggs, Edward C.
Grissom, Mark P.
Gritzke, Arnold R.
Groefsema, Gary G.
Groff, George T.
Groff, Lawrence L.
Guiles, Richard H.
Gustin, Bruce A., III
Guzauskis, Steven A.
Haagensen, Brian C.
Haberlandt, Frederick R.
Haddock, James M.
Haizlip, John T.
Halsted, David P.
Hamelin, Gregory R.
Hammond, Gary R.
Hammond, John T.
Hampton, John J.
Hancock, William A.
Hansell, Dennis R.
Hanson, Paul E.
Hardaway, James H.
Harding, Richard W.
Hardman, Andrew H.
Hare, Robert L.
Hargrave, Douglas F., Jr.
Harmer, Donald W.
Harper, Allen D., III
Harris, Craig H.
Harris, James D.
Harris, Stephen A.
Harrison, John J.
Hartrick, Thomas F.
Harvey, Gerald A.
Harvey, John C., Jr.
Hastings, David C., Jr.
Hathaway, Clifford N., Jr.
Hawk, Bruce L.
Hawkins, Jeffrey A.
Haworth, James R.
Hearding, David W.
Hedden, Charles R.
Hedrick, Michael K.
Heimgartner, Kenneth F.
Heisey, Philip M.
Henderson, Harold D.
Hennessy, Paul B.
Henry, Christopher R.
Hessdoerfer, Ronald C
Hesser, Neal P.
Heuer, Edward D.
Hewitt, Robert A., Jr.
Heyworth, Gordon
Hieronymus, Dennis J.
Higgins, Paul M.
Hilfer, Roger T.
Hill, Clarence E.
Hill, James A.
Hill, Martin R.
Hill, Steven C.
Hill, William J.
Hirsch, Gerald R.
Hirst, William C., Jr.
Hobbs, Philip G.
Hodson, Brian J.
Hogen, David J.
Holcomb, William K.
Holden, Timothy A.
Holdredge, Robert L.
Holland, Howard M.
Hollands, Christopher C.
Honey, Ronald D.
Hoover, James D.
Hopkins, Robert L.
Hopper, James H., III
Hopper, William F.
Horn, Robert G.
Horner, John S.
Horner, Richard L.
Horstmann, Richard F

