SENATE—*Tuesday, May 12, 1981*

(Legislative day of Monday, April 27, 1981)

The Senate met at 9:15 a.m., on the expiration of the recess, and was called to order by Hon. CHARLES E. GRASSLEY, a Senator from the State of Iowa.

PRAYER

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

Let us pray.

Almighty God, sovereign Lord for whom history is the unfolding of Thy purpose, Thou hast a plan for the nations and for each of us individually. As a sparrow's fall does not escape Thy notice, certainly no business done in this place is of indifference to Thee.

Thy will concerns all things infinite and infinitesimal. Thou art a God of the microcosm as well as the macrocosm. We have no secrets from Thee. Our thoughts, our words yet unspoken, our desires are known to Thee. Lead us in Thy way, O God, and help us by Thy Holy Spirit's wisdom and guidance to do Thy will in all things today. Through Jesus Christ our Lord. 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., May 12, 1981.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable CHARLES E. GRASSLEY, a Senator from the State of Iowa, to perform the duties of the Chair.

STROM THURMOND,
President pro tempore.

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

RECOGNITION OF THE ACTING MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the acting majority leader is recognized for not to exceed 5 minutes.

THE JOURNAL

Mr. ANDREWS. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

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

ORDER FOR THE TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. ANDREWS. Mr. President, I ask unanimous consent that following the time allocated to the two leaders under the standing order there be a period for the transaction of routine morning business not to extend beyond 9:30 a.m. with Senators permitted to speak therein.

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

RECOGNITION OF THE ACTING MINORITY LEADER

The ACTING PRESIDENT pro tempore. Under the previous order, the acting minority leader is recognized for a period not to exceed 5 minutes.

The Senator from Ohio.

Mr. METZENBAUM. Mr. President, will the acting majority leader yield for a question?

Mr. ANDREWS. I am happy to yield.

Mr. METZENBAUM. Mr. President, I am prepared to yield back my time if the acting majority leader is prepared to yield back his time. It appears that neither of us is prepared to address the Senate on any issue of concern.

Mr. ANDREWS. Mr. President, I have full intention of yielding back my time, may I assure the acting minority leader.

Mr. METZENBAUM. Mr. President, on behalf of the minority leader, I yield back that time available.

Mr. ANDREWS. Mr. President, I yield back the time on my side.

ROUTINE MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of routine morning business.

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

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

The legislative clerk proceeded to call the roll.

Mr. LONG. 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.

S. 1162—EXPANDED OWNERSHIP ACT OF 1981

Mr. LONG. Mr. President, on behalf of myself and a rather formidable number of cosponsors, I introduce a bill dealing with employee stock ownership, for appropriate reference.

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

The bill, S. 1162, to amend the Internal Revenue Code of 1954 to increase the allowable contributions to employee stock ownership plans, to provide a credit against tax for contributions to an employee stock ownership plan based upon payroll as an alternative to that based on investment in equipment, and for other purposes, introduced by Mr. LONG, for himself, Mr. BAUCUS, Mr. BENTSEN, Mr. BOREN, Mr. BURDICK, Mr. CANNON, Mr. CRANSTON, Mr. DANFORTH, Mr. DECONCINI, Mr. DIXON, Mr. DURENBERGER, Mr. EAGLETON, Mr. HATFIELD, Mr. HEFLIN, Mr. INOUYE, Mr. JOHNSTON, Mr. KASTEN, Mr. LEVIN, Mr. MATHIAS, Mr. MATSUNAGA, Mr. MITCHELL, Mr. NUNN, Mr. PELL, Mr. PRYOR, Mr. RANDOLPH, Mr. RIEGLE, Mr. ROTH, Mr. SARBANES, Mr. TOWER, Mr. TSONGAS, and Mr. ZORINSKY, was referred to the Committee on Finance.

Mr. LONG. Mr. President, over the next several months there will be much discussion and debate over which approach we should take in reforming our tax laws to promote the productivity of American business and to provide relief to American taxpayers. The approach we choose will be a major factor in determining the economic direction in which this Nation will move over the next decade.

In setting that direction, let us take the time to form a clear vision of the kind of society we wish this Nation to become. Only then should we enact the type of tax reform that will shape our economic lives during the 1980's.

The vision that this bill suggests is one of expanded capital ownership. As we enact incentives for new capital formation we should also enact incentives that will enlarge the number of Americans who share a personal stake in our free enterprise system.

Years ago we recognized that widespread ownership was important. At one time agricultural land was the dominant form of productive capital and the Federal Government, in legislation such as the Homestead Act of 1862, took steps to insure that the opportunity to own such capital was within the reach of all.

Capitalism's land frontier, however, is long since closed, and our industrial revolution is now more than a century old. Unfortunately, at least for those of us who see free-enterprise capitalism as better than any of its alternatives, we did not finance our industrial growth of the past century in such a way that it would be broadly owned.

This bill suggests that we not continue that shortsighted approach. Instead, we can begin to promote a type of capitalism that is true to its democratic roots, and true to the American tradition of widespread participation.

Our free enterprise system is not work-

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

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ing well enough; its remarkable vitality and adaptability are declining. Yet there is no evidence of a better economic alternative. A primary problem, and a problem this bill addresses, is that so few Americans share a personal ownership stake in the system.

EXPANDED OWNERSHIP AS A NATIONAL ECONOMIC GOAL

The encouragement of expanded capital ownership does not mean the redistribution of existing wealth. The intent is not to take from those who own to give to those who do not. Rather, the intent is to provide incentives for newly created capital to be more broadly owned.

The economic strength and political stability of this Nation stem largely from our commitment to a private property, free enterprise philosophy. To date, however, we have not encouraged the use of financial techniques designed to provide widespread access to capital ownership. Consequently, in this, the world's most avowedly "capitalist" nation, we have only a scanty sprinkling of capitalists.

In 1976, for example, the Joint Economic Committee studied this ownership issue and found that 50 percent of the market value of individually owned corporate stock in the United States is held by just 1 percent of the U.S. population, and 6 percent own more than 80 percent.

Similarly, 1 percent receive 47 percent of all dividends. The committee also cited a 1972 study indicating that 55 percent of American households have a net worth of less than $10,000, and 12 percent, or 1 in every 8, have a net worth of $1,000 or less. This concentration of wealth is not only unjust, it is also harmful to the successful operation of a market economy.

The financial press estimates that productive wealth by the end of this century will increase by $2 to $4 trillion. Unless this Congress develops incentives to spread this newly created wealth more broadly among our citizens, the historical pattern will continue and the great bulk of that new wealth will accrue largely to the top wealthholders.

This likelihood led the Joint Economic Committee to conclude in its 1976 annual report:

> To provide a realistic opportunity for more U.S. citizens to become owners of capital, and to provide an expanded source of equity financing for corporations, it should be made national policy to pursue the goal of broadened capital ownership.

Expanded ownership is a bipartisan issue, one that cuts across party lines in an attempt to bring out the best in our free enterprise approach to economic matters. As the 1980 Republican platform reminds us, "The widespread distribution of private property ownership is the cornerstone of American liberty. Without it neither our free enterprise system nor our Republican form of Government could long endure."

Consequently, the 1980 Republican platform pledges the Reagan administration "to help millions of Americans * * * to share in the ownership of the wealth of their nation." President Nixon included a similar pledge in his 1970 state of the Union address in which he suggested:

> We must adopt reforms which will expand the range of opportunities for all Americans. . . . This means . . . new opportunities for expanded ownership, because in order to be secure in their human rights people need access to property rights.

Similarly, President Reagan, in a July 1974 speech to the Young Americans for Freedom, explained the historical precedent for a national policy of expanded ownership and endorsed the uniquely American opportunity that such a policy would represent:

> Over one hundred years ago, Abraham Lincoln signed the Homestead Act. There was a wide distribution of land and they didn't confiscate anyone's already owned land. They did not take from those who owned and give to others who did not own. It set the pattern for the American capitalist system. We need an Industrial Homestead Act. . . . I know that plans have been suggested in the past and they all had one flaw.
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> They were based on making present owners give up some of their ownership to the nonowners. Now this isn't true of the ideas that are being talked about today.
>
> Very simply, these business leaders have come to the realization that it is time to formulate a plan to accelerate economic growth and production and at the same time broaden the ownership of productive capital. The American dream has always been to have a piece of the action.

In a similar vein, Senator Hubert Humphrey explained his support of expanded ownership in a letter to the editor of the Washington Post not long before his death:

> Throughout my career as a public servant, I have viewed full employment as a top priority goal for this country. And I continue to do so. But I recognize that capital, and the question of who owns it and therefore reaps the benefit of its productiveness, is an extremely important issue that is complementary to the issue of full employment.
>
> I see these as twin pillars of our economy: Full employment of our labor resources and widespread ownership of our capital resources. Such twin pillars would go a long way in providing a firm underlying support for future economic growth that would be equitably shared.

Since 1973, the Congress has passed, and three separate administrations have signed into law, 14 bills promoting the use of employee stock ownership plans (ESOPs) as a means to expand the ownership of productive capital. In addition, in the Tax Reduction Act of 1976, Congress made clear its interest "* * * in encouraging employee stock ownership plans as a bold and innovative method of strengthening the free private enterprise system which will solve the dual problems of securing capital funds for necessary capital growth and of bringing about stock ownership by all corporate employees."

This bill continues this bipartisan congressional policy by providing additional incentives for companies to finance their growth or transfers in ownership in such a way that their employees will share a stake in the enterprise for which they work.

RELIEVING THE FISCAL STRAIN

A strong case for expanded ownership could be made on equitable grounds alone—or on motivational grounds alone. Certainly a nation that puts its faith in a private enterprise system should conduct its tax policy so as to insure that the voting public has a personal stake in that system. In addition, we should consider the possible long-term effect of transforming the American economy into one in which the vast majority have the interest and the incentive of capital ownership.

Rather than creating a constituency for private property capitalism, however, we have been steadily adding people to the "income security" rolls, to the make-work rolls, and to the countless other transfer programs designed to disguise the onus of welfare. This is not the direction in which Federal tax policy should encourage the American economy to move.

Only recently have the consequences of this shortsighted approach begun to surface. The fiscal strains are the most obvious, with the growth of Federal transfer programs revealing one troublesome dimension of the problem.

In 1960, these payments to individuals totaled 26.4 percent of total budget outlays; by 1980, they had skyrocketed to more than 50 percent; $27 billion was paid out in 1960; by 1980, these costs had risen to more than $284 billion.

Just since 1970, transfer payments have grown more than $200 billion. As a proportion of total U.S. wages, such payments have increased 250 percent since 1970—currently 20.2 percent, up from 8.1 percent only 10 years ago.

During the past 20 years, our population has increased by only 23.3 percent. The Federal budget, however, has risen 528 percent. These trends simply must be reversed.

One of the most disturbing indictments of the present state of our private property system is provided by the National Bureau of Economic Research which reports that for the majority of American families, their most important "wealth" is now their entitlements under our pay-as-you-go social security system.

It is a shortsighted strategy for our private property economy to so structure its affairs that the most important "wealth" held by the bulk of Americans is an entitlement to future Government transfer payments. No one wants to be a ward of charity, and no one wants to carry a stranger on his back economically.

Yet three-fifths of our elderly currently derive more than one-half of their income from social security. Our long-term tax strategy should not be one that leaves most Americans dependent for their subsistence on a system under which they give to each other under Government duress or take from each other with Government assistance.

Reversing our drift in the direction of ever-increasing Government redistribution will not be an easy task. As a modest first step, this bill suggests that the private sector be encouraged to finance its capital requirements in such a way

as to promote the economic self-sufficiency of an ever-expanding number of American households.

The best way to reduce Government spending over the long term is to reduce the need for Government spending. Thus, this bill suggests that as we enact incentives for expansion of the Nation's investment base, we should also enact incentives for expansion of the Nation's ownership base.

CREATING A CONSTITUENCY FOR CAPITALISM

We cannot spend our way out of inflation. We will make no real impact on inflation until we make a real impact on new capital investment. It takes capital growth to have any long-term effect on productivity. It also takes an enormous amount of new capital to create private sector job opportunities. If the private sector is to provide the number of jobs needed, it simply must have the financial means to develop and acquire the new tools and equipment that such jobs require.

With our current "supply-side" focus on the economy, the productive wealth of this Nation will almost certainly increase.

Indeed, the productivity-oriented tax incentives now under consideration are specifically designed to promote the growth of investment that otherwise would not occur.

At present, the economic pie available to be divided is contracting rather than expanding. Thus, in order for any one segment of the population to have more, some other segment must, by definition, settle for less. The only way for everyone to have more is to restore the economy to a pattern of sustained economic growth.

However, if we are to win in this hard-fought battle against inflation, we would do well to create a widespread unity of interest—a spirit of cooperation and compromise.

Yet how are we to enlist this cooperative effort unless a substantial majority of mainstream Americans feel that they have a personal stake in the supply-side measures we adopt?

Passage of this bill would help enlist that cooperation by providing a way for more Americans to share in the fruits of this investment-oriented tax reform.

This approach cannot only lay a foundation for economic growth that will be more equitably shared, it can also foster better relations between management and labor.

Expanded ownership could serve as a new stabilizing element, an element that may encourage these traditional foes to act more in the national interest by beginning to operate more in that much-needed spirit of cooperation and compromise.

Unions have got to find new ways to deliver victories to their members and management has got to find new ways to deal with union demands. Employee stock ownership provides a fruitful new area in which these traditional adversaries can resolve their differences.

This approach would also help create a stronger political base for our endangered private property system. If we are reasonably to expect the taxpaying public to support private property capitalism, then capitalism should itself be designed to support the taxpayer's reasonable access to capital ownership.

By taking this modest step in the direction of expanded ownership, we would be indicating to the American public that, yes, we in the 97th Congress really do believe that ownership counts.

Rather than continuing to pay only rhetorical homage to the idea of private property ownership, this bill helps to reduce that rhetoric to reality by offering a program of tax incentives designed to once again enable working Americans to share in a piece of the action.

TOWARD A PRIVATE SECTOR SOLUTION

Expanded ownership is a matter of alternatives. Which economic course should we follow? The trend toward ever-increasing transfer payments is a trend that clearly must be reversed. Yet how can this be accomplished without simultaneously promoting widespread economic self-sufficiency?

Similarly, we must reverse the trend toward public sector employment. One of every six working Americans is currently employed at taxpayer expense, and the Labor Department reports that during 1979 one out of every three new jobs was created in the public sector. In 1960, the Federal Government's payroll was less than $13 billion; it is now $75 billion.

Without continued public spending, we cannot maintain these people in the new jobs to which they have been drawn by the inflationary spending of the past. We find ourselves running faster and faster to keep people employed in artificially created jobs, and inflation proceeds at an ever-accelerating pace.

This approach stems, in part, from the belief in the deliberate stimulation of aggregate demand as a means of creating full employment. But to blindly follow that approach requires that we elevate the tax system and Government-stimulated demand to a position higher than the Nation's wealth-production system, upon which all tax revenues and everyone's ultimate standard of living depend. It is production that creates income and only income that can be taxed or spent.

The expanded ownership concept suggests that continued heavy reliance on taxation and Government spending is not a sound long-term approach to maintaining market demand and economic growth in a private property economy.

Our long-term tax strategy should offer incentives for the private sector itself, as the principal producer of goods and services in the economy, to become a more direct and efficient distributor of the purchasing power needed to consume those goods and services.

We can begin to move in that direction by encouraging companies to finance newly formed capital so that it is broadly owned, and then encouraging those companies to make a substantial payout of the earnings on that capital in order to put purchasing power into consumers' hands.

RESTORING MARKET MECHANISMS

Market mechanisms reward productivity—the ability to produce a product or a service to meet market demand. Productivity is, in part, dependent upon individual effort. However, and this is particularly true of our crucial industrial infrastructure, to a great extent productivity is dependent on technological advances and efficiencies converted to productive capital.

Since the dawn of the Industrial Revolution, our enhanced ability to utilize labor-saving technology has enabled this Nation to gradually shift the burden of industrial production off of our labor force and onto the Nation's capital resources—the machinery, equipment, processes, and other advances that have been the hallmark of 20th-century economic growth.

If the market system were permitted to operate in a totally laissez faire manner, the bulk of the national income would flow largely to the owners of productive capital. Those few owners, however, could consume only a small portion of the gross national product.

Mass production implies mass consumption; it is of no use to encourage the production of goods people cannot buy, and unless the forces of supply and demand are roughly in balance, inflation or recession will occur. Without widely diffused purchasing power, a market system for allocating resources simply cannot function.

The socialist solution to maintaining purchasing power is to transfer the ownership of productive wealth to the State and to distribute income on the basis of "need." The economist Keynes, on the other hand, considered the distribution of wealth to be "determined by the more or less permanent social structure" and suggested that Government use its influence to increase aggregate demand through techniques which put more purchasing power in the hands of consumers. Keynes argued that this stimulated demand would call forth more production—reducing unemployment—to meet consumer demand.

Unfortunately, in practice this approach is now a primary fuel of inflation, and the stimulatory tools utilized have tended toward socialism, including, for example, the extraordinary growth of transfer payments based on "need."

With the Keynesian approach, the vast majority of consumers continue to own nothing, outside of their labor, which produces income for them.

In a technologically advanced, capital-dominated economy such as ours, that presents a problem. The concept of a market economy is based on the premise that each person's outtake from the economy is directly related to that person's productive input.

Thus, where capital provides a major portion of the economy's productive input and capital owners are few, we must call on Government to redirect the income that would otherwise flow to this already income-saturated few.

The result is a curious anomaly. On the one hand, we encourage the "more or less permanent social structure" to

continue to concentrate the ownership of the most productive factor of our technology-rich economy: Its capital instruments.

On the other hand, we erode property rights in that ownership by means that redistribute much of the income such property generates.

Rather than take steps to diffuse the ownership of productive capital, we instead have taken steps to diffuse the income it produces.

Although we protect the bare title to productive property, we effectively "socialize" much of its substance.

The socialists suggest that we completely destroy private property—on the grounds that private ownership is at the heart of the income distribution problem. That argument is roughly analogous to blaming the science of bookkeeping for bankruptcy.

When capital owners are few, the private property conduits of a market economy create vast savings reservoirs for the few. If there were many owners, those same conduits could begin to broadly irrigate the economy with purchasing power.

The solution lies not in destroying the institution of private property, but in spreading it out.

By producing the economic pie, we necessarily create the problem of how it is to be distributed. Redistributive taxation is one way to achieve a more equitable and a more workable distribution, but for this purpose it is strictly a hindsight, remedial approach. And of course Government can never return as much as it takes, so its costs insure a net loss in the transfer.

This bill suggests a positive approach, one that begins to link the concern for production with the concern for distribution. It suggests that Federal tax policy should provide productivity-oriented, supply-side incentives.

It also suggests, however, that as we build the economy's overall power to produce, we should simultaneously provide incentives to systematically build the economic power of households to consume.

From the demand side, the idea is to encourage a mode of economic distribution that more closely parallels the mode of economic production.

Thus, the market power of potential consumers would begin to rise more in unison with the productive output of the economy.

Rather than leaving the vast majority of American households dependent on either wages or welfare for their subsistence, this bill suggests that we begin to encourage a broader distribution of productive input and a fuller payout of the earnings generated by that input.

PRODUCTIVITY AND ECONOMIC OPPORTUNITY

Our private property approach to economic matters recognizes the indisputable interplay between economic rights and political rights. As Alexander Hamilton once observed "a control over a man's subsistence amounts to a control over his will."

Thus, protection of the cornerstone of liberty—the concept of private property—was embodied in the Constitution. The Founding Fathers recognized that individual liberties and a democratic form of government cannot long endure unless the majority of citizens have a high degree of economic independence.

This forward-looking group also recognized that a private enterprise system was the most natural economic structure—a structure that evolved from the actions of a free people. It had not been forced, it had grown. It had not been enforced, it had come on its own.

If a nation is to be politically free, it must structure its social contract to first insure economic freedom. Economic freedom implies the right to participate freely in the economy and the right to a just return for one's participation. Our concern for equality of economic opportunity is closely linked to those ideals.

The concept of equal economic opportunity recognizes that everyone should have an opportunity to effectively participate in the economy—an opportunity to earn a living by making a productive input. Both the Employment Act of 1946 and the Equal Employment Opportunity Act of 1964 include this tacit assumption. The premise is sound.

Thus, these acts direct Congress to insure that as many citizens as possible have employment opportunities and that those opportunities are equally available to all.

The nature of economic opportunity, however, should be a function of how goods and services are produced. The economic opportunity appropriate to the largely agrarian 1860's would clearly be inappropriate to the post-industrial 1980's.

Working Americans today are not the same as the American worker of 100 years ago, or of 50 or even 20 years ago. The means of production have changed; thus, the nature of economic opportunity should also change.

In a capital-intensive economy such as ours, the right to earn a living involves more than the right to work and the right to a just return for work done. True economic opportunity involves the right to economically participate by means consistent with the existing state of technology.

At our labor-saving insistence, American engineers, scientists, and managers have been remarkably successful at destroying the very employment that Government, again, at our insistence, has been directed to promote.

Rather than breaking the relationship between effort and reward or between input and outtake, the expanded ownership concept suggests that we recognize the increasingly dominant role that capital plays in the productive process.

In our technology-rich, capital-intensive marketplace, job-centered measures are inadequate. Our full employment approach to solving the income distribution problem simply does not reflect the extent to which productive capital is now the factor most fully employed in producing the basic goods and services of a modern economy.

The expanded ownership approach suggests that what made sense in the policy of the Homestead Acts, namely to dispose of land in ways that create ownership in new people, should be applied at every step of the Government's relationship with its people.

Why not use the public sector to build productive capital in reasonable-size holdings into the vast majority of American households who presently own little if any?

The benefits of Government-stimulated economic growth have traditionally trickled down through higher wages, expansion in the number of jobs, and the availability of increased tax revenues to fund expanded social programs.

That approach has produced strains on the economy as the benefits of this growth have resulted in the accumulation of massive amounts of productive capital by a relatively few households while the vast majority have been left with only a meager net worth.

Attention must be given to new ways to distribute the benefits of this growth more widely. Despite all the fine populist oratory and good intentions of great men like Franklin Delano Roosevelt, Harry Truman, Dwight Eisenhower, John Kennedy, and Lyndon Johnson, the distribution of wealth among Americans, in relative terms, is about the same today as it was when Herbert Hoover succeeded Calvin Coolidge.

The already-rich of this Nation should warmly welcome this new dimension to capitalism. Expanded ownership financing techniques are designed to avoid the redistribution of ownership of existing capital for the simple reason that we cannot build a broadly based private property economy on the expropriation of anyone's private property.

The goal is not to redistribute already-owned wealth but to redistribute the opportunity to own wealth not yet created. The aim is to strengthen, not to further erode, the rights of private property ownership, and certainly we would not need to tax the rich nearly so hard if we worked harder at making more people rich.

Friedrich A. Havek, the Nobel prize-winning economist, summarized the predicament facing those who most benefit from our pinnacle pattern of capital ownership in his the Constitution of Liberty:

> It is also true that the less possible it becomes for a man to acquire a new fortune, the more must the existing fortunes appear as privileges for which there is no justification . . . . A system based on private property and control of the means of production presupposes that such property and control can be acquired by any successful man. If this is made impossible, even the men who otherwise would have become the most eminent capitalists of the new generation are bound to become the enemies of the established rich.

This bill suggests that we pledge ourselves to raising the quality of economic opportunity. The American people need and deserve a chance to own a stake in an economy of their own making. It is time to acknowledge the role of the individual in our capital-intensive economy and provide working Americans with access to ownership of the productive capital with which they work.

We should broaden access to the ownership of productive property, property

that can preserve individual political rights by strengthening individual economic rights. Expanded ownership is well suited to provide a strong economic foundation to support the structure of our political economy.

LINKING EQUITY AND EFFICIENCY

Reliance on full employment as the sole method for solving the Nation's income distribution problem is not working. Expanded ownership provides a way to begin to more closely match pay to productivity.

Conceptually, consider the word "salary" versus the word "compensation." Salary comes from the Latin for "salt." We find it in the Book of Genesis, "by the salt of thy brow."

Here lies the origin of the work ethic. You may recall that the Roman legions were paid a salt allowance for their exertions on behalf of the Republic, and everyone knows what it means when a workman is described as "not worth his salt."

Compensation, on the other hand, is from the Greek for "a balancing of accounts." It reflects the quid pro quo of a market economy.

In a sense, the work ethic is not a sweat ethic or a toil ethic, or even a job ethic—it is really more of an exchange ethic or a bookkeeping ethic. It has to do with keeping the scale in balance.

The very idea of someone having purchasing power implies a matching amount of productive power. And to the extent that purchasing power is not backed by the power to produce, we have inflation.

Thus, the expanded ownership approach is very much concerned with what is now termed "supply-side" economics. The long-term economic goal is to create mechanisms to supplement full employment, mechanisms with which income can be distributed more clearly on the basis of productive input. The idea is to restore that sense of balance, that sense of "compensation" to the marketplace, and to begin to bring our outtake system more "in synch" with the realities of our input system.

As we begin to move in this direction, the economy should find itself better equipped to operate on the basis of market-directed, self-sustaining economic flows. Under our present system, pay is badly outpacing productivity. And, because the upward drift of income is not accompanied by a real growth in output, income gains are, of course, largely illusory.

Nevertheless, this inflationary bias is understandable as most Americans are left in the untenable position of having only their increasingly depreciated labor as the capital with which they provide input into—and derive income from—the economy.

What is needed is a trade-off sufficiently attractive and valuable to alter this inflationary bias. The trade-off that this bill suggests is an opportunity, over a reasonable working lifetime, to acquire a significant capital estate.

With a widespread program of expanded ownership, we could begin to break this self-defeating, inflationary cycle by beginning to link a growing number of American households to the economic growth represented by newly created capital, the new capital whose creation our tax system is now being amended to encourage.

The tax system is a key to linking equity and efficiency. As currently structured, that system not only aggravates the trends toward concentrated ownership and governmental redistribution, in the process it also jams the market's pricing system and its ability to allocate resources in the most productive, market-responsive fashion.

We must begin to strike a better balance between the energy and efficiency of the market and the equity, compassion, and equality of democracy.

Capitalism's market mechanisms of incentive and reward have brought more and better goods and services to more people here and throughout the world than any other system in history.

Yet those mechanisms are not indestructible. If they are to be preserved, we need an institutional framework that operates in their support.

That support lies in the direction of a more democratic form of private property capitalism.

CREATING A WELCOME CONTEXT FOR TECHNOLOGY

Expanded ownership is a type of corporate responsibility that is consistent with the goals of American business. Capitalism is based on production for profit, not for employment; corporations value their earnings, not the jobs they create.

The concern is for the rational, efficient production of goods and services, generally with little thought given to just how consumers are to get the purchasing power to buy those goods and services.

The need for economy and efficiency is indisputable. Indeed, business holds a franchise from the American public in large part because we believe that we can best achieve our economic goals by relying on private initiatives.

However, if we are to create a self-sustaining economic system, and one in which Government plays only a minor role, as American business suggests it should, then American business must itself begin to play a greater role in solving the income distribution problem.

This will become increasingly important as the private sector takes advantage of supply-side tax incentives to apply the latest advances in technology. One of the market's greatest strengths is its ability to stimulate and harness new technologies and resources, and to direct innovation into socially desirable directions.

The historically demonstrated power of market incentives to influence the pace and direction of technological change warrants every effort to retain such incentives as part of our economic and tax policy.

However, while these technological changes on balance create gains in the form of higher living standards, almost every one of them causes a loss of income to some firms and individuals.

Practically every new product replaces an old one and every new process makes someone's skills obsolete. This situation will become increasingly troublesome as the funds generated by supply-side tax incentives are used to acquire the best that new labor-saving technology has to offer.

The increasing application of microelectronics provides several sobering examples of why "full employment" may become decreasingly effective as a method for solving our income distribution problem.

In Nissan's Zama plant near Tokyo, for example, 96 percent of the welding is now done by industrial robots. According to Worldwatch Institute, between 1972 and 1976, 7 Japanese television manufacturers reduced their combined work force from 48,000 to 25,000 while increasing production by 25 percent.

General Electric spent $5 million in 1980 for 47 robots, and plans to acquire 1,000 over the next 10 years. Why? The outlay for 1980 will save $2.6 million a year in labor costs; not surprisingly, the company expects to replace half of its 37,000 assembly workers with robots.

With the advent of microelectronics, the "jobless growth" already apparent in agriculture, which now employs only 3.2 percent of the U.S. work force, is spreading beyond manufacturing and into the economy's tertiary sector—finance, insurance, government, services, et cetera.

According to Department of Labor statistics, from 1960 to 1980 the service sector accounted for more than 85 percent of new jobs. It is in the service sector, however, that most experts are predicting the chief impact of this new technology will be felt.

Moreover, it is those with low-level clerical and analytical skills who will be most affected, particularly women and minorities.

As a nation, the American people have greatly benefited from the remarkable labor-saving advances of the past century.

As individuals, however, they have not fared as well. Due to the way in which those advances were financed, they continue to find themselves left with only their labor as stock in trade.

Thus, each round of new investment further threatens their power to earn a living. Instead of being part owners of the capitalist process, they are forced to fight against it.

If this badly needed new technology is to have a welcome context for its use, we must begin to strike a new balance between social and economic objectives. Our present supply-side, investment-based strategy can make the American economy more successful—more growth-oriented and less redistribution-oriented. However, unless the benefits of this new growth are widely shared, for example, through a combination of employee stock ownership and job sharing, we may find ourselves 10 to 20 years hence with a population even more in need of governmental transfer payments.

Speaking to the Young Americans for Freedom in July 1974, Ronald Reagan illustrated this point with the following story:

Some years ago a top Ford official was showing the late Walter Reuther through the very automated plant in Cleveland, Ohio, and he said to him jokingly, "Walter, you'll have a hard time collecting union dues from these machines," and Walter said, "You are going to have more trouble trying to sell automobiles to them." Both of them let it stop right there. There was a very logical answer to that, the logical answer was that the owners of the machines could buy automobiles and if you increase the number of owners you increase the number of consumers.

How efficiently our free enterprise system works in solving our income distribution problem is partly a function of how well our structure of property laws matches the underlying technological and economic realities. If those realities change and our property arrangements do not keep pace, a conflict is inevitable.

OWNERSHIP AND THE ACCESS TO CREDIT

A principal objection to private property is that not enough people own some of it. That has been a primary criticism of American capitalism throughout history.

Unfortunately, in many parts of the world capitalism is portrayed simply as an economic system in which a nation's productive wealth is concentrated in the hands of a privileged few.

It is a remarkably shortsighted strategy for us to expect other nations to move in the direction of a private enterprise economy when we ourselves have failed to set the U.S. economy on a sure path toward expanded capital ownership.

With an effective policy of expanded ownership, we could strike at that aspect of American capitalism most subject to criticism: Our crippling legacy of concentrated ownership.

We would be making good on our promise of a better life for our people and challenging other nations to do likewise, and lesser developed nations would be encouraged to move our way rather than follow the socialist path.

Capital ownership is most emphatically a social opportunity; indeed, a socially-created opportunity. It is the institutions of society that determine who will be the owners of productive capital that has yet to be created. Capital ownership, however, is an opportunity historically reserved for a relative few. That is due to the simple fact that new wealth is largely a function of existing wealth. The current structure of our financial institutions insures that the rich will, in fact, continue to get richer.

For the most part, people cannot afford capital ownership. Most working Americans owe rather than own; they accumulate debts rather than wealth.

Daily economic survival, not savings and investment, is their main concern; and the less our technologically-advanced economy needs their labor, the less able they are to save their way to capital ownership. Inflation, of course, further penalizes their thrift.

The financial logic used by business in borrowing to invest in productive assets that will pay for themselves is not today available to the enormous number of Americans born without capital.

Instead, they are encouraged to save their way to capital ownership. Thrift, not credit, is the financial opportunity provided.

If we are to break this monopoly of participation in the ownership of productive assets, we must first resolve the financial Catch-22 that requires accumulated savings as a condition of capital ownership. The expanded ownership idea suggests that we approach this dilemma by broadening access to the financial logic of self-liquidating corporate debt.

The very purpose of corporate debt is to enable a business to acquire productive assets before it has saved the funds to pay for them.

Instead, the acquisition is made on terms where the newly acquired assets will, within a reasonable period of time, pay for themselves out of the earnings they generate.

Widespread access to this type of credit must be distinguished from the widespread access to consumer credit. Consumer credit produces no marketable wealth; rather it is simply an advance against future purchasing power.

Although originally developed to narrow the purchasing power gap, in the long run it only widens it; the end result is to mortgage future purchasing power, not to increase it.

In 1960, consumer credit outstanding in the United States totaled $65 billion; today it is approximately $310 billion. Consumer credit involves the financing of inherently nonfinanceable articles, articles that generate no income with which to repay the debt incurred.

Consumer financing has become so sophisticated that a consumer can now spend his or her income for many years into the future in order to purchase today articles which throw off no marketable wealth.

Expanded ownership or ESOP-type financing is of a different kind. It is producer credit—credit for the acquisition of productive assets rather than for consumer articles.

It involves access to credit for the financing of assets which are calculated to generate earnings with which to repay the debt incurred over a reasonable period of time, and which can then go on to generate purchasing power for their owners, their productiveness preserved by reserves set aside for depreciation.

This approach is intended to place thrift in a new and more workable context. Capital ownership is still attained by the individual through his savings—his investment in lieu of consumption. Only now the income generated by newly acquired productive capital is saved and applied to repay the debt incurred

If we continue to rely solely on traditional techniques of finance, those techniques will continue to allocate productive credit primarily to the already-rich. With that approach, the concentrated ownership of newly-created capital is virtually assured; and the rich-get-richer legacy of capitalism will continue unabated.

That would show a great failure of foresight on our part, because not only will we continue to have an unworkable form of capitalism here in the United States, we will also have a form of capitalism unsuitable for imitation abroad.

We need a working model of what we would advocate for other nations. We need to be able to show people all over the world how our increasing prosperity spreads out and reaches Americans in all walks of life.

Unless we have such a model, other nations will continue to see the socialist model as a more attractive alternative.

A program of expanded ownership offers us a form of capitalism that is more supportive of our private property system, and a system of finance that operates in support of a more democratic form of capitalism.

THE FUTURE OF FREE ENTERPRISE

Free enterprise capitalism is at a crossroads. There appear to be three political/economic roads from which we can choose: State ownership, concentrated ownership, or expanded ownership.

The first course would have us join much of the rest of the world and nationalize ownership of the Nation's productive assets. History has shown us the perilous direction in which that path leads.

Or we can take the second course and further increase the already intensely-concentrated ownership of productive capital in the United States. Non-action is a vote in favor of this second course. Or we could choose the third course, establishing policies and programs to broadly diffuse capital ownership so that many individuals, particularly productive, working Americans, can participate as owners of America's productive wealth.

On closer examination, it becomes clear that instead of three roads there really are but two. The first two are remarkably similar over time if, of necessity, Government must step in to redistribute the income produced under a system of concentrated ownership.

Thus, the second road is almost as perilous as the first as Government's redistributive efforts must grow ever larger as technology continues to eliminate jobs and Government efforts are ever more needed to kep incomes flowing to the consuming public.

The path that expanded ownership takes faces in exactly the opposite direction from that taken by those who favor State ownership. Expanded ownership seeks to steadily increase the number of capitalists instead of preventing anyone from being a capitalist by making the State the only capitalist.

In a democratic nation in which only a few people are citizens, the solution is not to destroy citizenship but to make it possible for all to become citizens. Similarly, in an industrialized nation in which only a few people are owners of capital, the solution is not to destroy private ownership but to make it possible for all to become owners of some of it.

As Ronald Reagan explained in February 1975:

Capitalism hasn't used the best tool of all in its struggle against socialism—and

that's capitalism itself. . . . Could there be a better answer to the stupidity of Karl Marx than millions of workers individually sharing in the ownership of the means of production.

Let us not repeat the mistake we have made so often in the past. This time as we move to solve the problem of capital creation let us make certain that we create more capitalists as well.

WHOSE REINDUSTRIALIZATION?

The growing interest in expanded ownership is reflected in a recent public opinion poll and in the rising level of both Federal and State interest in employee ownership. For example, two out of three Americans surveyed by Peter Hart Research Associates in 1975 said they would prefer to work for an employee-owned company if given the choice.

Federal assistance to ESOP companies over the past 7 years has included loans and loan guarantees from a variety of Federal agencies, including the Economic Development Administration, the Farmers Home Administration, and the Department of Housing and Urban Development. In addition, as part of the trade adjustment relief provided under the Trade Act of 1974, ESOP companies are granted preferred status for Federal loan guarantees. More recently, the Small Business Development Act of 1980 included for the first time specific language encouraging the Small Business Administration to provide financing for ESOP companies and for employee organizations seeking to acquire an ownership interest in their employer. ESOPs were also made a condition of Federal financial assistance to the Chrysler Corp., Conrail and others.

The Revenue Act of 1978 encouraged expanded ownership with an experimental program called the General Stock Ownership Corporation (or GSOC). That act provides that any State may, by statewide referendum or by action of the legislature, charter a private corporation for the benefit of residents of the State. Such a corporation may elect to operate on a tax-exempt basis. As a condition of such tax-exempt status, every resident of the State as of a date specified in the charter (unless he or she declines) must receive one share. Shares generally cannot be transferred for 5 years and cannot be transferred to nonresidents. Also, an individual may not acquire more than nine shares by purchase. In addition, the corporation is required to pay out 90 percent of its earnings on a current basis.

The GSOC is intended as an experiment under which States can provide their citizens with an ownership stake in the private enterprise system. This should lead to a better understanding of the system and may encourage individuals to invest in other business enterprises. Also, in the case of individuals now receiving various forms of transfer payments, the receipt of dividend income from a GSOC would, to some extent, reduce the need for such payments.

The State of Alaska (whose Senator Mike Gravel sponsored this legislation) considered the GSOC; however, no State has yet chartered such a venture. In order to permit such experimentation on a less unwieldy scale (that is, less than a statewide basis), perhaps we should consider legislation permitting the establishment of GSOC's on a smaller scale (for example, for municipalities, utility districts, et cetera).

State interest in ESOPs is steadily increasing. Maryland, Michigan, Minnesota, and New Jersey now have laws favorable to ESOP financing. Maryland's Broadened Ownership Act, for example, establishes support for ESOPs as official State economic policy, and requires several State agencies to report annually on their progress in implementing the policy. Since 1974, Minnesota has had several ESOP-related tax incentives on its books. Similar ESOP legislation was recently introduced in Delaware, Massachusetts, and Virginia. In addition, legislation is being prepared for introduction in California and Ohio.

Financial and other assistance has also been provided for ESOP buyouts by California, Georgia, Indiana, Iowa, Maine, New Jersey, New York, and Pennsylvania. The Conference of Alternative State and Local Policies is currently preparing a handbook for State legislators on the ESOP and how to design legislation to promote expanded ownership.

This increased use of ESOPs for development financing reflects a return to incentive economics. The coupling of development programs with employee ownership programs results in a more production-oriented work force. In these economically troubled times, we must insure that scarce economic development dollars are invested so as to get the most "bang for the buck." ESOPs are a healthy step in that direction. In addition to insuring that the benefits of development financing are more widely dispersed than through traditional means, the ESOP also helps to create the circumstances in which assisted companies are more likely to survive.

In terms of motivation, the merit of an ESOP-targeted economic development policy can be easily summarized: Ownership counts. It summons up a common determination to succeed. It creates a climate wherein a unity of interest and incentive can emerge. If a company succeeds, its success is widely shared, and its eventual success or failure is placed in the hands of those upon whom its success or failure will largely depend.

In recent years, the use of ESOP, financing with Federal or State assistance has been limited largely to cases of corporate divestitures or plant shutdowns. Thus far, such financing has been utilized primarily to save jobs and business activity in communities that would otherwise lose them, or for preventing independent or potentially independent businesses from being acquired by other corporations (and possibly moved or shut down). Thus, the success of these employee-owned companies is all the more remarkable because they often face initial financial difficulties and a disruption of marketing patterns.

At first blush, it would seem that a company that could not survive as a subsidiary of an existing corporation could not survive as an independent, employee-owned firm. However, this is often not the case. For example, a parent corporation may set a certain target rate of return that it expects from its subsidiaries. If they fail to generate that return, they are closed or sold. Employees-owners, on the other hand, may well be satisfied with a lower, but still profitable rate of return, particularly since their jobs are at stake.

In other cases, a parent corporation may decide that a subsidiary simply no longer fits into its plans, or that it needs the cash that would result from a sale. Also, a parent corporation may mismanage a subsidiary, or saddle it with burdensome overhead costs. Moreover, even a subsidiary that is well run may be better run with employee ownership for the simple reason that its new owners may well work smarter than before.

Professor William Whyte, who is heading a research project on employee ownership at the Cornell University School of Industrial and Labor Relations, cites these reasons and others as the explanation for the fact that, to the knowledge of researchers in the field, all of the 50-plus companies which have had employee takeovers in the 1970's are still in operation, and many have been turned from money losers into profitable operations.

Given what many economists see as the over acquisition of the 1960's and 1970's, many opportunities for employee ownership may present themselves in the years ahead. For employees and communities where conglomerates have erred, ESOP buyouts may present the most workable solution to an otherwise difficult situation.

This does not mean that whenever a plant is closing or relocating that an ESOP buyout is the best alternative. Economic feasibility is always an issue. However, if there is a reasonably good chance that the company could succeed as an employee-owned firm, economic development assistance to preserve the jobs may be far less expensive than the alternatives (that is, unemployment compensation and possibly food stamps, welfare, public works employment, CETA money, and so forth).

As we design programs to "reindustrialize" and otherwise revitalize America, we should keep in mind the important role that employee ownership can play in that process. Expanded ownership need not, of course, be limited to the employment relationship. Public utilities, for example, could be encouraged to finance their capital growth in such a way as to spread ownership among both the employees providing the service and the consumers being served.

Expanded ownership provides a healthy new dimension to the reindustrialization process. It enables those affected to examine the issue in a different frame of reference, one in which the effect on them becomes much more real, and one in which they can realize how important their productive efforts are to that process.

WHOSE PRODUCTIVITY?

Much has been written about the sad state of American productivity. Among

our western industrial competitors, we lag behind all but economically beleaguered Great Britain in our record of stagnated economic growth.

Output per man-hour for our nonfarm business sector was off 0.6 percent in 1980, marking the third consecutive year of decline. Reversing that decline requires new capital formation. However, from 1974 to 1979, capital outlays per worker in the United States declined by 0.1 percent compared with a 2.9-percent average annual increase over the previous 25 years. In effect, we are asking the American worker to do tomorrow's job with yesterday's tools. Not surprisingly, productivity suffers, our ability to compete internationally deteriorates, and the value of the dollar declines.

Reversing this trend will require broad-based support for productivity-oriented tax and economic policies. Several years ago, Louis Harris conducted a nationwide poll for the National Commission on Productivity of the attitudes toward productivity among 1,578 American families. The key finding showed that over 70 percent of hourly wage earners felt that management and stockholders benefited a great deal from increased productivity, while less than 20 percent felt that wage earners themselves benefited.

Although increased productivity has a generally positive ring to it, for the average hourly worker increased productivity suggests that the company will benefit at his expense; for example, through speed up or through job insecurity due to automation. It will be difficult to create a climate conducive to productivity gains unless employees are rewarded and not penalized for increased productivity. The inference is clear: when employees themselves become stockholders, their attitudes toward productivity will change.

This commonsense inference gains support from a 1977 survey of 180 ESOP companies conducted by five MBA candidates at UCLA. These students found that improved employee motivation was the most commonly cited benefit of establishing an ESOP. In a related finding, a 1977 report on employee-owned companies by the Survey Research Center at the University of Michigan (sponsored by the Economic Development Administration of the U.S. Department of Commerce) found that companies with a substantial degree of employee ownership are more profitable than comparable conventionally owned firms. They also found that the more equity the employees own, the more profitable the company. In that same report, managers reported a noticeable improvement in work attitudes and a positive effect on productivity.

A 1980 survey of 229 ESOP companies by the Journal of Corporation Law at the University of Iowa School of Law found that the productivity of ESOP companies is higher than the national productivity average. Similarly, a study of employee-owned plywood cooperatives in the Pacific Northwest found that their average output exceeded industry productivity levels by more than 30 percent. In fact, when the Internal Revenue Service challenged a number of cooperatives for paying wages higher than the industry average and sought to tax the excess as dividend income, the cooperatives were able to justify their higher wages by showing that they were 25 to 60 percent more productive than the plywood industry average.

Similar results are reflected in a 1979 study of 72 ESOP companies sponsored by the ESOP Association of America. The typical ESOP company studied had been in business for 24 years and had established its ESOP 3 years prior to the study. Over the 3 years, an average of 7 percent of the stock of the company was transferred to the ESOP each year; at the time of the survey, the typical ESOP held 20.6 percent of the company stock. During those 3 years with an ESOP, annual sales per employee increased an average of 25 percent, total annual sales rose an average of 72 percent, and annual profits were up an average 157 percent. In addition, the results showed a close correlation between ESOPs and the growth in both employment and tax revenue, the study finding an average 37-percent jump in total jobs per company and an average 150-percent increase in company-paid taxes.

On the basis of this preliminary research, a reasonable conclusion can be drawn that worker-owned companies are capable of higher productivity than similarly situated, conventionally owned companies. Thus, as the 97th Congress turns its legislative attention to productivity-oriented economic solutions, we should remember the close correlation between productivity and ownership. Just as the company with employee ownership will have an advantage over a conventionally owned competitor, so, too, should the U.S. economy enjoy a competitive advantage with a national policy of expanded capital ownership.

TAPPING OUR POTENTIAL

Amid the reports of declining American productivity is a recurrent theme of employee discontent, of an unmotivated and uncommitted work force. Most disturbingly, this seems most prevalent among the young. What type of economic policy is best designed to tap the abilities and skills of this increasingly well-educated work force?

How can we realistically expect to tap their interest, their enthusiasm and their commitment when what is being offered as an opportunity is not the chance to own but the chance to work for those who own? Or, worse yet, the chance to be employed at a make-work job that results in a rising tax burden for others? Why should they support a system of which they are not a part? And, most disturbingly, of which they are not likely to become a part?

A widespread program of expanded ownership is well designed to tap the Nation's reserve of human energies, resources, and commitment. Commitment is dependent upon a sense of participation; however, we have thus far largely limited that participation to jobs alone. Expanded ownership would provide an opportunity for commitment by providing an opportunity to participate in ownership of the Nation's future capital growth.

All too often, Federal programs perpetuate people's dependency, poverty, and powerlessness. Many of our Federal jobs creation programs, for example, are meaningless except as a necessary source of income. As Ray Marshall, former Secretary of Labor, once observed:

> There is no more complete rejection of a human being than to give them a job you know and they know is useless.

A life without work is a poor life indeed. But when that work is useless, pointless and a dead end, then that is truly a life of poverty. It has little meaning, vitality or challenge.