Houde, Paul L.*
Howard, George R.
Howard, Jonn F.*
Howard, Walter G., Jr.
Hrenko, John, Jr.
Hudgens, Robert T.
Hughes, Roger A.
Hughes, Ronald A.
Hughes, William R.
Hugill, Joseph R.
Hull, Roger L.
Humble, Alan D.
Humphries, Wofford F., III
Hurley, Lawrence E.
Hyatt, Jerry O.
Iler, Robert W.
Indorf, John W., Jr.
Ingalsbe, Stephen R.
Israel, John E.
Jack, Gary M.
Jackson, Andrew H.
Jackson, Jimmie R.
Jackson, William P., Jr.
Jacobs, Thomas E.
Jacobson, Robert A.
James, Richard H.
James, Robert B.
Jamison, Christopher C.
Jankura, Edwin S., Jr.
Jarosinski, John M.
Jarrett, Stephen M.
Jaskunas, Thomas M.
Jauernig, Robert R.
Jenkins, Jerry M.
Jeter, James D.
Jewell, Keith A.
Jewett, Charles E.
Jobe, Terry L.
Johns, Stephen B.
Johnson, Arthur L.
Johnson, Charles S.
Johnson, James W.
Johnson, Paul R., Jr.
Johnson, Paul N.
Johnston, John, Jr.
Johnston, William R.
Jones, Edward L.
Jones, Preston L.
Jones, Stanley L.
Jones, Wayne M.
Jordan, Timothy G.
Jorgensen, Paul C.
Jorvig, Daniel A.
Joseph, Alfred M.
Joslin, William D., Jr.
Kaelin, Charles M.
Kagy, Rodney E.
Kale, James E.
Kallin, Peter L.
Kalstad, Kendall W.
Keefe, Daniel S.
Keegan, Joseph W.
Keenan, John J., Jr.
Keesling, Robert A.
Keith, Douglas W.
Keith, James S.
Keith, Michael G.
Keithly, Thomas M.
Kelley, Michael C.
Kelly, Patrick W.
Kelso, Jesse J.
Kemp, Dieter K.
Kennedy, Clarence
Kennedy, Khristopher M.
Kessler, Paul K., Jr.
Kester, Lawrence V.
Keuhlen, Phillip J.
Kibler, Adrian E., Jr.
Kidrick, James G.
Killough, Robert C.
Kilmer, Harold B., Jr.
Kim, Theodore S.
Kindel, George F.
King, Manton A.
Kirk, Bruce R.
Kirkpatrick, James R.
Klein, James M.
Klein, John W. K.
Klinker, Patrick J.
Kluever, Patrick R.
Knight, Cletius D.
Knight, John R.
Knueppel, Wolfgang W.
Koch, Raymond W.
Kodzis, Richard F.
Koehler, John A., III
Koelemay, Maurice M.
Kohler, David R.
Kohne, John E.
Koncpa, Steven J.
Konya, Bruce R.
Koorey, Alfred J., Jr.
Koss, Andrew J.
Kraft, Edward S. Jr.
Kreeger, Theodore W.
Kren, John J.
Krohn, Raymond L.
Krueger, Lloyd E.
Kryske, Lawrence M.
Kuehne, Kenneth W.
Kujat, Edward J.
Kwate, William E.
Kysar, Billy D.
Labarge, William H.
Laforce, Don C.
Lalonde, Larry W.
Lambing, Edward W.
Lancharic, James V.
Landers, Coleman A.
Landick, Richard E., Jr.
Lane, Gregory B.
Lantta, Kenneth D.
Larsen, Thomas C.
Larson, Larry E.
Lash, James H.
Lauderdale, Donnie A.
Lavigne, Roger J.
Lee, Richard P.
Lee, Thomas J.
Leib, Robert C.
Leonard, Raymond E., III
Leverette, Glen
Lewandowski, Lawrence A.
Lewis, David R.
Lewis, Paul S.
Libera, Daniel C.
Lillard, William A., III
Lind, David J.
Linn, Claud O.
Lipscomb, Gary E.
Lipsey, Mark D.
Lobs, Warren M.
Lobue, James J.
Logue, Stephen J.
Lombard, Peter N.
Long, Robert H.
Long, Stephen T.
Long, William H., Jr.
Lose, Jay D., Sr.
Loser, David A.
Love, John B.
Love, Patrick S.
Lovett, Harry L.
Lovett, Joel D.
Luczak, Michael A.
Lunning, Robert M.
Lupton, Stephen C.*
Lutes, Jack
Lynch, Vincent J.
Maahs, Carl E., Jr.
Mack, Stanley J.
Macluskie, John R.
Macon, Richard T.
Mahle, Gary G.
Major, John G.
Malboeuf, Ernest J.
Mallon, Paul J.
Mansfield, Philip S.
Manvel, John T., Jr.
Mares, Joe N.
Markevicz, John W.
Marlin, Robert D.
Marra, Kenneth J.
Marshall, Rudy F.
Marshall, William J.
Martello, Keith W.
Martin, Colin L.
Martin, Kenneth R.
Martino, Nathan P.
Mashburn, Robert L.
Maskell, Robert E.
Mason, James R.
Mason, Lee C., II
Mathews, Kirk A.
Mathis, Don W.
Mayes, Larry L.
Mayhan, Terence W.
McAfee, William T.
McArthur, James D., Jr.
McAvinia, Thomas F.
McCartney, Patrick L.
McCarville, Patrick A.
McCloskey, John D.
McCollum, James W.
McConchie, Robert W.
McConkey, David L.
McCoy, Kenneth W.
McCrory, Ralph C.
McCurdy, Russell A.
McCutchen, John M.
McDonald, Randal S.
McElroy, Daniel W.
McGinn, Leo F., Jr.
McGraw, William L.
McHenry, John S.
McLane, Robert L.
McLoughlin, William R.
McWilliams, Hugh N.
Mead, Gregory G.
Mears, George H.
Measel, Richard A.
Meek, Terry L.
Meeley, William A., Jr.
Mellor, Martin W.
Mercurio, Stephen F.
Meyer, Daniel H.
Meyer, John G.
Meyer, Thomas L.
Meyer, Timothy H.
Meyers, John E.
Meyett, Robert S.
Miars, Thomas E.
Michell, William R.
Mihocik, Robert A.
Mikhalevsky, Peter N.
Miller, David R.
Miller, Dennis W., Jr.
Miller, Edward L.
Mills, Donald M.
Mills, Jack B.
Mimms, David T.
Mitchell, Alfred W.
Mitchell, David E.
Mitchell, Joseph A., II
Mitchell, Kenneth R.
Moilanen, Thomas E.
Molloy, William E., Jr.
Moody, William V.
Moon, Eugene L.
Moon, Robert L.
Moore, Richard B.
Moore, William T., III
Morandi, Theodore R.
Moranville, Mark S.
Morgan, John G., Jr.
Morral, Dennis G.
Morreale, Bruce V.
Morris, William D.
Morrison, Thomas R.
Moss, Charles M.
Mullican, James N.
Muncie, John C.
Munns, Charles L.
Murphy, George J., III
Murphy, Robert T.
Murray, George M.
Murray, John J.
Musgrave, Clyde
Musselman, Warren E.