Living in decency and dignity is impossible without a stable source of income. Yet it is clear that there is more to life than material well-being. Who would claim that the wholly wage-dependent family enjoys the dignity, the security, the range of choice, and the autonomy (not to mention the leisure and the freedom) of the family even partially supported by capital ownership?

We need to rejuvenate ownership's dying spirit. We need to return a sense of community, a sense of commitment and a sense of dignity to the American workplace. What better way to do all of these things than to provide working Americans with access to ownership of the companies for which they work?

This ownership issue goes to the very heart of just what sort of economic system we mean to have in the United States, and just what sort of Nation we intend to leave for succeeding generations of Americans. If these provisions can be enacted, then this Congress will have outpaced all others in advancing the cause of democratic capitalism. It will not be the end, but it will be one of the essential areas of movement that must be achieved for our economic system to realize its potential.

A LEGISLATIVE PROGRAM OF EXPANDED OWNERSHIP

One area in which Congress can begin to make inroads on expanded ownership is in the design and availability of the investment tax credit.

The investment tax credit has been an on-again, off-again stimulus to capital investment since its introduction in 1962 during President Kennedy's administration. In the Tax Reduction Act of 1975, the standard investment tax credit was raised from 7 percent to 10 percent. In addition, that act permitted corporations to claim an additional 1 percent (an eleventh percent) credit provided the company used its tax savings to invest in company stock for its employees through a specially-defined type of ESOP. These plans were quickly dubbed Tax Reduction Act Stock Ownership Plans (TRASOP's); the Internal Revenue Code now refers to this type of plan as the tax credit employee stock ownership plan or the tax credit ESOP.

Initially, these plans did not prove very popular, primarily because the additional 1 percent credit was available for only 2 years. Then, in 1976, Congress

approved legislation extending the period during which the ESOP credit could be claimed. In addition, the Senate approved expansion of the ESOP credit to a full 2 percent. In conference, however, that was scaled back to the original 1 percent, plus the availability of an additional one-half percent credit to the extent employees contributed a matching amount of cash.

A primary objection to expansion of the ESOP credit to a full 2 percent was that the tax incentive is primarily used to buy stock for employees of capital-intensive companies. For labor-intensive companies, the ESOP credit generally is not large enough to be worthwhile. This continues to be an unfair discrimination.

This bill addresses that objection by providing a tax incentive to both the capital-intensive and the labor-intensive corporation. This legislation would grant a company the option, on an annual basis, of claiming either the investment-based ESOP credit of current law or an ESOP credit of up to 1 percent of the payroll of employees covered by the plan.

This alternative approach will make such plans equally attractive to those corporations whose primary investment is in the employment of machinery and equipment and those whose primary investment is in people. In addition, this alternative should make the tax credit ESOP particularly attractive to small businesses. This bill would also make these options a permanent part of the Internal Revenue Code. Current incentives are scheduled to expire December 31, 1983.

There are really two types of investment tax credit now in the Internal Revenue Code. The first is the standard type of investment tax credit which, in the interest of stimulating investment, makes the already rich richer still. The second is the ESOP investment tax credit. Both of these provisions help to stimulate capital formation: however, the long-term benefits of the first, representing a tax expenditure of $16.4 billion for fiscal 1981, flow largely to those few Americans who own the bulk of the Nation's productive capital.

The standard investment tax credit helps to stimulate new capital formation; however, it also operates to further concentrate ownership of that newly formed capital in existing shareholders. In a sense, the investment tax credit is a gift from the American taxpayer to already-existing shareholders—in the interest of promoting full employment. Perhaps it is time for Congress to reevaluate the nature of this type of investment stimulus, and to consider linking a larger portion of this tax incentive to expanded ownership.

ESOP FINANCING

A more widely used type of ESOP is the ESOP used more directly as a technique of corporate finance. Through the use of a tax-exempt trust, ESOP financing offers sponsor corporations certain tax incentives and cost reductions not available under traditional methods of finance. The ESOP also enables employees to acquire ownership of productive capital in a tax-free manner during their employment while incurring tax only on their ownership incomes—received in the form of dividends—and on their stock when removed from their ESOP trust accounts.

The ESOP traces its origins to the Revenue Act of 1921 which first granted tax-favored status to stock bonus and profit-sharing plans as a method for U.S. companies to attract and retain qualified employees. It is worth noting that it was not until 5 years later that Congress granted similar tax-exempt status to pension plans. Although the ESOP has many of the same legal characteristics as more traditional defined benefit-type pension plans, the ESOP's primary purpose is not a retirement vehicle but, rather, as a means by which employees can earn an ownership stake in the company for which they work.

The ESOP is not simply another means for encouraging retirement savings. Instead, what Congress created with the ESOP is a socially-improved technique of corporate finance that also serves as a new type of employee benefit. Thus, as a tax-qualified plan for providing employee benefits (in the form of employer stock), an ESOP must meet many of the basic requirements of the Employee Retirement Income Security Act of 1974 (for example, nondiscriminatory participation, vesting within a reasonable period, reporting and disclosure, and so forth).

The term "technique of corporate finance" refers to the "leveraged ESOP," an ESOP that uses borrowed funds to purchase employer stock, with the employer (or a related party) guaranteeing repayment of the loan. In 1953 revenue ruling, the Internal Revenue Service sanctioned this type of leveraging by a stock bonus plan, thus laying the legal groundwork for the leveraged ESOP. The employer's guarantee is the element that puts the logic of corporate finance to work for a company's employees.

The first known use of ESOP financing, pioneered by Louis Kelso, involved an employee buy out of a chain of California newspapers that was threatened with a takeover by a major chain in 1956. But only in the last few years has the business world at large become aware of this innovation.

Suppose, for example, that Corporation X wants to build a new plant costing $10 million. With traditional debt financing, the company would borrow the $10 million, provide adequate guarantee of repayment to satisfy the lender, use the borrowed funds to build the plant, and then apply the profits from the new plant to repay the loan.

The ESOP adds a third element to this transaction—an ESOP trust. The trust borrows the money; however, the corporation guarantees that it will make periodic payments to the ESOP trust sufficient to amortize the loan. The trust then uses the borrowed funds to acquire newly-issued employer stock, and the corporation uses the funds to build the new plant. As the new plant generates profits, Corporation X makes payments to the trust which are used to repay its obligation to the lender.

The payment schedule from the company to the ESOP trust may differ very little from the payment schedule that would have existed with the lender under conventional debt financing. Also, the corporate obligation is generally the same whether or not ESOP financing is used. There is one significant difference, however. With conventional debt financing, interest payments are deductible for tax purposes whereas amounts attributable to repayment of principal are not. Employer contributions to the ESOP trust, on the other hand, are fully deductible, including those applied by the trust to the repayment of loan principal.

Consequently, where Corporation X uses the ESOP as its financing vehicle, it may (within limits) repay its indebtedness (both interest and principal) in pretax dollars. Assuming a 50 percent effective tax rate, Corporation X would need to gross $20 million to repay the $10 million principal with conventional debt financing. With ESOP debt financing, however, the corporation need gross only $10 million to repay the principal with pretax dollars through its ESOP.

By enabling a company to expense its capital investment, the ESOP lowers the sponsor company's taxable income and increases its available working capital; and the same dollar that finances the company's capital requirements also finances an employee benefit in the form of employer stock.

After purchase, the stock is held in an escrow account for allocation to employees' ESOP trust accounts as the loan is repaid. In no sense is this a "gift" of productive capital to employees; rather, the capital is paid for out of the future flow of earnings that the new capital itself generates. As the already rich know so well, the new capital's productiveness generally pays for itself. The ESOP participants, however, also "earn" their ownership interest in the company through the ESOP's vesting schedule—which generally allocates stock to employees' accounts based on a combination of length of service and relative compensation.

THE VERSATILE ESOP

The ESOP can also be used (with or without leveraging) as an "in-house market" for the sale of stock held by the shareholders of a closely-held company. For example, suppose the sole shareholder of Corporation Y wants to begin to convert his shares to cash over a period of years in contemplation of retirement. The corporation could contribute cash each year to its ESOP and the ESOP could use the cash to purchase shares from the owner. Should the owner wish to sell out before the ESOP trust has adequate funds to pay him, the ESOP could borrow the money to pay the owner with the corporation guaranteeing the loan.

Similarly, an ESOP can be used to refinance existing debt, finance mergers or acquisitions, and accomplish divestitures or spinoffs. For example, at his confirmation hearing before the Senate Finance Committee, Treasury Secretary Regan explained how Merrill Lynch & Co. used an ESOP to divest itself of the Lionel-Edie Co. Rather than sell the company to

someone else, the former chief executive explained:

We used employee stock ownership, letting them buy it, and they have prospered as a result of that. I am definitely in favor of that.

ESOPs lend themselves to use in a wide variety of ways. For example, the employees of Continental Airlines recently voted—8,932 to 359—to forego a portion of their future pay raises to invest in company stock. With that pledge, and with commitments from the company, their ESOP should be able to borrow the money to acquire 51 percent of the company (through the purchase of newly issued shares).

This sale of stock would bring the company a new infusion of equity, allowing it to draw down existing bank loans and reduce its interest payments. These employees may have shown us a way to use ESOPs to revitalize the American economy. In order to stimulate investment, economists agree that we need to spend less on consumer goods and invest more in capital goods. By taking part of their future wage hikes in stock, these employees are demonstrating a way to help break the inflationary spiral which is making income gains increasingly less valuable.

THE ATTRACTIVENESS OF ESOP FINANCING

Under current law an employer has only a very limited incentive to utilize the leveraged ESOP. In large part, this is due to the fact that the interest expense of a leveraged ESOP is included in determining an employer's maximum deduction limitations under code section 404(a) and, equally important, in determining the amount that may annually be released from escrow and added to participants' ESOP accounts under code section 415.

The effect of these two limitations is to subject ESOP financing to an unintended limitation, and a limitation that has grown increasingly restrictive with today's high interest rates. Thus, this bill removes these limitations as they apply to the interest expense incurred in connection with an ESOP's leveraged acquisition of employer stock.

An argument could be made that where an ESOP is used to finance an employer's capital growth the deduction limitation should be based solely on the company's capacity to service the debt. The result of such a change would be to rechannel corporate profits (that would otherwise have gone into the corporate income tax base) into productivity increases in the private sector while also broadening the base of private property ownership among productive workers.

The amendment recommended in this bill should prove to be beneficial for two important reasons. First, this change brings these ESOP-related Internal Revenue Code provisions more closely into alinement both with congressional intent and with the Reagan administration's announced purpose to encourage expanded ownership. Present law undermines this purpose.

Second, this change directly addresses a problem concerning the relationship of employee ownership to productivity and profitability. In most cases ESOPs own only a small percentage of the sponsor company's stock. However, the Survey Research Center at the University of Michigan found in their 1977 study of employee ownership that the most important correlation between ownership and profitability is the percentage of company stock owned by employees—the more equity owned by the employees, the more profitable the company.

If these plans are to be effective motivators and significant contributors to productivity and profitability, we should encourage companies to permit employees, through the use of leveraged ESOPs, to acquire substantial blocks of employer stock. If ever that is to be possible, however, these amendments must be enacted so as to make our tax laws more appropriate when applied to the use of ESOPs as a financing tool.

This bill also suggests an additional encouragement for employers to utilize ESOP financing. Under current law, an employer is permitted to contribute and deduct up to 15 percent of covered compensation to an ESOP each year. This 15-percent limitation is the same as applies to traditional stock bonus plans and profit-sharing plans (the basic building blocks of employee benefit law upon which the ESOP was modeled when first fully incorporated into the Internal Revenue Code in 1974).

When an ESOP consists of a combination stock bonus plan and money purchase pension plan, the 15-percent deduction limitation is increased to 25 percent. In order to utilize this 25-percent limit, however, an employer must include a pension element as part of the ESOP which, in turn, calls for ongoing contributions by the employer, even though such contributions may no longer be required to retire the ESOP's indebtedness.

This required combination of different types of plans serves as a substantial disincentive to employers who might otherwise be attracted to the ESOP as a financing vehicle. In addition, this requirement forces an employer to maintain two separate accounts for each employee and imposes additional reporting, bookkeeping and other related administrative burdens.

To remedy this situation, this bill permits an ESOP company to contribute to the plan and to deduct an amount up to the 25-percent limitation (to repay an ESOP loan), but without the required inclusion of a money purchase pension plan.

In addition, this bill makes a related change in the treatment of stock that is forfeited by employees who leave before they are fully vested in their account balances in an ESOP. Under current law, the amount that may be contributed to a leveraged ESOP is directly limited by the percentage-of-pay limitations of code section 404. In addition, the contribution is indirectly limited by the operation of code section 415 (which limits the amount that may annually be added to each employee's account under the plan).

The section 415 limitation (the lesser of 25 percent of pay, or $41,500 adjusted for cost-of-living inreases) roughly parallels the 25-percent-of-pay deduction limitation of section 404. Amounts that cannot be added to employees' accounts (due to the limitation of section 415) cannot be contributed and qualified for a deduction under section 404. The problem results from the fact that the section 415 limitation includes both employer contributions and forfeitures. In the context of ESOP financing, this inclusion of forfeitures reduces the amount that a plan sponsor might otherwise be permitted to apply to the repayment of an ESOP loan on a tax-deductible basis.

The effect of current law is to introduce a great deal of uncertainty into the planning of ESOP financing transactions. This uncertainty discourages ESOP lending and otherwise frustrates congressional intent in encouraging the use of ESOPs as a technique of corporate finance. Thus, this bill provides that the allocation of forfeitures of stock acquired with the proceeds of a leveraged ESOP loan will not be subject to the section 415 limitations. As under current law, the allocation of such forfeitures must not discriminate in favor of employees who are officers, shareholders, or highly compensated.

This bill also provides an incentive for corporations to acquire their stock for employees on a nonleveraged basis. Under present law, a corporation can claim an annual deduction of up to 15 percent of pay for contributions to a stock bonus plan or a profit-sharing plan (or to any combination of such plans). Under this bill, an employer would be permitted to contribute up to 25 percent of pay to any combination of such plans, provided that the additional 10 percent is used to acquire employer stock.

PROMOTING AN OWNERSHIP INCOME

This bill also provides a tax deduction to corporations for the amount of cash dividends they distribute currently on stock held in employees' accounts in an ESOP (or on stock held by former ESOP participants or their beneficiaries), or which are used to repay stock acquisition indebtedness of an ESOP. This provision converts taxable corporate income into either taxable dividend income for employees (to supplement their paychecks or their retirement and social security incomes) or a more rapid rate of accumulation by employees of individual capital estates. Such dividends would qualify for the $200 partial exclusion from income of code section 116—$400 in the case of a joint return.

As mentioned earlier, studies indicate a strong correlation between employee ownership and employer profitability. This provision provides ESOP companies with a means by which such increased profitability can be made to reach the firm's employee-owners in the form of an ownership income. As Ronald Reagan explained in advocating this approach in February 1975, "An ever-increasing number of citizens thus would have two sources of income—a pay check and a share of the profits." If working Americans are to learn to truly understand and appreciate the value of capital ownership, that ownership should be designed to have some direct effect on their lives.

This payout of the fruits of corporate

productivity will introduce a new dimension to employee compensation in the United States. Such a dividend income can lay a stronger foundation for economic growth by increasing consumer demand. In addition, by making more working Americans dividend-receiving capitalists, this provision will foster a better appreciation of the function of productive property in our private enterprise system. That appreciation should, in turn, support a better understanding of the costs and tradeoffs of Government programs.

This approach also helps to insure that the employees, on whose behalf the stock is being acquired, will receive a fuller payout of the earnings of the capital underlying their stock. This is particularly important during the period that the ESOP trust is paying for the stock.

Behind this approach lies a rationale suggesting that our tax system's bias against property and in favor of income redistribution should gradually be phased out. Under present law, the corporation income tax dilutes by approximately half the property incomes of present stockholders. When that income becomes available to stockholders in the form of dividends, the Federal Government then levies a second tax on the remainder.

In effect, Government is a partnership in profit with the private corporation (to the extent of the corporate income tax). The expanded ownership approach suggests that as more Americans become partners in profit with America's private sector, Government's stake in that profit (via the corporate income tax) should gradually be phased out and the tax instead levied only at the individual level. This provision achieves that result to the extent that a corporation is owned by its employees via an ESOP and either pays out its earnings on a current basis to its ESOP participants or applies those earnings to repay ESOP indebtedness.

This provision should also help companies to attract equity capital. Many small corporations do not pay dividends, or pay them only on an irregular basis. An ESOP generally must hold the best class of common stock issued by the corporation (including the best dividend rights). Thus, the deductibility of dividends on the stock held by the ESOP should be an inducement for the sponsor company to establish a policy of regularly declaring dividends. This policy should benefit not only existing stockholders (including those whose shares are held by the ESOP) but also should make such stock a more attractive investment to others.

ELIMINATING DOUBLE TAXATION—AN EQUITABLE APPROACH

In 1980, the Carter administration Treasury opposed this proposal on the grounds that it is a "piecemeal approach" to the overall issue of integration of corporate and personal income taxes (an issue constantly "under study" by the Treasury), and the ESOPs should not receive special treatment. Their position overlooks the ownership-broadening purpose of this provision. By limiting this proposal to ESOPs, this bill would provide an incentive for expanded ownership and would help to promote a policy which should be at the center of American economic policy.

Thus far, proposals for overall integration have been of a type that would effectively perpetuate and promote the existing concentration of wealth (for example, by providing tax credits to individuals for dividends received). With 1 percent of the U.S. population currently claiming 47 percent of corporate dividends, that approach to integration is not exactly a grassroots issue.

A more equitable approach might be to permit ESOP companies to deduct the expense of all dividends paid (versus those paid on stock in the ESOP, as this bill proposes). To qualify, an ESOP company could be defined as a company with a specified percentage of employee ownership, for example, 20 percent (or, perhaps, 20 percent in 1981, to be increased by 2 percent each year thereafter for the next 15 years). This approach would provide a strong incentive for existing owners to establish ESOPs in order for the corporation to qualify for dividend deductibility on their own stock.

Ironically, one side effect of our present populist-inspired system of double taxation is to discourage expanded ownership. This is due to the simple fact that current law encourages corporations to retain their earnings for reinvestment rather than pay them out as dividends to be taxed to the shareholder at unearned income rates (as high as 70 percent at the Federal level, plus whatever State tax rates apply). Instead, shareholders generally prefer to realize the increased value of their stock on a later sale and be taxed at that time at capital gain rates. The corporation's retained earnings, in turn, are generally used to generate (or acquire) new capital—capital which, of course, will be owned by preexisting stockholders.

Similarly, the deductibility of interest encourages corporations to use either borrowed funds or various debt instruments for financing a substantial portion of the balance of their capital needs. As with the use of retained earnings, the previous owners become the new owners. The other principal source of corporate financing has been funds generated internally through the use of depreciation reserves, investment tax credits, and the like. For the most part, new capital is financed either with such internally generated cash flow or with borrowing repaid out of cash flow. From an ownership point of view, the result is the same.

New equity issues now play only a minor role in the financing of new capital. According to Federal Reserve Board figures, corporate equities accounted for only 0.89 percent of total funds raised in the United States by nonfinancial sectors during 1979. For the entire 1970's equities represented a mere 3.7 percent of new capital. To the limited extent that equities have played a part, it seems likely that those new issues were acquired primarily either by institutional investors or by existing stockholders; that is, by those few people in the United States who have the excess purchasing power to make such acquisitions.

The expanded ownership approach to corporate financing suggests that this self-perpetuating cycle of concentrated ownership should be altered. The ESOP is the first of what will hopefully be many new methods of finance designed to broaden ownership and to make that broadened ownership a meaningful part of people's economic lives.

To that end, this bill also defers taxation on the first $25,000 of any lump-sum distribution from an ESOP, provided the distributee has been a participant in the plan for at least 3 years. This provision is intended to recognize the fact that far too few working Americans are able to accumulate a capital estate of any size.

The effect of present law is illogical when applied to the taxation of ESOPs. Although our tax laws are intended to promote personal capital accumulation through the use of ESOPs, those same laws generally require that a portion of this accumulation then be sold to pay taxes due on the stock when distributed. The alternative is to roll over the stock or the proceeds into an individual retirement account and be subjected to its complexities and restrictions. Thus, this modest deferral of tax on the first $25,000 of capital accumulated through an ESOP is meant to further promote the economic self-sufficiency that such plans are intended to bring about. The distributee would be subject to tax when the stock is later sold, and dividends distributed in the interim would also be taxable upon receipt.

STRENGTHENING THE TAX BASE

This bill also provides that a qualified employee stock ownership plan and trust shall have the tax characteristics of a charitable organization for estate, gift, and income tax purposes. This is intended to encourage affluent taxpayers to make gifts to qualified ESOP trusts in order to reconnect the ownership of capital with a broader base of private individuals.

At present, a wealthy stockholder who has built a substantial estate is faced with a dilemma. If he tries to give it away or leave it by bequest, the Federal Government ends up with the bulk of it. Often, the only alternative is to make a donation to a public purpose foundation. Even though this stockholder may wish to leave a substantial portion of his or her wealth to the employees who helped to create that wealth, our current tax laws make such an event highly unlikely.

Consequently, at a time when American capitalism desperately needs more capitalists, we find enormous amounts of private wealth being "socialized" in such foundations. Clearly these foundations provide a valuable public service. However, we should question the logic of a private property system that has so arranged its incentives that a taxpayer wishing to leave his business to the employees who helped to make him wealthy is instead forced by our tax laws to place the bulk of that great wealth either in Uncle Sam's coffers or in a public purpose foundation.

One of the best public purposes to which such wealth could be put is to connect more of our working population

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to productive, income-generating assets. At present, we provide a substantial tax incentive for disconnecting productive capital from private ownership by placing it in foundations; we should give that same tax incentive for individuals willing to donate their wealth to connect capital to a broad group of private individuals.

This is not meant to suggest that foundations do not perform an important function. Quite the contrary; they play a crucial role and, in many cases, fill a void that might otherwise need to be filled at taxpayer expense. What it is meant to suggest is that the options now open to a wealthy person are too limited. If he or she wishes to leave personal wealth to such a foundation, that is as it should be. We should applaud that decision, and our tax laws should continue to offer an incentive to make such gifts and bequests.

But the fact that a person is not encouraged to leave a business to those who helped to build it is not as it should be. That we force the socialization of such wealth is not as it should be. That is a shortsighted strategy from a tax philosophy point of view, and one that serves to further sap the already waning strength of capitalism—the same capitalism that has enabled such foundations to prosper all these years.

As for this Nation's many fine public-purpose foundations, which hopefully will enthusiastically support this provision, they would do well to recall the advice of Henry Ford II on his retirement from the Ford Foundation in 1976. At that time, he observed:

> The Foundation exists and thrives on the fruits of our economic system. The dividends of competitive enterprise make it all possible. A significant portion of the abundance created by U.S. business enables the Foundation and like institutions to carry on their work. In effect, the Foundation is a creature of capitalism—a statement that, I'm sure, would be shocking to many professional staff people in the field of philanthropy. . . . Perhaps it is time for the trustees and staff to examine the question of our obligations to our economic system and to consider how the Foundation, as one of the system's most prominent offspring, might act most wisely to strengthen and improve its progenitor.

Certainly there can be no more logical successors to ownership of a company than the employees who helped to build and develop it. They generally have the experience, the interest, and the commitment to carry on the operation. This provision would encourage that type of succession. The tax benefits would be denied, however, where any part of the contribution or bequest is allocated under the ESOP to the taxpayer, to members of his family, or to any person owning more than 25 percent of the company's stock. In addition, allocations could not discriminate in favor of employees who are officers, shareholders, or highly compensated.

This provision is also designed to strengthen the tax base. Government would lose no tax revenues since contributions to charitable organizations are already exempt from tax and profits from donated income-producing property are generally accumulated tax free within such organizations. In addition, assets left to charity are forever lost to our tax system.

By permitting an individual to leave his property to an ESOP, we are moving not only to strengthen the connection of working Americans to productive capital but also to assure that these amounts will remain within the Federal tax system. Further, these amounts will be taxable to employees who receive a distribution from the ESOP. Thus, in an era when most tax legislation results in a revenue loss, this provision should result in a revenue gain.

In addition, this provision would give expression to the best in charitable giving by providing the wealthy with an incentive to leave their holdings of capital in such a way that more individuals might become self sufficient rather than becoming wards of governmental or private charity. This approach corresponds with the ancient philosopher Maimonides' observation that—

> The most meritorious of all (methods of giving) is to anticipate charity, by preventing poverty . . . this is the highest step and the summit of charity's golden ladder.

AN ENCOURAGEMENT TO SMALL BUSINESS

This bill also provides that where the owner of a small business sells the company to his employees through either an ESOP or a worker-owned cooperative and, within 18 months, reinvests the proceeds of the sale of the stock in another small business, the tax on the proceeds would be deferred until the newly acquired stock is sold. This provision would have a very minor impact on Federal revenues but could have a very major impact on the ability of small businesses to continue as independent enterprises.

Current law provides a strong incentive for a business owner to transfer ownership of his company to a larger, more established company for a tax-free exchange of stock. On the other hand, where that owner sells or liquidates his business, he must pay capital gain tax on the proceeds.

The effect of present law is to encourage economic concentration and to divert funds from investment and innovation and into mergers and acquisitions. The Federal Trade Commission—FTC—has jurisdiction over proposed mergers or acquisitions which may be anticompetitive. It is encouraging to note that as the FTC staff analyzes assertions of the failing company defense, they are increasingly asking companies if they have considered selling their plants to employee groups instead of to competitors.

Another effect of present law is to encourage the disappearance of small and independent businesses, even though these firms have been shown to be the most innovative, growth-inducing, and job-creating sector of the economy. For example, a National Science Foundation study found that small companies are 24 times more innovative per research dollar than companies employing 10,000 or more employees. In a related finding, the U.S. Department of Commerce reports that innovation accounted for 45 percent of the Nation's economic growth from 1929 to 1969. In addition, a 1979 study from the Massachusetts Institute of Technology found that firms with under 500 employees generate 86.7 percent of all new jobs in the United States.

It would be to the Nation's advantage for our tax laws to encourage investment in small, innovative companies. The present trend toward concentration can only serve to further decrease the competitiveness of the U.S. economy, and thereby further erode its vitality and creativity. Thus, this provision provides a mechanism whereby a business owner can sell to his employees at no financial disadvantage when compared with a tax-free exchange of stock with another company. By creating this alternative, we can preserve the continuity of many small businesses.

While the incentive to sell to established firms is one cause of the decline of independent businesses, the lack of investment capital is another. This provision would open up a new source of funds for existing small businesses because a seller must reinvest the proceeds in another small business within 18 months in order to qualify for the tax benefits of this provision.

Moreover, this provision could prevent some small companies from closing simply for lack of a buyer. Many small, but profitable, companies are liquidated for just this reason, for example, to create estate liquidity.

This provision is designed to encourage the sale of companies to their employees through either ESOPs or worker-owned co-ops. To qualify, a worker-owned cooperative must be a nonprofit organization doing business on behalf of its members. In addition, it must meet the definition provided in section 105(a) of Public Law 95-351 and in the "eligibility and priorities policy" section of the National Consumer Cooperative Bank; that is, 70 percent of its shares owned on the basis of one share and one vote per member.

This bill also provides that the executor of an estate may transfer an estate's tax liability to an ESOP by transferring stock of the estate to an ESOP, provided that the sponsor company guarantees payment of the estate tax and agrees to pay that tax over a period of years.

Thus, this provision enables an ESOP to be used as a financing vehicle to acquire stock from an estate with the Treasury, in a sense, acting as the "lender." Whereas the charitable organization status for ESOPs—discussed above—reduces the estate tax by reducing the size of the taxable estate. This provision reduces the estate tax liability by an amount equal to the value of stock transferred to the ESOP.

In order to make this assumption of liability both attractive and feasible, this provision adopts the approach of Internal Revenue Code sections 6166 and 6166A, relating to the extension of time for payment of estate tax where an estate consists largely of an interest in a closely held business. These code provisions are designed primarily to make it possible to keep a business enterprise intact where the death of one of the

owners of a business results in the imposition of a relatively heavy estate tax.

Without these provisions permitting the payment of estate tax on an installment basis, heirs might otherwise be forced to break up a business or sell it to some larger business enterprise in order to pay Federal estate tax. This problem is particularly burdensome for estates in which a substantial portion of the assets consist of stock in a closely held business or other illiquid assets.

Thus, although these two provisions of existing law do not remove any Federal estate tax liability, by spreading out the period over which the estate tax may be paid, it becomes possible for the estate in most cases to be paid for out of the earnings of the business, or at least provides the heirs with time to obtain funds to pay the estate tax without upsetting the operation of the business.

This bill adapts this approach to the concept of employee ownership via ESOP financing by relieving the estate of tax liability to the extent that stock is transferred to an ESOP and the employer guarantees payment of the estate tax. If the estate qualifies under code section 6166, there may be up to a 5-year deferral of principal payments, with up to 10 annual payments permitted after the deferral period. Interest on the deferred tax attibutable to the first $1 million in valuation of the business is 4 percent. Interest on the balance is at the usual rate under code section 6621—approximately 90 percent of the prime rate. Allowing this reduced interest rate for a limited amount of tax is intended to reflect the problems that small businesses have in generating enough income and cash flow to pay interest at a normal rate and amortize the principal amount of the estate tax liability. If the estate qualifies under code section 6166A, interest is at the section 6621 rate and payments must be made in ten annual installments, with the first payment payable at the time the return is filed.

In addition to providing a stimulus to employee ownership, this provision should be particularly helpful in enabling small businesses to continue in operation as independent enterprises. As the Committee on Ways and Means stated in their 1958 rationale for the original deferral of tax provision—

> This provision is particularly important in preventing corporate mergers and in maintaining the free enterprise system.

OTHER ESOP AMENDMENTS

This legislation also permits an ESOP to acquire nonvoting common stock in certain limited cases. Although an ESOP is generally required to purchase only voting stock of the sponsoring company, there are situations in which it is appropriate for that requirement to be waived. For example, this would be the case where there are several classes of employer stock outstanding and yet the only shareholders willing to sell their shares to the ESOP hold nonvoting stock. To preclude the ESOPs acquisition of nonvoting stock in such a circumstance may only succeed in precluding the employees from having an opportunity to own any stock in their employer.

Employees should be protected, but not where such protection operates to their detriment. Thus, this bill permits an ESOP to acquire nonvoting common stock. However, in order to discourage manipulation or abuse, an ESOP can only acquire such stock where the nonvoting shares have been issued and outstanding for at least 24 months.

In addition, this bill addresses a problem of great concern to financial institutions that desire to establish ESOPs. Under present law, in order for a company to utilize the leveraged ESOP, it must provide its plan participants with a "put option" on any shares distributed where such shares are not readily tradable. This requirement insures that plan participants will have a ready market for their shares upon distribution.

In most situations, this requirement presents no major problem. In the case of banks and similar financial institutions, however, both State and Federal law generally prohibit the redemption or purchase of their stock. Thus, application of the put option requirement to these potential ESOP companies serves as a substantial barrier to their adoption of ESOPs. This bill retains the put option requirement as it applies to stock distributions from ESOP companies. However, in order to make ESOPs attractive to banks—while also protecting employees' interests—this bill relieves banks and similar financial institutions of the put option requirement provided participants have the right to receive a cash distribution equal to the value of their shares.

This bill also provides that where a corporation, by its charter or bylaws, limits ownership of its outstanding securities to current employees, distributions from the plan may be made in cash; that is, without the necessity of providing the participant with the option of demanding stock as his or her form of distribution. This provision enables an employee-owned company to keep its stock owned solely by current employees, those whose efforts can have the most direct effect upon the economic success of the company. This provision also provides a source of stock that may be acquired on behalf of new employees.

In addition, this provision can protect an employee-owned company from inadvertently "going public." Current law treats stock in an ESOP as held by a single shareholder. Each individual who receives a distribution of stock, however, is counted as an additional shareholder, and, should the number of shareholders reach 500 or more, the company may be required to file a registration statement and meet certain reporting requirements of the Securities and Exchange Act of 1934.

In addition, this bill makes the changes necessary to insure that an ESOP may be established by a subchapter S corporation. Under current law, such a corporation could not establish an ESOP (due to the general prohibition against the stock of such corporations being held in trust). This bill provides an exemption from that general prohibition in the case of ESOP trusts. In addition, in order to insure that such a corporation will not lose its subchapter S status due to distributions of stock to employees (thereby increasing the number of shareholders beyond permissible limits), stock distributed by ESOPs sponsored by such corporations would be disregarded in determining the number of shareholders.

This bill also makes two other changes relating to the put option requirement as it applies both to ESOPs and to other types of plans. The first change corrects a technical error made in the Miscellaneous Revenue Act of 1980. That act was intended to permit a tax-qualified stock bonus plan to distribute cash to a participant entitled to a distribution, subject to the participant's right to demand that benefits be distributed in the form of employer stock.

In addition, if such a stock bonus plan provides for cash distributions and if stock which is distributed is not readily tradable on an established market, the participant was to have had the right to require the employer to repurchase the stock. Due to an erroneous cross-reference, the 1980 amendment incorporated the cash distribution option, but omitted the put option requirement. This bill corrects that error by incorporating the correct cross-reference and also provides that for purposes of this requirement, the definition of employer securities means any securities of the employer held by the plan because the definition of qualifying securities for purposes of a stock bonus plan is not as restrictive as that for ESOPs.

The second change alters the nature of the put option requirement as it applies to both leveraged ESOPs and stock bonus plans maintained by employers whose stock is not readily tradable. Under current law, if such an employer distributes stock, or desires to distribute cash from one of these plans and the participant instead demands that the distribution be made in the form of stock, that participant must be given a put option requiring the employer to repurchase the stock at any time within the next 6 months. Alternatively, the ex-employee can elect to wait until that 6-month period lapses and, instead, exercise the put option at any time during a 3-month period in the next plan year, following notification of the next valuation of the stock.

The current requirements of this put option provision not only create a disincentive for the establishment of ESOPs, they also may inadvertently operate to the disadvantage of plan participants. This is because the length of the current put option requirement—6 months, plus a possible additional 3 months—creates grave uncertainties for employers as to their liquidity requirements needed to provide for the exercise of such options. Consequently, employers are required to commit sums of cash that might more productively be put to other purposes, thus detrimentally affecting the value of the participants' stock.

This bill modifies the put option requirements by shortening the put option period to an initial 60-day period followed by another 60-day period in the next plan year following notification of the next valuation. Thus, the employee continues to get the benefit of choosing to await a second valuation, but the value of the stock will no longer be as adversely

affected by requirements which force the employer to commit funds for as long as a period to provide for the repurchase liability.

Also, in operation the 6-month put option period of current law may inadvertently operate to the detriment of employees by lulling them into missing their opportunity to sell the stock and rollover the proceeds, or a portion thereof, into an individual retirement account (IRA) on a tax-free basis. In order to take advantage of the opportunity for a tax-free rollover, the rollover must be accomplished within 60 days of the distribution. By shortening the put option period to 60 days, this provision makes the put option operate in conjunction with, and in support of, the rollover period.

This provision also protects an employee's ability to control the tax consequences of his or her distribution of benefits. A participant receiving a lump-sum distribution of cash from one of these plans is generally entitled to 10-year averaging, provided he or she has 5 years of participation in the plan. Depending on the participant's tax circumstances, however, it may be advantageous to instead qualify the distribution for capital gain treatment, which requires a distribution in the form of employer stock. Thus, where the plan offers cash, the employee can take cash and qualify the proceeds for 10-year averaging. If capital gain treatment is preferred, the employee instead can insist on a distribution of stock, sell the stock back to the company and qualify the distribution for treatment as capital gain. With either form of distribution, the employee would have the option of delaying taxation with a tax-free rollover of the proceeds, or a portion thereof, into an IRA.

This bill also makes a needed change affecting the unique distribution requirements of tax credit employee stock ownership plans (TRASOPs). When the TRASOP was created in the Tax Reduction Act of 1975, Congress adopted a policy that stock in the plan should not be distributed to a participant until 84 months following the date it was acquired. Exceptions were provided, however, in the case of separation from service, death or disability. Unfortunately, in creating these exceptions we failed to take into consideration the constant acquisition and divestiture of subsidiaries and divisions which occur among major U.S. corporations, many of which have established such plans.

When a corporation disposes of a subsidiary, a division, or a division unit, it makes no sense to require the corporation's tax credit ESOP to continue to hold assets for these former employees. The employees now work for another employer, and continued ownership of their former employer's stock no longer carries with it the motivational benefits which arise from employee ownership. In addition, the tax credit ESOP, and the corporation which established it, must continue to incur needless recordkeeping and other administrative expenses for these former employees.

To resolve this problem, this provision would permit a tax credit ESOP participant's benefit to be distributed, irrespective of the 84-month requirement, if the subsidiary, division, or division unit by which the participant is employed is sold or transferred by the controlling corporation to another corporation which becomes his or her direct or indirect employer as a result of such transaction.

FLEXIBLE BENEFITS

This bill also makes a clarifying amendment relating to what are commonly known as flexible benefits or cafeteria plans—compensation arrangements under which companies provide their employees with a mix of benefits from which they can choose.

Employees are finding that where they are offered such plans they are better able to select a compensation package tailormade to their and their family's needs. For example, a young employee just starting a family might choose a large amount of insurance to protect his family along with more current—versus deferred—compensation, for example, in order to make his home mortgage payments. On the other hand, an older employee, for example, with his children grown and his home paid for, might opt instead for more in the way of deferred compensation, for example, an arrangement under which he more rapidly accumulates stock of his employer.

Employers are finding that such plans offer a way to provide employees with a compensation package that truly meets their individual needs versus an across-the-board approach that never seems to fully satisfy anyone. The U.S. Chamber of Commerce reports that employee benefit payments in 1979 averaged 36.6 percent of payroll; thus, it is becoming increasingly important that employers be provided means by which they can gain the maximum employee satisfaction per benefit dollar expended.

Cafeteria plans provide a means by which employees and employers can work together to design a flexible compensation package, one that maximizes employee satisfaction while minimizing employer costs. Under current law, benefits under a cafeteria plan may include amounts deferred under a profit-sharing or stock bonus plan pursuant to a qualified cash or deferred arrangement. Thus, a cafeteria plan may be designed to permit employees to choose among currently taxable compensation, deferred compensation, and fringe benefits.

This bill simply makes it clear that benefits under a cafeteria plan can be one of the choices available to employees under a qualified cash or deferred arrangement. This clarification should prove helpful in encouraging the use of capital accumulation plans, such as ESOPs and stock bonus plans, in the developing concept of flexible benefits.

S. 1162

A bill to amend the Internal Revenue Code of 1954 to increase the allowable contributions to employee stock ownership plans, to provide a credit against tax for contributions to an employee stock ownership plan based upon payroll as an alternative to that based on investment in equipment, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. SHORT TITLE.

(a) GENERAL RULE.—This Act may be cited as the "Expanded Ownership Act of 1981".

SEC. 2. TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN MADE PERMANENT.

(a) IN GENERAL.—Subparagraph (E) of section 46(a)(2) of the Internal Revenue Code of 1954 (relating to tax credit employee stock ownership plan percentage) is amended to read as follows:

"(E) TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN PERCENTAGE.—For purposes of this paragraph, the tax credit employee stock ownership plan percentage is the sum of—

"(i) a paragraph (not in excess of 1 percent) which results in an amount equal to the amount described in, and actually transferred under, section 48(n)(1)(A) and

"(ii) an additional percentage (not in excess of one-half of 1 percent) which results in an amount equal to the amount determined under section 48(n)(1)(B)).

This subparagraph shall apply to a corporation only if it meets the requirements of section 409A and only if it elects (at such time, in such form, and in such manner as the Secretary prescribes) to have this subparagraph apply.".

(b) USE OF THE TERM EMPLOYEE STOCK OWNERSHIP PLAN.—Clause (iii) of section 46(a)(2)(A) of the Internal Revenue Code of 1954 is amended to read as follows:

"(iii) the tax credit employee stock ownership plan percentage."

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to periods beginning after December 31, 1981.

SEC. 3. PAYROLL-BASED CREDIT FOR ESTABLISHING EMPLOYEE STOCK OWNERSHIP PLAN.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowed) is amended by inserting immediately after section 38 the following new section:

"SEC. 38A. TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN CONTRIBUTIONS.

"(a) GENERAL RULE.—

"(1) CREDIT ALLOWED.—In the case of a corporation which elects to have this section apply for the taxable year and which meets the requirements of subsection (c)(1), there is allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the amount of the credit determined under paragraph (2) for such taxable year.

"(2) DETERMINATION OF AMOUNT.—The amount of the credit determined under this paragraph for the taxable year shall be equal to the lesser of—

"(A) the aggregate value of employer securities transferred by the corporation for the taxable year to a tax credit employee stock ownership plan maintained by the corporation, or

"(B) one percent of the amount of the aggregate compensation (as defined in section 415(c)(3)) paid or accrued during the taxable year to all employees under a tax credit employee stock ownership plan.

"(b) CREDIT TREATED AS PART OF INVESTMENT TAX CREDIT AMOUNT.—For purposes of this subtitle, the amount of the credit determined under subsection (a) for any taxable year shall be treated as if it were an amount determined under clause (iii) of section 46(a)(2)(A) for the taxable year.

"(c) SPECIAL RULES.—

"(1) REQUIREMENTS FOR CORPORATION.—A corporation meets the requirements of this paragraph if it—

"(A) establishes a plan that meets the requirements of section 409A,

"(B) does not elect for the taxable year to have subparagraph (F) of section 46(a)(2) (relating to tax credit employee stock

ownership plan percentage) apply (determined without regard to any carryback or carryover of excess credit), and

"(C) agrees, as a condition for the allowance of the credit allowed by this subsection—

"(i) to make transfers of employer securities to a tax credit employee stock ownership plan maintained by the corporation having an aggregate value of not more than the applicable percentage for the taxable year (determined under subsection (a)(2)) of the amount of the aggregate participants' compensation (as defined in section 415(c)(3)) paid by the corporation during the taxable year, and

"(ii) to make such transfers at the times prescribed in paragraph (2).

"(2) TIMES FOR MAKING TRANSFERS.—The transfers required under paragraph (1)(C) shall be made—

"(A) to the extent allocable to the credit allowed under subsection (a) for the taxable year, or allowed as a carryback to a preceding taxable year, not later than 30 days after the due date (including extensions) for filing the return for the taxable year, or

"(B) to the extent allocable to that portion of the credit allowable under subsection (a) which is allowed as a carryover in a succeeding taxable year, not later than 30 days after the due date (including extensions) for filing the return for such succeeding taxable year.

The Secretary may by regulations provide that transfers may be made later than the times prescribed in the preceding sentence whenever the amount of any credit, carryover, or carryback for any taxable year exceeds the amount shown on the return for the taxable year.

"(3) CERTAIN CONTRIBUTIONS OF CASH TREATED AS CONTRIBUTIONS OF EMPLOYER SECURITIES.—For purposes of this section, a transfer of cash shall be treated as a transfer of employer securities if the cash is, under the tax credit employee stock ownership plan, used within 30 days to purchase employer securities.

"(4) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed under section 162, 212, or 404 for amounts required to be transferred to a tax credit employee stock ownership plan under this section.

"(5) DEFINITIONS.—The terms 'value' and 'employer securities' have the meaning given them by section 48(n)(6).

"(6) INCONSISTENT ELECTION DENIED MEMBER OF CONTROLLED GROUP.—No member of a controlled group of corporations (within the meaning of section 414(b)) may elect to have this section apply for a taxable year which begins with or within a calendar year with or within which the taxable year of any other member of such group begins and for which such other member elects to claim the employee stock ownership plan percentage under section 46(a).".

(b) CLERICAL AMENDMENT.—The table of sections for such subpart is amended by inserting immediately after the item relating to section 38 the following new item:

"Sec. 38A. Tax credit employee stock ownership plan contributions.".

(c) BASIC EMPLOYEE PLAN PERCENTAGE LESS THAN 1 PERCENT.—Subparagraph (A) of section 48(n)(1) of the Internal Revenue Code of 1954 is amended by striking out "equal to" in clause (i) and inserting in lieu thereof "not in excess of".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to aggregate participants compensation (as defined in section 415(c)(3) of the Internal Revenue Code of 1954) paid after December 31, 1980.

SEC. 4. LIMITATION ON DEDUCTIONS FOR CONTRIBUTIONS ATTRIBUTABLE TO PRINCIPAL PAYMENTS IN CONNECTION WITH AN EMPLOYEE STOCK OWNERSHIP PLAN.

Section 404(a) of the Internal Revenue Code of 1954 (relating to deductions for employer contributions to an employees' trust) is amended by adding a new paragraph (10) at the end thereof, to read as follows:

"(10) Notwithstanding the provisions of paragraphs (3) and (7), if contributions are paid into a trust which forms a part of an employee stock ownership plan (as described in section 4975(e)(7)), and such contributions are, on or before the time prescribed in paragraph (6), applied by the plan to the repayment of the principal of a loan incurred for the purpose of acquiring qualifying employer securities (as described in section 4975(e)(8)), such contributions shall be deductible under this paragraph in the taxable year when paid. The amount deductible under this paragraph shall not, however, exceed 25 percent of the compensation otherwise paid or accrued during the taxable year to the beneficiaries under such employee stock ownership plan. Any amount paid into such trust in any taxable year in excess of the amount deductible under this paragraph shall be deductible in the succeeding taxable years in order of time to the extent of the difference between the amount paid and deductible in each such succeeding year and the maximum amount deductible for such year under the next preceding sentence.".

SEC. 5. EXCLUSION FROM LIMITATION ON DEDUCTIONS FOR CONTRIBUTIONS ATTRIBUTABLE TO INTEREST PAYMENTS IN CONNECTION WITH AN EMPLOYEE STOCK OWNERSHIP PLAN.

Section 404(a) of the Internal Revenue Code of 1954 (relating to deductions for employer contributions to an employees' trust) is amended by adding a new paragraph (11) at the end thereof, to read as follows:

"(11) Notwithstanding the provisions of paragraphs (3) and (7), if contributions are made to an employee stock ownership plan (as described in section 4975(e)(7)) and such contributions are applied by the plan to the repayment of interest on a loan incurred for the purpose of acquiring qualifying employer securities (as described in section 4975(e)(8)), such contributions shall be deductible for the taxable year with respect to which such contributions are made.".

SEC. 6. EXCLUSION FROM LIMITATION ON ANNUAL ADDITIONS ATTRIBUTABLE TO FORFEITURES AND INTEREST PAYMENTS IN CONNECTION WITH AN EMPLOYEE STOCK OWNERSHIP PLAN.

Section 415(c)(6) of the Internal Revenue Code of 1954 (relating to limitations on benefits and contributions made under qualified plans) is amended by adding a new paragraph (C) at the end thereof, to read as follows:

"(C) The limitations imposed by this section shall not apply to—

"(i) forfeitures of employer securities under an employee stock ownership plan (as described in section 4975(e)(7)) where such securities were acquired with the proceeds of a loan (as described in section 404(a)(10)), or

"(ii) employer contributions to an employee stock ownership plan (as described in section 4975(e)(7)) which are deductible under paragraph (11) of section 404(a)."

SEC. 7. LIMITATION ON DEDUCTIONS FOR EMPLOYER CONTRIBUTIONS WHERE AN EMPLOYER MAINTAINS AN EMPLOYEE STOCK OWNERSHIP PLAN AND A STOCK BONUS OR A PROFIT-SHARING PLAN.

(a) Section 404(a) of the Internal Revenue Code of 1954 (relating to deductions for employer contributions to an employees' trust) is amended by adding at the end of paragraph (3)(A) the following new sentence:

"If, however, the contributions are made to a stock bonus trust and to a profit-sharing trust, each such trust shall be considered a single trust for purposes of applying the limitations in this subparagraph provided that the additional amount deductible by reason of this sentence shall be represented by a contribution of stock of the employer or a contribution which is used to acquire stock of the employer. Notwithstanding the next preceding sentence, the total amount deductible in a taxable year under such trusts shall not exceed 25 percent of the compensation otherwise paid or accrued during the taxable year to the beneficiaries under such trusts."

SEC. 8. DEDUCTIBILITY OF CERTAIN DIVIDEND DISTRIBUTIONS FROM EMPLOYEE STOCK OWNERSHIP PLANS AND QUALIFICATION FOR PARTIAL EXCLUSION FROM INCOME.

(a) Section 404 of the Internal Revenue Code of 1954 (relating to deductions for employer contributions to an employees' trust) is amended by adding at the end thereof the following new subsection:

"(i) DIVIDENDS PAID DEDUCTIONS.—In addition to the deductions provided under subsection (a), there shall be allowed as a deduction to an employer the amount of any dividend paid in cash by that employer during the taxable year with respect to stock of the employer if:

"(1) the employer stock is

"(A) held on the record date for the dividend by a tax credit employee stock ownership plan (as defined in section 409A) or an employee stock ownership plan (as defined in section 4975(e)(7)), and

"(B) in accordance with the plan provisions, the dividend received by the plan is—

"(i) distributed in cash, not later than 60 days after the close of the plan year in which received, to participants in the plan, or

"(ii) applied by the plan to the repayment of a loan (described in section 4975(d)(3)) incurred for the purpose of acquiring stock of the employer,

or

"(2) the employer stock is held on the record date for the dividend by a former employee (or beneficiary) who received such stock in a distribution from a tax credit employee stock ownership plan (as defined in section 409A) or an employee stock ownership plan (as defined in section 4975(e)(7)).

"(b) Section 116(c) of the Internal Revenue Code of 1954 (relating to partial exclusion of dividends received by individuals) is amended—

"(1) by renumbering paragraphs (1), (2), and (3) as paragraphs (2), (3), and (4), respectively, and

"(2) by adding at the beginning thereof the following new paragraph:

"(1) Dividend Defined. The term "dividend" shall include amounts paid in accordance with section 404(i).".

SEC. 9. SPECIAL PROVISION FOR DISTRIBUTIONS FROM EMPLOYEE STOCK OWNERSHIP PLANS.

Section 402(a) of the Internal Revenue Code of 1954 (relating to taxability of a

beneficiary of an employees' trust) is amended—

(1) by striking out "(2) and (4)" in paragraph (1) and inserting in lieu thereof "(2), (4) and (8)", and

(2) by adding at the end thereof the following new paragraph:

"(8) SPECIAL RULE FOR DISTRIBUTION OF EMPLOYER SECURITIES FROM TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN OR EMPLOYEE STOCK OWNERSHIP PLAN.—

"(A) GENERAL RULE.—If—

"(i) a lump-sum distribution consisting of employer securities (as described in section 409A(1)) is made to a participant (or beneficiary) from a qualified trust which is part of a tax credit employee stock ownership plan (as described in section 409A) or an employee stock ownership plan (as described in section 4975(e)(7)), and

"(ii) the participant was covered under the plan for at least three plan years prior to the date of distribution, then such distribution shall not be includable in gross income until the participant (or beneficiary) sells such employer securities.

"(B) LIMITATION OF AMOUNT.—The total amount of any such distribution which may be excluded from gross income shall not exceed $25,000.

"(C) TAXABILITY OF EMPLOYER SECURITIES.—Any such employer securities will be taxable to the participant (or beneficiary) at the time such employer securities are sold and shall be treated as long-term capital gain (as defined in section 1222(3).".

SEC. 10. BEQUESTS, AND OTHER TRANSFERS TO EMPLOYEE CHARITABLE CONTRIBUTION, STOCK OWNERSHIP PLANS.

Section 409A of the Internal Revenue Code of 1954 (relating to tax credit employee stock ownership plans) is amended by redesignating subsection (n) thereof as subsection (o) and inserting after subsection (m) a new subsection to read as follows:

"(n) CERTAIN TRANSFERS TREATED AS CHARITABLE CONTRIBUTIONS.—For purposes of sections 170(b)(1), 642(c), 2055(a) and 2522, a contribution, bequest, or similar transfer of employer securities to a tax credit employee stock ownership plan (as defined in subsection (a)) or to an employee stock ownership plan (as defined in section 4975(e)(7)) shall be deemed a charitable contribution to an organization described in section 170(b)(1)(A)(vi), if—

(A) such contribution, bequest, or transfer is allocated, pursuant to the terms of such plan, to the employees participating under the plan in a manner consistent with section 401(a)(4);

(B) no part of such contribution, bequest, or transfer is allocated under the plan for the benefit of the taxpayer (or decedent), or any person related to the taxpayer (or decedent) under the provisions of section 267(b), or any other person who owns more than 25 percent in value of any class of outstanding employer securities (as defined in subsection (l)) or qualifying employer securities (as defined in section 4975(e)(8)) under the provisions of section 318(a);

(C) such contribution, bequest, or transfer is made only pursuant to the provisions of such tax credit employee stock ownership plan or such employee stock ownership plan; and

(D) the plan shall treat such employer securities as being attributable to employer contributions except that the provisions of sections 404 and 415 shall not * * *

SEC. 11. NONRECOGNITION OF GAIN ON REINVESTMENT AND INCREASE IN BASIS OF STOCK SOLD TO AN EMPLOYEE STOCK OWNERSHIP PLAN.

(a) IN GENERAL.—Part III of subchapter O of chapter 1 of the Internal Revenue Code of 1954 (relating to nontaxable exchanges) is amended by adding at the end thereof the following new section:

"SEC. 1041. SALES OF SMALL BUSINESS STOCK.

"(a) NONRECOGNITION OF GAIN.—If small business stock is sold to a tax credit employee stock ownership plan (as defined in section 409A(a)), to an employee stock ownership plan (as defined in section 4975(e)(7), or to a worker-owned cooperative (as defined in section 105(a) of P.L. 95-351), then gain (if any) from such sale shall, at the election of the taxpayer, be recognized only to the extent that the taxpayer's sale price exceeds the cost of small business stock or stock in a small business investment company purchased by the taxpayer within 18 months after the date of such sale.

"(b) DEFINITIONS; SPECIAL RULES.—For purposes of this section—

"(1) SMALL BUSINESS STOCK.—The term 'small business stock' means qualifying employer securities (as defined in section 4975(e)(8)) or employer securities (as defined in section 409A(1)) which are issued by a domestic corporation or small business corporation as defined in section 1371(b))—

"(A) which does not, in the taxable year in which such stock is issued, have passive investment income (as defined in section 1372(e)(5)(C)) in excess of the limitation set forth in section 1372(e)(5)(A), and

"(B) the equity capital (within the meaning of the last sentence of section 1244(c)(2)) of which does not exceed $25,000,000.

"(2) CONTROLLED CORPORATIONS.—In the case of a corporation which is a member of a controlled group of corporations (as defined in section 1563(a)(1)), the equity capital of all members of the controlled group shall be treated, for purposes of paragraph (1)(A) of this subsection, as the equity capital of the issuing corporation.

"(3) STOCK ACQUIRED BY UNDERWRITER.—No acquisition of stock by an underwriter in the ordinary course of his trade or business as an underwriter, whether or not guaranteed, shall be treated as a purchase for purposes of subsection (a).

"(4) DEFINITION OF SMALL BUSINESS INVESTMENT COMPANY.—The term 'small business investment company' has the same meaning as when such term is used in title III of the Small Business Investment Company Act of 1958 (15 U.S.C. 681 et seq.), except that such term shall not include an electing small business corporation (as defined in section 1371(b)).

"(c) TWELVE-MONTH HOLDING PERIOD LIMITATION.—Subsection (a) shall only apply to gain attributable to sale of small business stock with respect to which the taxpayer's holding period is more than 12 months.

"(d) BASIS OF SMALL BUSINESS STOCK.—The basis of small business stock or stock in a small business investment company purchased by the taxpayer during the 18-month period shall be reduced by the amount of gain not recognized solely by reason of the application of subsection (a). If more than one share of a small business stock or stock in a small business investment company is purchased, such reduction in basis shall be applied to each such share in chronological order of purchase. The amount of the reduction applicable to each share shall be determined by multiplying the maximum gain not to be recognized pursuant to subsection (a) by a fraction the numerator of which is the cost of such share and the denominator of which is the total cost of all such shares.

"(e) STATUTE OF LIMITATIONS.—If during a taxable year a taxpayer sells small business stock at a gain, then—

"(1) the statutory period for the assessment of any deficiency attributable at any part of such gain shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) of—

"(A) the taxpayer's cost of purchasing small business stock or stock in a small business investment company which the taxpayer claims results in nonrecognition of any part of such gain,

"(B) the taxpayer's intention not to purchase property within the period specified in paragraph (2), or

"(C) a failure to make such purchase within such period; and

"(2) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.".

(b) Section 1223 of such Code is amended by redesignating paragraph (12) as paragraph (13) and by inserting a new paragraph (12) as follows:

"(12) In determining the period for which the taxpayer has held small business stock the acquisition of which resulted under section 1041 in the nonrecognition any part of the gain realized on the sale of small business stock, there shall be included the period for which small business stock with respect to which gain was not recognized had been held, and the period such replacement small business stock or stock in a small business investment company was held as of the date of such sale or exchange.".

(c) The table of sections for part III of subchapter O of chapter 1 of such Code is amended by adding at the end thereof the following new item:

"Sec. 1041. Sales of small business stock.".

SEC. 12. TRANSFER OF EMPLOYER SECURITIES TO AN EMPLOYEE STOCK OWNERSHIP PLAN.

(a) IN GENERAL.—Subchapter C of chapter 11 of the Internal Revenue Code of 1954 (relating to miscellaneous estate tax provisions) is amended by adding at the end thereof the following new section:

"SEC. 2210. TRANSFER OF EMPLOYER SECURITIES TO AN EMPLOYEE STOCK OWNERSHIP PLAN.

"(a) IN GENERAL.—If—

"(1) a qualified amount of employer securities are acquired by an employee stock ownership plan from the decedent or pass from the decedent, or are transferred by the executor, to such a plan, and

"(2) the executor elects the application of this section and files the agreement described in subsection (e)(1) before the time prescribed by section 6075(a) for filing the return of tax imposed by section 2001 (including extensions thereof),

then the executor is relieved of liability for payment of that portion of the tax imposed by section 2001 which an employee stock ownership plan is required to pay under subsection (b).

"(b) PAYMENT OF TAX BY EMPLOYEE STOCK OWNERSHIP PLAN.—

"(1) IN GENERAL.—An employee stock ownership plan—

"(A) which has acquired a qualified amount of employer securities from the decedent, or to which such securities have passed from the decedent or been transferred by the executor, and

"(B) with respect to which an agreement described in subsection (e)(1) is in effect,

shall pay that portion of the tax imposed by section 2001 on the gross estate of the decedent which is described in paragraph (2).

"(2) AMOUNT OF TAX TO BE PAID.—The portion of the tax imposed by section 2001 on the gross estate of the decedent which is described in this paragraph is equal to the lesser of—

"(A) the excess of—

"(i) the tax imposed by section 2001 on such gross estate, over

"(ii) the tax imposed by section 2001 on such gross estate determined by excluding employer securities from such gross estate, or

"(B) the tax imposed by section 2001 on such gross estate reduced by the sum of the credits allowable against such tax.

"(c) INSTALLMENT PAYMENTS.—If—

"(1) the executor of the estate of the decedent (without regard to this section) may elect to have the provisions of section 6166 or 6166A (relating to extensions of time for payment of estate tax where estate consists largely of interest in closely held business) apply with respect to payment of that portion of the tax imposed by section 2001 on such estate which is described in subsection (b)(2), and

"(2) the plan administrator files the agreement described in subsection (e)(2),

then the plan administrator may elect, before the time prescribed by section 6075(a) for filing the return of such tax, to pay all or part of such tax in installments under the provisions of section 6166 or 6166A.

"(d) GUARANTEE OF PAYMENTS.—An employer whose employees are covered by an employee stock ownership plan, and who has entered into an agreement described in subsection (e)(2) which is in effect, shall guarantee the payment of any amount such plan is required to pay under subsection (b), including any interest payable under section 6601 which is attributable to such amount.

"(e) AGREEMENTS.—The agreements described in this subsection are as follows:

"(1) A written agreement signed by the plan administrator consenting to the application of subsection (b) to the plan.

"(2) A written agreement signed by the employer whose employees are covered by the plan described in subsection (b) consenting to the application of subsection (d).

"(f) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED AMOUNT OF EMPLOYER SECURITIES.—The term 'qualified amount of employer securities' means an amount of employer securities the value of which equals or exceeds that portion of the tax imposed by section 2001 on the gross estate of the decedent which is described in subsection (b)(2).

"(2) EMPLOYER SECURITIES.—The term 'employer securities' has the meaning given such term by section 409A(1).

"(3) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

"(4) PLAN ADMINISTRATOR.—The term 'plan administrator' has the meaning give such term by section 414(g).".

(b) EXEMPTION FROM TAX ON PROHIBITED TRANSACTIONS.—Subsection (d) of section 4975 of such code (relating to exemptions from the tax on prohibited transactions) is amended—

(1) by striking out "or" at the end of paragraph (14),

(2) by striking out the period at the end of paragraph (15) and inserting in lieu thereof ", or ", and

(3) by inserting after paragraph (15) the following new paragraph:

"(16) any transaction in which employer securities are transferred to an employee stock ownership plan and the plan (or the employer on behalf of the plan) pays that portion of the decedent's estate tax described in section 2210(b)(2).".

(c) CONFORMING AMENDMENTS.—

(1) Section 2002 of such Code (relating to liability for payment of estate tax) is amended to read as follows:

"SEC. 2002. LIABILITY FOR PAYMENT.

"Except as provided in section 2210, the tax imposed by this chapter shall be paid by the executor.".

(2) The table of sections for subchapter C of chapter 11 of such Code is amended by adding at the end thereof the following:

"Sec. 2210. Transfer of employer securities to an employee stock ownership plan.".

(3) Section 6018 of such Code (relating to estate tax returns) is amended by adding at the end thereof the following new subsection:

"(c) ELECTION UNDER SECTION 2210.—In all cases in which subsection (a) requires the filing of a return, if an executor elects the application of section 2210—

"(1) RETURN BY EXECUTOR.—The return which the executor is required to file under the provisions of subsection (a) shall be made with respect to that portion of estate tax imposed by subtitle B which the executor is required to pay.

"(2) RETURN BY PLAN ADMINISTRATOR.—The plan administrator (as defined in section 414(g)) shall make a return with respect to that portion of the tax imposed by section 2001 which the employee stock ownership plan is required to pay under section 2210(b).".

(4) Subsection (j) of section 6166 of such Code (relating to alternate extension of time for payment of estate tax where estate consists largely of interest in closely held business) is amended by adding at the end thereof the following new paragraph:

"(5) Payment of estate tax by employee stock option plan.—

For provision allowing plan administrator to elect to pay a certain portion of the estate tax in installments under the provisions of this section, see section 2210(c).".

(5) Subsection (k) of section 6166A of such Code (relating to extension of time for payment of estate tax where estate consists largely of interest in closely held business) is amended by adding at the end thereof the following new paragraph:

"(3) Payment of estate tax by employee stock option plan.—

For provision allowing plan administrator to elect to pay a certain portion of the estate tax in installments under the provisions of this section, see section 2210(c).".

SEC. 2. EFFECTIVE DATE.

The amendments made by this Act shall apply to those estates of decedents which are required to file returns on a date (including any extensions) after December 31, 1980.

SEC. 13. USE OF NONVOTING STOCK IN EMPLOYEE STOCK OWNERSHIP PLANS.

Section 409A(1) of the Internal Revenue Code of 1954 (relating to the definition of employer securities) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) NONVOTING COMMON STOCK MAY BE ACQUIRED IN CERTAIN CASES.—Nonvoting common stock shall be treated as employer securities if an employer has a class of nonvoting common stock outstanding and the specific shares that the plan acquires have been issued and outstanding for at least 24 months.".

SEC. 14. CASH DISTRIBUTIONS FROM AN EMPLOYEE STOCK OWNERSHIP PLAN.

Section 409(h)(2) of the Internal Revenue Code of 1954 (relating to right to demand employer securities) is amended by adding the following sentence at the end thereof: "In the case of an employer where ownership of all outstanding employer securities is restricted by the charter or the by-laws of such employer to employees, a plan which otherwise meets the requirements of section 4975(e)(7) shall not be considered to have failed to meet the requirements of section 401(a) merely because it does not permit a participant to exercise the right set forth in subparagraph (1)(A): provided such plan provides that participants entitled to a distribution from the plan shall have a right to receive a distribution in cash."

SEC. 15. PUT OPTION FOR STOCK BONUS PLANS.

Section 401(a)(23) of the Internal Revenue Code of 1954 (relating to cash distribution option for stock bonus plans) is amended—

(1) by striking out "409A(h)(2)", and

(2) by inserting in lieu thereof "409A(h): provided, however, that for purposes of this paragraph employer securities shall mean any securities of the employer held by the plan."

SEC. 16. PUT OPTION REQUIREMENTS FOR FINANCIAL INSTITUTIONS; PUT OPTION PERIOD.

Section 409A(h) of the Internal Revenue Code of 1954 (relating to put options for employee stock ownership plans) is amended by adding a new paragraph (3) at the end thereof, to read as follows:

"(3) Special rule for banks and similar financial institutions. In the case of a plan established and maintained by a bank or a similar financial institution which is prohibited by law from either redeeming or purchasing its own securities, the requirements of section 409A(h)(1)(B) shall not apply: provided such plan provides that participants entitled to a distribution from the plan shall have a right to receive a distribution in cash.".

"(4) An employer shall be deemed to satisfy the requirements of subparagraph (1)(B) if it provides a put option for a period of at least 60 days following the date of distribution of stock of the employer and, if the put option is not exercised within such 60-day period, for an additional period of at least 60 days in the following plan year as provided in regulations promulgated by the Secretary.

SEC. 17. EMPLOYEE STOCK OWNERSHIP PLANS PERMITTED FOR "SUBCHAPTER S" CORPORATIONS.

Section 1371(e) of the Internal Revenue Code of 1954 (relating to certain trusts permitted as shareholders of certain small business corporations) is amended by adding a new paragraph (4) at the end thereof, to read as follows:

"(4) A trust which is a part of a tax credit employee stock ownership plan (as defined in section 409A) or an employee stock ownership plan (as defined in section 4975(e)(7)). For purposes of subsection (a), stock distributed from such plans shall be disregarded."

SEC. 18. DISTRIBUTION OF EMPLOYER SECURITIES FROM A TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN IN THE CASE OF A SALE OF EMPLOYER ASSETS OR STOCK.

Section 409(d) of the Internal Revenue Code of 1954 (relating to distribution of employer securities) is amended by deleting the last sentence thereof in its entirety and substituting in lieu thereof the following.

"To the extent provided in the plan, the preceding sentence shall not apply in the case of separation from service, death or disability; nor shall it apply in the case of a sale of all (or substantially all) of the assets of a division of the employer (or a unit of such a division), or the sale of all (or substantially all) of the stock of a subsidiary of the employer, and the transfer of the participant to the direct or indirect employment of the acquiring entity."

SEC. 19. NONDISCRIMINATION TESTS APPLICABLE TO PLANS PROVIDING FOR A CHOICE OF BENEFITS (CAFETERIA PLANS).

Section 401(k)(2)(A) of the Internal Revenue Code of 1954 (relating to the definition of qualified cash or deferred arrangements) is amended to read as follows:

"(A) under which a covered employee may elect to have the employer make payments as contributions to a trust under the plan on behalf of the employee, receive such payments directly in cash, or receive such payments as benefits under a cafeteria plan (as defined in section 125(d))."

SEC. 20. EFFECTIVE DATE.

Except as provided in sections 2 and 12, the provisions of this Act shall be effective for taxable years beginning after December 31, 1980.

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

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

The legislative clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Morning business is closed.

FIRST CONCURRENT RESOLUTION ON THE BUDGET

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will now resume consideration of Senate Concurrent Resolution 19 and the pending amendment by the Senator from Ohio (Mr. METZENBAUM) on commodity tax credits.

The Senate resumed consideration of Senate Concurrent Resolution 19.

AMENDMENT NO. 50

Mr. METZENBAUM. Mr. President, before addressing myself to the specifics of the issue before us, I should like to talk about a matter of discrimination, because what we have in this budget that is before the U.S. Senate is a very, very discriminatory piece of legislation. It is a piece of legislation that says we are going to protect some people in society and not make them pay their fair share of the tax burden; we are going to protect certain subsidies; and we are going to protect, as was indicated yesterday, the water projects in the Western and Southern parts of the country and not worry about discriminating against the Northeast and the Midwest.

Discrimination in any form, Mr. President, is wrong, and this budget is totally discriminatory. The security net that this budget was supposed to provide does not protect the poor and middle-class Americans; it protects the rich and the affluent and those who play games in the stock market with commodity straddles, those who have a special privilege to pay lower taxes on growing certain products, than it does the American farmer, who pays his full share of taxes.

Mr. President, this is the kind of budget that does not make sense. It is the kind of budget that causes the people of the country to lose confidence in their governmental leaders.

Mr. President, look at the front page of the Washington Post today. Right next to each other are two columns. One says that the Reagan administration is going to slash social security benefits. The other column says that corporations are going to get their taxes cut 50 percent.

What kind of justification can there be for that, what kind of humaneness can that be? Where is this crowd coming from? How can they be so cruel and indifferent and unconcerned about the American people? All this talk about production incentives and supply side economics—tell that to the poor of the country; tell that to the middle-class Americans, who will not be able to send their kids to college as a consequence of this budget.

Oh, this is a budget that the American people have not yet come to understand. This is a budget that is iniquitous; this is a budget that is inequitable.

There are those who would say, "Well, just give us a chance; the economy is going to be better." Oh, yes, it is going to be better. Read the top line of the Washington Post today: Interest rates up to 19.5 percent and going higher, and the stock market continuing to tumble.

Open the paper and look at the chart in the Washington Post about how the stock market has tumbled and tumbled and tumbled since April. Why? Because the smart people who are in the marketplace, the best economists on Wall Street, like Henry Kaufman, are saying that this budget will not work.

You can kid yourself; you can even kid the American people. But you cannot kid the money market and you cannot kid the reality of the economics of this Nation.

The amendment that I am offering this morning is a tax expenditure amendment, but it is not—and I want my friends on the other side to get the emphasis, because when they attempt to respond they will probably be talking about the fact that this is a tax increase: This is not a tax increase amendment, Mr. President. This amendment does not raise one tax bracket by even so much as a tenth of 1 percent.

It does not remove even one exemption already contained in the law. It does not eliminate one zero tax bracket. It does not levy 1 penny of new tax authority on any person or corporation.

It simply closes down the notorious shell game called the butterfly straddle, where appearances have become more important than reality and the Internal Revenue Service has to spend its time looking under the shells for profit, while, all the time, the real profit is concealed in the magician's pocket.

Mr. President, it is called a butterfly straddle because it has to do with the complicated game of puts and calls. But it ought to be called a butterfly straddle because it makes it possible, as the butterfly flies away, for $1,300,000,000 of the Federal Treasury's funds to fly away from the Treasury and never get paid.

Mr. President, this amendment does not raise the tax burden of one hourly worker who punches a timeclock. It does not raise the taxes for one farmer who protects his family's crop value in the futures market.

Mr. President, it does not raise taxes, but it does capture them. It collects taxes that are now being illegitimately sheltered in an elaborate and complexly fabricated system of puts and calls, short and long positions that have nothing to do with making a profit, or with speculation or with protecting crop values or commodity values.

Mr. President, this is not the first time I have raised this issue on the floor of the Senate. Five weeks ago, I offered an amendment to the budget on the subject of tax expenditures. That amendment provoked an extensive debate as to the question of timing: Was it or was it not the proper time to debate tax expenditures in general and to question some dubious tax expenditures in particular? The sense of the Senate then was that we should defer consideration of this issue until a later date.

Mr. President, today is the time to consider that issue. Today, we are debating a budget resolution that deals with revenues, that deals with a deficit, that deals with taxes. But this resolution contains some very discriminatory provisions having to do with tax straddles, having to do with capital gains on timber, having to do with a number of other areas where the taxes are not fairly met nor paid.

Mr. President, this budget discriminates against the small saver on behalf of the commodity straddle wheeler-dealer. I would not propose in this amendment to do anything about those who are legitimately in the commodity market and who use straddles for the purpose of hedging their position. That is not the thrust of this amendment. I have made that clear to every commodity dealer who spoke with me. I have made it clear to every Senator who has spoken with me. I have made it clear that I am interested in the people who play this game of commodity straddles in order to avoid paying legitimate taxes and not to have any negative impact upon those who legitimately use commodity hedges as a part of their business operations. Mr. President, I am zeroing in on that crowd of people that has nothing to do with the commodity market except to use it in order to avoid paying taxes.

Mr. President, this budget discriminates against the average $20,000-a-year wage-earning family in favor of the $200,000-a-year family. Think of it, Mr. President: The $200,000-a-year taxpayer will save 36 times the amount saved by the $20,000-a-year wage earner.

Think of it: Under this great program of tax saving that is being advocated by the administration, that portion of the taxpaying public that earns less than $10,000 a year will have their share of the tax burden increased 50 percent—will have their share of the tax burden increased 50 percent. But that portion of the taxpaying public that earns in excess of $100,000 a year will have their share of the tax burden reduced 25 percent.

Who could possibly justify or explain that to their constituents? But that is the reality of the budget that is before the U.S. Senate. That is the reality of the tax program advocated by the administration.

This budget discriminates against the family farmer. Why discriminate against the man who grows cotton, who grows corn or soybeans or wheat, in favor of the conglomerate paper and lumber giants? What possible justification could there be for that kind of discrimination?

This budget discriminates against the small machine owner in Cleveland, in Detroit, in Buffalo, in favor of the huge oil companies. It perpetuates the billion-dollar-a-year tax subsidy of the filet mignon and martini business lunch, at the cost of huge slashes in the soup and sandwich lunches for school kids and senior citizens. Who could rightfully and with good conscience justify that kind of discrimination?

These tax expenditures, all $266 billion of them, are employed within this budget resolution, and I am not here to say that all of them should be challenged; but some of them certainly should be challenged.

Even David Stockman said:

> I think that there are some tax expenditures that are obsolete, inefficient, or unjustifiable. They ought to be eliminated as a matter of good tax policy and as a matter of political equity in some general sense—basically, the sense that you are trying to articulate here today.

Those were David Stockman's words before the Budget Committee in response to my question to him on March 12, 1981.

However, is there any indication in this budget that there is any effort to eliminate those tax expenditures that are obsolete, inefficient, and unjustifiable? Not one penny.

Today, I hope we can remedy one of those discriminatory advantages, because we have the strong recommendation of the Treasury Department to do away with a useless and costly tax expenditure, and it is in that respect that I offer this amendment that is before the Senate. The Treasury Department already has addressed itself to this issue. I raised the issue with Mr. Regan, the Secretary of the Treasury, when he was before our committee.

My amendment would close that very issue to which we spoke in the committee, the one having to do with the so-called commodity straddle tax shelter, perhaps the most blatant, the most useless, the most nonproductive way ever devised by high-priced tax lawyers to help very, very wealthy people avoid paying their taxes.

Pending in the Senate is proposed legislation to do that very thing; and that measure, offered by Senator MOYNIHAN, which I have cosponsored, would eliminate that commodity straddle.

As a matter of fact, a week ago, the Treasury Department endorsed the idea of legislation to eliminate commodity tax straddles.

The Assistant Secretary for Tax Policy, John Chapeton, told the House Ways and Means Committee:

> The use of commodities and commodities futures in various tax avoidance schemes raises very serious problems in the administration of the tax laws. We believe a legislative solution is necessary to curtail these abuses. We estimate the revenue loss will be $1.3 billion in 1981. Decisive and clear-cut action is needed to stop these tax avoidance schemes. The use of these transactions to defer the payment of tax and to convert ordinary income to long-term capital gain must be eliminated.

The ACTING PRESIDENT pro tempore. The Chair informs the Senator that he has used 15 minutes.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that 5 minutes of the time allocated to the Senator from Ohio with respect to the issue of capital gains be allowed me at this point.

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

Mr. METZENBAUM. Mr. President, what I am saying is this: The Treasury Department already has come out for this issue. The Treasury Department is on the side of this amendment. All we are saying with this amendment is that since the Treasury is pushing for it and since the Members of the majority party seem to stand up and salute for everything the administration wants, it is reasonable to assume that the majority will enact that legislation, which the administration is advocating.

If that be the case, why should we not have some independence of spirit and cover the point in this budget resolution before the Senate? It is going to happen. Why do we not do it? Or, do we have to have somebody call us up and say, "Now is the time for you to vote to eliminate the commodity straddle"? Can we not do it on our own? The Treasury Department is advocating it.

Yesterday, the National Taxpayers Union advocated an amendment that the Senator from Ohio offered, and you turned it down. Today, the Treasury Department is advocating this elimination of $1.3 billion in tax expenditures. Why can you not include it in this budget resolution?

Mr. President, I reserve the remainder of my time.

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. SYMMS. I yield myself 5 minutes from the time of the majority on the amendment.

Mr. President, I rise today in opposition to the proposal made by Senator METZENBAUM because it would do far more harm than good to our economy, and particularly to the agricultural segment of the economy.

To understand why this proposal would be injurious to the futures market, and subsequently to the agricultural community, it is important to have a basic understanding of those markets.

The principal economic purpose of the futures market is to provide a place for a producer or commercial user to transfer risk to someone else.

It allows the farmer or the grain elevator to sell his grain at a definite price before the crop is ready for delivery to market, and at the same time, allows the miller or the processor to purchase today their future needs at a certain price.

A secondary purpose of the market is to provide pricing information for commodities at a future point in time.

Both of these functions are very important to the production, processing, marketing, and distribution of agricultural, as well as many other commodities.

There are two basic categories of traders in the futures market: The commercial trader, either the producer or user of a commodity who is hedging, and the speculator, who assumes some of the risk that the commercial hedger is transferring.

If there were commercial users who were willing to buy the same amount of a commodity being offered by the producer at the offered price, theoretically there would be no need for the speculator. But in the real world, there is an imbalance between buyers and sellers and the speculator is there to fill the gap.

The speculator also adds capital to the market-making prices less volatile. It is axiomatic to the market that the more competing bids and offers there are, the narrower the price range of trading.

Speculators fall into three categories—position traders, daily position traders who take position for short periods of time, called "scalpers," and spread traders. Of these three categories, scalpers and spreaders are, by far, the most productive contributors of liquidity and, between them, spreaders are the most important.

In fact, spread trading may constitute about 50 percent of the daily trade volume in some markets—trading which for the most part is motivated solely for economic reasons, not for tax purposes.

Furthermore, the largest portion of the liquidity contributed to the market by the scalpers and spreaders come from "locals"—those who trade on the floor of the exchange.

The spread trader provides initially all of the market liquidity for the forward or "out" delivery months. It is a fundamental fact in the futures market that the largest transaction activity occurs in the close or nearby delivery months largely because there is more certainty.

Generally, the further away the delivery month, the less trading activity and thus the less liquidity. Therefore, a commercial hedger who needs to buy or sell in a distant delivery month would not be able to effectively do so if it were not for spreaders.

They will take the risk because at the same time they have offset their position with an equal amount of the commodity in a different delivery month.

Contrary to representations being made by Senator METZENBAUM, the proposed changes would change the tax treatment of all speculative spreads, even if the motivation for putting on the spread is solely economic and even if the spread trader makes his living on an exchange floor trading spreads and other commodity futures.

Statements by Senator METZENBAUM that his proposal would only affect "butterfly" spreads and spreads sold to the general public as tax shelters reflect a lack of understanding of the ramifications of his proposal.

If enacted, the proposed changes would drive millions of dollars of legitimate day-to-day speculative capital from the

futures market. This in turn would mean less liquid markets resulting in lower prices to producers and higher prices to users.

In fact, it is my understanding, that the tax straddle provides approximately 80 percent of the liquidity in the market.

The Metzenbaum proposal would drive speculative capital from the markets because the day-to-day trader in the futures market will not take the extreme risk involved in trading futures if gains are taxed at a rate of up to 70 percent and in a bad year only $3,000 of losses are deductible against any ordinary income the trader may have.

The speculator in futures markets—be he a position trader, daily trader or a spread trader—will not take the great risk of trading futures unless there is an opportunity to average income by moving income forward and unless he has a reasonably good chance of obtaining long-term capital gains on some trades.

While most of the day-to-day traders transactions are motivated by economic considerations he does use spreads for tax planning and to mitigate the severe impact of the high tax rates on gains and the limitation on losses.

The proposals would deny any such opportunity and drive him from the market.

The tax benefits for commodity traders are not much different than those given to those investing in other segments of the economy—oil and gas, timber, real estate, and equipment leasing, et cetera. Like these other investors, the commodity speculator benefits the public by assuming a risk for producers and users of commodities and, at the same time, keeping the prices of these commodities less volatile and ultimately lower to the consuming public.

In addition to the adverse market effects of the proposed changes, there are some significant technical problems. For example, since the proposals would treat all speculative spreads alike, it would be a nightmare for the day-to-day commodity trader, who trades thousands of spreads each year, to trace through his spreads to determine the tax ramifications. The same nightmare might also be true for the IRS revenue agent who has to audit the tax returns involved.

I am in agreement that there are some cases of tax abuses because of the present tax treatment of spreads and I am in favor of addressing this problem.

However, the proposal suggested today is too drastic in that it has a devastating impact on trading for legitimate economic purposes.

If we want to leave the budget resolution as the Budget Committee has brought it to the Senate then we should vote against and reject the amendment.

Mr. President, I reserve the remainder of my time.

Are there any other Members on this side who request time?

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. METZENBAUM. Mr. President, I yield myself the remainder of the time that I have remaining.

The ACTING PRESIDENT pro tempore. The Senator from Ohio is recognized.

Mr. METZENBAUM. Mr. President, how much time is that?

The ACTING PRESIDENT pro tempore. There are 2 minutes exactly remaining.

Mr. METZENBAUM. Mr. President, just as I predicted, my good friend speaking in opposition to this amendment indicated that it would raise taxes. It does not raise taxes. It does not raise taxes 1 cent for anyone who should legitimately be paying his taxes.

What it does is it says that some people who are not paying their fair share of the taxes and who have a discriminatory advantage over all the other members of society who pay their fair share of taxes should get in the swim.

It completely accords with the President's view that the budget should be fair and equitable, and saying that someone who is not paying any taxes should pay his fair taxes is hardly what I would consider to be raising taxes.

The farmers will not pay any more. The people who deal in commodities will not pay any more because I am prepared to work out that kind of an amendment, and I have made that position very clear to the Senator from Idaho.

The fact is I do not want those people to pay any more. But there is not any logical reason for those people who are playing games—the Treasury Department says this $1.3 billion we should pick up.

Mr. SYMMS. Mr. President, the fact of the matter is that in the Senator's amendment, the recommended level of Federal revenues is as follows: $651.6 billion for fiscal year 1982.

The ACTING PRESIDENT pro tempore. The Senator will suspend. The 2 minutes of the Senator from Ohio have now expired.

Who yields time?

Mr. SYMMS. Mr. President, I yield myself such time as I might need.

The ACTING PRESIDENT pro tempore. The Chair recognizes the Senator from Idaho.

Mr. SYMMS. My good friend from Ohio knows that if his amendment is passed the revenue assumption in this resolution will be changed for fiscal year 1982 from $650.3 billion to $651.6 billion.

That is an increase in taxes. This would have to be addressed by the tax writing committee, the Finance Committee of the Senate.

There is no opposition to the merits of the instance that the Senator cites where there is someone who makes money on say a real estate transaction and puts it into the commodity markets to avoid paying taxes.

There is no argument on the part of the Treasury or the Senator from Idaho or any other Member of this Chamber.

But what the Senator is talking about is he is comparing apples with oranges. If we pass his amendment today, we would have to go back to some other place in the tax code and give up $1.3 billion in tax cuts for the taxpayers of this country.

The Senator well knows when we debated this in the committee that he was equating hedges with butterfly straddles. They are completely different things. A butterfly straddle is one thing.

A legitimate hedge is something else, where the farmer sells to the grain elevator and the grain elevator sells commodities into the future to offset that. Then he finds out that, say, September was not a good month, so he rolls those forward to November or on into the next year. We have people who hold positions both long and short in order to provide liquidity for that agricultural market.

If we do not have buyers and sellers, instead of having a steady price on, say, soybeans, wheat, and corn, we would have prices fluctuating up and down. Then what happens to the farmer? The farmer ends up selling low, and the speculators end up selling high. The farmer loses, and we have lower commodity prices at the farm that hurt people also.

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

Mr. SYMMS. I am happy to yield to the Senator from Ohio.

Mr. METZENBAUM. Mr. President, this is a question. Will the Senator from Idaho agree that revenue loss in this matter is $1.3 billion according to the Treasury?

Mr. SYMMS. The Senator's phrase of tax expenditures always marvels me, and I know the Senator is sincere in this, but when we talk of tax expenditures around this Chamber it is as though the Government owns the money in the first place and the taxpayer did not earn the money legitimately in the first place.

A legitimate hedger on the floor of the Board of Trade in Chicago may be long and short 2 different months on, say, wheat or corn, or whatever the commodity is, and in his so doing he is providing the liquidity for the producer.

A lot of the revenue the Senator is talking about simply is money where the trader is short on one side and long on the other. So he has had losses on one side and gains on the other. These legitimate transactions are part of the $1.3 billion. I would challenge whether we really know or not how much money would have been paid in taxes that is not eventually paid anyway.

There is another point that the Senator often forgets. This taxpayer may roll the taxes forward 1 year and pay the taxes the next year.

Mr. METZENBAUM. I have to say, then, the Senator is questioning the Treasury Department because their statement is, "We estimate the revenue loss will be $1.3 billion in 1981," and they say that, "The Treasury believes that legislative action is necessary to stem the growing use of commodities and commodity-related transactions for tax avoidance purposes."

The Senator from Idaho knows that I have made it very clear to him and I am prepared to work out language to take care of the legitimate concerns of the farmer; is that not correct?

Mr. SYMMS. That is correct, but I just say to my friend from Ohio that there is a proper place to do this. I think we should do it, and the Treasury is in favor of doing it. There is no opposition from the Senator from Idaho and others to go after the particular instance that the Senator from Ohio is citing, but if we in fact accept his amendment here today, then the Finance Committee of the

Senate will be bound by a $1.3 billion higher revenue floor. I do not think that we can demonstrate at this point in time that this amendment would not outlaw the legitimate hedger. It would be a mistake for this Senate and the House of Representatives and Congress to pass legislation which interfered with the very, very fine operation we have in agricultural marketing in this country by diminishing the liquidity and price discovery of trading in these commodities.

It would be devastating to a whole sector of our economy. This affects millions and millions of American workers who earn their living on the farms of this country, in the field, in the forests, and in the mines of this country.

This amendment is totally inappropriate today, and it raises taxes by $1.3 billion.

Mr. METZENBAUM. Mr. President, would the Senator from Idaho like to reduce the deficit by $1.3 billion?

Mr. SYMMS. The Senator from Idaho would love to do that. But I would like to explain why these tax-shelter uses of legitimate market activity have come about. We have a 70 percent top tax rate today on what they call unearned income, which is investment income.

Mr. METZENBAUM. No.

Mr. SYMMS. It is no wonder people are looking for ways to shelter income.

Mr. METZENBAUM. You pay zero if you are in the commodity market, you pay zero.

Mr. SYMMS. I would say to the Senator from Ohio if we reduce the marginal rates of taxation in this country, there may not be $1.3 billion of tax abuse as claimed by the Senator. These people would have no incentive to look for tax loopholes.

There is a whole corps of people out here in the accounting field and in the law field, trying to help people figure out ways to delay taxes or reduce the burden of taxation because they have high incomes. If we reduce the marginal rates these tax abuse problems will diminish significantly.

Mr. METZENBAUM. I gather the Senator from Idaho is suggesting that people love to pay taxes at the 50-percent rate but avoid paying them at the 70-percent rate; is that the Senator's statement?

Mr. SYMMS. They love it less at 70 percent than at 50 percent.

Mr. METZENBAUM. I guess they would love 30 percent better or even zero.

Mr. SYMMS. I think they would love 30 percent much better.

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. METZENBAUM. Mr. President, I yield the Senator from New York 2 minutes.

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

Mr. MOYNIHAN. Mr. President, I thank the Chair. I thank my friend from Ohio. I am happy to join him here, as I have in the Budget Committee on numerous occasions, to support the commodity tax straddles legislation.

I have introduced legislation in this Congress which would bring to our Treasury $1.3 billion a year of avoided taxes; taxes not taken, in any sense, on profitably or gainfully invested capital.

Mr. President, in the interval since the legislation was introduced in January there has been an important event. The Assistant Secretary for Tax Policy of the new administration, the Honorable John B. Chapeton, has announced the Reagan administration's support for legislation achieving this end. So we now know that two successive administrations have agreed that, clearly, this is something in the interest of our budgetary situation; but I should like to suggest, and I think the Senator from Ohio would agree, that something much more important is involved. That is the integrity of our tax system. This matter is on the verge of becoming a national scandal. While it is still within our power to control it, we ought to do it.

Mr. President, tax straddles can be used to defer income taxes indefinitely. One man who sold a closely-held business at a $10 million profit in 1976 still has not paid taxes on that income. They can be used to convert income that would be taxed at ordinary rates into capital gains that are taxed at 40 percent of the ordinary rates. Alternately, they are a tax free loan.

The only thing that prevents straddles from becoming an epidemic is that they are very complicated transactions. If they were easier to understand, they would be as attractive to the general public as money market funds. One would have to be a fool not to use them.

Tax straddlers distort the operation of the commodities markets. I quote from a Department of Agriculture publication:

> There is evidence of a large use of futures trading for the purpose of postponing, reducing, or even completely avoiding payment of income tax on profits derived either from such trading or from other sources. The fact that profits from some futures transactions can, by application of certain novel trading and accounting procedures, be made completely tax exempt, is inducing persons to trade in commodity futures who otherwise would confine their activities to other fields.
>
> Those who are using the markets for tax reduction purposes add nothing to the dignity or usefulness of an institution dedicated to the marketing of agricultural products.
>
> In this discussion no consideration is given to the legality or desirability of such transactions from an income tax point of view. The point under consideration here is the effect of such activities on the functioning of the commodity marketing system. It is believed that such operations are now on a scale which warrants the concern of those who use the markets for their intended purpose of facilitating the distribution of agricultural products.

Former Assistant Secretary of the Treasury Lubick tells an interesting story. He wrote me last December about a limited partnership that had been set up with almost a 100 partners to trade in commodities and produce tax losses for the partners.

In its first full year of operation, the partnership produced $46 million in losses. "Such dismal results so impressed investors," Lubick wrote—

> That the partnership doubled in size the following year, and investor interest proved fully justified. The enlarged partnership proceeded to lose close to $70 million.

In the meantime, the partnership's activities showed a remarkable dichotomy. The losses were matched by long-term gains of about equal size. However, these gains were not taxable until later years and then at the low rates for capital gains income.

Shortly after Secretary Lubick wrote, he got a series of telephone calls from angry taxpayers who complained that Lubick should not have disclosed information about their tax returns. None of the individuals who called was involved in the partnership in question.

So there may be much more straddling through limited partnerships than was at first believed.

Two administrations, the present Republican and the previous Democratic, have called for action on straddles. This is not a party issue.

Mr. President, in order that the general public may have access to the views of the Treasury Department at this moment, I ask unanimous consent that there be printed in the RECORD a statement by Secretary Chapeton regarding tax straddles.

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

STATEMENT OF THE HONORABLE JOHN B. CHAPETON

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to offer the views of the Treasury Department on the growing use of transactions involving commodities, commodities futures, and financial futures for tax avoidance purposes. Although the Treasury Department is prepared to offer recommendations for legislation to curb the emerging pattern of abuse from these transactions, I must stress that our principal focus has been, and continues to be, on the economic program of the President and on the tax proposals which are a part of that program. Our comments on the use of commodities and futures transactions for tax avoidance purposes, and the recommendations that we make, must be understood as secondary in importance to the overwhelming need for swift and decisive action on the President's program. As you are aware, we have requested that congressional action with respect to tax measures other than the President's program be deferred until the completion of legislative action on the economic package.

The views which are set forth in this statement represent the views of the Treasury Department alone. Due to the lack of time, we have not obtained the advice of the Office of Management and Budget on the relationship of our proposals to the program of the President.

The use of commodities and commodities futures in various tax avoidance schemes raises very serious problems in the administration of the tax laws.[1] As the Internal

[1] In my testimony today, I have assumed that taxpayers can successfully maintain that they are entitled to certain tax benefits as a result of engaging in these transactions. In fact, the Internal Revenue Service has taken a contrary position on many of these issues and litigation is presently being maintained in the courts. This litigation is proceeding on the basis of several theories any one of which, if successful, would deny the taxpayers the favorable tax consequences which they claim. The length of time needed to achieve a judicial resolution of these issues to a degree sufficient to prevent taxpayers from claiming the tax benefits of

Revenue Service has focused more attention on these transactions, the magnitude and depth of the problem have become readily apparent. For example, when one of the eight Service groups that deal with commodities related transactions was asked recently to produce some examples of major transactions in commodities currently under audit, this sample of returns alone disclosed, in the aggregate, one quarter of a billion dollars in losses being questioned.

I. BACKGROUND ON THE OPERATION OF THE FUTURES MARKETS

In order to appreciate the difficulties raised by commodities and other futures transactions, it is helpful to understand the operation of the futures markets in general. These markets, and the instruments which are traded on these markets, are totally unlike the stock and securities markets with which most of us are familiar. As will be described in more detail later, all commodities futures positions are "marked to market" on a daily basis, and actual cash will be either paid or received in respect of an increase or decrease in the market value of a position in the commodities futures market.