Myers, David E.
Myers, Ronald L.
Naughton, Michael J.
Nava, David
Nayfack, John C.
Neal, Robert A.
Needham, William D.
Neihart, Charles W., Jr
Nelson, David J.
Nelson, David E.
Nelson, Duane L.
Nelson, Jeffrey R.
Nesbitt, Allan P., III
Ness, Christian Q.
Nestor, Don A.
Newland, Charles R.
Newport, Paul T.
Newton, Danny R.
Nibbs, Alan M., Jr.
Nice, Dan E., Jr.
Nickodem, Peter W.
Nielsen, Jack S.
Nitschke, Roy H.
Norrbom, Timothy J.
Norris, Donald O., Jr.
O'Grady, Arthur J.
O'Hanlon, Jeremiah
O'Keefe, James G.
Olechnovich, Paul J., V
Olsen, Alfred J.
Olson, David J.
Oponick, William C., Jr.
Orbann, Carl T., III
Osborn, Colin C.
Oswald, Stephen S.
Othus, Ross B.
Ott, Andrew A.
Otto, David T.
Owens, Ronald L.
Ozehoski, Edward M.
Pache, Eugene P.
Palanca, Rodney A.
Palmatier, Robert J.
Palmatier, Philip F., Jr
Palmer, George W.
Palmer, Henry B.
Panos, Christopher W.
Papin, Gregory A.
Papineau, Larry R.
Parker, Robin M.
Parks, James F.
Parks, Ralph F.
Parsons, Walter P.
Patterson, Wayne L.
Patton, James W.
Patullo, Kenneth E.
Pearson, Thomas W.
Pease, Milton L.
Peay, Larry G.
Pence, Derry T.
Penn, William T.
Pernell, Larry E.
Perry, James W.
Perry, Joseph L., Jr.
Perry, Robert P.
Peters, Jon C.,
Peters, Kenneth M.
Peters, Kenneth W.
Pettit, Hubert C.
Petty, William M.
Pfadenhauer, John J., Jr.
Pfeiffer, Frank G.
Pfister, Russell J.
Pflueger, Michael P.
Phelps, Norman J.
Phillips, David S., III*
Phillips, James G., III
Phillips, James W.
Phillips, John L.
Pickett, Russell A.
Piecuch, John L.
Pierce, Billie J.
Pierce, John W., Jr.
Pistochini, Mark D.
Pledger, James E.
Poe, Deen O.
Poland, Marc M.
Posey, Kelley G.
Power, Jerry R.
Powers, Thomas J.
Preisel, John T., Jr.
Preston, Randall D.
Price, Earl J.
Ptacek, John W.
Puccini, Bruce A. J.
Purdy, G. James, Jr.
Quinn, Paul F.
Rable, William J.
Ransbotham, James I., Jr.
Ratcliff, Ronald E.
Reeves, Jerry D.
Reightler, Kenneth S.
Reisinger, Allen E.
Remshak, Christopher J.
Renton, Irvine A., III
Ress, Charles M.
Rhine, Russell L.
Rhoades, William A.
Ricciardi, Robert N.
Rice, Michael L.
Riess, Robert E.
Rigot, William L., Jr.
Rimpau, James W.
Roark, Louis K.
Robb, James A.
Robbins, Frederick H.
Roberts, Warren L
Robertson, Andrew C.*
Robertson, Michael D.
Robinson, Frederick T. I.
Robinson, James E.
Robinson, Steven N.
Robinson, Warren E.
Rockwell, Richard T.
Roddahl, Jeffrey L.
Rodman, William B. V.
Rogers, George C., Jr.
Rogers, William A., Jr.
Roman, Theodore R., Jr.
Romine, Steven L.
Rondestvedt, Christian R.
Rood, Homer J.
Roper, Thomas W.
Rosenthal, Mark L.
Rotondo, Michael J.
Roughead, Gary
Roulstone, Douglas R.
Rowe, James F.
Rubel, William R.
Rucker, Steven W.
Ruhl, Phillip C.
Rusch, Preston G.*
Rush, Robert J.
Russell, Roy W.
Russell, William D.
Ruth, Jack L.
Rutherford, Lindell G.
Ruybal, George N.
Ryan, Paul J.
Ryder, Curtis M.
Ryskamp, Robert H.
Salinas, Amando S.
Sands, Robert W.
Sanford, Gregory B.
Santapaola, Donald J.
Sare, Michael J.
Sarraino, Michael
Schaffter, Alan B.
Schaufelberger, Albert A.
Schiesser, William A.
Schmidt, Wesley H.,
Schmidt, Jonathan B. Jr.
Schneegas, David A.
Schneider, Harvey L.
Schroeder, Kenneth R.
Schubert, Jerry L.
Schultz, George W.
Schultz, Paul S.
Schwalier, Charles D., II
Schwartz, Michael N.
Schwiering, David A.
Sciuto, John J.
Scott, Brue B.
Scott, James R.
Scott, Robert J.
Scott, Robert P.
Scudder, Stephen V.
Seal, Warren G.
Sedivy, Dean G.
Seeley, James R.
Seigel, Thomas G.
Selman, William W.
Sensat, Robert J.
Shalles, Siegfried L.
Shankles, Jackie W.
Shaw, John D.
Shay, Jon V.
Sheehan, Leroy E.
Sheehy, Patrick T.
Shemella, Paul
Sherk, Glenn E.
Sherman, Vining A., Jr.
Sherwood, Roger R.
Shields, Robert B.
Shipley, Thomas E.
Shoemaker, James E.
Shon, Michael D.
Shurtleff, William H., IV
Sieve, Glennon L.
Silverio, Stephen R.
Silvestri, Michael J.
Simpson, Jeffrey P.
Simpson, Michael D.
Sisa, Steven A.
Slocumb, Dennis A., Jr.
Smallwood, James V.
Smith, Bradley P.
Smith, Earl M.
Smith, Frederic D.
Smith, Howard P.
Smith, Janvier K.
Smith, Philip W.
Smith, Richard T.
Smith, Robert E.
Smith, Wayne E.
Snead, Leonard A., III
Snodgrass, Dale O.
Snow, Terry D.
Snyder, Thomas E.
Snyder, William L.
Solak, Lawrence E.
Sonn, Bruce E.
Sonntag, Steven J.
Sontheimer, Richard F.
Spangler, Ralph G.
Spence, Maurice F.
Springman, Robert E.
Stack, John J.
Staebler, Francis
Stahler, William D.
Staniewicz, Matthew J.
Stanton, Donald C.
Stapleford, James R.
Staton, Ronald B.
Steele, Scott L.
Steffen, Norman W.
Stegeman, Ronald A.
Steinestel, Richard R.
Stenrocs, Joseph R.
Stephenson, Walter W.
Sterner, Robert C.
Stettler, Gerald A.
Stevens, Gene A.
Stevens, William R.
Stewart, James H.
Stewart, James R.
Stewart, Melvin L.
Stickler, Christopher A.
Stiffler, Mark A.
Stiles, Joseph E.
Stine, Jeffrey L.
Stoehr, Dale E.
Stone, Jeffrey M.
Storm, Bradley D.