A commodities futures contract is a standardized, interchangeable, executory contract either to purchase or to sell a specified quantity of a particular commodity at a specified time in the future at a fixed price. This contract is not an option—it is a binding, bilateral agreement for a transaction to occur in the future. The person who will receive delivery of the specified quantity and grade of the commodity in a particular month (the "delivery month") upon full payment of the contract price is referred to as being in a "long" position. The person who will make delivery of the commodity in the delivery month is referred to as being in a "short" position. A "straddle" is a position in which a person simultaneously holds both a long and a short position, ordinarily in the same commodity, but in different delivery months (e.g., June '81 silver and August '81 silver).

Futures contracts may be settled by delivery or by taking an opposite or offsetting position in the futures market. Very few futures are held to maturity and virtually all are offset by the holder entering into an opposite position prior to the maturity date. For example, the holder of a long position in December silver may elect, at any time prior to the receipt of delivery, to enter into a contract to sell December silver, thereby offsetting his December long position.

A clearinghouse for each exchange guarantees performance on all futures contracts. Every day, once the accuracy of all of the transactions on the exchange is verified, the clearinghouse of the exchange becomes the buyer for everyone who has sold a contract and the seller for everyone who has bought a contract. This enables the individual trader to liquidate particular contracts with ease because the purchase of an offsetting position is automatically matched against the previously held contract, and both are cancelled.

A person who enters into a futures contract, for example, a long contract for October 82 silver, is not required to pay the full contract price until the delivery date in October 1982. The person is, however, required to deposit original margin funds with the broker, in an amount at least equal to the minimum set by the exchange for that position. This initial margin is a form of "earnest money." In addition to the original margin, the person may be required to put up additional margin, in cash, which is known as "variation margin." The amount of variation margin for any one contract on a given day is a function of the amount and direction of the daily price move.

At the end of each day, a committee (the "Committee on Quotations") for each exchange on which futures trading occurs sets the "settlement prices" for each contract for that day. A settlement price is determined for every contract on the exchange, even though there may not have been any trades in the contract that day. The settlement price is then used by all clearing member firms on the exchange to determine the amount of variation margin that they are required to pay to, or that is credited to their account with, the clearinghouse in respect of their open customer positions. Each commission house thus receives cash from the clearinghouse which it, in turn, uses to pay out, in cash, the profits earned that day by its customers. Similarly, the commission house must pay from its own funds, or customer funds obtained by a margin call, any losses sustained that day by customers.

Generally, any additional variation margin is required to be paid, in cash, before the opening of trading the next day. If the member firm is entitled to receive variation margin, the excess is generally available on the day following calculation of the settlement price. Thus, if a person buys one Treasury bill futures contract for delivery of December 81 Treasury bills (the standard contract provides for delivery of a $1 million face amount of 90 day bills) at 87.30 and the settlement price reaches 87.50, the person will be entitled to receive $500 in cash (the variation margin required for this contract is $25 per point).

II. USE OF COMMODITIES AND FUTURES CONTRACTS FOR TAX AVOIDANCE PURPOSES

Taxpayers are currently engaged in an astonishing variety of transactions, whose principal purpose is tax avoidance, involving commodities (*e.g.*, silver, soybeans, Treasury bills) and futures contracts for commodities. Although a strict categorization of these transactions is difficult, we have grouped them into five basic classes for purposes of analysis:

"Straddle transactions involving balanced positions in particular commodities. A taxpayer will enter into a futures contract obligating him to purchase a given quantity of a commodity in some future month and also enter into a futures contract obligating him to sell the same quantity of the commodity (or a closely related commodity) in some other future month. These transactions present the opportunity both to defer the payment of tax and to convert short term capital gain to long term capital gain.

"Cash and carry transactions. The taxpayer simultaneously acquires the actual commodity and contracts to sell the same quantity of the commodity in a future month. This is most effective with commodities in which the price difference between the months (the "spread") is primarily a function of the cost of carrying the commodity. In addition to deferral, this transaction permits the conversion of ordinary income to long term capital gain.

"Transactions involving Treasury bills and Treasury bill futures contracts. These transactions allow for both deferral and conversion of ordinary income to long term capital gain by capitalizing on the difference, for tax purposes, between a Treasury bill (not a capital asset) and a futures contract for a Treasury bill (a capital asset).

"Utilizing a provision of the Internal Revenue Code permitting dealers in securities to identify and segregate certain assets as held for "investment" and thus eligible for treatment as a capital asset. These transactions also involve both conversion and deferral.

"Straddle transactions which permit the recognition of an ordinary loss and an offsetting capital gain through manipulation of the "sale or exchange" requirement. This transaction is used to convert ordinary income into long term capital gain."

The most widely publicized of these techniques is the commodities straddle. As described above, the taxpayer contracts to enter into both a "long" and a "short" position in a commodity. Because the long and short positions are in different delivery months, the contracts do not automatically cancel each other with the clearinghouse. The offsetting contracts generally cover the identical commodity (e.g., short June silver—silver to be delivered in June—and long August silver) but may often involve the same commodity in a physically altered form (e.g., soybeans and soybean meal) or two or more commodities whose price movements are known to be highly correlated.

In a straddle transaction, the taxpayer's economic risk is not measured by the price change in the underlying commodity; a given price change will produce a gain in one position and a loss in the other. Rather, the risk in a straddle is a function of a change in the price relationship between the different delivery months. If the spread between the months remains stable, a movement (up or down) in the price of the underlying commodity will produce an unrealized gain in one position and an unrealized loss of approximately the same magnitude in the offsetting position. The effect is not unlike the movement of a child's seasaw.

In straddle transactions, the magnitude of the tax loss claimed in the first year substantially exceeds the overall economic loss inherent in the straddle position. Moreover, there is no impediment to achieving an indefinite deferral of the gain through the use of a series of such transactions in each year. The benefit derived from a simple straddle transaction is the ability to defer, or roll over, an amount of gain from one tax year to the next. The value of such a deferral can be viewed as a tax free loan from the government in an amount equal to the tax that would otherwise be due.

In addition to mere deferral, however, tax straddles can be used to convert short term capital gain into long term capital gain. In order to accomplish this objective the straddle position containing the unrealized gain must be the long position and the long must be held for at least 6 months. A short position (i.e., a contract requiring the holder to make delivery) will always produce short term capital gain or loss. If an appreciated long position is held for six months and thereafter sold at a gain, the gain will be long term.

The ideal commodity in which to place a tax straddle is one with significant volatility in the price of the underlying commodity, but a relatively stable price spread between delivery months. A taxpayer entering into a straddle in such a commodity waits for the expected price movement in the underlying commodity (either up or down), sells the loss leg (maintaining the position having the offsetting unrealized gain), and claims the full amount of the loss for tax purposes. In order to maintain the same minimal risk position, the taxpayer will immediately purchase a position identical to the one just sold (long or short, as the case may be) in the same commodity but in a different delivery month.

Although the use of precious metals futures contracts is widely publicized as a medium for tax straddles, the opportunity for deferral and conversion is present in trading in other nonagricultural, and agricultural, commodities. The requirements for a good straddle vehicle are met by any commodity with a sufficiently volatile price, spreads between months that closely reflect carrying costs, and sufficient market liquidity so that contracts can easily be entered into and offset.

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these transactions on their returns may be quite long. Accordingly, we believe that a legislative solution to these questions is necessary to curtail these abuses. We are confident that the Internal Revenue Service will ultimately prevail in the litigation, however.

As an example of a typical straddle, a taxpayer may be both long June 1981 and short August 1981 silver. When the taxpayer experiences a loss in his June 1981 silver position which meets his requirements for a tax loss, he will liquidate that position and will purchase another long position, possibly in February 1982 silver. He will remain in a straddle position (protected against price movements in the underlying commodity) and can dispose of both legs in the following tax year, yet he may claim a tax loss on his 1980 return attributable to the sale of the June 1981 position. The wash sale rules, which generally apply to the sale at a loss and repurchase within 30 days of substantially identical stock and securities, do not apply to transactions in commodities futures.

The risk of loss in a straddle transaction may be further minimized through the use of the so-called "butterfly" straddle. A butterfly straddle actually involves the purchase of two offsetting straddle positions; four contracts in all. In addition to the long June 81—short August 81 silver straddle described above, the taxpayer utilizing a butterfly straddle may purchase another straddle in which he is short August 81 and long October 81 silver. (The taxpayer's overall position is as follows: 1 long contract for June 1981 silver, 2 short contracts for August 1981 silver, 1 long contract for October 1981 silver). For a taxpayer in this position, any loss attributable to a change in the spread between months experienced with respect to one straddle position will be almost entirely offset by a gain attributable to the same change in the spread in the second straddle position. The spreads will move in the opposite direction from each other, but in approximately the same amount, thus reducing the economic risk attributable to a lack of stability in the spread between delivery months.

The Internal Revenue Service, in 1977, ruled that a loss in a silver straddle is not a deductible loss for federal income tax purposes. Rev. Rul. 77-185, 1977-1 C.B. 48. The ruling was not limited to butterfly straddles. The Service has applied a similar analysis in the case of losses claimed with respect to straddles involving other commodities. Rev. Rul. 78-414, 1978-2 C.B. 213 (straddle transactions in futures contracts covering Treasury bills).

The second basic category of transactions which we have identified as used for tax avoidance purposes are those referred to as cash and carry transactions. A cash and carry transaction afforts the taxpayer the opportunity both to defer the payment of income taxes and also to convert ordinary income (taxable at a maximum 70 percent rate) into long term capital gain (taxable at a maximum 28 percent rate). In the cash and carry transaction, the taxpayer acquires the actual commodity (e.g., silver) and simultaneously enters into a contract for the delivery of the same quantity of the commodity (a "short") more than one year hence. This transaction usually involves commodities in which the spread between the price of the actual commodity and the price for the futures contract is generally a function of the costs of carrying the commodity to the delivery month: storage charges, insurance, and an interest factor.

Thus, the spread acts to compensate the holder for the market's evaluation of the cost of carrying the commodity. Generally, this spread will not increase above the full carrying costs. To the extent that it does at any given point in time, arbitrageurs enter the market to profit from the disparity, causing the market to return to the equilibrium relationship between the spread and the actual carrying charges. The taxpayer holding the actual commodity may claim current deductions for the cost of storage, insurance, and interest paid on the indebtedness incurred to carry the commodity even though the spread compensates him for these costs. After a year, if the price of the underlying commodity has risen above the contract price for the short position, the actual commodity can be sold and the gain reported as a long term capital gain (there will also be a short term capital loss when the futures contract is offset.)

If the spot price is not in excess of the contract price of the short position, the taxpayer can deliver the physical commodity against his obligation under the short position. In either case, the gain from the sale or exchange of the commodity will be reported as a long term capital gain and the amount of the net gain will be substantially equal to the sum of the interest, storage, and insurance charges claimed as current deductions by the taxpayer. Thus, the taxpayer will have been able to defer an amount of ordinary income equal to the deductions claimed and to convert that ordinary income to long term capital gain.

The taxpayer in the cash and carry transaction is able to assure himself of being compensated for the carrying costs at the time the spread is entered into. Although the taxpayer may bear the risk that these costs will increase dramatically in the interim, the taxpayer may also be able to "lock in" the cost of borrowing, generally the major carrying cost, at the same time that he locks in the spread (which contains a component that compensates for the interest cost). This substantially reduces the risk that the carrying charges actually paid will exceed the spread between the spot price and the futures price when the position is established.

The third principal category of transactions in this area involves transactions designed to capitalize on the differential treatment, for tax purposes, of Treasury bills and Treasury bill futures contracts or other governmental debt obligations. Under current law, Treasury bills and other governmental obligations issued at a discount, with a fixed maturity not exceeding one year, are expressly excluded from the definition of a "capital asset" by section 1221(5). Gains and losses on the sale or exchange of a Treasury bill constitute ordinary income or loss and there is no need to segregate the portion of the original issue discount accrued during the time the obligation is held from the gain or loss realized upon the sale or other disposition of the obligation. Further, no part of the discount at which the obligation was originally issued accrues as income until the date on which it is paid at maturity, sold, or otherwise disposed of.

Although a Treasury bill is, by statute, excluded from the definition of capital asset, the Internal Revenue Service has ruled that, generally, a commodities futures contract for the delivery of a Treasury bill constitutes a capital asset. Rev. Rul. 78-414, 1978-2 C.B. 213. Accordingly, gain or loss recognized on the sale or exchange of such a futures contract constitutes a capital gain or loss.

The different tax treatment of Treasury bills and Treasury bill futures contracts (and other government obligations) has been used by taxpayers in transactions which both defer amounts of ordinary income and convert that income to short term or long term capital gain. One trading strategy involves the person entering into a Treasury bill futures straddle in much the same way that the taxpayer entered into the silver straddle described earlier. Assume, for example, that the taxpayer buys one contract for delivery of a Treasury bill in September 1981 (a "long") and sells one contract for delivery of a Treasury bill in December 1981 (a "short"), and that interest rates rise in the interim.

The rise in the interest rates will result in the September 1981 long position producing an unrealized loss and the December 1981 short position producing and an unrealized gain of approximately the same amount. The taxpayer will maintain this straddle position until the settlement date on the September contract, accept delivery of the Treasury bill, and immediately sell that Treasury bill on the market claiming an ordinary loss on the sale of the Treasury bill. The December short position would be closed out at the same time, producing a short term capital gain. The taxpayer can then use some other straddle, such as a silver straddle, to defer the recognition of this short term capital gain to a later taxable year and ultimately to convert it to a long term capital gain.

The fourth category of transactions which we have identified involve the use of a special provision of the Internal Revenue Code permitting dealers in securities to identify and segregate certain of their assets as held for investment. Under current law, gains and losses from property held primarily for sale to customers in the ordinary course of business are reported as ordinary income or loss. Gains and losses from property held for investment, however, are capital gains and losses. Under section 1236, however, persons who are dealers in securities are able to identify and segregate certain of their assets as held for investment, even though these assets are similar, or identical, to assets which are held as inventory, provided that they do so within 30 days of the date of acquisition.

We have discovered that partnerships are being organized, and interests in such partnerships sold to investors, which are intended to operate as so-called "broker dealers" and "market makers" with regard to a wide range of securities. It is claimed that these investments provide ordinary losses equal to some multiple of the taxpayer's cash investment (e.g., 3:1) with income recognition, often in some later year, at long term capital gain rates. These broker-dealer partnerships generate their ordinary losses and capital gains, in part, by establishing straddle positions in securities, and waiting up to 30 days for a price movement to produce a loss on one position and an offsetting gain in the other.

The partnership then identifies the loss position as inventory and the gain position as investment and closes out the straddle position, reporting an ordinary loss on the "inventory" asset and a capital gain on the "investment" asset. Although futures contracts on commodities and financial instruments, which are uniquely suited to the balanced position role, are not "securities" for purposes of section 1236, it appears that taxpayers may claim similar tax treatment for these gains or losses by analogy. It is not essential to the success of these schemes that the "investment" asset be held for more than one year. All that is needed is to produce an ordinary loss and an offsetting short term capital gain. As was demonstrated earlier, there are any number of straddle transactions that can be used to defer the short term capital gain and convert it to a long term gain in a later year.

The final category of transactions which we have identified as presenting opportunities for tax avoidance are certain straddle transactions which may directly convert ordinary income into long term capital gain as well as producing deferral of the income to a later year. Under the Code, a taxpayer generally recognizes gain or loss upon the "sale or other disposition" of property. In order for the gain or loss to constitute a capital gain or loss, the asset must be a capital asset in the taxpayer's hands and the disposition does not constitute a sale or exchange" of the asset. To the extent that a disposition does not constitute a sale or exchange, the gain or loss is ordinary.

Taxpayers are now entering into certain contracts, generally forward contracts (a forward contract is similar to a futures contract, except that it is separately negotiated

rather than standardized, and not traded on an exchange), as part of a balanced position. For example, the taxpayer may enter into a forward contract to purchase German marks in September 1982. On the same date, the taxpayer may enter into a forward contract with another person to sell the same or similar quantity of marks in December 1982. This is similar to the basic straddle transaction discussed earlier with its accompanying seesaw effect. With a fluctuation in the price of marks, there will be an unrealized gain with respect to one of the contracts and an unrealized loss with respect to the other contract. The taxpayer will cancel (in a disposition not amounting to a "sale or exchange") the contract showing the loss upon payment of an amount of money equal to the loss to the other party to the contract.

At the same time, the taxpayer will assign or sell to another party the contract producing the unrealized appreciation. In this type of forward contract straddle, the taxpayer will report an ordinary loss on the contract that was canceled equal to the amount paid to cancel the contract and a capital gain on the contract that was assigned, which will be long term if the contract has been held for more than one year. Thus, the transaction is used to convert an amount of ordinary income into long term capital gain. Although the above example illustrates this transaction using currency forward contracts, any form of forward contract where there is sufficient volatility in the price of the underlying commodity can serve as a ready vehicle.

III. PROPOSALS FOR LEGISLATIVE CHANGES

The Treasury believes that legislative action is necessary to stem the growing use of commodities and commodities related transactions for tax avoidance purposes. As we stated earlier, the Internal Revenue Service is actively litigating the tax issues involved in these transactions. Such litigation is likely to take many years to achieve a definitive resolution that would prevent taxpayers from claiming the benefit of these transactions on their returns. During such time, we expect that there will be a continued loss of tax revenues from such transactions; we estimate the revenue loss will be $1.3 billion in 1981. Decisive and clear cut action is needed to stop these tax avoidance schemes.

1. Straddle Transactions:

The Treasury proposal for the basic straddle transaction would establish a general rule for commodities and commodities related transactions, similar in approach to the "balanced position" rules of H.R. 1293. It would also establish a special rule for persons with a significant volume of transactions for whom the pairing of balanced positions is difficult.

Under the general rule, a taxpayer could not recognize a loss from a balanced position, in excess of the gain recognized as part of the same transaction, unless the taxpayer remained out of that position for 30 days. Any loss in excess of recognized gain would be treated as sustained for tax purposes at the close of the 30 day period unless the taxpayer disposes of all of the straddle positions before the running of the 30 day period. In that case, the loss would be treated as sustained on the day the person disposes of the last position.

A balanced position would be one in which the taxpayer's risk of loss is substantially reduced by reason of holding two or more positions in property. We propose that the Internal Revenue Code set forth a series of presumptions that would conclusively identify balanced positions. These positions are as follows:

(a) Positions in the same commodity, whether established in the actual commodity or a futures contract for the commodity.

(b) Positions with respect to the same commodity, but in a substantially altered form (e.g., silver and silver coins; soybeans and soybean meal).

(c) Positions in commodities with respect to which the margin, required by any exchange on which the commodity is traded or otherwise), for entering into the balanced position, is less than the aggregate margin required for each of the positions held separately.

(d) All positions in debt instruments and futures contracts for debt instruments.

(e) All such positions as the Secretary may, by regulation, prescribe.

The conclusive presumptions that would be set forth in (d) and (e) would not apply in those cases where the taxpayer can establish, to the satisfaction of the Secretary, that the positions are not offsetting.

Whenever a taxpayer is in a balanced position, the holding period for any property that is part of the balanced position would be suspended for the period that the position is considered balanced. Accordingly, a balanced position could no longer be used as a vehicle for converting short term capital gain into long term capital gain.

We also propose that a special rule apply in the case of persons who have a significant volume of commodities transactions. Most often, this rule would apply to persons who are traders in commodities. The volume of their transactions makes a balanced position rule, requiring the identification of particular positions, cumbersome to apply. There is also the risk that such a rule could be avoided by these market participants. In lieu of the balanced position rule, we propose that these persons be subject to a mandatory "mark to market" rule for their positions in futures contracts traded on an organized futures exchange. Because futures positions are marked to market on a daily basis under the normal operating rules of the exchange, with actual cash settlements on a daily basis, this rule does no more than make the tax laws reflective of the underlying market transactions.

The persons who would be subject to this special rule would be a class of traders in commodities. For these purposes, we would define a "trader in commodities" as any person who entered into more than 50 transactions in futures contracts traded on an organized exchange in at least 3 of the 4 quarters of the taxable year. A "transaction" would be defined as a single trade, regardless of the number of contracts that are part of that trade. This mark to market rule would apply only to positions in futures contracts on an established commodities exchange where there is marking to market and would apply to all persons who satisfy the volume test even if they engage in no straddle transactions. For positions in property that are not traded on such an exchange, the general rule, which requires the identification of balanced positions, would apply. All exchange traded futures contracts for persons subject to this special rule would be marked to market. There would be no need to identify balanced positions for exchange traded futures transactions.

Persons subject to this rule would be required to mark all of their positions to market at year end. As a practical matter, their net gain or loss will be approximately equal to the aggregate amount of variation margin to which they are entitled, or with respect to which they must pay in, during the year. A special valuation rule might have to be provided to discourage distortions in the settlement price of particular contracts at year end.

Under our proposal, gains and losses would be ordinary and losses could be carried over to prior and subsequent years under the current net operating loss rules. As part of our proposal, a transitional rule might have to be provided to deal with gains and losses accrued prior to the effective date.

As an additional part of this proposal, we would provide a special rule for those persons who meet the test to qualify as traders under our proposal, but who use the futures markets to hedge quantities of the physical commodities. Those persons would be permitted to designate certain of their futures contracts as hedges for actual commodities, and avoid marking to market these contracts. An exception such as this would apply only to the extent that the designated positions are actually being used as part of the normal activities of the business and are not being used for tax avoidance purposes.

2. Cash and Carry Transactions:

The Treasury proposal for cash and carry transactions adopts the approach of H.R. 1293. Carrying costs (such as storage and insurance, and interest on indebtedness incurred or continued to purchase or carry the property during the period of time that it is held as part of the balanced position) would be required to be added to the basis of the commodity. Thus, these costs would offset the gain on the sale of the commodity, preventing taxpayers from rolling over or deferring income to a later year and, in many cases, converting ordinary income to long term capital gain.

3. Treasury Bills and Treasury Bill Futures Contracts:

The Treasury proposal on this point would be to repeal the exclusion for short term, discount obligations from the definition of a capital asset. Thus, Treasury bills would be capital assets and gain or loss from sale or other diposition of Treasury bills would constitute capital gain or loss, provided that the security was a capital asset in the hands of the taxpayer. The holder of a Treasury bill would be required to take into account, as interest income, that part of the original issue discount accruing during the period of time the instrument was held.

For the vast majority of holders, this change will be of little consequence. Dealers in Treasury bills would continue to recognize all of the gain or loss as ordinary income or loss. For those persons who purchase bills at other than original issue, we further propose a change in the rules for computing original issue discount. The amount includible as interest on such a Treasury bill would be determined by reference to the amount of discount on the most recent, regularly auctioned Treasury bill maturing on the same date as the bill purchased. Thus, a person buying a Treasury bill with 10 weeks to maturity would be treated, for tax purposes, as accruing original issue discount with reference to the discount on 13 week bills maturing on the same date. No change is suggested in the rules of current law which require inclusion of this amount in income only upon the payment at maturity, sale, or other disposition of the obligation.

We do not believe that this change in the income tax treatment for Treasury bills will be damaging to the market for U.S. government obligations. In fact, the change in the treatment of Treasury bills may eliminate one distortion in the market which is now observed. In the month of December, deliveries of Treasury bills against futures contracts are abnormally high and have, on occasion, caused a squeeze in the deliverable supply of instruments. By removing the tax incentive to take or make delivery on Treasury bill futures contracts, this unusual market behavior may cease. Treasury has actively solicited comments on this proposal from members of the securities industry. To date, none have come forward to demonstrate that this proposal would be damaging to the market. We continue to be receptive to industry comments on this aspect of our proposal and are prepared to explore alternatives if it can be demonstrated that this aspect of our pro-

posals would detrimentally affect the market for Treasury securities.

4. Identification and Segregation of Assets by Securities Dealers:

Under the proposal, the 30 day period within which securities must be identified, for purposes of the special treatment provided in section 1236, would be shortened. For the gain from the sale or exchange of a security to qualify as capital gain under H.R. 1293, such security would have to be identified as held for investment by the close of the day following its date of acquisition. Our analysis indicates that this change in the time required for the identification of investment assets is appropriate. The requirement that the security not be held for sale to customers at any time following the close of the identification period would be retained, as well as the rule regarding the treatment sold at a loss.

In addition, we propose that section 1236 be amended to provide explicitly that any security constituting part of a balanced position will receive the unfavorable treatment mandated by section 1236 (i.e., capital loss and ordinary income), unless all securities that are a part of the balanced position are identified as investment securities on the dealer's records under the rules of section 1236. We believe that this change would simply clarify the treatment under current law of such balanced positions.

5. Sale or Exchange Requirement:

In order to eliminate the ability of taxpayers to convert ordinary income into capital gain or loss through manipulation of the sale or exchange requirement, we propose that the sale or exchange requirement of current law be eliminated. Thus, any disposition of a capital asset would yield a capital gain or loss.

Although this change may appear far reaching, we believe that it reaches the appropriate tax result without undue consequences. The character of the gain or loss ought to depend on the character of the underlying asset, not the method of disposition. This change might have consequences for the abandonment of assets and for casualty losses. Casualty losses generally produce an ordinary loss under current law and we would not propose changing this characterization. In the case of abandonment losses, however, to the extent that such losses may be recharacterized as ordinary under current law if a sale or exchange is avoided, we believe that the proposed change would achieve the proper tax result. The bulk of abandonments typically involve property used in a trade or business where a sale or exchange of such property also produces an ordinary loss. For property not covered by this provision of current law, we see no reason to permit taxpayers to elect the character of the gain or loss on disposition, depending on the mode of disposition.

IV. CONCLUSION

While our proposals will certainly have some effect on the quantity of transactions in the futures markets, we believe that, in the final analysis, they will improve the efficiency of these markets. It is incorrect to argue that the value of a market to the economy is measured by the quantity of transactions taking place there. In fact, a market is most valuable when the price of its goods—be they futures or any other goods—reflects best their inherent economic value. When values are distorted by tax considerations, the market is less efficient, not more, and some persons who would enter an efficient market may remain outside of an inefficient one. Our proposals improve the efficiency of futures markets by insuring that measured gains or losses from transactions reflect economic gains or losses. They also improve efficiency by insuring that traders enter into financial arbitrage when they believe that price differences between assets are too great, but when they believe that tax arbitrage offers them the possibility of profit without reference to financial considerations.

We believe that our proposals adequately deal with the problems that have arisen, and are likely to arise, with the use of the existing commodities contracts. We must point out that there are proposals to permit trading in a broad range of options (including options on Treasury bills), a futures contract based on the Standard & Poor's stock average, and even options on futures. We will be reviewing carefully the extent to which current law, and the new rules we have proposed, operate to prevent the use of any new financial instruments for tax avoidance purposes.

As I stated previously, the problem of the use of commodities related transactions for tax avoidance purposes raises very serious problems in the administration of the tax laws. The use of these transactions to defer the payment of tax and to convert ordinary income to long term capital gain must be eliminated. We urge this Committee to act to eliminate this abuse.

Mr. BENTSEN. Will the Senator from Ohio yield so I may congratulate the Senator from New York?

The PRESIDING OFFICER. The Senator's time has expired. Who yields time?

Mr. METZENBAUM. Mr. President, I yield the Senator from Texas 1 minute.

Mr. BENTSEN. I thank the Senator.

Mr. President, I congratulate the Senator from New York for what he proposed. I am very pleased to join in support of it.

Mr. MOYNIHAN. That is very generous of the Senator and characteristic of him.

Mr. BENTSEN. It has been used not just in avoidance of taxes but, I think, beyond that, frankly.

Mr. MOYNIHAN. I thank the Senator.

Mr. MITCHELL. Mr. President, I support the proposal which would eliminate the commodity straddle and produce a savings of $1.3 billion.

The gist of this proposal is simple. It would require Congress to curtail one of the most notorious and flagrant tax loopholes now in existence: the commodity straddle. It would take no money from legitimate government operations. It would take no money from legitimate business operations. It would impose no additional tax burden on any productive sector of our economy.

It would require that the wealthy investors who are seeking to minimize their tax obligations cease to use the futures markets for their tax avoidance schemes.

Last December, the Treasury Department reported that one individual made a $10 million gain in 1976 and 3 years later had paid not a penny of tax on it. Another individual with an income of $500,000 in 1 year paid no taxes at all because of paper losses in a commodity straddle. When individuals in this income bracket avoid even the modest tax liability that falls on working men and women, our entire system of voluntary taxpayments and equitable treatment of taxpayers is threatened.

The Department reported that 100 individuals in a partnership reported an ordinary loss of $46 million, a short-term loss of $20 million, and a long-term gain—taxable at lower rates—of $37 million. That "losing" partnership attracted so many new partners that the following year it proceeded to lose $70 milion, giving each participant a personal tax loss of $400,000, to write off against his income.

At a time when the Congress is contemplating substantial tax incentives and reforms to encourage the productive investment of capital in business and industry, there is no rational reason to permit the manipulation of capital in the futures markets whose only purpose is to artificially lower tax liability.

The Joint Committee on Taxation found in a recent study that the straddle technique has expanded and is now being used in the buying and selling of Treasury bills, in GNMA certificates, and in broker-dealer partnerships.

In all cases, the tax avoidance scheme hinges on the creation of artificial losses—paper losses—which are written off against real income, whether the losses are disguised as futures contracts losses or the gains are converted to long-term capital gains which have a much lower tax rate. The committee found that in one district, 51 partnerships had managed to generate aggregate losses of over $280 million. Two other partnerships, involving some 250 individuals, managed to generate $110 million in losses from straddles.

The growth of this tax avoidance technique ought not be condoned. At a time when we are cutting back drastically on needed programs that serve the most vulnerable in our society, when we are seeking to reduce spending for productive Government programs that help businesses grow and prosper; when we are faced with administration calls for severe cuts in such basic safety net programs as the social security program, it is unconscionable to permit $1.3 billion in revenues to be lost to unproductive tax avoidance schemes of this kind. It is even more foolish to permit millions of dollars of potentially productive capital to be diverted into risk-free tax shelters when we are making an aggressive effort to increase tax incentives for the risk-taking, entrepreneurial activity on which our Nation's future economic growth and prosperity depends.

An earlier effort to eliminate this tax loophole was side-tracked on procedural grounds. No such obstacle exists in connection with this resolution. I believe the amendment is not only very germane to the resolution before us, but essential to our Nation's economic prosperity and to restoring the faith of ordinary citizens in the essential fairness of our tax laws.

UP AMENDMENT NO. 84

(Purpose: To eliminate the special capital gains treatment for certain timber)

Mr. METZENBAUM. Mr. President, at this time I send an amendment to the desk and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. Is the Senator from Ohio wishing to set aside his first amendment?

Mr. METZENBAUM. It is my understanding under the order heretofore entered last evening that the amendment will come up for final passage at 10:45, am I correct?

The ACTING PRESIDENT pro tem-

pore. That is true if the yeas and nays have been ordered.

Mr. METZENBAUM. Mr. President, I ask for the yeas and nays on the first amendment.

The ACTING PRESIDENT pro tempore. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The ACTING PRESIDENT pro tempore. The clerk will report the second amendment.

The bill clerk read as follows:

The Senator from Ohio (Mr. METZENBAUM) proposes an unprinted amendment numbered 84.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 2, line 6, strike out "$650,300,000,000" and insert "$650,985,000,000".

On page 2, line 11, strike out "$51,300,000,000" and insert "$50,615,000.000".

On page 3, line 4, strike out "$48,800,000,000" and insert "$48,115,000,000".

On page 3, line 9, strike out "$1,091,200,000,000" and insert "$1,090,515,000,000".

Mr. METZENBAUM. Mr. President, this amendment is offered to again indicate the discrimination that this budget contemplates. Those people who grow timber in this country pay taxes on their profits on the basis that they are capital gains and, as a matter of fact, they get a special kind of preferential treatment that anybody else in the country who grows a product, cotton, corn, wheat, soybeans, rice, whatever it may be, do not get and. as a consequence. the Treasury Department, and the Joint Committee on Taxation indicate that the Federal Treasury will suffer a loss in the sum of $685 million in 1982, $670 million in 1983, $865 million in 1984, $975 million in 1985, and $1.095 billion in 1986. That means we are talking about a total in 5 years of $4.290 billion.

My amendment would reduce the deficit in 1982 by $685 million. I know that somebody may say, "Well, if you pass this amendment they will strip all the land before the amendment becomes effective." There will be an argument that it should be treated as a capital gains. But as you go around the country and you watch the TV ads, which are wonderful, that Weyerhaeuser puts on they show you how they are seeding the fields and how they are growing timber all over the country, and they show you how they go back every so often and reforest, and I think that is great. But I do not know why we should have this kind of discrimination in favor of the timber companies of this country and against every other grower, particularly when this truly benefits those who are some of the substantial corporations in the country, and we discriminate against the small family farmer who pays full taxes on his or her income.

As a matter of fact, this amendment has an affect on especially favorable treatment for two highly specialized companies dealing in paper and allied products, and lumber and wood products. These are not small industries. These industries are dominated by a few very large corporations. Five corporations account for one-half of the capital gains claimed.

Furthermore, these two industries take 29 percent of all the corporate capital gains even though they only account for 4 percent of the corporate taxable income. That is what I am talking about with this amendment. This amendment is an indication of another discriminatory procedure that exists in our laws and it does not make good sense if we are going to be fair, just, and equitable.

This amendment is trying to say, "Look, if you want to have a budget that is fair to all the people of the country, then you ought not to have a budget that includes tobacco subsidies and not make any cut in that area, that includes water projects and make almost an insignificant cut in that area, that has special tax privileges for the affluent few and discriminate against those who do not have well-heeled lobbyists around Washington."

Mr. President, this amendment is my way of saying there is another kind of discrimination that exists in the law and we, on the floor of the Senate, ought to be willing to pick up that over $4 billion in the next 5 years.

Mr. President, I know that my good friend from Washington wishes to be heard on this subject, and at the conclusion of his remarks I may have some further response, but I want to advise at this point that I intend to withdraw this amendment and not put it to a vote.

The PRESIDING OFFICER (Mr. SYMMS). The Senator from Washington.

Mr. GORTON. I thank the Chair.

I am, of course, encouraged by the last remark of the Senator from Ohio which indicates that this amendment has been presented simply to allow a debate on the subject rather than as a result of a serious desire at this point, at least, to change the law which is now some 36 years old. I hope that upon adequate reflection the Senator from Ohio would not only withdraw the amendment but would come to be a supporter of the policy which is represented by the present capital gains treatment of standing timber.

It is, of course, utterly invalid to say that the budget which we are debating here today shows its discrimination by treating timber on a capital gains basis. This type of capital gains treatment has now been a part of the Tax Code of the United States for the past 37 years.

On many occasions in this body proposed changes in tax laws are debated upon the basis of a prediction as to their future effect, as to whether or not they will help to develop a particular area of the economy, to provide jobs, to cause people to plan for the future or, on the contrary, whether they will result in unjustified profits and preferences for given individuals or given corporations. At best, when we are looking at the future we can only guess or estimate the possible results.

In connection with this particular kind of capital gains treatment, however, we can see the results of 37 years of history. In the years immediately preceding 1944, at which time the law was changed, there was a constantly decreasing supply of unharvested timber on the private lands of the United States.

Ever since 1944, and the change in the law which encouraged not just cutting and running but management of timberlands of the future, the supply of timber available to the people of the United States in the future has increased. This, of course, was the goal of the Members of Congress in 1944 who made this change. That goal has been reached, and there is no point in abandoning it now.

The greatest renewable natural resource available to the people of the United States is in its timber. It differs from most other nonrenewable natural resources in exactly that fashion. Because the tax changes have been successful is the best argument for its retention.

Now, at the same time, one might say it has created profits which are too great for these particular enterprises. And yet the history over the same period of time shows that the profits of the large corporations and of individual landowners who manage their land for timber for the future have not only not been larger than comparable industrial concerns but are somewhat smaller than they are. This is not a case of large petroleum companies or other natural resource companies whose profits have been exceedingly large. By treating the sale of standing timber as a capital asset, we have seen to it that the profits of both individuals and corporations in this area are reasonable.

Finally, of course, this is not something which is discriminatory against analogous forms of economic activity. Those illustrated by the Senator from Ohio were cotton, soybeans, wheat, and other crops. Agriculture crops grow and are harvested in a single year. In some fortunate circumstances in some parts of this Nation more than a single crop a year is grown.

Timber, on the other hand, takes a minimum of 20 years to become a usable crop in the Southeast; more like 40 years under many sets of circumstances. In the part of the Nation represented by the President and myself, that period of time is anywhere from 30 to 100 years between single crops.

What other kind of asset sold after 40 or 50 or 100 years is treated on the basis of ordinary income? The answer is none. As a matter of fact, many assets, most assets, which are now treated as capital gains are sold in a far shorter period of time than is the case with a single crop of timber on a single piece of timberland.

The effect of this amendment is, in one sense, the same as the effect of the preceding amendment. It would not require the Finance Committee to change the law in respect to the capital gains treatment of timber. It would simply require the Finance Committee to assure that another $600 million to $1 billion a year in revenues came into the Treasury in the course of the next year.

If we make the same assumption which the Senator from Ohio makes, that, in fact, the passage of this amendment would result in the change for which he speaks, we must point out that it would

harm the economy. It would cause people to be less likely to plan for the future. It would treat unfairly a business which is not above average in its returns at the present time, and it would reverse 37 years of successful economic history which demonstrates not that this is an unfair tax advantage but a wise one for the future of the country.

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Mr. President, I offered this amendment in order to make the point. I see no useful purpose in taking a vote. I withdraw the amendment at this time.

The PRESIDING OFFICER. The amendment is withdrawn.

UP AMENDMENT NO. 85

(Purpose: To eliminate the expensing of intangible drilling and exploration and development costs)

Mr. METZENBAUM. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Ohio (Mr. METZENBAUM) proposes an unprinted amendment numbered 85.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 2, line 6, strike out "$650,300,000,000" and insert "$653,245,000,000".

On page 2, line 11, strike out "$51,300,000,000" and insert "$48,355,000,000".

On page 3, line 4, strike out "$48,800,000,000" and insert "$45,855,000,000".

On page 3, line 9, strike out "$1,091,200,000,000" and insert "$1,088,255,000,000".

Mr. METZENBAUM. Mr. President, it looks to me as if I ought to go to a vote right at this moment. I will not do that.

This issue has to do with the matter of intangible drilling and exploration and development costs and the right of oil companies to write off those costs in the first year.

This is a very, very expensive procedure. It is a special kind of discriminatory procedure that exists in favor of the oil companies. No other industry in America has that right. And that is illogical, because the oil companies are the last group in industry at the moment that needs any help.

Last year their profits absorbed somewhere between 40 and 42 percent of all the profits of American industry. But what do we do for them? We give them special tax gimmicks such as this one.

Now there may have been an argument made for it in yesteryear. But the fact is that yesteryear is not today, and now is the time we ought to be getting rid of it. I am a realist enough to know that the oil companies continue to be, through their lobbying efforts, more powerful than the President of the United States and the Members of the Congress, be they Democrat or Republican.

This revenue loss is extremely substantial. It amounts to almost $3 billion in 1982; $3.5 billion in 1983; $4 billion in 1984; over $4.5 billion in 1985, and over $5 billion in 1986.

Over the 5-year period, this issue, this right to write off the intangible drilling costs in the first year, will cost the U.S. Treasury over $20 billion. Now with the decontrol of oil and the partial decontrol of natural gas, there is absolutely no further reason for special treatment of these development costs.

Oil company profits are soaring; petroleum producers' profits constituted almost 40 percent of all the oil industry profits last year. The fact is that there has been a little falloff in the last few months, but not enough to get very excited about. You may be certain that those profits will turn around in the immediate future.

In 1980, oil company profits rose more than 25 percent—Exxon, over $5½ billion; Mobil, almost $2.3 billion; Texaco, $2.2 billion; Amoco, almost $2 billion; Sohio, $1.8 billion; and Arco, $1.6 billion. And Sohio's 1980 profits were a 51-percent increase over 1979 profits.

Now some will say, "But the oil industry may have some future problems. Things may not be as good for them. There is a glut of oil in this country."

Well, let me give you a quote from a Phillips Petroleum Co. vice president made on February 22 of this year:

Energy is going to be higher than a kite and we are going to make tons of money.

Now, what could be more absurd than that?

Before the windfall profit tax was enacted, there were studies made in which Congressman Vanik reported to the American people that oil companies were paying somewhere between 3 and 7 percent of their profits as taxes. Now that just does not make sense.

Let me explain how this procedure works.

John Blair, in a book called "The Control of Oil," wrote as follows:

In a typical drilling operation, from one-tenth to one-quarter of the total outlay pays for the derrick, pipe in the ground, and other immovable material and equipment, while the other nine-tenths to three-fourths, that is, the intangible drilling expenses, goes for wages and salaries, fuel, machine and tool rental, cost without salvage value.

In any other industry, the latter would be regarded as part of the cost of developing an income producing property, and together with the original outlay would constitute a capital cost to be amortized gradually over the useful life of the property. But in the oil industry, the intangible drilling expenses may be deducted in the year in which they are incurred. The result of this extraordinarily rapid amortization is a huge first year deduction which can be used to shelter an equivalent amount of taxable income from other sources.

What I am saying is this: If General Motors, United States Steel, IBM, or any other company in this country, or the smallest business operator in this country, buys some new equipment, whether it is intangible or tangible, puts it into their plant and starts to operate with it, they must, under the law, expense it over a period of years, whatever the number of years may be, depending upon the useful life. We have proposals before us that are called 10-5-3, we have other proposals before us called 2-4-7-10, but the oil industry gets that discriminatory benefit in favor of itself and in favor of no other industry in America, permitting them to write off 100 percent of the intangible drilling costs in the first year.

Mr. President, that is rank and raw discrimination. It is discrimination in favor of an industry that needs no assistance. It is wrong. It is inequitable. It is unfair to the rest of the American economy. It is another instance in which the tax laws of our country have been drafted and formed so that a few may not pay their fair share of the tax burden while so many others have to pay taxes in accordance with the general laws of this country.

Mr. President, I reserve the remainder of my time.

Mr. HATCH addressed the Chair.

The PRESIDING OFFICER (Mr. QUAYLE). The Senator from Utah.

Mr. HATCH. Mr. President, I remember back in 1977 when an identical amendment was offered which was filibustered by the distinguished Senator from Ohio and his partner Jim Abourezk. The purpose of that amendment was to stop the deregulation of natural gas in America which, as we have found out, has given incentives to the private sector to find more oil and gas and start to alleviate the 47-percent dependency that we have on foreign oil and gas supplies.

Thank goodness, that amendment passed.

I might add that since deregulation has occurred, drilling rigs have jumped from around 1,800 a day working to find more oil and gas in America to 3,800, and that is going up every day.

Thank goodness that the approach of the distinguished Senator from Ohio, who is a good friend of mine here in this body, and for whom I have the highest esteem, was not accepted. It has been rejected by this country, and, I might add, by the Congress, for the most part.

One proposal that he supported and voted very strongly for was the windfall profit tax, which has added $20 billion to the cost of finding oil and gas in America. It was sold as a tax against the oil companies when, in fact, it is nothing more than an excise tax payable by the consumers of America. All this so we could keep this voracious money grabbing and shredding machine called the Federal Government going with programs that really are not working.

That is why Ronald Reagan was elected President of the United States.

Anybody who knows the slightest thing about the oil business realizes that the reason we were energy self-sufficient, the reason that we have been able to accomplish all that we have been able to accomplish in this country's history, the reason we have had cheaper energy for so long and have built our industrial facilities and plants to such unprecedented heights is because, in many respects, the

oil industry was out there finding oil and gas to be able to alleviate the dependency that we now suffer as a result, in part, of too much overregulation and too much of the philosophy articulated by my good friend from Ohio.

This amendment raises the fiscal year 1982 revenue by $2.9 billion. This means only one thing, that it is a tax on the oil companies and a tax on the consumers. They are in the business to make money, to make profits. They pass on all of these additional charges in the form of higher user costs and higher energy costs to the American people.

This would be $2.9 billion more in taxes than the President has recommended.

I might add that one of the reasons we have been able to find oil and gas in America is because there are basically two types of drilling. One is developmental, where they know that they have acreage with proven discovery of oil and gas. The other is what we call wildcatting. If this country is going to resolve its conflicts over energy and produce more energy, we have to increase our wildcat drilling and development in America.

Wildcat drilling may prove to be the salvation of America and of our industrial complex which fuels and keeps this country going like nothing else can.

The reason oil companies are allowed to expense intangible drilling and development costs of production is because of the high risk involved in wildcat drilling not only here in America but wherever. Wildcat drilling in this hemisphere, at least from an American standpoint, primarily has to occur offshore, in the overthrust belt, or in certain other areas of Texas, Louisiana, Oklahoma, and so forth. The fact is that the intangible drilling and development cost deduction has been a basic and major reason why the private sector has been willing to take the risk, the high risk, of going out and finding more oil and gas.

Now is not the time to be raising taxes on energy production, especially on the heels of the windfall profit tax, which has cost Americans dearly, just so this voracious money-grabbing and shredding machine called the Federal Government can continue to fuel inflation with its big spending practices to the detriment of everybody in America and, I might add, throughout the world.

Most wildcat drilling results in dry holes. Recently, I met a wildcat driller down in Wichita Falls, Tex., who hits only 5 out of 100 wells, but those 5 are crucial to energy in this country.

So this provision of the intangible drilling and development cost deduction actually provides some incentives to take those extraordinary risks that have to be taken if we are going to have some degree of energy independence in order to keep this country moving in the right direction. We would oppose, and I think the administration vociferously opposes, this particular amendment.

Mr. BENTSEN addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. BENTSEN. Mr. President, I rise in opposition to the amendment.

Mr. METZENBAUM. On whose time, Mr. President?

The PRESIDING OFFICER. Who yields time?

Mr. HATCH. Mr. President, I yield to the Senator from Texas such time as he may desire.

Mr. BENTSEN. The Senator from Ohio and I have fought this issue a number of times, Mr. President. We had the problem during the natural gas debate. At that time we were experiencing brownouts, schools and factories were closing.

We won the fight and started the deregulation of natural gas.

Since that time, we have had an actual net increase in the natural gas reserves in this country.

Now we must fight the loss of IDC's—intangible drilling costs. They constitute about 70 percent of the cost of a well. Labor, materials, and fuels are a few examples necessary for exploration and development. They represent cash flow. The cash flow that is 90 percent of the exploratory wells in this country are being drilled by independents. They are finding 75 percent of the new reserves. They are drilling more than they ever have, and that is great.

The Senator from Ohio is talking about changing this by eliminating the IDC. That is a strange approach when, at the very time he is talking about eliminating IDC's, we are talking about accelerating depreciation for industry—every other kind of industry. Even with the various plans, 10-5-3, 2-4-7-10, the lowest one I know of says it will increase the depreciation schedule by 50 percent. Why? So they will have more cash flow to spend, to reinvest, so we can start rebuilding America.

What is one of the toughest problems we have in this country? The problem of energy. Where do we have the most dependence on foreign sources, unstable foreign sources? Again, energy. So, what we are saying here, Mr. President, with this kind of amendment is that we want to cut off the cash flow that goes to that independent who is going out there and finding the new oil and gas, because it is working too well.