Stowe, Abraham R.
Strawbridge, Carl N.
Streiff, Edward J.
Strickler, Richard W.
Stricklin, Ted A.
Stringer, Richard H.
Stuart, Gary L.
Stupfer, Bruce W.
Sueirro, Allen M.
Sullivan, William D.
Suplicki, Edward P.
Swailes, John H.
Swift, Lloyd F. K.
Szoka, Michael A.
Taber, James C.
Talbot, Gerald L., Jr.
Taylor, Charles D.
Taylor, James W.
Taylor, Paul E.
Temple, Ralph D.
Teply, John F.
Thaeler, Leigh M. Jr.*
Theis, James M.
Thiel, Kurt
Thigpen, Dan I.
Thomas, Henry D.
Thomas, Michael G.
Thomas, Ronald M.
Thompson, Clark F.
Thompson, Peter M.
Thomson, Alan D.
Thomson, Timothy
Thorne, Silas O, III
Thorpe, James W., Jr.
Thralls, Edmund L.
Tilley, John A., Jr.
Tilley, Patrick J.
Tindle, John R.
Tobiason, Erik A.
Toliver, Lynden R.
Tomaszeski, Steven J.
Tornatore, Gary P.
Trabona, Robert J.
Trammell, David G.
Traverso, Timothy J.
Treeman, Michael W.
Trenta, Richard F.
Troxell, Richard K.
Tussey, David A.
Tzavellas, Theodore E.
Uebelherr, Michael F.
Ulrich, Edward D.
Updegraff, William D, II
Uricoli, Eugene F.
Ustick, Robert W., II
Vaden, Don R.
Vanness, Henry A.
Varakin, Walter A., Jr.
Vaughn, David R.
Veatch, James M.
Ventgen, Robert J.
Vessely, Robert P.
Vickers, Sammy L.
Visage, Samuel J., Jr.
Voelker, George E.
Vogan, Charles S., Jr.
Vogt, Michael C.
Volpe, Joseph M., Jr.
Voros, Charles D.
Voss, Cary V.
Voter, James C.
Walker, Charles R.
Walmsley, Stephen R.
Ward, David A.
Ward, John J., Jr.
Wardlaw, William E.
Wardrobe, James E.
Ware, Jerry S.
Warr, Paul M.
Watterson, Kent B.
Watwood, William B.
Waylett, Don H.
Weatherspoon, Stephen S.
Weddel, David W.
Weis, Timothy J.
Welles, Franklin G.
Welsh, Joseph L.
Werson, Jan P.
Wessel, Kenneth J.
Wessman, Lynn G.
Westover, Steven B.
Wetmore, Walter G.
Wheeler, Dennis R.
Wheeler, William G.
Whitaker, Clayton, E.*
White, Carroll L.
White, James W.
White, Joseph W.
White, William S.
Whitehead, Oliver W.
Whitford, Dennis J.
Wiestling, Stephen H.
Wigge, Conrad J., III
Wilfong, Dallas G., III
Wilhelmy, Mark D.
Williams, Comer L.
Williams, George B.
Williams, Robert E., Jr.
Williams, Russell L.
Williams, Thomas R., Jr.
Willis, Clarence C.
Willis, Leland S., III
Wilson, Gerald E.
Wilus, Michael S.
Wingo, Theodore O.
Winney, Justin W., Jr.
Wise, Herbert F.
Withers, Thomas R.
Witte, Thomas M.*
Wolff, Conrad E.
Wolfsen, Terrence H.
Wollam, Neil R.
Womer, Rodney K.
Wood, Charles A.
Wood, David R.
Wood, James W.
Wood, Joseph A., Jr.
Wood, Kenneth H.
Wood, Marcelle E., Jr.
Woodall, James M.
Worley, Dennis L.
Worthington, John R.
Wright, Dale G.
Wright, Oliver L., III
Wyse, Frederick C.
Yarrows, Edward P.
Young, Brian K.
Young, Charles S. B.
Young, Gordon A.
Zanon, Richard J., Jr.
Zavaglia, Ronald F.
Zeigler, Howell C.
Zeller, Chester A., Jr.
Zetsch, Kurt J., Jr.
Zimmerman, Kenneth R.
Zink, Thomas A.
Zito, Hugh J.
Zuber, James D., Jr.

MEDICAL CORPS

Long, Kenneth W.

The following-named lieutenants (junior grade) of the United States Navy for temporary promotion to the grade of lieutenant in the line, pursuant to Title 10, United States Code, Sections 5769 and 5791, subject to qualifications therefor as provided by law:

Balsley, Jon B.
Baranowski, Craig J.
Burrell, Roger E.
Kanewske, Robert H.
Paskulovich, Robert S
Prior, George M.
Salerno, Dominic J.
Thomas, Kevin J.

The following named ensign of the United States Navy for temporary promotion to the grade of lieutenant (junior grade) in the line, pursuant to Title 10, United States Code, Sections 5784 and 5791, subject to qualifications therefor as provided by law:

Bitton, Vernal R.

The following named commander of the United States Navy for permanent promotion to the grade of commander in the line, pursuant to Title 10, United States Code, Sections 5780 and 5791, subject to qualifications therefor as provided by law:

Shaffer, Leslie V., II.

The following named women lieutenants of the United States Navy for permanent promotion to the grade of lieutenant commander in the line, pursuant to Title 10, United States Code, Sections 5771 and 5791, subject to qualifications therefor as provided by law:

Bailey Claudia L.
Breede, Marilyn I. S.
Campbell, Linda A.
Carr, Margrette
Cozine, Susan L. P.
Crawford, Mary P.
Gutierrez, Kathleen C.
Harkness Mary A.
Harrington, Carol A.
Hawrylo, Jean E.
Hayes, Allison C.
Heagney, Mary G.
Heineman, Ellen E.
Klein, Terry O.
Laino, Karen A.
Lovvorn, Terry J.
McNary, Kathleen L.
Mitchell, Monika U.
Reichert, Paulette
Rhiddlehoover, Suzanne
Sperry, Catherine E.
Wagner, Sharon A.
Youngblood, Cathey A.

The following named lieutenants of the United States Navy for permanent promotion to the grade of lieutenant in the line, pursuant to Title 10, United States Code, Sections 5780 and 5791, subject to qualifications therefor as provided by law:

Bernstein, Sanford M.
Conatser, Charlie C.
Conedera, Dana E.
Noble, Jerry R.
Wilson, Gregory C.

The following named officers of the line of the United States Navy, for appointment in the Judge Advocate General's Corps, as permanent lieutenant (junior grade) and temporary lieutenant, pursuant to Title 10, United States Code, Sections 5578(a) and 5572, subject to qualifications therefor as provided by law:

Frost, Peter F.
Stevens, Richard A.

The following named officers of the line of the United States Navy, for appointment in the Judge Advocate General's Corps, as permanent lieutenant (junior grade), pursuant to Title 10, United States Code, Sections 5578(a) and 5572, subject to qualifications therefor as provided by law:

Hohenstein, James H.

McCarthy, Julian D.

IN THE NAVY

The following named lieutenant commanders of the U.S. Navy and Naval Reserve for temporary promotion to the grade of commander in the various staff corps, as indicated, pursuant to Title 10, United States Code, Sections 5773, 5791 and 5793, subject to qualifications therefor as provided by law:

MEDICAL CORPS

Abary, Alexander V.
Adman, Raymond L.
Alexander, Arvin H.
Altenau, Lance L.
Anderson, Barbara G.
Anderson, Brian C.
Apthorpe, John R.*
Arayata, Concepcion R.
Bakshi, Satbir S.
Bartley, Tony C.*
Bayne, Cary G.
Beck, Bruce D.
Bennett, William E.*
Berlinger, Norman T.
Bina, William F., III
Bliss, Donald L.
Block, William A.
Booth, Geoffrey K.
Bottomy, David P.
Brooks, Viola P.
Brotherton, William D. I.
Broughton, Warren L.
Bulota, William R.
Bulusu, Narayana V.*
Burns, Williams W.
Butler, William M.
Caballero, Reynaldo V.*
Cantwell, Danny V.
Carolla, Anthony F.
Catron, Phillip W.
Chellappa, Christanand
Choe, Moogil *
Choi, Ivan C. S.*
Clark, Michael A.
Cobb, Gregory W.
Cohen, Irving M.
Collins, Daniel R.
Corral, Cathryn J.*
Cowall, David E.
Coy, Gene E.
Culpepper, Donnie D.
Cummings, Nicholas A.
Dainer, Paul M.
Danitschek, Carl N.
Dean, Norman A.*
Decock, David G.
Delmonico, Francis L.
Dodek, Marvin I.
Dresser, Thomas P.
Dsouza, Aloysius F.
Duhaylungsod Toribio M.
Eddleman, Henry C., III
Eralp, Muammer S.
Erwin, Carol M.
Evans, David R.
Everhart, Charles W.
Faber, Myron M.
Fawcett, William A.
Fay, James E.
Feir, Alan N.
Felter, Robert A.
Fitzsimmons, Michael A.
Foley, Richard W.
Forth, David S.*
Francisco, Eduardo G.
Gambone, Joseph C.
Garretson, John F.
Garrigues, Ned W.
Georges, Theodore N.
Gerrardgough, Brodie
Gillette, Shelby L.
Giroux, Arthur S.
Goad, Robert F.
Goeltsch, Robert E.
Govin, Gerald G.
Gregory, Douglas B.
Griffiths, Richard C.*
Grunert, George M.
Gutierrezdelgado, Edmundo A.
Hamrick, John D.
Hanna, Mary M.
Hardman, Jane M.*
Harman, Richard L.
Harrell, Donald P.
Hayhurst, Edward G.
Hazard, William L.
Henderson, Peter L.
Hierlwimmer, Ulf R.*
Hoffman, Harry P., Jr.
Holden, James L.
Holden, Richard T.
Holohan, Thomas V.
Horn, John R.
Hunt, Clyde M., Jr.
Hyder, Ghouse S.*
Jayne, John L., Jr.
Joern, Albert T.*
Joswig, Bill C.
Judice, Donald J.
Jung, Byung I
Kaires, Pamela A.
Kane, Andrew J.*
Kennedy, Harold L.
Kennedy, Thomas J.
Kent, Roderick S.*
Killian, Gary M.
King, Monroe J.
Kragh, Gero S.
Kung, Martin D.
Kunkler, James R.
Kurzbach, Elmar
Kusic, Gregory R.
Lai, Kang J.
Lake, Michael H.
Lake, Robin M.
Lang, Richard G.*
Latimer, William E.*
Lewis, William J.
Lin Fang, L. H.*
Lloyd, Bruce K., III*
Loh, Nora P.
London, Barry E.
Lopez, Virgilio D.
Lozner, Jerrold S.
Lunetti, Thomas L.*
Mabee, Thomas M.
Mace, Samuel V.
Macht, Steven D.
Malstrom, Robert H.
Martin, James E.
Martin, John O., Jr.
Marzluff, Joseph M.
McMeekin, Hayne D.
McNeal, Richard M.
Means, James F.
Melaragno, Anthony J.
Menon, Padman A.*
Methner, John P.
Miller, Ronald H.
Miremadi, Arjang K.
Mitas, John A., II
Mitchell, Stephen A.
Moriarty, Richard A.
Morte, Paul D.
Moy, Eng W.
Moyer, David B.
Muldong, Estelita T.
Mullen, Barry L.*
Murphy, Michael K.
Murray, Gwinn
Natale, William K.
Nelson, Robert C., Jr.
Newton, Jerry A.
Nimlos, John E.
Obagi, Zein E.
O'Donnell, James K., Jr.
O'Donnell, Theodore F.
Oreiudos, Benjamin C
Otero, Lewis
Paganpagan, Rafael A.
Pailey, Philip M., W.
Panganiban, Rudy
Park, Gregory P.*
Parsons, Ward C.
Patel, Thakorbhai G.
Patterson, John F.
Peddicord, Clifford R.
Peniston, Reginald L., Jr.
Peterson, Richard B.
Peterson, Timothy J.*
Peterson, Wilbur R.
Petway, Joseph K., Jr.
Phelan, Jeffrey P.
Penhold, Sieghart, H.
Pyle, Robert B.
Quinlan, Michael F.
Rafanan, Manuel O.
Ramos, Remigio M.*
Raval, Narendrakumar M.
Richmond, Billy B.
Rodning, Charles B.
Rodriguez, Alexander R.
Rodriguez, Bella R.
Rogers, Jerry R.
Scanlon, Thomas S.
Schneider, Gerald L.
Schroeder, Robert W.
Seagle, Finley A.*
Seibel, John E.
Serate, Tersito S.
Shackford, Steven R.
Shimer, Gary R.
Smith, Coral
Sohn, Steven S.
Spitz, Luis F.
Splinter, Raymond J.
Stamm, John R.*
Stern, Lewis J.*
Stock, Richard J., Jr.
Supnet, Benbrigido M.
Supnet, Leonora D.
Swank, Michael
Tarquinio, Thom A.

Tidball, John S.
Tien, Shih H.
Tuason, Olivia A.
Tuason, Plato A.
Umfrid, Richard P., II
Vanmeter, Quentin L.
Vasquez, Nora D. L.*
Vielbig, Roger E.
Villegas, Remigio C., Jr.
Wagner, William J.*
Wei, Wellington C. H.*
Weiss, Fred H.*
Welliver, Gary E.
Widman, Larry A.
Williams, David L.
Withers, Benjamin F., III
Wulfsberg, Eric A.*
Yaldua, Ramon
Young, Walter C.