Let us turn that around. Let us treat them differently than we treat all the rest that we are trying to help by accelerating depreciation. Let us head in the other direction for the oil industry.

It is an interesting thing, the oil industry. My friend was talking about the great power of the oil industry. Yet I do not know of another industry who has more problems in public relations than the oil industry has. I understand the Senator from Ohio, his point of view, and his amendment. However, I say to my friend that IDC's do not mean as much to the major oil companies as to the independents.

My friend talks about the majors last year increasing their profits. He is right. The great part of that came from decontrol of the price of oil. But then, Congress turned around and enacted a windfall profit tax to take $227 billion over the next decade in additional taxes, part of that from the independent.

I opposed that act because, to the extent you tax independents, you are providing less money to invest in new drilling. The independent has a history of putting 105 percent of everything he brings out of the ground back into the ground. He is the fellow who is always going to make the big strike, he thinks. Thank goodness, a few of them do. That keeps the incentive working.

Another thing is depletion. There are over 120 items that are subject to depletion—all the way from asbestos to marble to oil and gas. But whom do they decide to cut back? Oil and gas, because it is politically unpopular.

So, Mr. President, whether it is an elimination of IDC's or depletion or a windfall profit tax, these items hamper the independent producers, hamstring them so they cannot solve the energy problems of this country. This will lead to a continued dependence on Middle East oil, a drain of billions of dollars from our economy and a hemorrhaging of funds that adds to the inflation of our country.

No, Mr. President, this amendment is ill-conceived. It will not accomplish its objective, for it would cut back on the cash flow of the independent, and would reduce the drilling for oil and gas in this country. That would be a serious mistake, directly in the opposite direction we are going in the Senate Finance Committee and the House Ways and Means Committee. Trying to do the things to increase the cash flow to rebuild America, building its energy resources is one of our major objectives. One for which we ought to fight.

Mr. President, I urge this body again to reject this amendment.

The PRESIDING OFFICER. Who yields time?

Mr. METZENBAUM. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Who yields time?

Mr. METZENBAUM. Mr. President, argument has been made against this amendment that, somehow, it relates back to the issue of phased decontrol of natural gas. The argument has been made that because we did that, we provided in the Senate for the private sector to find more. I do not think we should do that. If you have good business sense, of course you should try to find more.

But let me point out that the reason this developed immediately after the passage of the bill having to do with phased decontrol of natural gas related directly to the fact that the natural gas companies—which, in the main, were the oil companies of this country—took the caps off the wells. Fifteen separate governmental studies indicated that those wells had been capped and they immediately took those caps off and we had a glut. They call it a bubble. They were embarrassed about it because there was so much gas, because it had been there all the time, but they were hiding it from the American people.

The other argument is made, do not do this to the oil companies. Do not say

to them that they ought to pay their fair share of taxes because they are doing such a great job producing oil. Actually, they are producing less oil today than they were producing when it was $2 and $3 a barrel. I believe it is down to 7 million barrels a day, from about 9 million, and they are getting 18 to 20 times as much.

However, even that is not the issue. I do not have any quarrel in this debate as to what the price is or whether they are making a profit or not. What I am saying is that this is discriminatory; this is unfair.

My good friend from Texas pointed out:

> Let us not treat that differently than we treat all the rest.

He pointed out that we are now moving toward 10–5–3 or 2–4–7–10. I do not have any quarrel on that issue. I will look at the specifics of those proposals when they come before us.

All I am saying in this amendment is this: Let us treat the oil companies in the same manner we treat the rest of American industry, and that is exactly what the Senator from Texas was saying.

I am not saying that we should eliminate the right to write off their intangible drilling costs. Of course not. I would not think of suggesting that. I am just saying that we should treat them equally with the rest of American industry.

As for the rest of American industry, we are going to do a lot of great things for them. As a matter of fact, we probably are going to do so much for them that we are going to let them write off more than 100 percent of the actual cost of the profits they are writing off. We are going to give them an investment tax credit of 10 or 20 percent and let them revert to the 100-percent figure for the purpose of depreciation; and when they are done, they will have written off something in the area of 100 percent of their actual cost, which is exactly what the law is today.

Even that I am not questioning. But why should the oil companies have not only the investment tax credit but also have the right to write off their intangible drilling costs in the first year? Who made them so much better than the rest of American industry? Let us treat them equally. Let us not discriminate against American industry.

As I said in connection with the capital gains issue for farmers, let us not discriminate against farmers in favor of timber companies.

As I said with respect to tobacco subsidies, let those who get tobacco subsidies share in the burden that the President has asked the rest of us to share in this country.

As I have said many times before, let us just be fair. Let us not treat western water projects better than we treat eastern projects. Let us have some equity in this budget.

This amendment is an effort to eliminate the discrimination that presently exists in our tax laws.

Mr. President, my whole effort today and yesterday was to convince the Members of the Senate—not to prevail upon them, because I never really thought I could prevail upon them; I can count noses as well as anyone else—but to attempt to prove that this budget is very unfair and unjust and inhumane and discriminates against the people of this country, the poor people, the middle-class Americans, people who live in the Northeast and the Midwest.

Nobody argues with the President's objective. Nobody says that the President is off base in attempting to balance the budget. Nobody says that there was not a message in the last election that the Government is too big and that we should do something about it.

I honestly believe that if the President were made aware of some of the discrimination that continues to exist in our tax laws and in some of the other programs, the subsidy programs, with favoritism to the West and the South as against the Northeast and the Midwest, I do not think he would agree with it.

These amendments are not going to be adopted, but I believe it is important that the issue be made that this budget is very unfair and is a discriminatory budget, that it really is going to provide great harm and great suffering to millions of Americans when it need not do that.

AMENDMENT NO. 50

The PRESIDING OFFICER. All time has expired.

The question is on agreeing to the amendment of the Senator from Ohio (No. 50). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Minnesota (Mr. DURENBERGER) and the Senator from Florida (Mrs. HAWKINS) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Nevada (Mr. CANNON), the Senator from Hawaii (Mr. MATSUNAGA), and the Senator from Rhode Island (Mr. PELL) are necessarily absent.

The PRESIDING OFFICER (Mr. ARMSTRONG). Is there any other Senator wishing to vote?

The result was announced—yeas 32, nays 62, as follows:

[Rollcall Vote No. 103 Leg.]

YEAS—32

Baucus	Exon	Moynihan
Bentsen	Ford	Nunn
Biden	Glenn	Pressler
Bradley	Hart	Proxmire
Byrd, Robert C.	Inouye	Randolph
Chiles	Jackson	Riegle
Cohen	Kennedy	Sarbanes
Cranston	Leahy	Specter
DeConcini	Levin	Tsongas
Dodd	Metzenbaum	Williams
Eagleton	Mitchell	

NAYS—62

Abdnor	Danforth	Hayakawa
Andrews	Denton	Heflin
Armstrong	Dixon	Heinz
Baker	Dole	Helms
Boren	Domenici	Hollings
Boschwitz	East	Huddleston
Burdick	Garn	Humphrey
Byrd, Harry F., Jr.	Goldwater	Jepsen
	Gorton	Johnston
Chafee	Grassley	Kassebaum
Cochran	Hatch	Kasten
D'Amato	Hatfield	Laxalt
Long	Percy	Stennis
Lugar	Pryor	Stevens
Mathias	Quayle	Symms
Mattingly	Roth	Thurmond
McClure	Rudman	Tower
Melcher	Sasser	Wallop
Murkowski	Schmitt	Warner
Nickles	Simpson	Weicker
Packwood	Stafford	Zorinsky

NOT VOTING—6

Bumpers	Durenberger	Matsunaga
Cannon	Hawkins	Pell

So Mr. METZENBAUM's amendment (No. 50) was rejected.

UP AMENDMENT NO. 85

The PRESIDING OFFICER. The vote now recurs on the next pending Metzenbaum amendment. The question is on agreeing to the amendment of the Senator from Ohio. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Minnesota (Mr. DURENBERGER), and the Senator from Florida (Mrs. HAWKINS) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS) and the Senator from Nevada (Mr. CANNON) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 12, nays 84, as follows:

[Rollcall Vote No. 104 Leg.]

YEAS—12

Biden	Jackson	Pell
Bradley	Kennedy	Proxmire
Dodd	Metzenbaum	Tsongas
Eagleton	Moynihan	Williams

NAYS—84

Abdnor	Goldwater	Murkowski
Andrews	Gorton	Nickles
Armstrong	Grassley	Nunn
Baker	Hart	Packwood
Baucus	Hatch	Percy
Bentsen	Hatfield	Pressler
Boren	Hayakawa	Pryor
Boschwitz	Heflin	Quayle
Burdick	Heinz	Randolph
Byrd, Harry F., Jr.	Helms	Riegle
	Hollings	Roth
Byrd, Robert C.	Huddleston	Rudman
Chafee	Humphrey	Sarbanes
Chiles	Inouye	Sasser
Cochran	Jepsen	Schmitt
Cohen	Johnston	Simpson
Cranston	Kassebaum	Specter
D'Amato	Kasten	Stafford
Danforth	Laxalt	Stennis
DeConcini	Leahy	Stevens
Denton	Levin	Symms
Dixon	Long	Thurmond
Dole	Lugar	Tower
Domenici	Mathias	Wallop
East	Matsunaga	Warner
Exon	Mattingly	Weicker
Ford	McClure	Zorinsky
Garn	Melcher	
Glenn	Mitchell	

NOT VOTING—4

Bumpers	Durenberger	Hawkins
Cannon		

So Mr. METZENBAUM's amendment (UP No. 85) was rejected.

Mr. BAKER. Mr. President. I move to reconsider the vote by which the amendment was rejected.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, could we have order in the Senate?

The PRESIDING OFFICER. The majority leader is recognized.

ORDER FOR VOTING AT 9 P.M.

Mr. BAKER. Mr. President, it has been brought to my attention that there are a number of meetings on both sides of the aisle between 12 and 2 o'clock. I think it would accommodate the Senate if we were to continue the debate but not have rollcall votes until 2 o'clock. I ask unanimous consent that any rollcall votes ordered between 12 o'clock and 2 o'clock be stacked and occur at 2 o'clock in sequence and the first vote be 15 minutes and any subsequent votes will be back to back and 10 minutes each.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, and I do not object, I support the majority leader in the request and I thank him for making the request.

Mr. BAKER. Mr. President, I thank the minority leader.

The PRESIDING OFFICER. Is there objection to the request of the majority leader? Hearing none, it is so ordered.

Under the previous order the Senate will now proceed to the consideration of the Bradley amendment.

UP AMENDMENT NO. 86

(Purpose: To restore funds for certain programs)

Mr. BRADLEY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from New Jersey (Mr. BRADLEY) on behalf of himself, Mr. KENNEDY, Mr. BIDEN, and Mr. RIEGLE, proposes an unprinted amendment numbered 86.

Mr. BRADLEY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 2, beginning with line 1, strike out through line 15 on page 23 and insert the following:

(a) The following budgetary levels are appropriated for the fiscal years beginning on October 1, 1981, October 1, 1982, and October 1, 1983:

(1) the recommended level of Federal revenues is as follows:

Fiscal year 1982: $653,400,000,000;
Fiscal year 1983: $712,400,000,000;
Fiscal year 1984: $774,300,000,000;

and the amount by which the aggregate levels of Federal revenues should be decreased is as follows:

Fiscal year 1982: $51,300,000,000;
Fiscal year 1983: $97,100,000,000;
Fiscal year 1984: $144,800,000,000;

(2) the appropriate level of total new budget authority is as follows:

Fiscal year 1982: $776,900,000,000;
Fiscal year 1983: $815,000,000,000;
Fiscal year 1984: $867,900,000,000;

(3) the appropriate level of total budget outlays is as follows:

Fiscal year 1982: $700,100,000,000;
Fiscal year 1983: $732,400,000,000;
Fiscal year 1984: $773,300,000,000;

(4) the amount of the deficit or surplus in the budget which is appropriate in the light of economic conditions and all other relevant factors is as follows:

Fiscal year 1982: —$46,700,000,000;
Fiscal year 1983: —$20,000,000,000;
Fiscal year 1984: +$1,000,000,000;

(5) the appropriate level of the public debt is as follows:

Fiscal year 1982: $1,089,100,000,000;
Fiscal year 1983: $1,152,900,000,000;
Fiscal year 1984: $1,196,600,000,000;

and the amount by which the temporary statutory limit on such debt should be accordingly increased is as follows:

Fiscal year 1982: $89,300,000,000;
Fiscal year 1983: $61,700,000,000;
Fiscal year 1984: $42,300,000,000.

(b) Based on allocations of the appropriate levels of total new budget authority and of total budget outlays as set forth in paragraphs (2) and (3) of the preceding subsection of this resolution, the Congress hereby determines and declares pursuant to section 301(a) of the Congressional Budget Act of 1974 that, for the fiscal years beginning on October 1, 1981, October 1, 1982, and October 1, 1983, the appropriate level of new budget authority and the estimated budget outlays for each major functional category are respectively as follows:

(1) National Defense (050):
Fiscal year 1982:
(A) New budget authority, $225,400,000,000;
(B) Outlays, $188,000,000,000.
Fiscal year 1983:
(A) New budget authority, $254,300,000,000;
(B) Outlays, $221,100,000,000.
Fiscal year 1984:
(A) New budget authority, $289,200,000,000;
(B) Outlays, $250,300,000,000.

(2) International Affairs (150):
Fiscal year 1982:
(A) New budget authority, $16,800,000,000;
(B) Outlays, $11,100,000,000.
Fiscal year 1983:
(A) New budget authority, $16,100,000,000;
(B) Outlays, $11,500,000,000.
Fiscal year 1984:
(A) New budget authority, $17,200,000,000;
(B) Outlays, $12,000,000,000.

(3) General Science, Space, and Technology (250):
Fiscal year 1982:
(A) New budget authority, $7,400,000,000;
(B) Outlays, $7,100,000,000.
Fiscal year 1983:
(A) New budget authority, $8,200,000,000;
(B) Outlays, $7,600,000,000.
Fiscal year 1984:
(A) New budget authority, $8,000,000,000;
(B) Outlays, $7,900,000,000.

(4) Energy (270):
Fiscal year 1982:
(A) New budget authority, $4,400,000,000;
(B) Outlays, $6,900,000,000.
Fiscal year 1983:
(A) New budget authority, $3,800,000,000;
(B) Outlays, $6,500,000,000.
Fiscal year 1984:
(A) New budget authority, $2,800,000,000;
(B) Outlays, $4,900,000,000.

(5) Natural Resources and Environment (300):
Fiscal year 1982:
(A) New budget authority, $8,400,000,000;
(B) Outlays, $12,800,000,000.
Fiscal year 1983:
(A) New budget authority, $10,700,000,000;
(B) Outlays, $11,800,000,000.
Fiscal year 1984:
(A) New budget authority, $10,800,000,000;
(B) Outlays, $10,900,000,000.

(6) Agriculture (350):
Fiscal year 1982:
(A) New budget authority, $5,400,000,000;
(B) Outlays, $4,600,000,000.
Fiscal year 1983:
(A) New budget authority, $6,400,000,000;
(B) Outlays, $4,700,000,000.
Fiscal year 1984:
(A) New budget authority, $5,400,000,000;
(B) Outlays, $4,900,000,000.

(7) Commerce and Housing Credit (370):
Fiscal year 1982:
(A) New budget authority, $8,300,000,000;
(B) Outlays, $4,800,000,000.
Fiscal year 1983:
(A) New budget authority, $5,200,000,000;
(B) Outlays, $4,200,000,000.
Fiscal year 1984:
(A) New budget authority, $5,800,000,000;
(B) Outlays, $3,800,000,000.

(8) Transportation (400):
Fiscal year 1982:
(A) New budget authority, $22,300,000,000;
(B) Outlays, $21,100,000,000.
Fiscal year 1983:
(A) New budget authority, $21,500,000,000;
(B) Outlays, $20,600,000,000.
Fiscal year 1984:
(A) New budget authority, $21,900,000,000;
(B) Outlays, $20,600,000,000.

(9) Community and Regional Development (450):
Fiscal year 1982:
(A) New budget authority, $7,000,000,000;
(B) Outlays, $9,200,000,000.
Fiscal year 1983:
(A) New budget authority, $7,500,000,000;
(B) Outlays, $7,800,000,000.
Fiscal year 1984:
(A) New budget authority, $7,800,000,000;
(B) Outlays, $7,600,000,000.

(10) Education, Training, Employment, and Social Services (500):
Fiscal year 1982:
(A) New budget authority, $27,800,000,000;
(B) Outlays, $28,200,000,000.
Fiscal year 1983:
(A) New budget authority, $28,100,000,000;
(B) Outlays, $27,700,000,000.
Fiscal year 1984:
(A) New budget authority, $27,600,000,000;
(B) Outlays, $27,500,000,000.

(11) Health (550):
Fiscal year 1982:
(A) New budget authority, $83,600,000,000;
(B) Outlays, $73,400,000,000.
Fiscal year 1983:
(A) New budget authority, $90,800,000,000;
(B) Outlays, $80,900,000,000.
Fiscal year 1984:
(A) New budget authority, $99,600,000,000;
(B) Outlays, $88,900,000,000.

(12) Income Security (600):
Fiscal year 1982:
(A) New budget authority, $263,900,000,000;
(B) Outlays, $237,300,000,000.
Fiscal year 1983:
(A) New budget authority, $286,800,000,000;
(B) Outlays, $253,000,000,000.
Fiscal year 1984:
(A) New budget authority, $307,500,000,000;
(B) Outlays, $270,300,000,000.

(13) Veterans Benefits and Services (700):
Fiscal year 1982:
(A) New budget authority, $24,500,000,000;
(B) Outlays, $23,900,000,000.
Fiscal year 1983:
(A) New budget authority, $25,500,000,000;
(B) Outlays, $25,100,000,000.
Fiscal year 1984:
(A) New budget authority, $26,500,000,000;
(B) Outlays, $26,000,000,000.

(14) Administration of Justice (750):
Fiscal year 1982:
(A) New budget authority, $4,300,000,000;
(B) Outlays, $4,500,000,000.
Fiscal year 1983:
(A) New budget authority, $4,500,000,000;
(B) Outlays, $4,500,000,000.
Fiscal year 1984:
(A) New budget authority, $4,700,000,000;
(B) Outlays, $4,700,000,000.

(15) General Government (800):
Fiscal year 1982:
(A) New budget authority, $5,000,000,000;
(B) Outlays, $4,800,000,000.
Fiscal year 1983:
(A) New budget authority, $5,200,000,000;
(B) Outlays, $5,000,000,000.
Fiscal year 1984:
(A) New budget authority, $5,300,000,000;

(B) Outlays, $5,300,000,000.
(16) General Purpose Fiscal Assistance (850):
Fiscal year 1982:
(A) New budget authority, $6,400,000,000;
(B) Outlays, $6,400,000,000.
Fiscal year 1983:
(A) New budget authority, $6,500,000,000;
(B) Outlays, $6,500,000,000.
Fiscal year 1984:
(A) New budget authority, $6,900,000,000;
(B) Outlays, $6,800,000,000.
(17) Interest (900):
Fiscal year 1982:
(A) New budget authority, $89,500,000,000;
(B) Outlays, $89,500,000,000.
Fiscal year 1983:
(A) New budget authority, $93,700,000,000;
(B) Outlays, $93,700,000,000.
Fiscal year 1984:
(A) New budget authority, $94,600,000,000;
(B) Outlays, $94,600,000,000.
(18) Allowances (920):
Fiscal year 1982:
(A) New budget authority, $0;
(B) Outlays, $0.
Fiscal year 1983:
(A) New budget authority, —$20,400,000,000;
(B) Outlays, —$20,400,000,000.
Fiscal year 1984:
(A) New budget authority, —$27,800,000,000;
(B) Outlays, —$27,800,000,000.
(19) Undistributed Offsetting Receipts (950):
Fiscal year 1982:
(A) New budget authority, —$33,500,000,000;
(B) Outlays, —$33,500,000,000.
Fiscal year 1983:
(A) New budget authority, —$39,400,000,000;
(B) Outlays, —$39,400,000,000.
Fiscal year 1984:
(A) New budget authority, —$45,900,000,000;
(B) Outlays, —$45,900,000,000.

REVISIONS TO THE SECOND CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1981

SEC. 2. Pursuant to section 304 of the Congressional Budget Act of 1974:

(a) Section 1 of H. Con. Res. 448 is revised as follows:

(1) The recommended level of Federal revenues is $600,600,000,000 and the amount by which the aggregate level of Federal revenues should be decreased is $8,600,000,000.

(2) The appropriate level of total new budget authority is $716,600,000,000.

(3) The appropriate level of total budget outlays is $662,800,000,000.

(4) The amount of the deficit in the budget which is appropriate in the light of economic conditions and all other relevant factors is $62,200,000,000.

(5) The appropriate level of the public debt is $999,200,000,000, and the amount by which the temporary statutory limit on such debt should accordingly be increased is $90,500,000,000.

(b) Section 2 of H. Con. Res. 448 is revised as follows:

(1) National Defense (050):
(A) New budget authority, $181,000,000,000;
(B) Outlays, $162,900,000,000.
(2) International Affairs (150):
(A) New budget authority, $25,300,000,000;
(B) Outlays, $11,000,000,000.
(3) General Science, Space, and Technology (250):
(A) New budget authority, $6,600,000,000;
(B) Outlays, $6,200,000,000.
(4) Energy (270):
(A) New budget authority, $7,000,000,000;
(B) Outlays, $9,800,000,000.
(5) Natural Resources and Environment (300):
(A) New budget authority, $10,400,000,000;
(B) Outlays, $13,600,000,000.
(6) Agriculture (350):
(A) New budget authority, $5,600,000,000;
(B) Outlays, $2,700,000,000.
(7) Commerce and Housing Credit (370):
(A) New budget authority, $6,600,000,000;
(B) Outlays, $3,400,000,000.
(8) Transportation (400):
(A) New budget authority, $25,000,000,000;
(B) Outlays, $23,900,000,000.
(9) Community and Regional Development (450):
(A) New budget authority, $8,000,000,000;
(B) Outlays, $11,300,000,000.
(10) Education, Training, Employment, and Social Services (500):
(A) New budget authority, $31,300,000,000;
(B) Outlays, $31,900,000,000.
(11) Health (550):
(A) New budget authority, $71,800,000,000;
(B) Outlays, $66,400,000,000.
(12) Income Security (600):
(A) New budget authority, $250,200,000,000;
(B) Outlays, $229,700,000,000.
(13) Veterans Benefits and Services (700):
(A) New budget authority, $23,300,000,000;
(B) Outlays, $22,800,000,000.
(14) Administration of Justice (750):
(A) New budget authority, $4,400,000,000;
(B) Outlays, $4,700,000,000.
(15) General Government (800):
(A) New budget authority, $5,300,000,000;
(B) Outlays, $5,000,000,000.
(16) General Purpose Fiscal Assistance (850):
(A) New budget authority, $6,100,000,000;
(B) Outlays, $6,800,000,000.
(17) Interest (900):
(A) New budget authority, $79,500,000,000;
(B) Outlays, $79,500,000,000.
(18) Allowances (920):
(A) New budget authority, $0;
(B) Outlays, $0.
(19) Undistributed Offsetting Receipts (950):
(A) New budget authority, —$28,800,000,000;
(B) Outlays, —$28,800,000,000.

RECONCILIATION

SEC. 3. (a) Congress hereby determines and declares that it is necessary to make changes in enacted laws in order to reduce budget authority by $14,055,000,000, and outlays by $2,265,000,000, in fiscal year 1981; to reduce budget authority by $51,050,000,000, and outlays by $35,915,000,000, in fiscal year 1982; to reduce budget authority by $56,873,000,000, and outlays by $45,814,000,000, in fiscal year 1983; and to reduce budget authority by $65,139,000,000, and outlays by $54,372,000,000, in fiscal year 1984.

(b) The Committees on Appropriations of the House and Senate shall report not later than June 5, 1981, legislation to reduce previously enacted appropriations by $12,688,000,000 in budget authority and $1,412,000,000 in outlays for fiscal year 1981; by $3,200,000,000 in outlays for fiscal year 1982; by $1,800,000,000 in outlays for fiscal year 1983; and by $1,100,000,000 in outlays for fiscal year 1984.

(c) Not later than May 31, 1981, the committees named in subsections (c)(1) through (c)(29) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. Those recommendations shall be sufficient to accomplish the reductions required by subsections (c)(1) through (c)(29) of this section. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(1)(A) The Senate Committee on Agriculture, Nutrition, and Forestry shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce outlays by $163,000,000 in fiscal year 1981; to reduce budget authority by $474,000,000 and outlays by $928,000,000 in fiscal year 1982; to reduce budget authority by $659,000,000 and outlays by $618,000,000 in fiscal year 1983; and to reduce budget authority by $794,000,000 and outlays by $795,000,000 in fiscal year 1984; and

(B) the Senate Committee on Agriculture, Nutrition, and Forestry shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $645,000,000 in budget authority and $3,000,000 in outlays for fiscal year 1981; $3,243,000,000 in budget authority and $3,200,000,000 in outlays for fiscal year 1982; $4,011,000,000 in budget authority and $3,961,000,000 in outlays for fiscal year 1983; and $4,613,000,000 in budget authority and $4,517,000,000 in outlays for fiscal year 1984.

(2) The Senate Committee on Armed Services shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $233,000,000 and outlays by $233,000,000 in fiscal year 1981; to reduce budget authority by $966,000,000 and outlays by $966,000,000 in fiscal year 1982; to reduce budget authority by $899,000,000 and outlays by $899,000,000 in fiscal year 1983; and to reduce budget authority by $511,000,000 and outlays by $511,000,000 in fiscal year 1984.

(3) The Senate Committee on Banking, Housing, and Urban Affairs shall report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $6,146,000,000 in budget authority and $133,000,000 in outlays for fiscal year 1981; $14,910,000,000 in budget authority and $908,000,000 in outlays for fiscal year 1982; $17,812,000,000 in budget authority and $1,884,000,000 in outlays for fiscal year 1983; and $20,703,000,000 in budget authority and $3,442,000,000 in outlays for fiscal year 1984.

(4)(A) The Senate Committee on Commerce, Science, and Transportation shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $150,000,000 and outlays by $150,000,000 in fiscal year 1982; to reduce budget authority by $300,000,000 and outlays by $300,000,000 in fiscal year 1983; and to reduce budget authority by $450,000,000 and outlays by $450,000,000 in fiscal year 1984; and

(B) the Senate Committee on Commerce, Science, and Transportation shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $1,408,000,000 in budget authority and $814,000,000 in outlays for fiscal year 1982; $1,173,000,000 in budget authority and $1,043,000,000 in outlays for fiscal year 1983; and $1,740,000,000 in budget authority and $1,682,000,000 in outlays for fiscal year 1984.

(5) The Senate Committee on Energy and Natural Resources shall report changes in laws within the jurisdiction of that committee sufficient to require reductions in appro-

priations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $2,071,000,000 in budget authority and $106,000,000 in outlays for fiscal year 1981; $3,714,000,000 in budget authority and $3,404,000,000 in outlays for fiscal year 1982; $3,660,000,000 in budget authority and $3,628,000,000 in outlays for fiscal year 1983; and $3,604,000,000 in budget authority and $3,711,000,000 in outlays for fiscal year 1984.

(6)(A) The Senate Committee on Environment and Public Works shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce outlays by $185,000,000 in fiscal year 1982; to reduce outlays by $900,000,000 in fiscal year 1983; and to reduce outlays by $1,365,000,000 in fiscal year 1984; and

(B) the Senate Committee on Environment and Public Works shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $2,350,000,000 in budget authority and $68,000,000 in outlays for fiscal year 1981; $4,935,000,000 in budget authority and $793,000,000 in outlays for fiscal year 1982; $3,035,000,000 in budget authority and $1,872,000,000 in outlays for fiscal year 1983; and $3,500,000,000 in budget authority and $2,826,000,000 in outlays for fiscal year 1984.

(7)(A) The Senate Committee on Finance shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $212,000,000 and outlays by $295,000,000 in fiscal year 1981; to reduce budget authority by $4,354,000,000 and outlays by $9,354,000,000 in fiscal year 1982; to reduce budget authority by $4,494,000,000 and outlays by $10,870,000,000 in fiscal year 1983; and to reduce budget authority by $4,618,000,000 and outlays by $11,761,000,000 in fiscal year 1984; and

(B) the Senate Committee on Finance shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $96,000,000 in budget authority and $112,000,000 in outlays for fiscal year 1982; $114,000,000 in budget authority and $132,000,000 in outlays for fiscal year 1983; and $149,000,000 in budget authority and $177,000,000 in outlays for fiscal year 1984.

(8) The Senate Committee on Foreign Relations shall report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $1,050,000,000 in budget authority and $301,000,000 in outlays for fiscal year 1982; $600,000,000 in budget authority and $367,000,000 in outlays for fiscal year 1983; and $435,000,000 in budget authority and $531,000,000 in outlays for fiscal year 1984.

(9)(A) The Senate Committee on Governmental Affairs shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce outlays by $513,000,000 in fiscal year 1982; to reduce outlays by $414,000,000 in fiscal year 1983; and to reduce outlays by $357,000,000 in fiscal year 1984; and

(B) the Senate Committee on Governmental Affairs shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $4,776,000,000 in budget authority and $4,690,000,000 in outlays for fiscal year 1982; $6,360,000,000 in budget authority and $6,388,000,000 in outlays for fiscal year 1983; and $7,462,000,000 in budget authority and $7,440,000,000 in outlays for fiscal year 1984.

(10) The Senate Committee on the Judiciary shall report changes in laws within the judisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $116,000,000 in budget authority and $13,000,000 in outlays for fiscal year 1982; $133,000,000 in budget authority and $81,000,000 in outlays for fiscal year 1983; and $144,000,000 in budget authority and $124,000,000 in outays for fiscal year 1984.

(11)(A) The Senate Committee on Labor and Human Resources shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $39,000,000 and outlays by $49,000,000 in fiscal year 1981; to reduce budget authority by $533,000,000 and outlays by $522,000,000 in fiscal year 1982; to reduce budget authority by $1,251,000,000 and outlays by $1,195,000,000 in fiscal year 1983; and to reduce budget authority by $2,102,000,000 and outlays by $2,051,000,000 in fiscal year 1984; and

(B) the Senate Committee on Labor and Human Resources shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $1,776,000,000 in budget authority and $326,000,000 in outlays for fiscal year 1981; $9,753,000,000 in budget authority and $7,478,000,000 in outlays for fiscal year 1982; $11,793,000,000 in budget authority and $10,773,000,000 in outlays for fiscal year 1983; and $15,024,000,000 in budget authority and $13,365,000,000 in outlays for fiscal year 1984.

Mr. BRADLEY. Mr. President, this is an amendment which is a net revenue gain. Let me begin by saying that.

Mr. President, the debate on this budget has largely been framed in two ways.

The first way it has been framed is in the rhetoric of marginal tax rates, the theory being, so the argument goes, that if we reduce marginal tax rates, we will increase savings, increase work, increase tax revenues, increase growth, and increase investment.

Mr. President, these are fairly large claims, but, nevertheless, as I understand the nature of the argument, that is what the reduction in marginal tax rates is supposed to create.

The second way that this budget has been viewed, is that it is framed in the rhetoric of Government spending on nondefense items. The argument goes that Government spending on nondefense items is one of the major engines of inflation. Therefore, we have to cut back drastically in spending on nondefense items. This is viewed as a retreat from the theoretical underpinnings of most modern social democracies; that is, that Government spending has been used effectively to stimulate the economy. But this argument would say to the contrary it has created waste, created a drag on the economy, and stimulated inflation rates.

Mr. President, these are the two arguments offered by the other side with regard to this budget. First, a reduction in marginal tax rates will generate enormous growth; second, it will handle inflation by cutting the nondefense segments of the budget.

Mr. President, as I have listened to the arguments of the other party over the last 2 or 3 years, I have detected a certain ambivalence in them, an ambivalence that I think one saw in candidate Reagan's conduct in the previous campaign where early on he seemed to have endorsed much more of the first argument; that is, that a cut in marginal tax rates will result in enormous growth and we will actually have more tax revenues.

As he proceeded through the campaign, and now he has come to frame his first budget, we now see much more of the second argument as well.

Mr. President, the first argument, the marginal tax rate argument, is really that of the new Republicans, and cutting the Federal budget is really the argument of the old Republicans.

Mr. President, rather than engage in this theological dispute, I would prefer to try to leapfrog the issue of whether marginal tax rates are really going to increase revenues versus whether we should cut the budget before we reward people with tax cuts, and move on to the amendment I have offered today.

The amendment I have offered today is an economic growth amendment. It is an amendent which recognizes that there is some Government spending that is essential for economic growth. It is an amendment which restores funding in eight areas of the Federal budget that the administration cut, areas which I feel are essential to achieving the economic growth that will give us the revenues that we need to fulfill commitments to the elderly, to the poor, and to the disabled, and will also give us the optimism about the future that will assure rising living standards for the next generation.

Mr. President, this amendment should be viewed in that manner, as an economic growth amendment.

Before I get into a description of the specific categories, I would like to establish the framework.

The framework of the amendment is that in order to promote economic growth, you need investment. That is very clear. But investment is more than simply investment in new plant and equipment. I do not think there is much dispute in this body that our industrial plant has deteriorated; that it consists of plant and equipment which was built for a world where oil was $3 a barrel, not $40 a barrel; that it does not produce as much output per unit as it should; and that we invest 10 percent of our GNP versus 15 percent for West Germany and 20 percent for Japan. Yes, we do need new plant and equipment. What this amendment says is that that is not sufficient, and that there are two other kinds of investment.

The second kind of investment is investment in economic infrastructure.

Mr. President, what this amendment does in the out years of 1983 and 1984 is to restore funds for Conrail. It would

continue, at a declining rate, the operating funds for the system. The administration has provided $100 million for operating expenses in fiscal year 1982, and we proposed to continue support until Conrail becomes self-sustaining.

Mr. President, the purpose of restoring funds for Conrail and, second, restoring funds for mass transit, $50 million in 1982, is to frame the issue of investment very clearly. Investment is not simply a matter of private sector investment in new plant and equipment. It is also public investment in the economic infrastructure, in the railroads and mass transit systems of our country.

Look at the next decade, project where we are going to get our economic growth. You hypothesize a growing world economy. You would have to argue that we must increase our exports, moving away from an investment-led economy to an export-led economy. If you look at those areas where we have an advantage, Mr. President, clearly one of those is coal. The problem is that you cannot get the coal from the mines to the ports because the railroads are not good enough.

So, Mr. President, this amendment recognizes that investment means rebuilding railroads, ports, and mass transit systems. If we are looking at a decade where we continue to be dependent on foreign oil, we clearly see the need to keep mass transit systems functioning. Otherwise, we will push people into automobiles, consuming more foreign oil and making us more vulnerable to oil supply disruption.

So, Mr. President, the restoration of funds for Conrail and for mass transit is directly related to getting the economy back on the path of sustained growth.

In addition to investment in new plant and equipment and investment in economic infrastructure, there is another kind of investment that is equally important. That is investment in people, primarily in education and retraining. Mr. President, this amendment would restore $350 million in fiscal year 1982 for Elementary and Secondary Education Act title I programs, $100 million for the Pell grants, and $100 million for guaranteed student loans, and would provide $300 million for an experienced worker retraining program.

Why these amendments, Mr. President? Why these programs funded at these levels? Mr. President, if you have new plant and equipment and you have a rail system that is modernized and a mass transit system that works, all of those things promote economic growth. What you need in addition is a work force that is trained, a work force that is skilled, a work force that has a view of the future that will assure maximum work effort.

Mr. President, the Elementary and Secondary Education Act, title I, is basically a program that goes to those school districts in the country that are most disadvantaged. Mr. President, school districts that are the most depressed in the country get assistance under title I, which means that the students of those schools have the lab equipment and the school books with which they can actually learn. If you look at our country over the next decade or so, you see a very real danger that those citizens, those young people who are now in our cities and have no stake in our society, will continue to have no stake in our society. By the time we get to the 1990's, they will not be 20 or 25 but 35 and 40, still with no stake in our society. That will be precisely at the time, in the mid-1990's, when we will have a labor shortage, precisely at the time that we will need all the available manpower we can marshal.

Mr. President, what this amendment says is let us make sure that those individuals have an adequate education. Let us make sure that they have an opportunity to go on to college; let us make sure that they have an opportunity to maximize their skills—not for paternalistic reasons or for fear reasons, but precisely because the economic growth potential of this country depends upon the maximum efficient utilization of our manpower, which includes young people in our cities. Mr. President, that is the purpose of the Pell grants, the guaranteed student loans, and the Elementary and Secondary Education Act program expenditures.

As to the experienced worker retraining, if we look at our manpower, we see many citizens who are out of work, workers who no longer have jobs because of competition from abroad. Competition from abroad did not spring up overnight. People are not buying foreign automobiles because they are brightly colored or have softer seats; they are buying them because they get 40 miles a gallon and they are quality products. It is clear—and I do not mean this to apply to the automobile industry—that some industries in this country will lose their competitive advantage in the near term. What we in Government must be concerned about are the people working in those industries. To be consistent with maximizing our economic growth, we have to make sure that those individuals are retrained from the less competitive sectors of our society to the more competitive sectors of our society.

That is the purpose of this amendment. It says, let us take those people who are working in industries that can no longer make it; let us give them training, make sure they are trained—not subsidization, but make sure they are trained so they can move into the more vibrant parts of the private sector that are going to contribute the most to the growth potential of this country in the next decade. Mr. President, those are the three kinds of investment that this amendment attempts to address: new plant and equipment, sure, that is necessary; investment in economic infrastructure, equally necessary; investment in people, equally necessary.

If we continue down this path, thinking that simply by reducing the tax rates and simply by reducing nondefense spending in this budget, we are going to hit on a consistent living pattern for Americans that is going to last the next 20 or 30 years, I think we are kidding ourselves. What we have to recognize is that investment is necessary in three areas, not one area. That is what this amendment attempts to do.

In underlining those three kinds of investment, this amendment addresses the central issue to our competitive advantage. We must make a commitment to research and development, we must make sure that we remain on the cutting edge of technological change. This amendment restores $70 million for NASA and $60 million for the National Science Foundation.

Take NASA as an example. This budget funds almost all of the defense applications for NASA. What it does not do is fund the solar electric propulsion system or the international solar polar mission or other space science, space applications, aeronautics and space technology—precisely those areas which, in the next decade or longer, are going to give this country the kind of competitive advantage that it can attain only if the Government makes these expenditures on this kind of research and development. By cutting this spending out of the budget, Mr. President, we are really short circuiting the jump on Japan and West Germany that we already have and we are creating a situation where they might catch up—not in the defense area, that is clear, but in the competitive areas, in ways that are going to hamper our economic growth in the next decade and beyond.

To the National Science Foundation, as I said, we would restore $60 million here. What does this do? This restores full funding for instrumentation grants and provide partial restoration of money for science education and research.

Mr. President, it makes no sense, if you look at the long run, to say that we must cut out funds for our scientists, our brightest scientists. Oh, they will say, we are not cutting out funds for science. That is right; we are only cutting out funds for the instruments to put in the laboratories which the scientists could use to learn their craft and develop the skills that are essential to putting us back on the path of vibrant economic growth.

Mr. President, that is what this amendment does. It restores funds for research and development, for investment in economic infrastructure, and investment in education and retraining—precisely for the reason, Mr. President, of getting this country back on the path of economic growth.

It is an illusion, Mr. President, to believe that there is one simple answer to our economic problem—cutting marginal tax rates or eliminating nondefense spending. It is much more complicated than that. This amendment tries to address those complexities in a rational manner.

Mr. President. I said at the beginning of my presentation that this is a net revenue gainer. It is, Mr. President, because, in addition to restoring these funds, we eliminate two tax expenditures: One that the Senate has already discussed, commodity straddles, and the other Domestic International Sales Corporations. So, by 1984, if this amend-

ment is adopted, there will be a net budget surplus of $1 billion. So, Mr. President, this is not an amendment that prevents us from meeting the aims of the reconciliation package or the aims of a balanced budget by 1984, however much any of us think that might be a dream, given the assumptions of the administration. What this does is take some of those assumptions and say, fine, we shall have a budget surplus under this amendment by 1984.

Mr. President, I would argue strongly that, rather than engage, as I am sure we will in the Senate in the coming weeks, in the theological dispute about marginal tax rates or cutting the budget, let us leapfrog that debate and address the real issues of economic growth in this country in the next decade. That is what this amendment attempts to do. I think it does it.

Mr. President, I am pleased to yield to my colleague from Delaware (Mr. BIDEN).

Mr. BIDEN. I thank the Senator.

Mr. President, I shall be brief, since we are marking up the Justice Department bill in the Committee on the Judiciary.

The PRESIDING OFFICER. The Senator may proceed.

Mr. BIDEN. Mr. President. I commend the Senator from New Jersey for balancing the changes made in spending programs by this amendment with reductions in tax expenditures. It makes no sense to me to reduce Federal activities that strengthen the economy—such as transportation or education—while leaving in place tax expenditures that represent Federal intervention in the economy, often to the detriment of the economy. The two tax expenditures that this amendment cites as examples of potential savings from tax expenditures—tax straddles and DISC's—are surely less useful in building a strong economy than are the programs which this amendment seeks to restore.

The commodity straddles are manipulations of commodity transactions purely for tax avoidance. A straddle consists of taking both a long and a short position in a commodity—then taking a loss in one year to offset other taxable gains while creating a gain in the other year—where it can be offset by a loss from a new straddle. There is no gain to the economy from these transactions. But the tax avoidance they represent costs the Federal Government $1.3 billion.

The Domestic International Sales Corporations (DISC's) can receive an indefinite deferral of taxes on half of their profits from export sales above a base period. But there is no evidence that this deferral really stimulates exports that would not have occurred anyway. But it costs $1.8 billion in lost revenue.

These are only examples of the dozens and dozens of nonproductive or counterproductive tax expenditures that would be candidates for elimination to help finance the important economic health builders restored by this amendment. The fact is that the ever increasing number of special provisions in our tax code have increased its complexity; added to Government intervention in the economy; and reduced our ability to give general tax reduction.

Anyone who has ever filed a tax return will agree that our tax system has grown to be far too complex. It is now burdened with hundreds of special provisions, most of them intended as incentives to certain kinds of actions. Most of them were added to the tax code with the best of motives, as an incentive to act in one way or another. The reward was to be a reduced tax bill.

The use of the tax system for such purposes is often praised because it is said to achieve an objective without creating a large bureaucracy. But, to the extent that this is true, we pay a high price for it, because no one monitors the operations and impacts of these tax expenditures. IRS, which administers these provisions, cannot be an expert in the myriad tax code provisions which encompass such subjects as housing, energy, export trade, consumer loans, oil depletion allowance and a host more. In Congress, the legislative committees that usually work on these subjects have no jurisdiction over the tax code. So no one measures the effects of these tax provisions, no one determines whether they are economically beneficial, no one looks at the economic distortions they may introduce.

It is certainly possible that one cause of our economic problems is that the Tax Code has artificially diverted economic resources into less productive uses. What is more, every one of these tax provisions decreases the total pool of revenue on which the Federal Government can draw to finance defense and other critical Government programs. Because that pool of revenue is decreased, there is also less opportunity for general tax relief. In an article, "Ax May Hit Tax Credits, Deductions," by Caroline Atkinson which appeared in the Post on April 26, 1981, the writer said:

> And it does entail government intervention in the economy. People are encouraged to invest, spend or save in one particular way rather than another by a federal subsidy, albeit one operated through the tax system rather than the budget.

Mr. President, those may be economically beneficial ways or they may not. Might we not be better off to eliminate these special incentives to economic action and just allow the free market to operate? Why shoud Government write tax laws to manipulate economic activity? Might we not be better off to give back to each person a greater share of their income and then let them decide how to invest it?

An economist, Robert J. Samuelson, said in an article entitled "Top-Heavy Tax System Its Own Worst Enemy" in the Post on April 28, 1981:

> Instead, it has become a vehicle for social engineering and political favoritism. It's tinkered with and twisted to satisfy the gripes and self-pleading of any group that can hire a clever tax attorney and publicist to make its case. Responding to some bad causes and a lot of good ones—individually worthy—has produced a top-heavy system that is becoming its own worst enemy.

On the issue of complexity, no more needs to be said. Everyone knows about it, but no one does anything about it. As Robert Samuelson says:

> Talk about paperwork. The Office of Management and Budget estimates that about half of all government created paperwork stems from tax forms, to the tune of about 650 million hours annually.

Mr. President, if we really want to cut Government paperwork, we had better take a closer look at the Tax Code that we in Congress have written.

Both of these articles point up the need for greater review and control over tax expenditures and I ask that they be printed in full at the end of my statement.

The PRESIDING OFFICER. Without objection, it is so ordered. (See Exhibit 1.)

Mr. BIDEN. Until we can achieve better control over tax expenditures, Mr. President, it makes sense to prune them back some to make it possible to continue vital economic activities, activities designed to increase productivity, such as education, scientific research, transportation, and worker training. That is what is proposed in this amendment.

Tax expenditures now total some $250 billion each year. Yet the President's economic renewal program—which deals with taxes and spending—does not even touch them. Just as surely as there is waste in our expenditure budget, some existing tax expenditures are not achieving a useful economic purpose. It makes sense to weed out a few of the least productive ones to finance some highly productive expenditures.

EXHIBIT 1

[From the Washington Post, Apr. 26, 1981]

AX MAY HIT TAX CREDITS, DEDUCTIONS

BUDGETEERS FACE UNPOPULAR CHOICE

(By Caroline Atkinson)

President Reagan has set about cutting the budget with a vengeance. But so far he has left untouched about $260 billion of revenue lost by the federal government each year through special deductions, exemptions and credits against tax, sometimes labeled "tax expenditures."

This was not an oversight. Many Reagan officials reject the notion of tax expenditures on ideological grounds. In a typical defense of the decision to spare expensive tax loopholes and special subsidies from the budget ax, Office of Management and Budget Director David Stockman said recently, "Our mandate was to cut spending, not raise taxes."

But budget experts accuse Stockman of being disingenuous. They say that many so-called tax expenditures are equivalent to direct spending programs in their effect on the economy. Others, such as the deduction against tax allowed for interest payments on mortgages and consumer installment loans, work directly against the administration's declared objective of increasing savings in the economy, they say.

In close cross-questioning in the House Ways and Means Committee earlier this year, the OMB director had to agree that some tax expenditures are analogous to direct spending and should be analyzed in the same way.

A homeowner who deducts mortgage interest payments before calculating tax liability, an employee with free medical insurance that is not counted as part of income or a private firm that can invest cheap money raised by the sale of tax-exempt state or municipal bonds, are all beneficiaries of tax expenditures. So, too, are the rich investors who escape taxes through commodity straddles or the independent oil companies that can write off as depreciation costs more than they ever spent on a well.