SUPPLY CORPS

Allega, Timothy J.
Allen, Daniel W., Jr.
Allen, Dennis J.
Barnes, Frank
Barnett, Orlando T.
Battersby, Richard W.
Benbow, Robert T.
Biel, Jeffrey D.
Bray, Richard L.
Carstanjen, Jan H.
Carstens, Delbert K.
Chase, Dana C.*
Clements, Charles C., III
Cohan, Lawrence L.
Collette, Robert L.
Conradteberlin, Viggo P.
Crognale, Stanley J., Jr.
Dexter, Stephen T.
Carstens, Delbert K.
Flakes, Donald L.
Gardner, Everette S., Jr.
Garner, Darrell W.
Gibson, John J.
Hanson, Maurice D.
Harris, Allen W.
Harris, Timothy L.
Haugen, Steven C.
Hendricks, Ross F.
Holley, Dewey A.
Hoyt, Charles A., III
Humes, Larry F.
Ireland, Dennis W.
Jaudon, James E., III
Jenkins, Evan R.
Jenson, Ronald L.*
Jepson, Francis E., Jr.
Jones, James W.
Jordan, Robert R.
Joshua, Edward R., III
Kamel, Mohsen
Karosich, James C.*
Keller, Frank B.
Kinsey, Joseph W.
Kowalski, Fred W.
Kurz, Robert R.
Libby, Kurt W.
Lynn, Gary D.
Mantonya, Robert R.*
Marlin, Frederick R., Jr.
Marx, Paul T.
McCurdy, Jeffrey H.
McInnis, Roger E.
McMeans, Edwin W.
Monahan, David W.
Moore, Beryl G.
Nelson, Ronald C.
Nordwall, Marvin R.
Ott, Gene F.
Parks, Michael B.
Pollock, William J.
Printz, Stephen C.
Ramelli, Daniel S., III
Ray, Larry C.
Robuck, Charles H.
Rumsey, Charles G.*
Schechter, Kenneth A.
Scudi, John T.
Smith, Rene A.
Souza, John E.
Sullivan, Michael P.
Townsend, David A.
Utter, James H.
Vanhaaren, Cary G.
Velte, Duane R.
Vroman, Richard D., Jr.
Williams, Edward L., III
Wilson, Richard D.

CHAPLAIN CORPS

Apple, James L.
Benedum, Thomas J.
Boyd, James A.
Burt, Michael F.
Carroll, Vincent W.
Connor, Robert M.
Cook, Gerald L.*
Dagnoli, Albert J.
Dendulk, Donald E.
Deramus, David T.
Drake, Carl E., Jr.
Ferraro, Joseph A.
Goss, Ervin L., Jr.
Grove, John W.
Gryga, Theodore
Harper, Rhodes W.*
Horne, Lawrence R., Jr.
House, John D.
James, Willard L.
Kibble, Herman L.
Latty, Allan R.
Leis, Edward C.
Maiorana, John
Marsden, Thomas C.
McManus, William G. Jr.
O'Connor, Gerald C.
O'Connor, James P.*
Patrick, William L.
Peterson, Jay D.
Prendiville, Edmond
Reidy, Robert P.
Robertson, Carey E.
Rosenblatt, John J.
Ryder, Frederick W.
Scott, Stanley B., Jr.*
Sellers, Larry G.
Shirey, Larry N.
Sperry, Robert H.
Taylor, Andrew R.
Walz, Arden D.
Wilson, Winston B.
Zobel, Frederick R.

CIVIL ENGINEER CORPS

Bankert, Frederick B., III
Bivins, Joseph P.
Bone, Talbot W.
Brown, Richard E.
Brown, William D.
Corcoran, Anthony E.
Cottingham, John R.
Dean, Hilbert D.
Falke, John W.*
Fisher, William G., Jr.
Franz, John P.
Geibel, Bruce B.
Harrison, Lloyd, Jr.
Hatter, William H., Sr.*
Heath, John E.
Hoff, Michael L.
Hoyt, Ronnie A.
Hughes, Duncan S.
Johnson, Allan W.
Jones, Lloyd K.
Laurance, Richard B.*
Leech, John G.
Lehman, John A.
Lines, Richard A.
Lowery, Edward J., Jr.
Lucas, John A., Jr.
MacKinnon, Donald J.
MacLaughlin, James W.
McClure, Thomas D.
Moyle, Allan L.
Nash, David J.
Owens, James W., II
Palmborg, James G.
Perry, John E., Jr.*
Rever, John N.
Sherron, John T.
Simons, William J.
Smith, Louis M.
Somers, Allen H.
Spiezio, Frank A.
Taylor, Robert A.
Tomayko, David J.
Vadas, Peter P.
Ward, James E.
Yankoupe, George W.

DENTAL CORPS

Anderson, Dennis W.
Barton, Thomas P.*
Beaver, Geoffrey H.*
Boyer, Thomas J.
Brunhofer, Robert A.
Coleman, Carl J.*
Cook, Gary G.
Dever, Craig B.
Fitch, David R.
Fraleigh, Edward M.
Frank, Robert J.
Gordon, Glen R.
Graf, George H.*
Gregory, Eugene W.
Hansen, Oloff L.*
Herrmann, Robert C.*
Holton, William L.*
Johnson, Samuel F.
Kamansky, Fred W.*
Kelly, Joseph M.
Kunitake, Eugene H.
Labore, Wayne A.*
Mailander, Mark J.
Malley, Stephen W.
Monaco, Edward A., Jr.
Morley, Jerry E.
Morse, Owen R.
Moyer, Gary N.*
Myers, Ernest P.*
Peak, George T.
Peterson, James L.
Richardson, Bryan L.
Rocha, Theodore E.
Rodden, Jeffrey W.
Sheinbein, Fred E.
Simkovich, John J.*
Smith, Timothy S.
Snell, Bryon E., Jr.
Sorensen, Jon A.*
Tabacco, Michael J.
Tarquinio, George J.
Turner, Johnnie E.*
Waytena, James R.*
Weiner, David E.
White, Dan R.*
Widlak, Ronald A.
Wright, Thomas G.