The federal government loses tax revenue

through the special deductions and tax credits for these and other groups. In many ways such tax measures work like spending programs to subsidize certain people or activities. And often members of Congress argue that they do the job of a spending program without adding new layers of bureaucracy to the federal government and without, in theory, increasing federal spending.

For example, in 1978, when Congress decided to encourage people to insulate their homes, it enacted a tax credit for those who did so, rather than setting up a grant program. But, of course, such a tax credit boosts the budget deficit just as a spending program would.

But Congress is likely to mount some sort of attack on tax expenditures this year, even if the administration does not go along with it. House Budget Committee Chairman James Jones (D-Okla.) has suggested shaving $3.2 billion from next year's deficit through closing "loopholes." House Ways and Means Chairman Dan Rostenkowski (D-Ill.) is likely to urge elimination of some tax expenditures in the tax bill his committee writes.

And even the administration may be softening its stance on tax expenditures. Treasury Secretary Donald T. Regan told the Senate Budget Committee this month that the Treasury is studying various tax expenditures and may recommend changes in some.

But despite the large revenue losses from these special credits and deductions, there are few that could be eliminated easily. The tax deduction for interest on home loans is a prime example. However undesirable it is economically, few politicians could vote to scrap this provision—a vital element of many families' finances.

There are also considerable political constituencies behind deductions for interest paid on consumer loans, the tax exemption for employe health benefits, deductions of state and local taxes, or tax-exempt retirement saving schemes: these measures mean a lot of money to a lot of people.

But if Congress and the administration are in the mood to push for cuts in many favored spending programs, why not stand up to the tax spending lobbies, too?

There is both a political and ideological answer. First, some of the most conspicuous tax expenditures are tax shelters or loopholes used by the rich to shield part of their income from the government's long arm, while many others help middle-class taxpayers who are favorites for congressional aid this year. Tax deductions help only those 30 percent of middle- and upper-income taxpayers who itemize their deductions.

Second, many conservatives do not like the term "tax expenditures" because of the implication that the federal government somehow is spending money, when it merely chooses not to tax certain amounts of income. In addition, experts find it difficult to determine just what constitutes a tax expenditure.

But tax expenditures do unquestionably reduce the tax base, the pool of income that a government can draw on for taxes. And even the staunchest conservatives agree that governments need to tax some pool of income, to allow the government to pay for defense and policing, for example.

Then the government has to decide at what rate to levy taxes.

Special tax deductions and credits restrict the pool of taxable income and the tax base, but do not cut tax rates. Tax expenditures mean that some kinds of income used for certain purposes are no longer subject to tax, but taxes are levied on the rest at the same rate. So this way of cutting taxes, or increasing tax expenditures, certainly does not help everyone, nor can it encourage a general increase in work, saving or investment.

And it does entail government intervention in the economy. People are encouraged to invest, spend or save in one particular way rather than another by a federal subsidy, albeit one operated through the tax system rather than the budget.

Conversely a cut in tax expenditures, while it swells tax revenues, is thought by many to be more like a cut in government "spending" than a rise in tax rates. It seems strange, say such observers, that a cut in the student loan program can be counted as "good" because it's a spending cut, but that the administration blesses tuition tax credits which give tax breaks to people paying for their children's college education.

Both involve a government subsidy of college education: one through the budget and one through the tax system. Both will add to the budget deficit. But one shows up in a spending program and the other does not.

Ironically, tax credits and deductions have increased dramatically in recent years and have been legitimized, as one economist says, by the very movement that sought to curb their use. Stanley Surrey, who invented the term tax expenditures, and others who have argued for a more detailed and precise accounting of the revenues lost through them, generally thought them an inefficient and unfair way of supporting certain activities. In particular it is pointed out that tax deductions help rich people more because they are in higher tax brackets.

But since the term tax expenditures made clear how the tax code may be used like a spending program, it became the fashion in Congress to include a few special deductions and credits in any tax bill. President Carter, while officially against tax expenditures and loopholes, further popularized their use. During his presidency, he suggested 20 new tax expenditures, most of them part of his energy proposals. While many were not passed, Congress thought up some more of its own, and 20 new ones became law during the four years of the Carter administration.

Even in this year of spending cuts, and when some congressmen are talking critically of tax loopholes, there is a strong push for some new tax expenditures. The savings incentives, which Ways and Means Chairman Rostenkowski has promised to include in any tax bill that comes out of his committee, are tax expenditures, for example.

They would cut the tax paid on savings income, whether by excluding some of it from tax altogether or allowing the interest to be deducted against tax. This would reduce the tax base and not the tax rate. The administration has argued against such measures as an alternative to marginal rate cuts. They say a general cut in rates, and thus a rise in after-tax yield on savings, would be a more efficient way of boosting saving.

But the temptation to use the tax code as a tool for intervening closely in the economy probably will prove overwhelming once again this year, while the attempt to curb the cost of such fine tuning in the past could founder.

[From the Washington Post, Apr. 28, 1981]

TOP-HEAVY TAX SYSTEM ITS OWN WORST ENEMY

(By Robert J. Samuelson)

The temptation is to say that Jim Jones has crossed the thin line between crusader and crackpot.

Jones—not to be confused with the chairman of the House Budget Committee or the fanatical cult leader—is an amiable, retired, Texas businessman who thinks the U.S. tax system stinks. He's been poking around Washington for the past few years, telling ayone who will listen. Too much paperwork, too many contradictions. Junk it, he says. Replace it with a flat tax.

Any practical politician will tell you that Jones is a fool. You can't simply scrap the whole system and replace it with a nice simple tax. That would cause rebellion. We live in a complex society. The tax system reflects the complexity. Its provisions—complicated though they may be—respond to the peculiar needs of all the diverse groups that comprise America.

Which is precisely Jones's insight. We have lost sight of the essential purpose of any tax system: to raise money for legitimate public purposes.

Instead, it has become a vehicle for social engineering and political favoritism. It's tinkered with and twisted to satisfy the gripes and self-pleading of any group that can hire a clever tax attorney and publicist to make its case. Responding to some bad causes and a lot of good ones—individually worthy—has produced a top-heavy system that is becoming its own worst enemy.

All this is worth pondering as Congress prepares to write another tax bill. For no public program is bigger and affects more people than the tax system. Whether people respect the system—no one expects them to like it—determines to a considerable extent whether they respect government. And the evidence is beginning to show that public respect is on the wane.

For years, Americans' high rate of voluntary tax compliance has been the envy of the world. But anecdotal and statistical evidence is now challenging this reassuring cliche. A public opinion survey commissioned last year by the Internal Revenue Service found that as many as one-quarter of the taxpayers may have under-reported their income deliberately at one time or another. A more thorough IRS investigation a few years ago estimated that perhaps 9 percent to 12 percent of income goes unreported.

Of course, there always has been unreported income—from crime, for instance. But the hunch of specialists is that chiseling and cheating are on the rise and, more important, have gained increasing respectability. The system's very complexity—making everyone believe that someone else is benefiting from a special tax break, so why not me? encourages it.

Jones' description of the tax system as grotesque is hardly unique. Here is Aaron Wildavsky, a well-known political scientist at the University of California (Berkeley), writing in a recent issue of the Washington newsletter Tax Notes:

"Practically everyone I know believes that other people take unfair advantage of the tax code. . . . Those who benefit sneer at how easy it is or feel guilty at taking advantage of provisions presumably designed to do good. There is a pervasive sense that moral values are being subordinated to strategies for minimizing taxes, so that financial gain is suspect—because it appears to be derived more from special privilege than from unusual talent. Consequently, the legitimacy afforded to government by the people, the respect that supports the authority to govern, is being undermined."

And here is the conclusion of a special study commission established by the Chamber of Commerce of the United States:

"The primary conclusion of the commission is that massive tax simplification is urgently required. . . . The Internal Revenue Service is generally an efficient and well-run agency, but no organization can administer so grossly complicated a tax system without gradually assimilating some of the problems of the system it represents. The myriad social policy decisions currently being enforced through the tax system also turns the IRS into a 'lightning rod' for all manner of citizen complaints about their government whether or not connected with revenue matters."

We have come to this in barely a generation's time. Thomas F. Fields, a lawyer with Tax Notes, recalls that, before the early 1940s, a lot of people "were proud to pay income tax." Rates were low, and a relatively

small part of the population paid taxes; it was a sign of distinction, of "having made it." But during the war the government adopted withholding, and then the bite of government spending and taxes increased sharply.

The result is a system so riddled with deductions, credits and income exclusions that tax rates (what's on the forms) and the tax burden (what government actually takes out of the economy) diverge substantially. How much?

Look at it this way. Government spending constitutes about 22 percent to 23 percent of the nation's gross national product. Roughly, a tax of slightly more than one-fifth of what we produce will cover that. But the top corporate tax rate is 46 percent. And the individual rates run from 14 percent to 50 percent (for earned income, such as wages) and to 70 percent for so-called unearned income (such as dividends and interest).

All this produces collective gamesmanship on two levels.

First, there's the individual and the firm. Everyone strives to find the maximum combination of credits, deductions and exclusions to reduce taxes. For this reason—or simply because the system is so complicated—two fifths of all individual returns are prepared by professional accountants or tax services, according to the IRS.

Second, there is the political gamesmanship. At the moment, groups are exhorting Congress to enact, among other things, the following: tax credits for college and private school tuition, tax credits for firms engaging in research and development, liberalized deductions for charitable contributions, and refundable investment tax credits for firms that have large losses. The list goes on.

The upshot is a remarkable centralization of political and economic power. The tax system tells people and firms to do some things, not to do others—and many of the commands represent inefficiencies. At the same time, an increasingly large army of lawyers, accountants, lobbyists and economists now dedicates itself to manipulating the system or (as with economists) simply trying to understand its effects.

Talk about paperwork. The Office of Management and Budget estimates that about half of all government-created paperwork stems from tax forms, to the tune of about 650 million hours annually.

Undoing this mess won't be easy, precisely because tax provisions satisfy broad constituencies and most were enacted (as Wildavsky puts it) "to accomplish a good purpose." But we need to acknowledge the destructive logic of the process: that every special provision means that general tax rates go higher and that more groups, seeing others with tax breaks, are encouraged to seek similar treatment.

What this requires is a change in mood.

More than ever, every part of the political spectrum believes that the tax system is to be used for special purposes. Liberals, conservatives, unions, corporations, charitable organizations all are chanting for their own pet proposals. The paradox is that the politicians who encourage and respond to these pressures think they're upholding the worth of the political system and the public's confidence in government. In fact, they may be slowly destroying both.

Mr. BIDEN. Mr. President, let me take about 5 minutes to try to highlight my rationale for cosponsoring this amendment of Senator BRADLEY'S, which is, essentially, what the Senator from New Jersey and I attempted to do on the reconciliation instruction.

We have—as the Senator puts it so succinctly—attempted to leapfrog the debate. We are not talking about arguing on the margins here.

One of the problems with this institution—and both our political parties are institutions—is that we are continuing, notwithstanding all the rhetoric about how we are going to make fundamental changes in terms of how we view the Government's role with regard to Federal expenditures and tax expenditures, to argue on the margins.

On the one side, we argue whether or not the tax rates should be increased or decreased, or decreased at what rate; and the other side of that equation is how much we are going to trim expenditures in the nondefense area, or how to cut down on the rate of growth of defense spending.

As the Irish poet William Butler Yeats said about 80 years ago in commenting on his times, "The world has changed; it has changed utterly."

Things have changed utterly in this country, and we have failed to understand how that change has taken place, if we judge by the major voices in both our political parties.

We are not on the margins. We are talking about the future versus the past.

We are not going to do a great deal about growth, notwithstanding the undying and unyielding faith the President seems to have in his laissez-faire economics. He thinks the free enterprise engine is going to create all this business and all this growth.

At the same time, as I read the budget, he has essentially written off the Northeast and the central northern parts of the United States of America. He has said that, somehow, we are going to find these great, new breakthroughs in research and development and science and technology by the Federal Government getting out of that activity. We are going to see to it that we have the ability to transport and export our great hope for export, after agriculture, and that is coal.

I see the chairman of the Agriculture Committee in the Chamber, and I concur with him that agriculture is our single most valuable asset.

The President says we are going to make major new changes in our energy picture, but we are forgetting how we are going to get this coal to the ports for export.

The administration also has indicated that mass transportation really does not matter a great deal, because probably we are just going to be able to go along as we usually have, and we will continue the use of the automobile.

Then the President comes along and says that we are going to cut back on the already strapped middle and lower middle class wage earners, who are supposedly the subject of his largesse in this budget, and we are going to see to it that it is a lot harder to send their children to college. He has decided that the Pell grants are going to be cut, as well as the guaranteed student loans, which affect not only low-income folks but also middle-income folks, who have trouble getting their children to college.

He has decided that the most skilled work force in America and in the world, which happens to be in large part in the so-called "Frost Belt," will have to cut it some other way. We are not sure how. We are not sure where. We are not sure why. We are not sure if. But they are going to cut it; and they are not going to worry about that, because free enterprise is going to take care of this.

I note in today's New York Times that a number of major corporations have endorsed the plan of the Secretary of Transportation for the takeover of Conrail. That is good; I am all for it. If these independent railroads are going to come in and take over Conrail for us, a little more than a piece at a time, and get it working, I am all for it. I would rather the railroad be owned by profit-making enterprises.

But what is going to happen in the next couple of years? What happens if they do not? What happens if they do not move and if they do not move quickly?

I met with a group of Congressmen, most of whom happened to be Democrats, on alternative plans the Democrats should have. Essentially, they were Southern and Western Congressmen. They said, "We will just have to adjust."

I said, "How are we going to adjust? How are we going to do that?"

They said, "In 2 or 3 years, maybe 5, this transition will have occurred."

I said, "Good. I'm all for that. But what happens in the meantime? What happens when my folks from southern Pennsylvania are trying to make it to Colorado to get in on the boom? How are they going to get there? What is going to happen to their families? What happens in the meantime?"

I want my autoworkers to become roughnecks in Oklahoma. I want them to make a big buck. But I do not understand how we figure they are going to get there between now and those 5 years.

What I feel embarrassed about is that it took me this long to figure out what the administration really meant. It really means hang on any way you can; it will work out in the end. I am not so sure it will work out in the end.

The Senator and I are not here talking about whether or not we should put money back into food stamps or whether or not we should do something about the school lunch program. All those things are important debates.

I will leave it to my more senior colleagues to conduct that debate. They are used to that, and it is something they feel very committed to. I will leave that to my more senior colleagues on the other side of the aisle, the more conservative colleagues, who suggest that it is not the role of the Government to do those things. I am not talking about that.

We are trying to figure out if we mean what we say. We say that the key to America's advance into the 21st century is our ingenuity, our research, our technology, the great minds we have, our educational system, and the skilled work force. Fine. I will settle for that.

I point out that by cutting out two

tax expenditures, we end up with a surplus. I mean we end up in a tradeoff where there is going to be more money in the Treasury than is taken out by adding on these things. All we are asking for is a shot at a little growth.

I chair a nuclear military planning group for NATO, and I happened to be in France, speaking with a group. We were talking about nuclear weapons and were about to go on to a dinner, to speak at the dinner. It was delayed an hour, and the debate between Giscard and Mitterand was delayed an hour on French television. It was going to be broadcast. Do you know why it was delayed? Because the French people wanted to watch the *Columbia* land. The Presidential debate, in the most heated election in the recent past, was delayed an hour so that France could watch the *Columbia* land.

The switchboard of the French national television networks blew when they found out they were going to go on with the French Presidential debate—literally. In the uproar, they moved the debate back an hour.

Do you know what all those high-ranking Frenchmen, including some of their theoreticians who were at that meeting, talked about as they watched? They said, "look at that. There is America. I guess you are on your way back."

We could have done 6,000 other things, but nothing was as important as the symbol of seeing the *Columbia* land on the dime, on the second. They know what we have.

Here we are deciding that NASA is being cut. We can talk about the military applications, but we are still cutting NASA. We are cutting the National Science Foundation. We are cutting Conrail. We are cutting mass transportation. We are deciding that poor kids, lower income families, will not get education programs under the title I program.

We are deciding that the Pell grants and funding for grants for students to go to college at $1,800 a year—I do not know where they are going to find that—are not going to happen.

All those folks who have a kid in college, hang on. All of those who are interested very much in seeing to it that their kids get a shot to go to school and are looking for that low-interest money, hang on, because it is not coming.

So what have we done? We capped it all off by deciding that we are not going to retrain the most skilled work force in the world to give them a shot at the new industry.

The Senator and I, although we are from the Northeast, are not suggesting we hang on to things that should not be hung on to. We are suggesting that we have a shot, that our people have a shot, and that Senators think about doing for the Northeast what we spent a lot of time doing for the South and the West.

Somehow we have ended up with four economies in this country, at least. Some would argue there are only three, some two, but clearly there is more than one. And this budget does not fall too well for my section of the country, although I should note for the RECORD the lower two counties in my State consider themselves part of the South, and I want that to be noted, that they believe that. The fact of the matter is, though, their economy is tied in the Northeast as much as they hate to admit it.

Mr. President, as I said there is a great deal to say about this, and I probably would have been wiser to stick to my prepared text, but let me sum it up.

The Senator from the State of New Jersey is absolutely correct. If we do not do it now I guarantee you we will be here in 2 years or 4 years doing precisely what he has been arguing for, and that is leapfrogging this traditional debate which is getting us really nowhere very rapidly. Without a significant commitment to research and development, to space, to our rail system, to retraining the most sophisticated work force in the world and educating our students and allowing middle- and low-income people a shot to get their children into colleges and through colleges, without doing those things we do not stand much of a chance.

I am confident, although we may not win this time, that within the next year, 2, 3, or 4, we will be back on the floor, and I will bet Senators that they will all come around to this point of view. I will bet them we are funding NASA, we will be funding the National Science Foundation, we will be doing something about the rail system other than giving it a wish and a prayer, and the economic theologians of the past will be replaced by some hardheaded Yankee pragmatist of the future who suggest that this is a whole country. The Northwest is not part of Canada. We do belong. We are heartblood and we have been the driving force in this economy. We are prepared and understand the changes that have taken place. All we are saying is let us not write off a part of the country and let us not write off a generation of students, a generation of people we expect to do all these grand things that we all acknowledge must be done.

I thank the Senator from New Jersey for yielding but most of all I thank him for his leadership in this matter.

In the time he has come to this body as a superstar on a basketball court he has demonstrated that he can do a whole lot more than shoot. He thinks awfully well and he, at least on our side of the aisle, has in large part been a driving force to getting members of my party to begin to rethink the parameters of this debate, and I think that we are lucky to have him. I do not like him a whole lot. [Laughter.]

But we are lucky to have him. I congratulate the Senator and by the way, for the RECORD, I hope the reporter will note that they laughed when I said I do not like him a whole lot. I am only kidding.

Mr. President, thank you very much for the time, and I thank the Senator from New Jersey for his effort.

Mr. BRADLEY. Mr. President, I thank my distinguished colleague from Delaware for his remarks, particularly those last remarks.

I am prepared to hear from the other side on this amendment and go to a vote in the near term.

Mr. DOMENICI. Mr. President, might I ask my good friend from New Jersey, the Senator from New Mexico intends to take 5 minutes in opposition to the amendment and Senator WEICKER has asked me to yield him about 8 minutes off my time on this amendment for purposes of addressing the entire resolution. So I think we are talking about no more than 15 minutes between us.

I wonder if we could agree on a time certain for the culmination of debate on this. We have not stacked the vote. But could we agree on 12:30?

Mr. BRADLEY. I think we could agree on 12:20 p.m.

Mr. DOMENICI. At 12:20 p.m.

Mr. President, I ask unanimous consent that the time on this amendment expire at 12:20 p.m. and that our side use no more than 15 minutes of the remaining time.

Mr. BRADLEY. Mr. President, I have no objection to that time. I will not use the entire amount.

Why does the Senator not frame it that at 12:20 p.m. or any time that we yield back our time?

Mr. DOMENICI. No later than 12:20 p.m. is what our agreement is, and we will not use more than 15 minutes.

The PRESIDING OFFICER. Will the Senator from New Mexico restate the unanimous-consent request?

Mr. DOMENICI. Mr. President, I ask unanimous consent that the time on this amendment be shortened such that we have 15 minutes in opposition and that the time expire no later than 12:20 p.m.

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

Mr. DOMENICI. Mr. President, while I cannot agree at all with this amendment, I wish to share in the accolades that the good Senator from Delaware sent to the distinguished Senator from New Jersey. He is indeed a good friend of mine and a contributor to this body's deliberation and for that I thank him.

Let me just say with reference to specifics. I do not intend to spend a great deal of time arguing the specifics of this amendment because they have basically been made at one time or another in the reconciliation process or during the last couple of days on various functional add-ons.

But I suggest just a couple of things that Senator BIDEN said that we should understand if not a little better, a little differently.

From the NASA standpoint this budget resolution contains all of the requests of the President and this will permit the continuation of the successful Space Shuttle program in its entirety. It allows for continuation of the Galileo mission and the space telescopes and continued support for the Landsat satellite series.

So while we all share in the great pride of the accomplishments of NASA, and in particular of its last mission, I would not want anyone who has heard Senator BIDEN's debate to assume that either the President in his recommendations or the

Budget Committee in its rather compelling majority support for the NASA function is doing what is suggested. That program will be intact. It will have many more successes and we are doing no violence to it here.

I wish to summarize what I see for the Senate in this amendment. We can talk about that. This is not a budget-busting amendment. The truth of the matter is plain and simple; that is an erroneous statement.

When we add up the budget authority add-ons and the outlay authority add-ons for 1981, 1982, 1983, and 1984, the essence of this amendment is to add for those years $7.8 billion in budget authority and $5.6 billion in outlays.

I am not trying to deceive anyone. I can break it down for the Senators by year, but if they listen to the arguments of the two proponents, they are obviously serious. They are not talking about 1982. They are saying we are going to have to do these things that they have proposed here. So I thought it only fair that we tell the Senate what their amendment does.

New outlays for the years 1981, 1982, 1983, and 1984 are $5.6 billion, and there are $7.8 billion in new budget authority for the same time frame.

On the other hand, that is part of what we have been trying to solve, cut expenditures. This one adds what I just said.

Those who propose that we balance off that kind of new expenditure with tax increases can come down here and use any kind of tax increase they want, and the good Senator serves on the Finance Committee, but the sum and substance of this is that it adds the expenditures I have discussed, and then it increases taxes $10.780 billion over the same period of time.

I will break that down for you, too. $700 million in 1981; $3.1 billion in 1982; $3.3 billion in 1983; and $3.6 billion in 1984.

The sum and substance is that this amendment runs exactly contra to what we have been spending all our time on here, what the President has been proposing, and what I think the American people have been begging us to do.

In a nutshell, it raises taxes significantly—$10.7 billion worth of new tax increases. The Senator would say it gets rid of some tax expenditures we do not need. The sum and substance of getting rid of tax expenditures that are deemed archaic or unnecessary, in a budget resolution, is to raise taxes. There is nothing in this amendment and nothing in this resolution when we are finished that binds the Finance Committee to get rid of the Domestic International Sales Corporation. There is nothing that tells them they should get rid of the commodity straddle.

The reason that Senators voted in an overwhelming manner against the Metzenbaum amendment on commodity straddles, is because they are beginning to understand the process. What you do is you come down here with a tax increase and you give your speech as to how you would raise taxes and make everybody happy.

So what this amounts to is a $10.7 billion increase in taxes, with a speech by the good Senator from New Jersey saying, "It will not hurt anyone because the way I propose the increase is to get rid of DISC and get rid of the commodity straddle."

But the Senate is beginning to understand that, plain and simple, that is increasing taxes. We have had debate after debate on whether we should put room in this for $54 billion worth of tax cuts and now we come along and increase taxes.

This straddle and this DISC can be part of the $54 billion tax cut bill, if that is what the Finance Committee deems appropriate for this country.

I am not going to go into the add-on of $300 million for experienced worker retraining, other than to say that it comes within the function that CETA is in and to remind everyone that if the authorizing committees of this Congress think we now ought to get into the business of experienced worker retraining, there is $4.7 billion in that CETA function for job training, for youth training, and my recollection is that this committee, the Budget Committee, put $300 million more in.

If that is a good idea, we do not have to invent it in a budget resolution, because nobody is bound by this budget resolution. Just sell it to the authorizing committee, that instead of the conventional training program we ought to now start experienced worker retraining to the tune of $300 million.

We have done a fantastic job as a nation training people with some of our programs. I am sure we will do equally as well with experienced worker retraining. I hope if we do it will be better than the program we had for trade adjustment assistance, which was to get our workers through the adjustment of trade competition. That program started off with an estimate just slightly higher than this one, started off at a half billion dollars. When we finally turned it off it was $2.7 or $3 billion, some such figure.

I am not going to argue in detail on NSF. I am a strong proponent of it. I would like to see it raised also. I am satisfied, however, that with appropriate tailoring of that bill, you can keep NSF moving in the direction of basic research and a few of the frills that have been added in terms of the NSF research can be gotten rid of and we will stay within the President's number.

So, in a nutshell, I hope the Senate rejects this. It is just a composite of individual votes that have occurred before. While it technically does no violence to the reconciliation which we spent so much time on, in another way it does violence to it because we come along and squeeze those functions with reconciliation and then we come right up behind it here in function 400 on transportation and 500 on education and we say, "Well, we can, on the one hand, squeeze it, but we will raise the targets. Just in case those reductions are too onerous, we will have higher targets to shoot at."

That is my best explanation of how you can add to a target without doing violence to a reconciliation. You just say on the one hand you take away and on the other hand you set a target that takes it back.

On education, I would mention, however, that substantial moneys are in this resolution over and above the President's recommendations. They are not designated for ESEA, title I, but I repeat they are available for that authorizing committee, as it should be. If they deem title I to be of the significance that the two Senators that sponsor this do, there is plenty of money for them to fund ESEA, with additional dollars as prescribed here.

In conclusion, I would just say I do not think the Senate is going to take the tax increases seriously as a way of paying for this, because they know better. But I think if we were taking it seriously, the cuts for DISC, Domestic International Sales Corporation, would come under some real scrutiny as to whether or not, in this kind of economic day, we ought to be gutting DISC.

We had a tremendous debate on what we ought to do with the other program that helps our corporations and companies compete in a foreign market. This is another one of those. And this amendment, if it ever was carried out by Finance, would basically do away with that program.

Now, I yield to the Senator from Connecticut the remainder of my time for his discussion. I designate the junior Senator from Washington to manage the bill at this point.

The PRESIDING OFFICER (Mr. DURENBERGER). The Senator from Connecticut.

Mr. WEICKER. Mr. President, after careful study of Senate Concurrent Resolution 19, the first budget resolution for fiscal year 1982, I have decided to cast my vote in the negative. I do this because I disagree with the distribution of budget cuts among the various components of the budget and because I believe the huge tax cut assumed in the resolution will prove to be destructive of our economy and of the purchasing power of our people.

First, as to the spending side, I wish to make it clear that I support the bottom-line figure of roughly $40 billion in Federal spending cuts for fiscal year 1982. I agree that an important step toward restraining inflation must be to restrain the growth of Federal spending. And I believe that budget cuts of the order of magnitude proposed by the President and the Budget Committee are about right. However, the mix is all wrong. Defense spending is projected to grow at an annual rate of 17 percent over the next 4 years, and by 1985 the 4-year net increase in defense spending will exceed the absolute level for 1978.

The recommended increase in defense spending between 1981 and 1982 is $26 billion, or 16 percent. If we held the increase to 15 percent—1 percent less—We could free up $2 billion for health care, jobs training education, mass transit and science, all of which are vitally important to the American people. No one can convince me that $2 billion will buy so much more national security next year that such Draconian cuts in nondefense

programs are justified. And let there be no misunderstanding about that point: Real nondefense spending will be cut in the next fiscal year under this budget. We are told that this budget does not really cut Government spending; that it merely slows the rate of increase from what would otherwise have occurred.

Well this is just nonsense because defense accounts for almost 80 percent ($26 billion of the total $35 billion) of the budget increase over 1981. Defense spending would go up by over 6 percent after inflation, while nondefense would fall by over 6 percent after inflation. So let us not say nondefense spending will continue to grow, albeit at a slower rate. Nondefense spending, adjusted for inflation, will fall sharply in 1982. And in 1983, under this budget, the entire growth in the Federal budget, from $699 billion to $730 billion—$31 billion—will be accounted for by the increase in defense sepnding, from $188 billion to $221 billion. In 1983, therefore, nondefense spending will fall in absolute dollars and after adjustment for inflation.

Nothing is more important than our national security, the protection of our vital national interests, and keeping our people free. But that does not mean you blindly throw money at the problem to the tune of 17 percent per year. What will that buy, when we are cutting science, technology and education. Brainpower is our only hope for military superiority and national security. Surely we cannot outman the Russians. Just think how an additional $2 billion could have improved energy supply and conservation, the minds and opportunities of our young people, and the misery of the poor and elderly.

Our futures will be determined by our investments in flesh and blood, not by pilot programs in economic philosophy.

The PRESIDING OFFICER. By a previous agreement, the time of the Senator from New Mexico on the amendment has expired and 8 minutes remain on the amendment allotted under the control of the Senator from New Jersey.

Mr. GORTON. How much more time does the Senator from Connecticut need?

Mr. WEICKER. I have an agreement with the distinguished Senator from New Mexico that I would have 8 minutes on this statement. I need an additional 5 or 6 minutes to finish my statement.

Mr. GORTON. I yield 5 minutes from the bill.

The PRESIDING OFFICER. The Senator has that right.

Mr. BRADLEY. Mr. President, the time of the Senator from New Jersey is still intact, the time remaining?

The PRESIDING OFFICER. The Senator is correct.

Mr. WEICKER. So, on reflection, Mr. President, and seeing the price we must pay in terms of devastating humanity to achieve 17 percent annual defense spending increases, I must oppose the fiscal program contemplated in this budget resolution.

With respect to the tax cut, Mr. President, I wish to make clear that I am unequivocally opposed to a 30-percent across-the-board cut in personal income tax rates. The budget resolution we are voting on assumes a tax cut costing $54 billion in fiscal year 1982, $44 billion of which is due to the assumed enactment of the 30-percent tax cut. Within 3 years, that tax cut will cost the U.S. Treasury a grand total of $240 billion—all this at a time when the Budget Committee is proposing to increase—and I want to emphasize that, increase—the budget deficit compared to current policy, from $37.5 billion to $48.8 billion in fiscal year 1982.

The committee tells us that even though the 1980 deficit was $59 billion, and the 1981 deficit will turn out to be $63 billion, and the 1982 deficit will be almost $50 billion, if we just adopt a $240 billion, 3-year personal income tax cut, we will have a balanced budget by 1984. Three years of blockbuster deficits will be wiped out miraculously and skyrocketing inflation and interest rates will settle down almost overnight. Anyone who says you can start out with a $63 billion deficit in 1981 and by 1984 increase defense spending by $87 billion, cut personal and business taxes by $302 billion, and still balance the budget is just deluding himself, and it is high time someone stood up and said so.

Now maybe the supply-side evangelists can accept all this dogma as an article of faith. But the guinea pig in all this is the American people. Surely my colleagues must have grave reservations about all this snake-oil economics. And if they do not, as yet, I hope they will take a good look at the money and capital markets before it is too late. The long-term bond market is essentially moribund. And why? Because no lender has any confidence that any fixed interest rate will survive the inflation rates of the 1980's. In short, the financial markets have no faith in this tax cut religion. It is all well and good to go around preaching the theology of supply-side economics, but no one is going to plunk down a million dollars for 10 years and expect to get back a fair real rate of return on the basis of a $240 billion tax cut. If there was any doubt about this, my colleagues should take note of the fact that the U.S. Treasury recently paid 14.56-percent interest on a 10-year note, the highest on record for an obligation of that maturity. This was followed by an increase to 19½ percent in the prime lending rate. It is apparent to me that tight money is having a head-on collision with a loose budget, and interest rates are going sky high.

The Budget Committee's own table on page 29 shows clearly that the net fiscal stimulus of this program will grow from $18.2 billion in fiscal year 1982 to $53.4 billion in fiscal year 1984, mainly because the stimulus of increased defense spending and tax cuts will continue to exceed the restraint of Federal spending reductions. Obviously, we have here a highly expansionary budget that will accelerate inflation and increase interest rates.

Our people should know that 20-percent inflation will take back every penny of the huge tax cut, and possibly much more.

Mr. President, I believe that as an alternative to the $54 billion tax cut, we should limit ourselves to a tax cut that matches dollar for dollar the spending cuts achieved. Such a tax cut would reduce the budget deficit $14 billion below what has been proposed and take tremendous pressure off the financial markets. I have been saying for months that in the present perilous economic environment any tax cut would have to be earned dollar for dollar by offsetting economies. We have agreed that a bottom line of about $40 billion was the proper spending cut for fiscal year 1982. Therefore, this should be our target for tax reduction.

So, Mr. President, I have concluded that there are three gross flaws in this budget resolution. First, it makes cuts in Federal programs without regard to substance.

Put in another way, it fails to distinguish between Federal investment and Federal spending. The potential of an individual's dream is not something to be risked by the dogmatic application of campaign promises. Indeed, on a cost-benefit basis, the United States should not be. But it is, because nobody reduced it solely to figures on paper.

Two, if Government spending is to be cut, that means no preordained increases such as that meted out to defense.

Three, a misguided and massive 30 percent personal income tax cut will only continue fiscal imprudence, albeit in a new costume.

Accordingly, Mr. President, I shall vote against the passage of Senate Concurrent Resolution 19.

Mr. BRADLEY. Mr. President, who is planning the time on the bill for this side?

The PRESIDING OFFICER. The Senator from New Jersey will be deemed to be the manager of the bill.

Mr. BRADLEY. Mr. President, I am pleased to yield 3 minutes to the Senator from Massachusetts on the bill.

The PRESIDING OFFICER. The Senator has that right.

The Senator from Massachusetts.

Mr. KENNEDY. Mr. President. I join as a cosponsor to the amendment of the Senator from New Jersey. The issues which are included in the amendment have been issues which were debated in connection with reconciliation some few weeks ago, and I think include some of the most important investments that we can make in order to put America back to work, to improve its competitive position and expand exports. They are targeted in on the development of the human potential.

Title I has proven to be one of the most cost effective and successful programs we have. Expert studies have documented that the special remedial help provided through title I has significantly improved the basic reading and math skills of our country's poorest youngsters. Without this help these students fall further and further behind their classmates and drop out of school only to end up on the unemployment rolls. Title I opens doors and futures for these youngsters.

The Pell grant program is another critical investment in futures. It enables young people from poor families to achieve what their parents only dreamed about, a college education. This program

makes dreams come true. It provides the financial help that would otherwise not be available. Pell grants mean future scientists, engineers, and economists; Pell grants mean a chance for these young people to shape the future of their country.

This amendment also invests in human potential through retraining of experienced workers. If we are to successfully revitalize our economy and our industries we need skilled workers. One way to successfully meet this need is to retrain those workers who have lost their jobs because their industries are no longer competitive. This budget makes substantial cuts in adjustment assistance and unemployment insurance programs that have in the past offered some security to these workers. The Bradley proposal offers an alternative—a future for these workers in new jobs and industries.

This amendment also includes resources for the National Science Foundation which are absolutely essential to the long-term interests of this country. We must, as our foreign competitors in Western Europe and Japan are doing, strengthen long-term research in developing both the personnel and industrial know-how to bring our industries into a competitive position.

It is also an amendment that is sensitive to the importance of our overall economic interests in rail transportation, both the long distance rail transportation as well as the short distance rail transportation and mass transit.

It is a modest amount of resources when we consider the total budget. I want to join with the Senator from New Jersey and others who believe that this kind of investment is a very secure and sound investment in terms of our human potential and in terms of our economy.

Conrail and mass transit are particularly vital. These funds will insure against the hasty abandonment and the inevitable deterioration of our rail and subway systems.

Conrail is critical to the industrial future of Massachusetts. Some 80 industries have located or expanded their facilities on Conrail in an investment of some $50 million and the creation of 6,200 new jobs. They and the existing industries and communities depend on Conrail for service and I would venture to say, Mr. President, that many of these industries serve communities in every State in the Nation.

Perhaps the most important point to make is that Conrail is not a Northeast and Midwest railroad. It is a railroad that interconnects with other railroads to help move freight all across the land.

This amendment would actually reduce the deficit and lead to a surplus in 1984 by offsetting revenues in DISC and the commodity straddle.

The budget cuts in the areas addressed by this amendment have not been based upon any careful evaluation to make the determination that these programs are wasteful or inefficient. To the contrary, for the reasons that I have stated studies have demonstrated time in and time out the value of every one of these various programs.

I commend the Senator from New Jersey. I think it is important that we continue to raise these issues because I do believe that it will not be long before the American people are really going to start to listen and to understand the major importance of this type of a commitment for the future of our country.

I certainly urge the Senate to accept the Bradley amendment and hope that we will include it in this resolution.

Mr. BRADLEY. Mr. President, I thank the Senator from Massachusetts for his support and cosponsorship of this amendment. Senator BIDEN should also be listed as a cosponsor.

Mr. President, I think I should respond to a few of the points made by Senator DOMENICI with regard to some of the specifics of the amendment and the larger, overall purpose.

He did mention that this is an amendment quite similar to one that was proposed on reconciliation.

That is correct, Mr. President. The bulk of these restorations were a part of a package amendment that I proposed on reconciliation. The difference, Mr. President, is that this amendment, since it is to the first budget resolution, is unlike the reconciliation package in that it can address the tax side of the budget, the revenue side, and it does, for the purpose of making this amendment a net revenue raiser.

The only thing that the Senator from New Mexico can say to that is that that raises taxes.

Well, that is true, Mr. President, it raises taxes on some people, or, more appropriately, it makes the tax rates apply more equitably to all people. This is very much a matter of how one perceives the issue.

If we had the ideal system, it would be simple and clear for everyone to understand. When one stands up to propose wiping away some of the underbrush, he is accused of raising taxes. That is clearly a fallacious argument, Mr. President. It raises taxes by making the tax rates apply equitably across the board.

I will get into this when we have our tax amendment later this afternoon.

If the idea is to create growth in the economy and simplify the system, that could be done not by reducing the marginal rates by 30 percent but reducing them by 15 percent and eliminating all these tax expenditures. That would make it very simple, Mr. President.

I argue that there is a purpose to doing it on the first budget resolution and the purpose is to be able to come before the Senate and argue, unlike reconciliation, that this does not add spending, it is a net revenue raiser. It takes one small step toward simplifying the tax system and making it somewhat more understandable for all Americans.

The Senator has also raised the question of the experienced worker retraining and has raised the specter that this really means CETA jobs. He has raised the question, Do we need any more of this retraining?

Mr. President, I would answer that strongly: Yes, we do need this retraining. We do need to be able to have skilled workers for the 1990's. If you look at the proportion of skilled workers in this country relative to skilled workers throughout the world, it has declined, Mr. President. It is ludicrous to believe that if we go into the 1990's with a work force that was trained for the 1950's, then we are going to be able to compete effectively. It just will not be done.

The motivation for this, Mr. President, is the same motivation that led President Dwight Eisenhower in the 1950's to propose the first manpower training program. When Nikita Khrushchev hit his fist on the table and said, "We will bury you," the response was that we had to marshal all our resources so the Soviet Union would not bury us economically. At that point, there was the recognition that people count; that, indeed, investment is in people as well as in plant and equipment and economic infrastructure; and that it was important for the Eisenhower administration to make that investment.

What this amendment says is that it is equally important today. Although Nikita Khrushchev is no longer here and although the Soviet Union is not an economic threat to the United States, we do have threats from our allies in Japan and West Germany. They have work forces that are trained and skilled and ready to compete for the world market in the 1980's.

Mr. President, I come before the body today to offer this amendment. I ask unanimous consent to have Senator RIEGLE added as a cosponsor to the amendment.

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

Mr. BRADLEY. Mr. President, what we attempt to do in this amendment is leapfrog the theological debate that has ensued on the Republican side between the marginal tax rate reduction exponents and the balanced budget-austerity proponents and leapfrog the debate between the parties that has, basically, been the same debate for the past 20 years—social spending versus no social spending. We look to the future, Mr. President, to a time when this country can dream again, to a time of the adventure and sense of commitment that all of us felt, as the Senator from Delaware correctly described, at the landing of the *Columbia*, to a time where we can all begin to believe again in that future and believe that we can compete effectively—not in a world market that is shrinking, but in a world market that is growing, that can give some reasonable prospect of providing prosperity for the American people over the long term.

Mr. President, this amendment recognizes that Government is a part of the process of assuring that future by investment in economic infrastructure—railroads and mass transit systems; by investment in people—the young in our cities who do not have a stake in our society now and, without education, will never have a stake in our society, and the middle-class families that are thinking of the future and hoping to send their child to college but cannot see through how they are going to get the money to

do that. But as a country, we need those people. This amendment addresses their concerns, too.

It also addresses the middle-aged workers who have come to a dead end because their plant moved, Mr. President, because of the competition abroad.

Mr. President, this is not just a Northeast issue. This will affect the textile workers in South Carolina, this will affect the steelworkers in Youngstown as well as the automobile workers in Michigan. In the years to come, there will be industry after industry that will have to face the process of adjustment. Unless we begin in Government to talk about how to assure that adjustment process from the less competitive industries to the more competitive industries, we shall not be able to live up to our promise to assure the people of this country rising living standards and to fulfill our commitments to the poor, the elderly, and the disabled.

Mr. President, that is what this amendment does. That is the intent behind the amendment.

Mr. President, I hope my colleagues will see that it is a net revenue raiser, a simplifier of the tax system, an amendment that looks to the future, looks beyond today to a time when Americans can dream again and have a sense of adventure and a belief that they can control their future.

Mr. President, I shall be pleased to yield back the remainder of my time on this amendment if the Senator——

The PRESIDING OFFICER. All time on this amendment has expired.

Mr. BRADLEY. Mr. President, I ask for the yeas and nays.

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

The yeas and nays were ordered.

The PRESIDING OFFICER. Under the previous order, the vote will occur at 2 o'clock.

Mr. BRADLEY. I thank the Chair.

UP AMENDMENT NO. 87

(Purpose: To increase budget authority by $200 million and budget outlays by $200 million for function 350, and decrease budget authority by $200 million and budget outlays by $200 million for function 150)

The PRESIDING OFFICER. Under the previous order the Senate will now proceed to the consideration of the Melcher-Burdick agricultural amendment.

Mr. MELCHER. Mr. President, may the amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Montana (Mr. MELCHER), for himself and Mr. BURDICK, proposes an unprinted amendment numbered 87.

On page 4, line 18, strike "$16,800,000,000" and insert in lieu thereof "$16,600,000,000".

On page 4, line 19, strike "$11,000,000,000" and insert in lieu thereof "$10,900,000,000".

On page 6, line 8, strike "$5,400,000,000" and insert in lieu thereof "$5,600,000,000".

On page 6, line 9, strike "$4,600,000,000" and insert in lieu thereof "$4,800,000,000".

Mr. MELCHER. Mr. President, the amendment that we are proposing today seeks to help agriculture during a time when agriculture may be in very dire straits.

We are working on the fiscal year 1982 budget and our amendment only refers to fiscal 1982. It does not go beyond the 1 year.

It is difficult for agricultural producers to determine what their needs will be in any particular crop year.

When we try to project the true needs of agriculture in the fiscal years 1983, 1984, and 1985, we are simply projecting into uncertainty what may be the true needs of the agriculture producers.

So we are only attempting by this amendment to make some adjustments in the overall budget that would help agriculture for fiscal year 1982.

I will just outline the area that we would like to help briefly right now. First, the Farmers Home Administration. I want to increase the budget authority for funds available for operating loans to farmers and ranchers who cannot get credit through any other source. The Farmers Home Administration is a lender of last resort for farmers and ranchers. We intend to increase that budget authority by $200 million for fiscal 1982.

Under budget outlays, we are adding an additional $200 million for fiscal 1982 for Soil Conservation Service. These are funds that are needed to help in watershed projects, for preventing flood losses, for technical assistance to hold down erosion, for technical assistance through the Soil Conservation Service—to do the very basics that are necessary in protecting our land and water base here in the United States.

That is just part of the amendment. It is an increase in both in budget authority and budget operation of $200 million each.

Where does the money come from? It comes out of the foreign aid program. It comes out of the program that we have in fiscal 1982 that benefits foreign countries. I do not take this lightly. I take it as planned cuts. There will be $200 million in outlays cut from multilateral development banks. Lending by multilateral banks has grown tremendously during the past decade. Banks cannot handle this increasing volume efficiently and we can afford to reduce the outlays.

You might ask whether a modest cut like this in foreign aid is sufficient or not to emphasize the necessity for providing more help for our domestic production here in the United States.

I am not certain. I am not certain whether we can afford to take more out of this particular phase of foreign aid, but I am certain, that we can at least take $200 million in outlays from this particular program in foreign aid without damaging the U.S. relationships with other countries.

The other part will be to reduce budget authority $200 million. This must come from economic assistance programs, and the cost of foreign military sales. The Foreign Relations Committee has reduced the loan commitment and increased the interest on loans to foreign countries, but not enough. So this $200 million cut is to make room for the add-on for agriculture and it comes from reducing the budget authority for the particular programs in foreign aid I have mentioned.

How much need is there for increasing the agricultural opportunity through Farmers Home Administration, through the Soil Conservation Service, through the conservation practices of this country?

Let me give you some facts, Mr. President. While there are about 25 Federal agencies which administer about 400 programs that directly affect rural areas and small towns, the Farmers Home Administration, within the Department of Agriculture, is by far the largest. Its programs account for 40 percent of all Federal loans and grants in rural America, and its budget is the single largest one within the U.S. Department of Agriculture. The Farmers Home Administration has grown rapidly over the last several years. Of the approximately $86 billion in loans and grants made by the agency in its 45-year history, slightly more than half has been distributed over the last 4 years.

The administration's budget would cut the Farmers Home Administration programs by nearly 25 percent in fiscal year 1982. That would be coming down from close to $11 billion that was proposed by the Carter budget to about $8.2 billion.

I think the cut is much too great. But in no particular area is it felt as harshly, a cut of that nature, as in the area of farm operating loans. Because when the farmers and ranchers of this country cannot find any credit available in any other source, it is through the Farmers Home Administration that they must make their application as the lender of last resort.

There has been a great need to recognize that farm and ranch credit is excessive in the United States—about $200 billion right now in farm and ranch credit. And it is much too great for the type of income that farmers and ranchers are receiving from their production.

It is for this reason that I have a special concern that we do a little bit more, a little bit more for the Farmers Home Administration, particularly in the realm of operating loans, and that I believe this amendment is absolutely essential and I believe that the Senate should address this afternoon in a positive way.

Perhaps it is wise, Mr. President, if I would give some examples or some background information on how and when Farmers Home Administration farm and ranch loans are used. They are used to assist qualified farm and ranch families who are unable to satisfy their credit needs elsewhere. They are absolutely essential when all other forms of credit from private sources are not available to them.

They are becoming increasingly important when weather or economic emergencies, through either bad prices or natural disasters, put a special strain on a farm or ranch operator. The operating loans, insured or guaranteed, are usually secured by chattel mortgage for feed, seed, and fertilizers; sometimes for livestock or machinery or other elements of production. The operating loans are made to owner-operators or tenant oper-

ators who, because of lack of equipment, capital, land, adequate financing, or sound farming practices, need a lower interest rate to have a reasonable chance of success.

These are obstacles faced most often by young farmers or young ranchers who have not been able to develop their farms or ranches adequately to earn them a decent living.

The question of whether or not we are entering into a period when this type of loan is essential is best addressed by the fact that the price structure or the profit picture for farmers and ranchers is not all that adequate. The Department of Agriculture will show us that the farm and ranch income for 1981 is not projected to be too great. It is not projected to be a bumper year or a banner year for our agricultural producers.

The administration, while not projecting a good income year for 1981 for agriculture producers, is still not taking note in their own budget of what that might mean in 1982 for farm and ranch operators.

It is for that very reason, Mr. President, that I think that this amendment is absolutely essential on the basis of providing some additional lending authority for the Farmers Home Administration for farmers and ranchers who will need it in 1982.

One might say that soil conservation, the other part of the $200 million that is added on in our amendment, can be stalled off for another year or two. Well, Mr. President, we have been stalling off on protecting our land and water base year after year for the past decade. We have watched the effects take place in farm and ranching communities throughout the United States and much to our disadvantage.

We have seen an increase in erosion because of lack of adequate conservation. We have seen the effects of losing topsoil in the productivity of our land. We have seen practices in the western wheat country where wheat ranchers have been driven to the necessity of providing additional income by adding acres in order to keep up with costs, which have lessened the work of conservation, or the so-called block method rather than strip farming, where a portion of the land is farmed 1 year and then the adjacent strip is left uncultivated for a year.

We have seen a decrease in that simply because of the economic situation where wheat farmers have been driven to meet their additional costs by increasing their acreage. It does not lend itself to sound conservation.

We have watched over the past decade in the agricultural conservation program a steady Federal participation of about $190 million for the past 10 years. I do not think that is enough. It was adequate 10 years ago but it certainly is inadequate now with the effects of inflation leading into the amount of conservation work that can be done with the same amount of dollars. However, in this budget it is even worse. As proposed by the administration, that would be cut by about 40 percent. It is for that reason that I suggest we do a little bit more with our conservation work by adding $200 million in the bill for the Soil Conservation Service, for the various assistance programs, and the conservation practices that they participate in.

Mr. President, I will have further remarks later, but for now I yield to my colleague and coauthor of the amendment (Mr. BURDICK) who is ready to describe some of the needs for this amendment.

Mr. BURDICK. Will the Senator yield?

Mr. MELCHER. I am delighted to yield.

The PRESIDING OFFICER (Mr. HUMPHREY). The Senator from North Dakota is recognized.

Mr. BURDICK. Mr. President, first of all, I would like to associate myself with the comments of the able Senator from Montana. Our distinguished colleague, the senior Senator from Montana, has made an outstanding statement telling about some of the problems we are going to have in our vast agricultural areas.

Our friend has made a valiant effort again this year to bring to the forefront a number of critical issues facing our agricultural economy. I am pleased to join in the effort today to ask this body to give just a little more flexibility to the appropriate committees of Congress to deal with a problem, should it arise. I think there is another compelling reason, in addition to those raised by Senator MELCHER, for doing that.

There is a growing liquidity problem with banks nationally. Rural banks are on the leading edge of this problem.

The Comptroller of the Currency has a rating system for bank loan assets. When 65 percent of a bank's loan assets become classified as either substandard, doubtful, or loss, the Comptroller lists the bank as a problem bank. If the bank's classified assets become much worse, the Comptroller is sometimes required to take some serious steps to prevent the bank's collapse.

For the past 5 years, farmers have been borrowing against equity from appreciated land values. For the past 3 years, farmers have been borrowing like that, at an increasing rate.

Last year, the Comptroller of the Currency changed the way it viewed those types of loans. Instead of considering equity, the Comptroller looks at those loans in terms of a borrower's ability to generate the cash flow to pay it back.

Many of our banks, particularly our rural banks carrying farm loans, have found that an increasing number of farmers are only paying interest charges, thus reducing the banks' cash income.

So, the combination of reduced cash income and many newly classified loans have pushed many of our rural banks dangerously high in the percentage of classified loans.

To take the problem a step farther, because of our banks' reduced cash income, they have had difficulty meeting the reserve requirements at the Federal Reserve. Ordinarily, the banks would sell some of their loans to bigger banks to raise the cash. However, the bigger banks are not buying because the big banks do not want to take on more classified assets. And, the big banks are having cash problems of their own due to the reserve requirements, the increase in classified corporate loans, and the rapidly increasing delinquent real estate accounts.

So the banks have had to borrow from the Fed to meet their reserve requirements. The discount rate today, I believe, is 14 percent. And, there is no way for a bank to turn that into income-producing assets.

Farmers are large consumers of credit. To be a food producer, you have to have good soil, lots of water, and a big loan. The last figures I saw placed total farm debt at $174 billion. Last year, farm real estate debt increased about 17 percent to $96 billion. Farm nonreal estate debt rose about 13 percent to $78 billion.

The Budget Committee's report appropriately raises the issue that 2 years ago over 25 percent of the net increase in total U.S. agricultural debt was financed through loans made by Farmers Home Administration.

Farmers Home Administration is the lender of last resort. Farmers have had to resort to loans from Farmers Home Administration more in recent years, admittedly. But, it has not been through the fault of the farmer or the Farmers Home Administration or the banks. It has been due to the condition of the economy in general, and the farm economy in particular. I hope the economy performs at least as well as the Budget Committee expects it to.

But, for the moment, we are facing some liquidity problems in banks. It is too dry through most of the grain growing areas of the country. We may need the additional flexibility, provided by this amendment, in the agricultural function later this year. I urge the adoption of the amendment as a necessity to a viable and successful agriculture.

I thank the Senator from Montana for yielding to me at this time.

Mr. ANDREWS. Will the Senator yield?

Mr. MELCHER. I am delighted to yield.

Mr. ANDREWS. Mr. President, I appreciate the opportunity to speak to the amendment offered by my colleague, the distinguished Senator from Montana.

One of the things that ought to be brought out in debate on the floor about this amendment is that the budget input in agriculture is different from the budget input for other functions of our Government. I wish to point out to Senators why budget authority in agriculture is different than other budget authority and budget outlays.

Most of the cost of farm price support programs is evidenced in the commodity loan program. For instance, when a farmer puts his wheat crop, his feed grain crop, or his crop of whatever type covered by a Government price support loan program under loan, if the loan rate is $3 a bushel, the full amount of $3 a bushel is scored against Government spending in that category. In each situation the Government knows full well, and OMB knows full well, that virtually all funds, will be restored when that commodity moves out of the loan bin into the marketplace.

If you score $3 a bushel against 500 million bushels of wheat, $1,500,000,000 will show up as an expense against the farm program in that given fiscal year. But when that commodity is redeemed, it is all paid back to the Government. The Government's input is solely the interest expense and/or storage expense if in the discretion of the Secretary of Agriculture he deems it in the interest of the consumers of America to store that grain or put it into reserves so they are available for our consumers and overseas sales.

Mr. President, I would certainly hope that the Senate would support this amendment. In the Budget Committee markup I had an amendment that I proposed in the committee. Senator EXON had a similar amendment in the committee. The committee rejected both of those amendments. Our amendments were considerably higher than this very modest suggestion that my colleague from Montana is proposing.

This amendment increases $400 million in outlay authority for fiscal 1982. The amendment I put in in committee would increase $500 million in that year. Further, my amendment would have increased $500 million in outlay authority in 1983 and some $800 million in 1984.

The increase for price support is needed to run sensible, consumer protecting farm commodity programs in the future. We need to know now what we can do because we are writing the farm bill. My colleague, my good friend from Montana, serves with me in the responsibility of serving on that Agriculture Committee. He knows as I do, how difficult it is to structure these commodity programs so they will be workable, so they will be designed to keep the family farmer producing and, more importantly, to keep a supply of food and fiber so necessary to our consumers here in America, and so necessary to our economy in earning those overseas dollar payments that we need if we are going to balance off the great amount we have to spend for importing OPEC oil.

I salute my colleague and good friend for bringing up this amendment, and I do hope the Senate will see fit to accept it.

The PRESIDING OFFICER. Who yields time?

Mr. MELCHER. Mr. President, I wish to discuss the part of the amendment which deals with the opportunity to increase soil conservation funds. I have been reflecting, during the past several months, after receiving the first inkling of what would be in the administration's budget, on the effects it would have on our efforts to protect our land and water resource base in the United States. As I look at what is being proposed and what has actually been spent over the past decade, with now a further reduction in that, I become quite concerned that we are dipping too deeply into the very fundamentals of what makes America great. We are dipping too deeply into the productivity capability of our land and into the opportunities to retain for the future a continuation of that productivity.

The facts are that we have had a 25-percent decrease in purchasing power over the past 10 years in soil conservation service work through the funding of soil conservation service. True, there has been a 58-percent increase in actual appropriations during that past 10 years, but when one reflects on the fact that the rate of inflation has been much greater than that during that decade, we understand why it is true that there has been a 25-percent decrease in actual purchasing power for soil conservation work.

The impact of double-digit inflation in recent years and the reluctance to recognize and to provide for the full impact of inflation on Federal programs and the difficulty in defending the continuing of discretionary programs through periods of tight fiscal policies have led the various administrations during that decade and the various Congresses during that decade to hold back on conservation work.

In conservation technical assistance alone, it is shown that there has been a steady program level for 10 years, with a small 2-percent decrease in buying power. That is just in the single item of conservation technical assistance. Internally, however, the mix of activities funded under this account has changed significantly.

New data collection and analysis activities, including inventory, monitoring, and RCA have been added and the soil survey activity has increased significantly. Congress and administrations during the past decade have found that to be necessary.

Meanwhile, the traditional field level technology transfer activity under conservation technical assistance has decreased by 13 percent in purchasing power.

What about watershed planning? It reflects a 53-percent decrease in buying power, 40 percent of that between 1981 and 1982. The fiscal year 1972 program activity produced 40 new planning starts and 22 plan completions for watersheds. Fiscal year 1982 funds will provide no new starts and only 10 completions.

Mr. President, this is one of the points that the amendment seeks to correct, so that we can provide some new starts.

Soil Conservation Service capability to support a viable, long-term construction program has been significantly reduced by the past funding trend and will be essentially eliminated if we do not make this adjustment for the 1982 budget level.

What about watershed and flood prevention? This reflects a 46-percent decline in purchasing power in the construction program; 22 percent of that decline was between 1981 and 1982. The fiscal year 1972 program produced 50 new starts and 28 completions. The fiscal year 1982 program provides no new starts and 23 completions.

Again, Mr. President, this is an important reason for this modest increase in Soil Conservation Service funds.

The policy of no new starts in both construction and planning limits flexibility to target the watershed programs to the most severe problems.

What about the Great Plains program? The Great Plains program reflects a 42-percent decrease in buying power. The fiscal year 1972 program funded 2,500 new contracts on 5 million acres. The fiscal year 1982 program will fund less than 1,000 new contracts on about 3 million acres. Again, this points up the dire need for an increase for the Soil Conservation Service for fiscal year 1982.

I remind my colleagues in the Senate that a $200-million increase in this particular activity is an investment in the United States and our very most precious resource, our land and soil base. Mr. President, I think that the obvious is before us, that the amendment is very much needed.

We shall have some argument, I suppose, or some discussion on whether or not we can afford to cut this amount of money out of our foreign aid. It is true, I think, as the Foreign Relations Committee has pointed out to us, that international bank commitments are, in some instances—perhaps in most instances—good business. But figures show that in World Bank contributions, we contribute 27 percent of the money. We get only 21 percent of the vote on how it is to be spent and only 15 percent of the contracts that are involved. If, instead, we use that money to help agriculture, we shall get a lot better deal. We shall be providing more productivity right here, in the United States, and getting more bang for the buck.

We shall be spending it here, in the United States, on our most basic, our most fundamental industry. Particularly, we shall be spending half of this increase, $200 million, in fiscal year 1982 on soil conservation work, and making the other half available to the Farmers Home Administration.

Besides, the tremendous growth in the size of the programs of the multilateral banks that are involved in our foreign aid means that these banks cannot even lend out all the money that is available for them. They are building up a backlog, and have more money available than there has been demand for.

For example, the undispensed funds in the Asian and African banks have grown from $1 billion in 1971 to $3.7 billion in 1979. I think some of this may have been reduced and there is less probably available at this point in 1981 than that $3.7 billion. But the point is this: We can well afford to slow down our growth in contributions—that is, the U.S. contributions—to the multilateral banks.

The Committee on Foreign Relations has made cuts. It is to their credit that they have made cuts in our international affairs fund, and I am glad to see that. But the fact remains that while the total cut in foreign aid is about 9 percent, the cuts in agricultural funding, as proposed in the budget that we are considering now, is about 30 percent.

The question is, Mr. President, where do we put our dollars? Is it essential to make sure of our land and water resource base? I think it is.

Is it essential to make sure that farmers and ranch operators can stay in business, to help our agricultural situation in this country? I think it is.

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It is often said that there is no constituency for foreign aid. Well, I am not so sure about that. There have been plenty of votes around here in recent years that have shown an outstanding constituency during times of very high inflation in the United States. I think we have been guarding foreign aid rather zealously. There must be a constituency here, in the Senate, and in the House that has protected these programs. But what about the American taxpayer? What do they say about it?

I think the American taxpayers are saying rather emphatically to us, "If you're going to be cutting out the programs that are basic to the United States, that are basic to our economy, that are basic to our very most precious resource, our land and water base here in the United States, we want to see an evenhanded approach also in what we are cutting in our foreign aid programs."

Mr. President, I think it is about time that we ask the multilateral banks, international organizations, and other governments to bear witness to the fact that we are making substantial cuts in domestic programs here, in the United States, some of which are very tough to take. I think there have to be some offsetting cuts in our foreign aid program, too. It is on that basis that we offer this amendment.

Mr. SYMMS. Mr. President, I first want to ask my good friend, the senior Senator from Montana, how much of the $200 million would be put in the soil conservation programs? Half of it? I am advised that in order to get this corrected—and I am willing to see that we do get it corrected so we know what we are voting on—that function 300 in natural resources and environment is where the soil conservation fund is. Does the Senator want that evenly divided?

Mr. MELCHER. It is our intention that the budget authority of $200 million would be in function 350.

Mr. SYMMS. The $200 million would be in function 350?

Mr. MELCHER. That is correct—in that budget authority for Farmers Home Loan Administration.

Mr. SYMMS. My understanding is that the soil conservation programs are in function 300.

Mr. MELCHER. But the Farmers Home Loan Administration is in 350.

Mr. SYMMS. Does the Senator want to divide that out?

Mr. MELCHER. It is our intention that the $200 million in budget authority be in function 350 for the Farmers Home Loan Administration.

Mr. SYMMS. Then, how much in function 300?

Mr. MELCHER. In function 300, $200 million.

Mr. SYMMS. It would be $200 million added in each function?

Mr. MELCHER. That is right.

Mr. SYMMS. The Senator is talking about adding $400 million total to farm programs and taking $400 million out of foreign assistance programs?

Mr. MELCHER. That is correct.

Mr. SYMMS. The copy of the amendment I have reads:

To increase budget authority by $200 million and budget outlays by $200 million for function 350, and decrease budget authority by $200 million and budget outlays by $200 million for function 150.

Perhaps the Senator wants to correct the amendment.

Mr. MELCHER. Yes. I thank the Senator from Idaho for pointing that out. Indeed, we do want to correct it, and I send a corrected version of the amendments to the desk.

The PRESIDING OFFICER. Is there objection to the modification? The Chair hears none, and the amendment is so modified.

The modified amendment reads as follows:

On page 4, line 18, strike "$16,800,000,000" and insert in lieu thereof "$16,600,000,000."

On page 4, line 19, strike, "$11,100,000,000" and insert in lieu thereof "$10,900,000,000."

On page 5, line 23, strike "$8,400,000,000" and insert in lieu thereof "$8,500,000,000."

On page 5, line 24, strike "$12,800,000,000" and insert in lieu thereof "$12,900,000,000."

On page 6, line 8, strike "$5,400,000,000" and insert in lieu thereof "$5,500,000,000."

On page 6, line 9, strike "$4,600,000,000" and insert in lieu thereof "$4,700,000,000."

Mr. SYMMS. For clarification, I say to the Senator from Montana that now we have the situation in which we are reducing budget authority by $400 million from function 150 and adding back $200 million in 350 and $300 million in 300.

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

Mr. SYMMS. I am happy to yield.

Mr. MELCHER. It is $200 million reduction in authority and $200 million in outlays, both from function 150.

Mr. SYMMS. But we are adding back how much?

Mr. MELCHER. We are adding back $200 million in budget authority for function 350 and $200 million in budget outlays for function 300.

Mr. SYMMS. In other words, we are going to add back $400 million but subtract $200 million?

Mr. MELCHER. No; we are going to subtract from one function $200 million in budget authority and $200 million in budget outlays, for a total of $400 million from that function.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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.

Mr. SYMMS. Mr. President, I make the further point to our colleagues that the Reagan budget, in the Senate Budget Committee, increases the operating loans from $850 million in fiscal year 1981 to $1.325 billion in fiscal year 1982. So there is already in this resolution a 56-percent increase.

The soil conservation programs, as was mentioned, are not in function 350; they are in function 300.

I believe we now have the amendment corrected. I ask the Senator from Montana, for clarification of the record, so that our colleagues will understand what we are talking about, if now we are going to reduce by $200 million function 150. The Senator is talking about reducing function 150 by $200 million and increasing function 350 by $100 million and increasing function 300 by $100 million?

Mr. MELCHER. That is correct.

Mr. SYMMS. I say again, Mr. President, that I am sure it makes good copy to talk about taking the money out of foreign aid. If we could somehow divide this, I say to the Senator from Montana, I would agree with him that we probably could stand to cut it a little more. Whether we need to spend the money back in the agriculture programs, I question that.

Probably more important than anything else for the American farmer is to get the Reagan economic program through Congress. That is probably more important than how we have the FHA or the soil conservation or the ASCS programs; because, ultimately, when we finally get the Reagan economic package through Congress and get the economy moving, there is going to be a major move, not only by this Senator but also by many others in this Chamber and the administration—I have talked to the President about this—to repeal the inheritance tax, which does more damage to the farmers. It would do much more good for the farmers to lessen the burden of the inheritance tax situation than any slight adjustment to these farm programs that are in place.

It is not that $100 million is not important when it comes to farm operating loans, but this budget resolution calls for $1.325 billion in farm operating loans presently, so we are talking about adding on $100 million. I believe that what would be far more beneficial to the American farmer would be to see the President's economic package pass Congress, be signed into law, get some accelerated depreciation for the farmers, get some amelioration in the second tax package on the vital reform of the inheritance tax and gift tax, so that capital can be kept concentrated on farms, instead of always forcing the sale of the family farm to pay estate taxes.

With respect to soil conservation, I have to say to the Senator from Montana that I know that the argument he makes is very sound. He is preserving our water and our land base.

My own observation has been as a farmer, but I have often noted that the farmers who are unable to participate in the program are oftentimes those who are the best situated financially and sometimes that young farmer who is striving very hard to get started cannot come up with the matching funds for the soil conservation program.

That is not to say that improving our water resources and our land is not a good program because I think it is a good program. But I think we have reached a point in this budget resolution where there has been over $1 billion taken out of the foreign assistance program. Nine hundred million dollars was taken out by the Foreign Relations Committee out of what the President called for. So I think that cuts have been fairly deep in that area as it is and, as I say, we cannot

divide this so we have to vote one way or the other.

I think that it would be in the best interest of the Senate to turn this amendment down and then take these things one on one on the merits in the authorizing and the appropriations process later on this summer.

I yield to the Senator from Montana.

Mr. MELCHER. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. MELCHER. I thank my friend for yielding.

Mr. SYMMS. Mr. President, how much time do I have remaining on the amendment?

The PRESIDING OFFICER. The Senator from Idaho has 44 minutes and the Senator from Montana 25 minutes, but under the previous order we are having back-to-back votes at 2 p.m. so actually the Senators have 15 minutes remaining.

Mr. SYMMS. Mr. President, I yield 10 minutes to the distinguished chairman of the Foreign Relations Committee, Senator PERCY.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. PERCY. Mr. President, I thank my distinguished colleague.

I really cannot think of anything that would be more injurious to the President's economic assistance and security assistance programs abroad than the present amendment because we have to put this amendment in the context of what has been done before.

The Reagan budget reduced the program suggested to Congress by President Carter by $150 million. The Senate, since that time, has reduced the Reagan request by $900 million. It has cut military direct loans in half. It has cut out all contingency funds. It has cut the military training program. It has cut the development loan program to negative real growth. It has cut international organizations by $150 million.

There is simply no place else to cut. Further cuts, especially in outlays, would require the Foreign Relations Committee to cut into money for the Middle East. This would affect basic U.S. national security interests.

We are talking about reducing the chances for conflict in the world.

What would happen if we started slashing the programs for Israel and Egypt at this particular time? Here they are in a critical period in the Middle East with a conflict in Lebanon that could go either way, with an emissary of the President out there right now trying to mediate this particular situation.

What would happen if Congress, with firm pledges having been made by two Presidents, went in and slashed any of those programs?

The President has been deprived of all contingency funds. Secretary Haig, whom four members of the Foreign Relations Committee just left at the State Department, would certainly reiterate that to remove all flexibility from the Secretary of State at this particular time, not allowing any funds for any contingency or emergency that might occur any place in the world, what would happen to the defense policy? What would happen to the military assistance program abroad?

Here we are willing to vote billions of additional dollars, and with the full support of the Senator from Illinois because there is no way to have a credible foreign policy without a strong national defense, but here we are voting billions of dollars for additional defense in this country.

We have had a firm policy for years that there should be assistance to other countries that want to protect the interests of the free world which are the interests of the United States of America. And we vote all of that money for our own domestic defense needs and yet we deprive the Department of State of funds that will assist other countries in maintaining their stability and maintaining their strength when they are willing to provide their manpower, when they are willing to provide their energy, their effort, put their prestige on the line, take sides in this East-West conflict, and yet we are going to say, "No, we do not have the money for you."

What kind of a foreign policy can we have if we just nibble away at this program which is already down to bedrock, which already the department simply does not know how it is going to adjust to?

This makes no sense at all.

Though it is sometimes popular to say we will just take it out of foreign aid, if you look at every single one of these programs, these programs are in the interest of the foreign policy and our national security interests of the United States of America. There is no question about that. There is no question in the mind of President Reagan. There is no question in the mind of Vice President BUSH. There is question in the mind of Secretary Haig. There is no question in the mind of Secretary Cap Weinberger.

Any member of the Cabinet and any informed person would say these programs cannot be cut without cutting the national security interest of the United States of America.

This requires an understanding on the part of our people. It requires an understanding on the part of the Senate.

We left a meeting at the State Department with 200 some chief executive officers of major corporations in the United States. Those companies do business abroad all over the world, and let us face it. Twenty-five percent of the gross national product of the United States of America is generated through trade that we do abroad. This is going both ways. When we look at some of the manufacturers in this country, for example, Caterpillar Tractor in Illinois, 47 percent of their business is done in export business.

When we look at farmlands in the State of Illinois, one out of two workers in agriculture in Illinois depend upon export markets. One out of three acres in Illinois is all exported.

We require those export markets and we require the imports that we receive in raw materials for our factories, and in a few years 80 percent of all imports coming into the United States will be coming from abroad.

Of all raw materials used in our factories, 80 percent of those raw materials will be coming from abroad, many of those from areas of instability in the world.

The purpose of these military assistance and economic assistance programs abroad is to create a condition of stability in the world.

This economy depends upon world stability. Every time we are torn apart in some area, it is more difficult for the United States of America to carry on its business, and the business of carrying on America's business abroad is the responsibility of the Secretary of State.

To undercut the Secretary in this regard and deprive him of funds that are essential and needed for these programs is irresponsible.

I simply do not feel the Senate will do this, nor can it do it at this particular time.

I, therefore, hope the pending amendment will be defeated by my colleagues.

Mr. MELCHER. Mr. President, I appreciate the remarks of the chairman of the Foreign Relations Committee.

The distinguished Senator from Illinois, I realize, has a profound interest in not only the foreign relations of the United States but he has a profound interest in the productivity of the heartland of America, in his State in particular, the State of Illinois. He has a profound interest in the agricultural base for this country. He has spoken eloquently on numerous occasions for both points.

I appreciate his remarks today in defense of foreign relations for the United States.

But I must point out, Mr. President, that what we are talking about is a $200 million reduction in budget authority from $16.8 billion, a $200 million reduction in budget obligations from $11.1 billion.

I think that the question should hinge not on whether or not we want to take it out of either program. I think it should hinge on which program can stand cuts.

I see no reason to safeguard our expenditures in foreign aid at the expense of our agricultural production and at the expense of our land and water resource base here in the United States.

So, we have offered a very modest exchange of $200 million in budget authority and $200 million in budget obligation both of which are to come out of foreign aid and both of which would assist our agriculture production, one in the form of Farmers Home Administration operating loans and the other in the form of soil conservation work.

I think the amendment has great merit. I hope the Senate can agree to it.

The PRESIDING OFFICER (Mr. LUGAR). The hour of 2 p.m. has arrived.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, the distinguished Senator from Texas desires 3 minutes to speak in opposition to the

Melcher amendment. If there be no objection, he wishes to do that now. It will take unanimous consent that we vote in 3 minutes on the Bradley amendment instead of voting now.

Does the Senator from Montana have any objection to that?

Mr. MELCHER. Mr. President, do I understand my friend from New Mexico to say that the distinguished Senator from Texas would like to have 3 minutes to speak on my amendment?

Mr. DOMENICI. Yes.

Mr. MELCHER. Mr. President, I have no objection, providing I can have 2 minutes to respond.

Mr. BAKER. Mr. President, I am not prepared to do that. I am sorry, but I have commitments to other Senators. I will object to that.

The PRESIDING OFFICER. The objection is heard.

UP AMENDMENT NO. 86

Under the previous order, the hour of 2 o'clock having arrived, the question is on agreeing to unprinted amendment No. 86 offered by the Senator from New Jersey (Mr. BRADLEY). The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 22, nays 76, as follows:

[Rollcall Vote No. 105 Leg.]

YEAS—22

Bentsen	Inouye	Pell
Biden	Jackson	Randolph
Bradley	Kennedy	Riegle
Byrd, Robert C.	Leahy	Sarbanes
Cranston	Levin	Tsongas
Dodd	Matsunaga	Williams
Eagleton	Metzenbaum	
Hart	Moynihan	

NAYS—76

Abdnor	Garn	Murkowski
Andrews	Glenn	Nickles
Armstrong	Goldwater	Nunn
Baker	Gorton	Packwood
Baucus	Grassley	Percy
Boren	Hatch	Pressler
Boschwitz	Hatfield	Proxmire
Bumpers	Hawkins	Pryor
Burdick	Hayakawa	Quayle
Byrd, Harry F., Jr.	Heflin	Roth
	Heinz	Rudman
Chafee	Helms	Sasser
Chiles	Hollings	Schmitt
Cochran	Huddleston	Simpson
Cohen	Humphrey	Specter
D'Amato	Jepsen	Stafford
Danforth	Johnston	Stennis
DeConcini	Kassebaum	Stevens
Denton	Kasten	Symms
Dixon	Laxalt	Thurmond
Dole	Long	Tower
Domenici	Lugar	Wallop
Durenberger	Mattingly	Warner
East	McClure	Weicker
Exon	Melcher	Zorinsky
Ford	Mitchell	

NOT VOTING—2

Cannon	Mathias

So Mr. BRADLEY's amendment (UP No. 86) was rejected.

Mr. DOMENICI. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question is on agreeing to UP Amendment numbered 87 offered by the Senator from Montana. The yeas and nays have been ordered.

Mr. HARRY F. BYRD, JR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HARRY F. BYRD, JR. Mr. President, the pending amendment would add $200 million in two areas of the bill. Another part of the amendment would cut $200 million from another part of the bill, the $200 million add-on or added to areas which have already been substantially increased over the President's budget.

My parliamentary inquiry is this: Is this subject to division, namely, the two add-ons in one vote and the reduction in a subsequent vote?

The PRESIDING OFFICER. The response of the Chair is that it is not subject to a division.

The Budget Act provides that:

(6) Notwithstanding any other rule, an amendment, or series of amendments, to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

This amendment is so drafted.

Mr. HARRY F. BYRD, JR. I thank the Chair.

The PRESIDING OFFICER. We will now proceed to the vote. The yeas and nays have been ordered and the clerk will call the roll.

Mr. BAKER. Mr. President, this is a 10-minute rollcall vote?

The PRESIDING OFFICER. The Senator is correct. The clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who wish to vote?

The result was announced—yeas 39, nays 59, as follows:

[Rollcall Vote No. 106 Leg.]

YEAS—39

Abdnor	Garn	Melcher
Andrews	Grassley	Mitchell
Baucus	Hart	Nunn
Bentsen	Hawkins	Pressler
Boren	Heflin	Proxmire
Bumpers	Helms	Pryor
Burdick	Huddleston	Randolph
Byrd, Robert C.	Inouye	Riegle
Cohen	Jackson	Roth
DeConcini	Jepsen	Sarbanes
Eagleton	Johnston	Sasser
Exon	Matsunaga	Symms
Ford	McClure	Zorinsky

NAYS—59

Armstrong	Glenn	Murkowski
Baker	Goldwater	Nickles
Biden	Gorton	Packwood
Boschwitz	Hatch	Pell
Bradley	Hatfield	Percy
Byrd, Harry F., Jr.	Hayakawa	Quayle
	Heinz	Rudman
Chafee	Hollings	Schmitt
Chiles	Humphrey	Simpson
Cochran	Kassebaum	Specter
Cranston	Kasten	Stafford
D'Amato	Kennedy	Stennis
Danforth	Laxalt	Stevens
Denton	Leahy	Thurmond
Dixon	Levin	Tower
Dodd	Long	Tsongas
Dole	Lugar	Wallop
Domenici	Mattingly	Warner
Durenberger	Metzenbaum	Weicker
East	Moynihan	Williams

NOT VOTING—2

Cannon	Mathias

So Mr. MELCHER's amendment (UP No. 87), as modified, was rejected.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. DOMENICI. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I have three other housekeeping matters I would like to take care of before the next amendment is voted on.

May I inquire, is there a Moynihan amendment now sequenced without a time limitation?

The PRESIDING OFFICER. The Moynihan-Bradley tax cut amendment, which is the next order of business, has a 2-hour time limit.

Mr. BAKER. Mr. President, I have been advised by the distinguished Senator from New York and the minority leader that it is agreeable on their side to reduce that 2 hours to 1 hour and I make that request.

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

Mr. BAKER. Mr. President, after the Moynihan amendment, I ask unanimous consent that the Senator from New Hampshire (Mr. HUMPHREY) be recognized for not to exceed 30 minutes to speak, not to offer an amendment.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, and I do not want to object, I want to be sure that the Senators who are sequenced in on amendments have time on their amendments. Perhaps we could cut the time somewhat on amendments.

I hope we will not have Senators speaking on the measure, to the possible prejudice of Senators who want to call up amendments and whose amendments are sequenced.

Mr. BAKER. I understand the concern of the minority leader, and I assure him that we can make provision that the time otherwise allocable to the majority be available to the Senator from New Hampshire.

Mr. President, I hope there might not be an objection to this request. There is a commitment, I believe, to permit the Senator to make a statement at this time.

Mr. DOMENICI. Mr. President, I say to the minority leader that last night

when we were sequencing and determining more or less our game plan for today, the Senator from New Mexico neglected—and it is his fault—to honor a request that had been pending for 2 days by the distinguished Senator. What I am prepared to do now is to say to the Senator that he can take 15 minutes from the time in opposition to the Moynihan amendment. We will take 15 minutes, and if he will get 15 minutes for Senator Humphrey, that will be 30.

Mr. ROBERT C. BYRD. Then, the request has been reduced to 15 minutes?

Mr. DOMENICI. That is correct.

Mr. ROBERT C. BYRD. Could the distinguished majority leader withhold this request until we talk about one or two other amendments?

Mr. BAKER. I will be happy to do so.

Mr. President, I withdraw that request for the time being, and I will have to make it again before we finish.

In the meantime, I believe we also have an agreement on the tobacco amendment, so called, to be offered by the Senator from Ohio (Mr. METZENBAUM). This has been cleared with the Senator from Ohio and the minority leader.

Mr. President, I ask unanimous consent that on the Metzenbaum amendment dealing with tobacco subsidy there be a time limitation of 40 minutes, to be equally divided.

The PRESIDING OFFICER. Is there objection? The Chair hears none and it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Metzenbaum amendment on tobacco be sequenced immediately after the Stevens amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Would the distinguished majority leader consider reducing the time on the amendment by Mr. SASSER to 50 minutes overall, to be equally divided?

Mr. BAKER. Yes, I am happy to do that, and I make that request, Mr. President.

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

Mr. ROBERT C. BYRD. Mr. President, on the amendment by Mr. Bumpers, I believe there is a 2-hour limitation under the statute.

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. Could we reduce that time? Mr. BUMPERS is in the Chamber.

Mr. BUMPERS. Mr. President, I will save a lot of time. It is not my present intention to offer that amendment. I believe that was taken care of when the Thurmond amendment was defeated the other day.

Mr. BAKER. Can we remove that from the sequence?

Mr. BUMPERS. The leader may remove it.

Mr. BAKER. I make that request.

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

Mr. BAKER. I thank the Senator from Arkansas.

Mr. ROBERT C. BYRD. Mr. President, as I understand it, the remaining amendments that are sequenced are the amendment by Mr. MOYNIHAN and Mr. BRADLEY on the tax cut, to be followed by an amendment by Mr. RIEGLE. Or is it Mr. STEVENS?

Mr. BAKER. Mr. RIEGLE.

Mr. ROBERT C. BYRD. Then, it is to be followed by the amendment by Mr. STEVENS, dealing with COLA. Am I correct?

Mr. BAKER. Yes.

Mr. President, I advise the minority leader that the Senator from Alaska has indicated that he will not take a great amount of time. He is not in the Chamber at the moment, but I believe we can get a short time limitation on the amendment.

Mr. DOMENICI. Actually, it is a mathematical correction, and it should not take 5 minutes.

Mr. ROBERT C. BYRD. Mr. President, I have no objection to the request of the distinguished majority leader for 15 minutes for Mr. HUMPHREY.

Mr. BAKER. I thank the minority leader.

Mr. President, I now make the request that the Senator from New Hampshire be recognized after the Moynihan amendment.

Mr. DOMENICI. For a full 30 minutes?

Mr. BAKER. For 15 additional minutes, with the understanding that the Senator from New Mexico, as the manager on behalf of the majority, will yield another 15 minutes, to make a total of 30 minutes.

Mr. DOMENICI. Mr. President, reserving the right to object, I would not want the 30 minutes of the distinguished Senator from New Hampshire to be divided by a vote. So long as that is the arrangement, I have no objection to the proposal.

Mr. HARRY F. BYRD, JR. Mr. President, reserving the right to object, can the distinguished majority leader get me 10 minutes sometime prior to the vote on the resolution itself?

Mr. ROBERT C. BYRD. Mr. President, I have no problem with 10 minutes, provided Senators who are calling up their amendments and who have been sequenced—and we have to leave time for amendments in the second degree to any amendments—I would have no objection to provide for that, if it be understood that if we need that 10 minutes at the end in order to take care of one of the amendments that are sequenced, or an amendment in the second degree, the 7 o'clock time will be 7:10.

Mr. BAKER. Mr. President, first of all, I now have been advised that the Senator from Alaska is agreeable to a 20-minute time limitation, equally divided, and I now make that request.

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

Mr. BAKER. That should significantly reduce the time pressure.

Mr. President, let me try this request: I ask unanimous consent that prior to final disposition of the pending measure, the senior Senator from Virginia be recognized for not to exceed 10 minutes, with the understanding, however, that that 10 minutes may not diminish the time otherwise allocated by order to any Senator who has an amendment in sequence.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BAKER. Mr. President, I thank the minority leader, and I thank all Senators for cooperating. I believe that what we have done now almost surely indicates that we can finish by 7 or perhaps before 7 with the matter before the Senate.

Mr. DOMENICI. Mr. President, I am familiar with all the amendments mentioned except one that the minority leader has called the Riegle amendment. Do we have a description of what it is?

Mr. ROBERT C. BYRD. I do not have a description at the moment.

Mr. DOMENICI. The Senator is in the Chamber. Does he have a description?

Mr. RIEGLE. I have a couple of possibilities. One would be a transfer. I have not decided, to be very blunt about it.

Mr. BAKER. I hope the Senator from Michigan can tell us more about that, because every other Member has identified at least the general subject matter of his amendment in advance. We did not require that of the Senator from Michigan last evening because he was not on the floor at the time we sequenced these amendments. It seems to me that it gives him an advantage that no other Senator has, to have an option between amendments.

As I pointed out last night when I presented the request, there is of course a statutory requirement that this amendment must be germane, and that will prevail. However, in all fairness to all those who have agreed on time limitations and the sequencing of amendments, I hope the Senator from Michigan will let us know the general nature of the amendment he intends to offer.

Mr. RIEGLE. Mr. President, I appreciate the request of the majority leader.

I have an amendment that would transfer some moneys out of the 050 function into several other functions. I say to the Senator that it is my current intention to offer that; but I do not want to forfeit my right to change that.

Mr. BAKER. Mr. President, I hope that, a little later, the Senator from Michigan can give us a better idea or at least deal with greater particularity as to what the amendment is. It appears that that is as good as we can do for the moment.

Mr. RIEGLE. I will make clear what I intend to do.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. RIEGLE. I yield.

Mr. ROBERT C. BYRD. Is the Senator not saying, in effect, that when he is reached in the order of sequence, he will either call up that amendment or he will not call up that amendment? Is that it?

Mr. RIEGLE. It is partly what I am saying. I do not want to foreclose my options. The agreement was that I would have an opportunity to offer an amendment. I think this is the one I will offer, but I am not absolutely certain at this

point. I think I am within my rights not to decide now. If not, I should like to know why I would not be.

Mr. BAKER. Mr. President, the Senator is within his rights. But his rights stem from, I thought, an act of generosity on our part last evening. When every other Senator designated the subject matter of his amendment there was a request to schedule and sequence an amendment of the Senator from Michigan. When we inquired about what the subject of that amendment was the Senator from Michigan was, not here. It would have been just as easy not to sequence that amendment and forego that until we found out what the subject matter was. We did not do that. Instead we took at face value his request and sequenced it.

I would not have done that if I thought there were some doubt about the nature of the amendment he offers. But I have done it.

All I can do now is call on the good conscience of the Senator from Michigan to tell us the subject matter of the amendment so that he does not have an advantage over any other Senator who has done so.

Mr. RIEGLE. I understand what the majority leader is saying. I appreciate his courtesy last evening and today.

I can say to him that my current intention is to offer an amendment that would transfer some funds from the 050 function to several other functions. That is the presumption I am working on.

Because my amendment was unspecified, I have that degree of flexibility. If I change my intention, I will alert Senators to that change in sufficient time to allow my colleagues to respond. I have no desire to catch people flatfooted. On the other hand, I wish to have more time to evaluate this situation.

Mr. BAKER. I am not going to argue about it because we are going to chew up more time here than we should or need to, but I hope that the Senator from Michigan will understand that the reason he is sequenced and the reason he has no rights is that we agreed to sequence him yesterday, notwithstanding we did not know the subject matter of the amendment, as a matter of accommodation. It is not a right that exists. Otherwise, had we declined to do that last night, he simply would have been authorized to offer an amendment today sometime to get recognized.

Mr. RIEGLE. Let me try to help the majority leader this way. Can we review the order in which amendments are going to be taken up from this point as to where I fall in the order of things? I know the Moynihan amendment is up now followed by——

Mr. ROBERT C. BYRD. Followed by the Senator from Michigan.

Mr. BAKER. The Senator from Michigan is after Senator HUMPHREY speaks, but the Senator from Michigan will be the next amendment after the Moynihan amendment.

Mr. RIEGLE. The Bumpers amendment will not intervene?

Mr. BAKER. It will not. It has been withdrawn.

Might I inquire of the Senator from Michigan if he is prepared to reduce the time?

Mr. RIEGLE. No. I would not be at this point, although I may be at the time I present it. I am open on that question, but at the moment I would not want to enter into agreement to reduce the time.

Mr. BAKER. Mr. President, I do not wish to pursue this any more. I think that at some point it might be a good idea for us to confer privately on this subject, but I will not pursue it at this point.

UP AMENDMENT NO. 88

(Purpose: To provide for a balanced budget in fiscal year 1984)

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of the amendment offered by the Senator from New York (Mr. MOYNIHAN) and the Senator from New Jersey (Mr. BRADLEY).

Mr. MOYNIHAN. Mr. President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN), for himself and Mr. BRADLEY, Mr. MITCHELL, and Mr. BIDEN, proposes an unprinted amendment numbered 88.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 2, strike out sections 1.(a)(1), 1.(a)(2), 1.(a)(3), 1.(a)(4), 1.(a)(5) and insert in lieu thereof the following: "(1) the recommended level of Federal revenues is as follows:

Fiscal year 1982: $650,400,000,000;
Fiscal year 1983: $738,300,000,000;
Fiscal year 1984: $839,200,000,000;

and the amount by which the aggregate levels of Federal revenues should be decreased is as follows:

Fiscal year 1982: $51,200,000,000;
Fiscal year 1983: $68,000,000,000;
Fiscal year 1984: $76,300,000,000;

(2) the appropriate level of total new budget authority is as follows:

Fiscal year 1982: $775,100,000,000;
Fiscal year 1983: $843,000,000,000;
Fiscal year 1984: $903,400,000,000;

(3) the appropriate level of total budget outlays is as follows:

Fiscal year 1982: $704,200,000,000;
Fiscal year 1983: $762,100,000,000;
Fiscal year 1984: $815,500,000,000;

(4) amount of the deficit or surplus in the budget which is appropriate in the light of economic conditions and all other relevant factors is as follows:

Fiscal year 1982: —$53,800,000,000;
Fiscal year 1983: —$23,800,000,000;
Fiscal year 1984: +$23,700,000,000;

(5) the appropriate level of the public debt is as follows:

Fiscal year 1982: $1,096,200,000,000;
Fiscal year 1983: $1,161,700,000,000;
Fiscal year 1984: $1,193,100,000,000;

and the amount by which the temporary statutory limit on such debt should be accordingly increased is as follows:

Fiscal year 1982: $96,400,000,000;
Fiscal year 1983: $65,500,000,000;
Fiscal year 1984: $19,600,000,000."

Beginning on page 4, strike out sections 1.(b)(1) through 1.(b)(16) and insert in lieu thereof the following:

"(1) National Defense (050):
Fiscal year 1982:
(A) New budget authority, $225,400,000,000;
(B) Outlays, $193,100,000,000;
Fiscal year 1983:
(A) New budget authority, $258,800,000,000;
(B) Outlays, $227,400,000,000;
Fiscal year 1984:
(A) New budget authority, $294,000,000,000;
(B) Outlays, $262,200,000,000;
(2) International Affairs (150):
Fiscal year 1982:
(A) New budget authority, $16,800,000,000;
(B) Outlays, $11,100,000,000;
Fiscal year 1983:
(A) New budget authority, $16,300,000,000;
(B) Outlays, $11,600,000,000;
Fiscal year 1984:
(A) New budget authority, $17,400,000,000;
(B) Outlays, $12,100,000,000;
(3) General Science, Space, and Technology (250):
Fiscal year 1982:
(A) New budget authority, $7,200,000,000;
(B) Outlays, $7,000,000,000;
Fiscal year 1983:
(A) New budget authority, $7,800,000,000;
(B) Outlays, $7,400,000,000;
Fiscal year 1984:
(A) New budget authority, $7,300,000,000;
(B) Outlays, $7,300,000,000;
(4) Energy (270):
Fiscal year 1982:
(A) New budget authority, $4,400,000,000;
(B) Outlays, $6,900,000,000;
Fiscal year 1983:
(A) New budget authority, $3,800,000,000;
(B) Outlays, $6,600,000,000;
Fiscal year 1984:
(A) New budget authority, $2,800,000,000;
(B) Outlays, $5,000,000,000;
(5) Natural Resources and Environment (300):
Fiscal year 1982:
(A) New budget authority, $8,400,000,000;
(B) Outlays, $12,800,000,000;
Fiscal year 1983:
(A) New budget authority, $10,800,000,000;
(B) Outlays, $11,900,000,000;
Fiscal year 1984:
(A) New budget authority, $10,900,000,000;
(B) Outlays, $11,000,000,000;
(6) Agriculture (350):
Fiscal year 1982:
(A) New budget authority, $5,400,000,000;
(B) Outlays, $4,600,000,000;
Fiscal year 1983:
(A) New budget authority, $6,500,000,000;
(B) Outlays, $4,700,000,000;
Fiscal year 1984:
(A) New budget authority, $5,500,000,000;
(B) Outlays, $4,900,000,000;
(7) Commerce and Housing Credit (370):
Fiscal year 1982:
(A) New budget authority, $8,300,000,000;
(B) Outlays, $4,800,000,000;
Fiscal year 1983:
(A) New budget authority, $5,300,000,000;
(B) Outlays, $4,200,000,000;
Fiscal year 1984:
(A) New budget authority, $5,900,000,000;
(B) Outlays, $3,800,000,000;
(8) Transportation (400):
Fiscal year 1982:
(A) New budget authority, $21,700,000,000;
(B) Outlays, $21,000,000,000;
Fiscal year 1983:
(A) New budget authority, $21,000,000,000;
(B) Outlays, $20,300,000,000;
Fiscal year 1984:
(A) New budget authority, $21,500,000,000;
(B) Outlays, $20,300,000,000;
(9) Community and Regional Development (450):

Fiscal year 1982:
(A) New budget authority, $7,000,000,000;
(B) Outlays, $9,200,000,000;
Fiscal year 1983:
(A) New budget authority, $7,600,000,000;
(B) Outlays, $7,900,000,000;
Fiscal year 1984:
(A) New budget authority, $7,900,000,000;
(B) Outlays, $7,700,000,000;
(10) Education, Training, Employment, and Social Services (500):
Fiscal year 1982:
(A) New budget authority, $26,800,000,000;
(B) Outlays, $27,400,000,000;
Fiscal year 1983:
(A) New budget authority, $27,200,000,000;
(B) Outlays, $26,900,000,000;
Fiscal year 1984:
(A) New budget authority, $26,400,000,000;
(B) Outlays, $26,400,000,000;
(11) Health (550):
Fiscal year 1982:
(A) New budget authority, $83,600,000,000;
(B) Outlays, $73,400,000,000;
Fiscal year 1983:
(A) New budget authority, $91,700,000,000;
(B) Outlays, $81,700,000,000;
Fiscal year 1984:
(A) New budget authority, $100,600,000,000;
(B) Outlays, $89,800,000,000;
(12) Income Security (600):
Fiscal year 1982:
(A) New budget authority, $263,900,000,000;
(B) Outlays, $237,300,000,000;
Fiscal year 1983:
(A) New budget authority, $289,700,000,000;
(B) Outlays, $255,600,000,000;
Fiscal year 1984:
(A) New budget authority, $310,600,000,000;
(B) Outlays, $273,000,000,000;
(13) Veterans Benefits and Services (700):
Fiscal year 1982:
(A) New budget authority, $24,500,000,000;
(B) Outlays, $23,900,000,000;
Fiscal year 1983:
(A) New budget authority, $25,800,000,000;
(B) Outlays, $25,400,000,000;
Fiscal year 1984:
(A) New budget authority, $26,800,000,000;
(B) Outlays, $26,300,000,000;
(14) Administration of Justice (750):
Fiscal year 1982:
(A) New budget authority, $4,300,000,000;
(B) Outlays, $4,500,000,000;
Fiscal year 1983:
(A) New budget authority, $4,500,000,000;
(B) Outlays, $4,500,000,000;
Fiscal year 1984:
(A) New budget authority, $4,700,000,000;
(B) Outlays, $4,700,000,000;
(15) General Government (800):
Fiscal year 1982:
(A) New budget authority, $5,000,000,000;
(B) Outlays, $4,800,000,000;
Fiscal year 1983:
(A) New budget authority, $5,300,000,000;
(B) Outlays, $5,100,000,000;
Fiscal year 1984:
(A) New budget authority, $5,400,000,000;
(B) Outlays, $5,400,000,000;
(16) General Purpose Fiscal Assistance (850):
Fiscal year 1982:
(A) New budget authority, $6,400,000,000;
(B) Outlays, $6,400,000,000;
Fiscal year 1983:
(A) New budget authority, $6,600,000,000;
(B) Outlays, $6,600,000,000;
Fiscal year 1984:
(A) New budget authority, $7,000,000,000;
(B) Outlays, $6,900,000,000;"

On page 11, strike section 1.(b)(18).