MEDICAL SERVICE CORPS

Ackley, Paul N.
Bailey, John W., II
Brady, James A.
Brant, Robert H.
Brubaker, Ralph W.
Buckley, William M.
Campbell, Robert E.
Carney, William P.
Chappell, Wendell L.
Chitwood, Carl S.
Coolbaugh, James C.
Cooper, Thomas M.
Cowart, Paul R.
Creahan, David J., Jr.
Daniel, Paul E.
Dickens, Timothy H.
Ehlert, George J.
Elzy, Robert L.
Fisher, David H.
Freed, Stanley H.
Frost, Alan W.
Galley, Charles B.
George, James D.
Graham, Bruce W.
Hall, Charles E.
Hamm, Melvin N.
Hopkins, Robert F.
Husted, Stanley R.
Hyde, Noel A.
Lamdin, Jay M.
Littlefield, Judith H.
Loos, Ernest J.
Maples, John A.
Mataldi, Alan E.
McCalment, Theodore E., Jr.
McCracken, Gary O.
Monaco, William A.
Morris, Wayland F., Jr.
Myers, Charles M.
Nayote, Arthur D.
Nazzaro, John T.
Oleary, Terrence J.
Parker, Richard J.
Patterson, William L.
Pinkerton, John W.
Potts, James C.
Pratt, Michael L.
Profita, Salvatore J.
Relinski, Robert G., Jr.
Rethmeier, Kenneth A.
Schultz, Warren W.*
Socks, James F.*
Stockmoe, Elizabeth A.
Tackitt, Robert D.
Tenopir, Stanley J.
Thomas, Whitney P.
Vosloh, David L.
Wilkinson, John P.
Wood, Owen L.
Zila, Robert C.

JUDGE ADVOCATE GENERAL'S CORPS

Blake, Donald F.
Boorman, James A., III*
Clum, John P.
Dunlap, John F.
Engstrom, David L.
Goldberg, Michael M.
Grant, Harold E.
Green, Michael P.
Greiveldinger, Geoffrey
Griffin, Michael A.
Guy, David A.
King, Richard G.
Larson, David C.
Lindberg, Ernest T.*
Little, Harvey E.*
Llewellyn, Adam K.
Milliken, Jon C.
Mollison, Richard M.
Nicks, Harold T.
Nivert, Frank J.
Nolta, Franklin L.
Ochsner, Ronald F.*
Philpott, Arthur R.
Powers, Jack T.
Radlinski, Gregory K.
Schiff, Richard B.
Smith, Roger A.
Smith, Willie Jr.
Stoller, Harold L., Jr.
Thomas, Arthur R.
Vanderhoef, Craig T.
Wylie, Peter C.
Zimmerman, Richard E., Jr.

NURSE CORPS

Austin, Stuart R., Jr.
Baker, Carolyn M.
Baker, Deirdre J.
Bloshinski, Elizabeth R.
Bohn Randolph J.
Clifford, Betty J.
Corboy, Mary C.
Cords, Marvin D.
Crist, Margery W.
Feris, Mary M.
Finley, Frances L.
Griffith, Joanne S.
Hamilton, Dorthea C.
Harris, Marina J.
Hildebrand, Carol T.
Holman, Diane M.
Jacobsen Jayne W. M.
Kondash, Anna M.
Krauser, Sheila A.
Mitchell, Mary C.
Mocarski, Frances J.
Patee, Karen M.
Peace, Velia D.
Prue Phyllis E.
Rex, Anita C.
Richter, Maryellen A.
Rist, Susan E.
Robinson, Ida M.
Ryan, Kathleen V.
Sattazahn, Mary D.
Schneider, Karen S.
Sherrard, Marcia J.
Shields, Roberta J.
Smith, Maureen M.
Stokes, James E.
Sulcer Bert R., Jr.
Thomas, Thelma A.
Vering, Wilma G.
Willhelm, Patricia E.

The following named woman lieutenant commander of the U.S. Navy, for permanent promotion to the grade of commander in the Supply Corps, pursuant to title 10, United States Code, sections 5773 and 5791 subject to qualifications therefor as provided by law:

Hamman, Margaret J.

*Indicates ad interim appointment.

CONFIRMATIONS

Executive confirmations confirmed by the Senate, February 5, 1981:

DEPARTMENT OF THE INTERIOR

Donald P. Hodel, of Oregon, to be Under Secretary of the Interior.

The above nomination was approved subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

CENTRAL INTELLIGENCE

Vice Adm. B. R. Inman, U.S. Navy, to be Deputy Director of Central Intelligence, and to have the rank of Admiral while so serving.