On page 15, strike section 2.(a)(18).

Mr. MOYNIHAN. Mr. President, it is my understanding, and I believe this is the case, that the time in opposition to this amendment has been reduced from 30 minutes to 15 minutes. Is that correct?

Mr. DOLE. That is correct.

The PRESIDING OFFICER. That is correct.

Mr. MOYNIHAN. Mr. President, may I observe without the slightest touch of satisfaction, that I am not surprised that the Members on the other side of the aisle wish to reduce their time, the time they have to defend themselves against this amendment. It is going to be an embarrassing if not indeed an anguishing experience for them, and it is therefore not without a sense of their own interest that they decide to cut the duration in half.

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

Mr. MOYNIHAN. I am happy to yield to my friend on his time.

Mr. DOLE. That is right.

Does the Senator wish to reduce it further? Is that it?

Mr. MOYNIHAN. I am sure the distinguished chairman of the Finance Committee wishes the subject would never have come up, and I have to say at the outset that it is certainly not his fault that it has.

Mr. President, the occasion of this amendment arises from a vote in the Budget Committee on April 9 of this year to report the resolution. It appeared the work on the first concurrent resolution had been completed, but three members of the majority looked at what they had done and found that they had proposed, and were about to vote for, a deficit of $63 billion in 1981, $54 billion in 1982, $52 billion in 1983, and $45 billion in 1984. A party that had made the balanced budget a center of their political rhetoric was suddenly proposing an indefinite extension to that goal; whereupon, three critical members of the majority voted against the proposition and it failed.

Mr. President, do I take it that the chairman of the Budget Committee is going to now have the remainder of this debate conducted by the chairman of the Finance Committee? Is that his desire?

Mr. DOMENICI. The chairman of the Finance Committee expressed a willingness to be here in the Chamber in my absence.

Mr. MOYNIHAN. When he returns; in the Senator's absence.

Mr. DOMENICI. I will have a member of the Budget Committee here very soon.

Mr. MOYNIHAN. May I say, as I said on that glum day, April 28, when the chairman was forced to present us with this document whereby a $45 million deficit in 1984 miraculously disappeared before the onslaught of the "savings to be proposed, reductions, waste, fraud, abuse, and rescissions," that it was not for me to press upon him at a moment of such patent embarrassment. I am happy that I shall be spared once again that necessity to a man I hold in such high regard.

Mr. President, there is a simple issue before us in this matter. Are we to balance the budget in 1984? Are we indeed to balance the budget ever? Is the budget process to become a vehicle for the transparent avoidance of fact?

There is an elemental fact in that this budget is not balanced and in no prospect of being balanced, and we are about to vote a false, meretricious, and unworthy set of revenue estimates which we know are not so; which three Members of the majority knowing not to be so felt required to vote against the result.

Mr. President, the origins of this matter must be understood.

In the course of the last 4 years the Republican Party understandably—I bring no rancor to this proposition whatever—embraced a set of economic propositions which simply does not sustain analysis. They stated straight out that a 3-year, 10 percent per year, reduction in personal income taxes would be recouped during the same period as those tax reductions by an increase in economic activity brought on by larger numbers of entrants into the work force, longer hours worked, and such matters as that.

There is no economic data of any kind that would support this proposition.

Some economic models will argue that somewhere between 20 and 30 percent of such a revenue reduction is recouped in the third year. No respectable practicing economist would say anything more.

Yet the party committed itself to this proposition.

As late as May 1980, in Flint, Mich., our President, whom we admire and so much support in the large purposes he has embarked upon, in a continued attachment to this doctrine said:

> We would use the increased revenues the Federal Government would get from this decrease to rebuild our defense capabilities.

This is a President who truly believed there would flow more funds to the Treasury than had been reduced; that was his campaign.

Earlier in the year, an opponent of his in the primary, the distinguished Representative from Illinois, John Anderson, is quoted as saying:

> How do you balance a budget, cut taxes, and increase the defense spending at the same time? It is very simple. You do it with mirrors.

Come September, a serious Presidential campaign was underway. The candidate of the Republican Party gave what to his staff was called internally the mirrors speech. His effort to reconcile the obviously irreconcilable. And for the first time we learned that there would not be this great reflow of revenues following these tax cuts and we learned that "through a comprehensive assault on waste and inefficiency," 2 percent would be trimmed off the 1981 budget, gradually increasing to 7 percent in 1985. In the meantime, there would be a balanced budget by 1983, a surplus in 1984, and so forth.

Then came the election, the installation of a transition team, and the seri-

ous analysis of the data. And it became clear that nothing such as this was possible. At that point, for the first time, because the incoming administration felt committed to the tax proposals, we began to hear about spending reductions which had nothing whatever to do with the 2 percent achievements of the deficiency and waste. Instead we learned of the reductions of 25 percent in education, 25 percent in health, and elimination of mass transit operating assistance.

On Wednesday last, in the Finance Committee, far from going back to the Great Society, we tore a page out of the Social Security Act, a commitment of 45 years to orphans in this country. Orphans—not hyperbole. This is fact. Children placed in foster homes by State authorities have been entitled to have half of their maintenance paid by the Federal Government. Out it went. This is not waste and inefficiency, these are 3-year-old children whom we can no longer afford to support.

And why? Because of a mindless adherence to a doctrine of economics which no less a distinguished person than the Vice President of the United States described as voodoo economics.

Mr. President, we can save ourselves from this and we can spare the majority the need to do something it does not want to do and say, "Let campaign bygones be bygones, but let us face economic facts."

Last September 15, the Committee on Finance, by a 19-to-1 vote, reported out a tax bill which, as it happens, has almost the identical impact in 1982 as the alternate bill contemplated in this resolution. It was a good tax bill. It was a supply side tax bill by results. Half the money went to business institutions and investors, which they received in tax reductions when they invested successfully, as in the case of capital gains. We had proved the power of a capital gains tax reduction the previous year by having made very small cuts; far from losing revenue, we raised revenue. We found the tax was too high. We meant to go on cutting it.

We proposed the first reduction in rates since President Kennedy's proposal in 1963. We proposed as well an end to the marriage penalty. Now, there is a supply side tax cut for you. When you make it more rewarding for people to go to work than to stay home, you have added to the supply of labor. When you penalize a married couple for working, you diminish it. It was a good bill, and it was supported 19 to 1; every Republican Member voted for it, save one who, for general reasons, was not voting any tax reduction that year.

Mr. President, the purpose of my amendment, very simply, is to include in the budget revenue assumptions that are based upon a tax bill similar in purpose and effect to the one adopted last year by the Finance Committee. It would not dictate the terms. Nobody could dictate such terms in a budget resolution. But it assumes the general impact on investment and savings that was assumed in that tax bill. It would balance the budget and give us a surplus in 1984.

We would break out of this seeming incapacity, which, in the end, reflects an incapacity of the Government itself to keep its books in balance.

Mr. President, I hope this amendment will find approval.

My distinguished friend and cosponsor from New Jersey (Mr. BRADLEY) is on the floor. Seeing as yet no desire on the opposing side to say a word in opposition to that which they know ought not to be opposed, I yield to the Senator from New Jersey.

Mr. BRADLEY. Mr. President, I thank my colleague from New York for yielding and also for his amendment. Because, Mr. President, what this amendment does is to resolve the basic ambivalence that has characterized the President's program from the beginning. This budget is a perfect example of that ambivalence.

On the one hand, Mr. President, we have an economic theory that believes cuts and marginal tax rates will spur growth unheard of in this country before. On the other hand, Mr. President, we have a belief that says, in order to pay for our tax cuts, we have to cut the budget first. Mr. President, this is the difference between the new Republicanism and the old Republicanism.

Now, what we try to do in this amendment is simply say that if, on the one hand, you believe a reduction in marginal tax rates is going to dramatically increase revenues, who do we not be honest about it and why do we not eliminate all tax expenditures and reduce that marginal tax rate down to 20 percent?

Mr. President, that is not what the administration proposes to do. They propose to gradually ease us into a 30-percent reduction over 3 years that is provided for in this budget, which, combined with the level of nondefense spending cuts and defense increases, will insure this country continued stagflation for the next 3 to 4 years.

So what I am suggesting here is that we be honest about this process. The Senator from New York knows, the Senator from Nebraska knows, and the Senator from South Carolina knows, as we have all seen the reports in the newspapers. The administration now, after winning a budget battle, has developed some flexibility on the tax issue, which means, Mr. President, that even the administration knows that GEORGE BUSH was right when he characterized it, as the Senator said, as voodoo economics and it will eventually come around to that realization.

So what this amendment says, Mr. President, is let us not play the game down the road for 2 years. Let us admit at this point that we are going to have a 1-year tax cut along the lines, perhaps, that the administration wants. This amendment allows for the full amount that the administration would want in tax cuts for fiscal year 1982. It does not cut that figure. It gives the President a chance to see if, indeed, when people get that extra $200 in their pockets they are going to go straight to the savings and loans and put it in or straight to the savings banks or perhaps the money market.

But, Mr. President, on the possible chance that they are going to spend that money and, therefore, generate excess inflation, why must we, in this budget resolution, commit ourselves to a 3-year tax cut instead of a 1-year tax cut that has effects over the next couple of years in revenue losses?

Mr. President, this is a very simple amendment. It is one that I think even the administration will come to appreciate in the coming months when they find nowhere near that savings response from tax cuts, when they find higher interest rates going even higher, because of an enactment of a tax cut in these times and because, Mr. President, inflation will continue to rise for reasons that I will not get into in this amendment, related largely to the fact that when you raise the interest rate you get enormous sums of money flowing into this country from abroad and thereby increasing our money supply and making the use of monetary policy as the sole weapon against inflation fruitless.

Mr. President, I am pleased that the Senator from New York has offered this amendment. I join him as an original cosponsor. I think it is a very clear challenge to the type of tax approach that has been taken by the administration. I think it resolves the ambivalence between those old Republicans who say, "Cut the budget before you can have a tax cut." and the new Republicans who say, "The feedback effect is dramatic and growth will ensue and we will have enormous revenues flowing."

Mr. President, I compliment the Senator on his amendment. I am pleased to join him. Again, I simply reiterate that this is a 1-year tax cut. When has the Senate enacted 3-year tax cuts in budget resolutions? It has not happened, Mr. President.

We are saying, let us approach this tax cut and this budget resolution as we have in the past, giving opportunity for variations as the economy shifts.

Mr. President, I am pleased to join with my colleague and urge support of the Moynihan-Bradley amendment.

Mr. MOYNIHAN. Mr. President, I observe there is still no Member of the majority party rising to defend the indefensible. I take that to be a good sign for the long-run health of this budget process. This spurious, contrived result—this claim to a balanced budget in 1984—is indefensible and it is not being defended.

Mr. President, so that history might know what I am talking about, I ask unanimous consent to have printed in the RECORD at this point the mimeographed summary of additions that was contrived on April 28, 1981, to produce this balanced budget.

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

BUDGET SUMMARY—CHANGES ADOPTED BY THE BUDGET COMMITTEE AFTER APR. 9 VOTE

[In billions of dollars]

	Fiscal year 1982		Fiscal year 1983		Fiscal year 1984	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Totals rejected by the committee on Apr. 9	775.0	704.1	842.9	[1] 762.0	903.3	815.4
Proposed changes:						
Accept administration commitment to hold down defense outlays [2]		−5.1		−2.1		−7.4
40 percent absorption of defense pay raise costs (similar to absorption already assumed for other agencies) [3]		−1.9		−1.9		−1.9
Savings as a result of increased efforts to reduce waste, fraud, and abuse (to be spread to appropriate functions) [4]				−8.1		−7.2		−8.7		−7.7
Savings as a result of increased efforts to achieve rescissions [5 6]				−5.0		−5.0		−5.0		−5.0
Additional savings to be proposed [5 6]				−15.3		−15.3		−22.7		−22.7
Total spending	775.0	699.0	812.6	730.5	865.0	770.7
Revenues		650.3		709.1		770.7
Deficit (−) or surplus (+)		−48.7		−21.4		0

[1] Adjusted to correct for small error in veterans program outlays in the table used by the committee on Apr. 9.

[2] Use the OMB estimate of defense outlays, which predict lower fuel prices and lower spend-out rates than do the CBO defense assumptions originally used by the committee.

[3] Increase to 40 percent the Defense Department's rate of "absorption" of future pay raise costs (referring to that portion of DOD funds drawn from other areas, and not specifically provided by congressional appropriation for pay increases.

[4] Require a reduction of 1 percent in appropriated funds in fiscal years 1983 and 1984 through additional, unspecified decreases in waste, fraud, and abuse.

[5] Resurrect function 920, allowances, including in it: (1) savings resulting from changes in congressional review of administration rescission proposals (requiring a 2-House resolution of disapproval to deny, rather than the current requirement for congressional affirmation), (2) unspecified additional savings to be proposed (these are to eliminate nearly half the 1984 deficit).

[6] Will be assigned to function 920, allowances.

Mr. MOYNIHAN. Mr. President, still no one appears in opposition.

I see the distinguished manager of the legislation rising. I observe that he does so with a quizzical air, that capacity having fallen to him. I am happy to yield to the Senator.

Mr. GORTON. Mr. President, the distinguished and eloquent Senator from New York labors under the misapprehension that the majority requested only 15 minutes to debate this issue because it did not want one to speak any longer when, in fact, it does not need 15 minutes in order to set out the reasons for rejecting the amendment, as I fondly believe it will be rejected, in a way which is totally logical and persuasive to all who will listen.

The amendment of the Senator from New York curiously enough accepts all of the economic assumptions of the Budget Committee as well as those of the President, except for the key one that the growth in productivity which would result from the passage of the President's program was at least as much based upon a very substantial 3-year tax cut as it is upon balancing the budget and cutting Federal expenditures.

In fact, if we were to accept the position of the Senator from New York, I am convinced that economic recovery would be far slower, and that the promises which he here makes even as to a balanced budget would not in fact take place.

Why is that the case? It is the case simply because the proposal by which he proposes to limit the authority of the Finance Committee in considering reductions in tax rates is simply not a tax cut at all.

He proposes only a 1-year tax cut, even though we have had more than 2 years of inflation-induced tax increases since the last change in our tax system in 1978. In fact, between fiscal year 1981 and fiscal year 1984, individual income tax collections would increase 51 percent under the proposal made by the Senator from New York.

This is not a tax reduction at all, but simply a slight reduction in the rate of increase in taxation. It balances the budget only by increasing the taxes on the already overtaxed citizens of the United States of America.

There is, however, a far more important reason for rejecting the proposal by the Senator from New York. That is simply that, by rejecting this amendment, every single element in his proposal for a tax cut is still before the Committee on Finance. If he can persuade the Finance Committee to report the 1980 bill, it will be reported and will be before us. What he proposes to do, however, is to limit the Finance Committee essentially to the consideration of one set of proposals before there has been any real opportunity either in the Finance Committee or on the floor of this body to consider Kemp-Roth proposals or any other set of proposals on the same side.

Mr. MOYNIHAN. Will the distinguished Senator yield at this point for a question?

Mr. GORTON. Since I have such a short amount of time and have to yield to others. I would prefer to finish my statement and, if I have time remaining, I will yield to the Senator from New York.

It seems to me vitally important to allow the Finance Committee, of which the Senator from New York is a member and I am not, to make the determination as to whether it wishes a 3-year tax cut precisely in the form of Kemp-Roth, in some other form, or a lesser cut for 2 years or for 1 year.

Only by rejecting the proposal of the Senator from New York will the Finance Committee truly have that opportunity.

At this point I yield 5 minutes to the Senator from Louisiana.

Mr. LONG. Mr. President, I may not use 5 minutes.

Mr. MOYNIHAN. Will the Senator yield to me to make a comment on a statement made by the Senator from Washington?

Mr. LONG. I yield from my time.

Mr. MOYNIHAN. With the greatest respect for my friend from Washington, Mr. President, I have repeatedly stated on this floor that these numbers do not in any way commit committees to specific programs. The greatest point that he brought forth for rejecting this matter seems to be no point at all.

As I have stated repeatedly, my amendment leaves the Finance Committee free to draft any kind of legislation it wishes as long as it remains within the amount of $52.1 billion. But I say to you, Mr. President, before this year is over we will draft the kind of bill we drafted last year, and the administration will be relieved to support it because they know the economics argument is in its favor, just as they know their earlier propositions, through no fault of their own—they are not economists—have been rejected by the persons they now turn to for advice. They have turned to responsible people in the administration and those responsible persons are tied up. They know what they have heard about the 3-year bill was not so. It was not viable. They will be happy to have us save them from their own situation. I, for one, will be happy to join them; for while we are different parties we are one Nation. I thank the Senator for yielding.

Mr. LONG. Mr. President, I voted for everything that was in the Finance Committee bill last year and I see no reason why I could not vote for everything that is in that bill again this year, and why I could not vote for that bill. I believe the bill is better targeted in ways calculated to get a production response than is the so-called Kemp-Roth suggestion.

But, Mr. President, we owe it, in my judgment, to the new President and his administration to see that they have the opportunity to make their case just as those of us who might want to offer some alternative suggestions ought to have the opportunity to make our case.

The Budget Committee and the budget process, Mr. President, is not a line item process. It was never intended to be that and we should not make it that.

The Finance Committee, under the able leadership of the distinguished senior Senator from Kansas, starting this week will commence hearings on the administration proposal, but the chairman of that committee has stated that those of us who have other suggestions will have the opportunity to offer them.

Mr. President, those of us in the minority would be very poorly advised to try to dictate to this Senate an answer that would mean that those on the majority side of the aisle cannot have their proposals considered, because it invites a similar mind set from the other side.

We are in the minority, not the majority.

Mr. President, while I will have a lot of suggestions I would like to make, I

would point out that we should try to work as we did last year, in a bipartisan fashion to consider the best that every Senator has to offer. That committee, after hearings, should report out the best combined thinking of all Senators, having given an openminded and fair consideration to whatever one has to suggest, including, Mr. President, the suggestions of the President of the United States.

This amendment would preclude that. It may very well be that we should report a smaller tax cut. The chairman of the Finance Committee has stated that as far as he is concerned he is not wedded to a figure and he is not wedded to a particular legislative approach. He wants everyone's suggestions considered. I think we ought to leave it that way, Mr. President. I hope that we will, because to do otherwise would be to deny the President of the United States, who has tremendous backing from the American people at this point in history, the opportunity to have his suggestions fully considered. They should be.

Those of us who have some thoughtful addendums or some changes we would like to suggest have been invited to make our suggestions by no less a person than the President himself.

We ought to leave the door open so that it can all be considered.

The majority in mangaging this bill have not insisted on trying to commit the minority to the Kemp-Roth proposal and, by the same token, I hope the Senate will not try to commit those who support the President's position to any other answer until we have followed the orderly legislative process.

The House has not even sent us the bill yet. Under the Constitution, or at least under the way the House construes the Constitution, we have no privilege to send out a revenue bill until they send us one.

Under all circumstances, Mr. President, I hope that Senators will exercise tolerance from the point of view of one another, give the committee a chance to hold its hearings and consider the suggestions of the best minds that America has to offer, and then, when we have had our hearings and a chance to consider all suggestions available to us, including those of the media, that we then proceed to thoughtfully put together a bill that fairly represents the combined thinking of those, first, on the committee and those in the Senate itself, making no mistake in doing it.

I hope, Mr. President, that we will stop this thing of trying to commit the Senate to one legislative answer or another before we have given consideration to the best thoughts of all those men and women of good will who are trying to advance the national interest, and giving them the opportuntiy to have their suggestions considered.

I therefore hope the amendment is not agreed to.

Mr. GORTON. Mr. President, I yield 1 minute to the Senator from Oklahoma and the balance of my time to the Senator from Kansas.

Mr. BOREN. Mr. President, I shall just briefly add my voice to that of the Senator from Louisiana and the remarks which I am sure will follow by the Senator from Kansas and urge fellow Members to defeat this amendment. The President of the United States is entitled to a chance to present his program and, by agreeing to make room in the budget resolution for the tax cut which he has proposed, we are in no way tying the hands of the Senate.

I think there have been some proposals made by my colleagues which I could recommend. I hope that the ultimate tax legislation will include a number of those proposals. At the same time, I think if there were ever a time when our country needed a spirit of bipartisanship—when, as the Senator from Louisiana said, we bring together the best thinking that we can muster from throughout the whole country, that we carefully consider what we are doing, that we prove ourselves to be the greatest deliberative body in the world by carefully considering all of the possible proposals—that time is now. I urge that the Committee on Finance be given that opportunity without tying his hands now.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, is there a minute or 2?

The PRESIDING OFFICER. There are 3 minutes, 55 seconds remaining.

Mr. DOLE. Mr. President, I shall just take a minute or two of that time, because I think we discussed this same general proposition yesterday for 3 hours and 39 minutes. The results were satisfactory.

Mr. President, the Senator from New York proposes to change the revenue figure in the pending resolution to accommodate a tax cut comparable to that approved by the Finance Committee last year, rather than the tax cut proposed by President Reagan. Adopting the Moynihan amendment would cause only a slight change in the revenue level for fiscal year 1982, but it would result in a significantly smaller tax reduction in the outyears. In other words, the Moynihan amendment would project a significantly higher tax burden in the outyears.

Mr. President, the resolution we are considering is directed to fiscal year 1982, and the numbers that really count are those that pertain to 1982. Nevertheless, I hope my colleagues will not accept the premise underlying the Moynihan amendment. Senator MOYNIHAN argues that a smaller tax reduction in the coming years is more likely to be good for the economy and lead to a balanced budget. That is just not a realistic argument.

I would not quarrel with the specific tax proposals underlying the Moynihan amendment. As the Senator points out, they were approved by the Finance Committee last year. Some of these provisions may in fact be approved this year or next. But whether that is so or not, the main point is the size of the tax reduction we will need to insure a stable, growing economy over the next few years. The Moynihan amendment simply does not give adequate consideration to the tax increases built into the budget already.

Mr. President, the Senator from New York assumes that less tax reduction in future years will bring the budget in balance sooner. The Senator does not take into consideration the fact that higher tax rates may mean slower growth, and less revenue to balance the budget. This is not the direction the American people want us to take.

In sum, Mr. President, I believe this amendment merely confuses the issues, and does nothing to improve the pending resolution. I urge its rejection.

Mr. President, I suggest that the Senate Committee on Finance is a responsible committee. The chairman of that committee is open to suggestions from the Senator from New York, the Senator from New Jersey, the Senator from Louisiana, the Senator from Oklahoma, and others. I do not quarrel with the Senator from New York for offering his amendment. I think he feels strongly about it. It does, in most respects, indicate the good work he did last year in the Senate Finance Committee. But this is another year, with another administration and other changes.

Mr. President, that does not suggest that we may not come up with some consensus in the Senate Committee on Finance that would satisfy, almost completely, the Senator from New York. That is flexibility. That is the word that the Senator from South Carolina likes so well, "flexibility."

As I indicated yesterday, I have great respect for the Budget Committee. I have great respect for the Finance Committee. I am not yet willing to surrender and become a chairman of a subcommittee of the Budget Committee. Mr. President, I hope we can reject this amendment. We start hearings tomorrow—everyone is invited—at 10:30 a.m. Treasury Secretary Donald Regan will present the administration's point of view. Then we shall proceed from there.

I thank my colleague for raising this question. It is a chance to focus on tax cuts. The American people want us to focus on tax reductions. I think the Senator has done a great service. I hope he will lose, but I think that people will recognize what a contribution it was.

Mr. MOYNIHAN. Mr. President, it is one thing to be courteous; it is altogether another to be disarming, and this is a time when the Senator from Kansas verges on the disarming. It has not been formally ruled out of order in this Chamber, but the time to consider it may be at hand.

Mr. President, I am not talking about taxes. I am talking about a balanced budget. The Budget Committee has sent us a spurious document. The integrity of the process is at issue. The three Republican members of the committee who voted "no" on April 9 knew why they were doing so. They knew they were being asked to approve an endless series of deficits.

Mr. President, the Senate told the American people in this Chamber, on the resolution of the senior Senator from Virginia, that we would balance the budget in the current fiscal year. The time has come to do so. If you do not want to vote for balancing the budget, vote for the unbalanced budget

before us. But I wish it to be known that I think the American people are genuinely entitled to such an effort.

Those of us who thought we understood economics 20 years ago at least knew that if you ran deficits in some years, you had to run balancing surpluses in others. We said so. Somehow the idea got lost in the ensuing years, but it is still valid. There is an issue of integrity here, and the idea of arguing that matter in the opposite betrays the issue.

Mr. President, it is not a question of giving the President an opportunity to have his program, it is a question of freeing the President from an inane economic proposition which got picked up in the political wars of the last 5 years and now hounds him into the very center of his Government. None of it do people believe in any longer.

Free Stockman. Free Regan. Let the Secretary do his work in the way a professional and seriously committed man would do.

Acknowledge Weidenbaum and the fact that economics, if not an exact science, is nonetheless a discipline and a profoundly professional profession—an honorable profession, where men and women will not say things they do not think to be so.

We can free up this whole suspicious atmosphere by simply acknowledging the problem to be solved. We can balance the budget in 1984; but only by adopting the reasonable revenue measure I am suggesting—certainly not by supporting the committee's spurious recommendation.

Once again, those who speak of the faith the American people have in their Government ought to recognize that some measure of that confidence is going to be voted on in about 3 minutes here. Can we not free ourselves from a temporary aberration not very far distant from the free coinage of silver as a solution to the problem of agriculture in North Dakota? Countries go through that. But they get over it. The mark of a mature and competent and capable country, which ours is, is that when a slogan has served its political usefulness, they do not carry it forward to economic catastrophe. That is what is at issue.

Mr. President, we need supply side tax cuts, not to raise our savings rate from 5 to 6 percent, but to the 20-percent savings rate we need in this country. We need as well a similar increase in the investment rate, not just replacement of a worn-out capital, but actual new additions to it. We are on the way to becoming a marginal economy if we do not invest and we will not invest by increasing our spending.

In conclusion, Mr. President, I repeat the remarks of one of the most distinguished economists in our time, a man acknowledged by his profession to be among its leaders.

He was recently talking to a group of business executives about productivity and the issue of this tax cut proposal came up. He said to them:

> Gentlemen, may I ask you, if you found that your sales force were somehow not producing what you hoped for and needed from them, do you think that you would have resolved your problem simply by raising their pay?

No, we have to have supply side tax reductions measured by results. When you have invested, you get a more rapid depreciation. When you have capital gains, when there has been investment which has successfully returned income, you get a higher rate of return. That is what supply side economics is about. Just because of the adherence to this effective folly of the last 5 years—effective because it worked—let us not turn a campaign tactic into a Government doctrine to the detriment of all responsible parties who know it will not work.

Mr. President, I have made my case. I observe, once again, that save for the gallant and forthcoming Senator from Washington, not a member of the party opposite is here. Not one of them is here, because they know I am telling the truth and the truth embarrasses them. The truth could liberate them. The truth could set them free.

The Senator from Maine has arrived, but I suggest he comes to listen, not to speak. They dare not speak. They are silent in the face of the obvious fact that a spurious document is before us which we are asked solemnly to adhere to.

One last point, Mr. President. The name of patriotism has been brought up in the sense that we must give the President's program an opportunity. Of course we must, and shall and do and are. We have approved the most extraordinary spending cuts in the history of this Republic. But this is the first budget resolution. If, by July, you can find one member of the Council of Economic Advisers who will send me a letter repeating the proposition that the decreases in taxation will produce similar increases in revenue—that we can balance the budget, avoid any serious spending cuts, and increase defense spending—I promise to vote for the budget. If one member of the Council will send such a letter repeating the doctrines of the campaign, I will support it.

I doubt that they will. I thank the chairman for his patience and courtesy throughout and I put the matter to the judgment of my peers.

The PRESIDING OFFICER. The time of the Senator from New York has expired.

The Senator from Kansas has 1 minute and 40 seconds.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. The time has been yielded back. The question is on agreeing to the amendment.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOLE. Is the agreement that the Senator from New Hampshire now has 30 minutes, or will that follow the vote?

The PRESIDING OFFICER. After the vote is concluded on this amendment.

Mr. MOYNIHAN. Mr. President, have the yeas and nays been ordered?

The PRESIDING OFFICER. They have not been ordered.

Mr. MOYNIHAN. I ask for the yeas and nays.

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

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York (UP No. 88). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Tennessee (Mr. BAKER) and the Senator from Maryland (Mr. MATHIAS) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who have not voted and who wish to vote?

The result was announced—yeas 34, nays 63, as follows:

[Rollcall Vote No. 107 Leg.]

YEAS—34

Baucus	Exon	Moynihan
Biden	Ford	Nunn
Bradley	Glenn	Pell
Bumpers	Hart	Randolph
Burdick	Inouye	Riegle
Byrd, Robert C.	Jackson	Sarbanes
Chiles	Kennedy	Sasser
Cranston	Leahy	Tsongas
DeConcini	Levin	Weicker
Dixon	Matsunaga	Williams
Dodd	Metzenbaum	
Eagleton	Mitchell	

NAYS—63

Abdnor	Hatch	Packwood
Andrews	Hatfield	Percy
Armstrong	Hawkins	Pressler
Bentsen	Hayakawa	Proxmire
Boren	Heflin	Pryor
Boschwitz	Heinz	Quayle
Byrd,	Helms	Roth
Harry F., Jr.	Hollings	Rudman
Chafee	Huddleston	Schmitt
Cochran	Humphrey	Simpson
Cohen	Jepsen	Specter
D'Amato	Johnston	Stafford
Danforth	Kassebaum	Stennis
Denton	Kasten	Stevens
Dole	Laxalt	Symms
Domenici	Long	Thurmond
Durenberger	Lugar	Tower
East	Mattingly	Wallop
Garn	McClure	Warner
Goldwater	Melcher	Zorinsky
Gorton	Murkowski	
Grassley	Nickles	

NOT VOTING—3

Baker	Cannon	Mathias

So Mr. MOYNIHAN's amendment (UP No. 88) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. DOMENICI. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. D'AMATO. Mr. President, I publicly commend my colleagues in the House of Representatives for their overwhelming support of President Reagan's budget. Unfortunately the House budget has assumed an accelerated phase out of mass transit operating subsidies by reducing fiscal year 1982 spending by 15 percent.

On April 14, 1981, I chaired a hearing of the Transportation Subcommittee of the Senate Appropriations Committee on the

problems facing mass transit. At this hearing in New York City we heard from representatives of the business community, leaders of the community groups, and transportation agencies.

Mr. Ronis, who operates the transit system in the city of Cleveland and is also the president of the American Public Transportation Association, forecast an increased 50 percent in fares in Cleveland if the operating subsidy is cut, which will drive down ridership by approximately 50,000 rides per day. This loss of ridership will snowball with more people reverting to cars, buying more gasoline and in the long run the city will lose jobs.

Mr. President, the overwhelming evidence is that operating subsidies are the lifeblood of mass transit systems. These systems are an absolute necessity if urban areas not only in the northeast, but in the rest of the country are to survive.

I think it is important that the question with respect to what the Senate committee's specific charges are to be reiterated, and I reiterate my concern and ask Chairman DOMENICI whether the budget resolution specifically instructs the committees of the Senate to phase out programs on specific dates or whether or not it leaves that to the discretion of the specific committee and sets spending levels and targets?

Mr. DOMENICI. Mr. President, I have no difficulty answering that question. There is nothing in the budget resolution in the function on transportation whereby this resolution mandates phasing any aspect of the transportation out by any date certain. There is both reconciliation and a target. They both require the reduction of current law expenditures by the appropriate authorizing committees, and it is up to them as to how they spend those targeted numbers.

Mr. MOYNIHAN. Mr. President, on April 2, 1981, my distinguished colleague from the State of New York (Mr. D'AMATO), the distinguished chairman of the Budget Committee, Mr. DOMENICI, and I engaged in a colloquy concerning the effect, if any, the revised second concurrent resolution on the budget for 1981 might have on the continuation of mass transit operating assistance. At that time I pointed out that the Budget Committee had included on page 66 of its report, in the section having to do with the Committee on Banking, Housing, and Urban Affairs, the statement:

> The committee agrees with the Senate Banking Committee's recommendation that that committee be given the broadest flexibility to review the issue of Federal assistance to mass transit.

This language had been included in the Budget Committee's report as a result of a letter from the chairman and ranking minority member of the Banking Committee in which it was suggested that such flexibility was desirable.

I then had the following exchange with the chairman of the Budget Committee. Referring to the statement on page 66:

Mr. MOYNIHAN. * * *

By that statement we intended to say that we leave open and do not foreclose the question of operating subsidies for fiscal 1983 and thereafter. Will the chairman agree with that statement?

Mr. DOMENICI. Mr. President, the Senator is absolutely correct with reference to the committee report. It was at his request that that language was included. The question is open for 1983 in outyears, but it is open only to the extent that I have heretofore described. The committee that the distinguished junior Senator from New York serves on has a number of programs that are within its authorizing jurisdiction. Certainly it is not only mass transit.

And to the extent that the Banking Committee, with reference to Eximbank, community development, UDAG, mass transit, capital improvements for mass transit, and a host of other authorizing authorities already in existence and from whence appropriations are forthcoming, they have the greatest flexibility among those programs that they have that kind of authority over to decide which authorizations they cut and how much in arriving at the reduction figure that the reconciliation instruction imposes on them.

Mr. President, our purpose here today is to reaffirm that the action taken by this body in its revised second concurrent budget resolution for fiscal year 1981 and the action taken now in this first budget resolution for fiscal year 1982 in no way require the phaseout of mass transit operating assistance either in fiscal year 1982 or in the later years. I am delighted that the distinguished chairman of the Budget Committee has agreed with me that we have taken no action that forecloses the continuation of operating assistance in fiscal year 1982 or thereafter.

Finally, Mr. President, I wish to say a few words about mass transit. The Republican platform states that—

> Mass transportation offers the prospect for significant energy conservation. In addition, both management and labor agree that ease of access to the workplace is an important factor in employment decisions and industrial plant location. Lack of adequate access is a major reason why businesses have moved out of crowded urban areas, resulting in lower tax bases for cities. To encourage existing businesses to remain in urban centers and to attract new businesses to urban areas, it is vital that adequate public and private transportation facilities be provided.

But now we find that the administration is saying that—

> . . . . there is no reason for someone in Sioux Falls to pay federal taxes so that someone in Los Angeles can get to work on time by public transportation.

Mr. President, we are one Nation, with different needs but a common concern and a shared future and a shared energy crisis. How can we have economic revitalization without making it possible for people to get to work? I do not think that is what Americans were voting for last fall. And I will work to see that the Banking Committee keeps mass transit assistance.

Mr. President, I ask unanimous consent that a letter dated March 13, 1981, from the chairman of the Banking Committee, Mr. GARN, and the ranking minority member, Mr. WILLIAMS, to the chairman of the Budget Committee, Mr. DOMENICI, be printed in the RECORD.

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

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C., March 13, 1981.

PETE V. DOMENICI,
Chairman Committee on the Budget,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: In response to requirements of Section 301(c) of the Congressional Budget Act, the Committee on Banking, Housing, and Urban Affairs, herein transmits its views on budget issues affecting programs within the Committee's jurisdiction.

The Committee intends to take specific actions to further the President's goals of streamlining the operations of Federal programs, and of sharply improving the control over Federal spending. In support of these objectives, the Committee shall effect a number of program revisions as well as reductions in program and spending activity. However, as you are aware, the President has submitted his revised budget for FY 1982 only within the last few days. Underlying substantive legislation, and necessary supportive data on each of the proposed budgetary actions have not been submitted nor are they expected for some time. Thus, our knowledge of the legislative context in which the budget recommendations are to occur, and their implications, is incomplete.

Program reforms or redirections of policy can have far-reaching consequences that prudence demands we consider in advance. While the Banking, Housing, and Urban Affairs Committee can provide broad support for the President's budget recommendations, we urge the Budget Committee to pursue a flexible approach in its determination of budget levels and program assumptions so that the Banking Committee can explore the potential impacts of various proposals with the specifics of the President's legislative program, and the data to support it, in hand.

This is particularly important in the area of housing assistance. The Committee is committed to fulfilling its resonsibility to provide housing assistance to low-income persons but it is equally concerned that this purpose be met efficiently. The Committee intends to examine closely the Section 8 and public housing program, to seek innovative proposals that may improve their cost-effectiveness and streamline the Federal government's housing delivery system. We also intend to examine the feasibility of housing block grants within the context of current assisted housing programs. We, therefore, recommend that the Budget Committee project a level of budget authority recommended by the President.

The Committee also urges at this time that the Budget Committee make no specific assumptions about the termination of the Solar Energy and Energy Conservation Bank since our Committee desires full debate on this issue. Nor should you decide upon any revision in the rent income ratio beyond that already within the discretion of the Secretary of Housing and Urban Development to implement until we weigh its impact within the context of the housing assistance delivery system.

The Committee endorses the President's proposed budget amounts for the Section 202 housing loan program and for the community development function of the budget. In addition, the Committee accepts the President's estimate of the level of FHA insurance activity. We will, however, examine the effects of a cap to determine if it fosters a need for credit allocation among various regions of the country or erects additional obstacles to homeownership or the obtaining of mortgage credit by the lower income end of the homebuying market.

Finally, in the area of mass transit, the Committee recommends that the Budget

Committee support the President's budget levels for 1981 and 1982. The Banking Committee will address the President's recommendations with respect to 1983–1986 funding levels for the mass transit operating assistance program. The Administration has proposed to phase out such operating assistance by 1985 with significant reductions in 1983 and 1984. Several members of this Committee oppose a phase out of this program, while others are supportive of the President's intentions. Our Committee certainly believes that significant efficiencies are necessary if this program is to continue, but urge the Budget Committee to provide broad flexibility in its assumptions so as not to conflict with the Banking Committee's efforts to review all of the complex issues of Federal assistance to transit in the coming months.

Sincerely,

JAKE GARN,
Chairman.

RECOGNITION OF SENATOR HUMPHREY

The PRESIDING OFFICER. Under the previous order the Senator from New Hampshire (Mr. HUMPHREY) is recognized for 30 minutes.

Mr. BUMPERS. Mr. President, the Senator from New Hampshire is apparently not here. Would it be in order under the amendment for me to request 2 minutes time on the resolution just to make a short 1-minute statement on the last amendment?

The PRESIDING OFFICER. The Chair will rule that the Senator from New Hampshire has appeared and the order is for the Senator from New Hampshire to have 30 minutes, so the Senator from New Hampshire is now recognized for 30 minutes.

Mr. DOMENICI. Mr. President, could we have order?

The PRESIDING OFFICER. May we have order in the Senate so that the Senator from New Hampshire may be heard? He has the floor. Order in the Chamber.

The Senator from New Hampshire is recognized.

Mr. HUMPHREY. Mr. President, to begin with, I thank the distinguished majority leader and minority leader as well as the Senator from New Mexico for making arrangements to secure time for me today.

Mr. President, I wish to be sure before I begin that I have 30 minutes at this point. I did when I began.

The PRESIDING OFFICER. The Senator is correct. He has 30 minutes.

Mr. RIEGLE. Mr. President, the Senate is not in order. May the Senate be in order so that the Senator may be heard?

The PRESIDING OFFICER. The Senate will be in order so that the Senator from New Hampshire may heard. He has the floor.

The Senator from New Hampshire.

Mr. BUMPERS. Mr. President, will the Senator yield to the Senator from New Mexico for the purpose of yielding 2 minutes to me off the resolution without taking any time away from the 30 minutes of the Senator from New Hampshire?

Mr. HUMPHREY. Mr. President, I yield under those circumstances.

Mr. DOMENICI. Mr. President, I just have to say to my good friend that I cannot do that without the leader. We have sequenced these and there should be time at the end of the amendment for a number of Senators to speak on whatever they would wish.

To do that would be to deny the sequence which still has three amendments. I just cannot do it.

Does the Senator from New Hampshire think he will use the entire 30 minutes? I am not trying to push him on it, but I am just trying to suggest to the Senator from Arkansas that we could yield at the end of the time of the Senator from New Hampshire.

Mr. HUMPHREY. Mr. President, I intend to yield back my time to the opposition leader, and he may do with it as he wishes.

Mr. DOMENICI. At that time I will be glad to yield.

The PRESIDING OFFICER. The Senator from New Hampshire may proceed.

Mr. HUMPHREY. Thank you, Mr. President.

Mr. President, a year ago at this time in May 1980 some Members of this body were publicly congratulating themselves on having produced for fiscal year 1981 a balanced budget.

There was a good deal of skepticism at the time, and certainly I was one of those skeptics, about whether or not we had indeed for the first time since 1969 produced a balanced budget and for only the second time in 20 years. We all know how badly things have gone in the last year, Mr. President. The supposedly balanced budget that, in fact, was in surplus on paper by $100 million—Mr. President, may we have order?

The PRESIDING OFFICER (Mr. DENTON). The Senate will be in order. The Senator will proceed.

Mr. HUMPHREY. Mr. President, the supposed surplus of $100 million has disappeared to the point where today we are looking at a $55-billion deficit for 1981, projected. In fact, of course, that would have been very much worse had not President Reagan proposed some cuts in the 1981 budget.

And there is more to it than meets the eye, Mr. President. It is not just a matter of a $55-billion deficit in 1981. As we all know, there are a great many off budget items which have the same impact as a deficit on budget. We all know there are a great many programs in which the Federal Government is involved which, at bottom line, entail allocation of resources, for instance, loan guarantees, which have the effect of sending capital in the direction of whichever party is lucky enough to have the guarantee of the Federal Government behind its projects.

So the impact upon the economy is not the $55-billion deficit, where we were supposed to have a $100-million surplus. In fact, the impact on the economy on the credit markets has been $80 billion or will be before the conclusion of this year. Eighty-billion dollars, Mr. President, to finance deficits of various kinds, visible and invisible; $80 billion which could have gone to persons who wanted to build homes or finance homes through mortgages; $80 billion that could have gone to our industrial sector which is badly in need of rejuvenation; $80 billion which could have been invested wisely by the private sector, in large measure confiscated by the Federal Government.

And now we are involved in putting together the figures for next year's budget, the budget for fiscal year 1982. In May of 1981, we have still, as we had a year ago, double-digit inflation. We have in this month of May 1981 interest rates that are very nearly as high, not as high, as last year, a prime rate at 19.5 percent as of yesterday and interest rates for ordinary borrowers over 20 percent.

Mr. President, it is not random coincidence that we have these difficulties on the one hand and on the other that we have just incurred a deficit that will be $55 billion before the end of the year. No random occurrence at all, because, of course, there is a direct link between deficits and inflation and high interest rates.

Every penny that this Congress spends, Mr. President, must be paid for in some fashion. It is paid for largely through tax revenues but, because Congress does not have the courage, in my opinion, the political courage to levy taxes heavy enough to fully pay for its expenditures, a large segment of our expenditures are paid for through hidden taxes, the vicious taxes of inflation and high interest rates. In the end, the American people pay for every penny we spend, even though we might on some occasion succeed in hiding the spending from them, through borrowing.

Because this process has been going on now and accelerating for decades, but specifically so in the last 10 years, we have, at this juncture, a national debt of $985 billion, which is going to have to be raised to over $1 trillion. That infamous benchmark will be reached very shortly, before the end of this fiscal year, surely. $985 billion today and a trillion dollar debt very shortly. That is a pretty poor heritage for our children.

We are often told we cannot cut programs, we cannot cut spending because to do so is lacking in compassion. Well, I would ask: Where is the compassion in 12-percent inflation? Where is the compassion in 20-percent interest rates? Where is the compassion in a trillion dollar heritage in debt to our children? The answer is obvious.

This Senator takes some small comfort, Mr. President, in having consistently opposed deficit spending and having, except for on one occasion, consistently voted against, time after time, with one exception, increases in the national debt. That one occasion was the most recent occasion which occurred only a few weeks after President Reagan was sworn in and found himself with, essentially, an empty treasury through no fault of his own. The Senator made an exception in that case, but does not intend to make exceptions under any foreseeable conditions in the future.

Mr. President, the debt limit is supposed to be the ultimate tool for controlling deficits. But, of course, it has been as useful in holding down deficits as a sieve is in holding up water. That is because Members have continually over

the years been all too willing to raise the national debt limit.

There is an interesting aspect of the Senate budget resolution which we are to vote on this evening, apparently, which has not received much public attention but which certainly caught my eye when I studied the document this past weekend in relation to the national debt. Reading from the Senate concurrent budget resolution on page vii: "The appropriate level of the public debt is as follows: Fiscal year 1982: $1,091,200,000,000."

Mr. President, I said a moment ago that the limit today is $985 billion. Here is the documentary justification for raising that over the next 15 months or so by well over 10 percent to a level of $1,091,000,000,000. That is one thing we are voting on today in this resolution and this Senator cannot support that.

Mr. President, unfortunately, the budget resolution on which we are about to vote contains for fiscal 1982 a deficit of $48.9 billion. Last year at this time we were starting out with the assumption that we had a $100 million surplus and we ended up with a $55 billion deficit. It would have been much worse had the President not taken action. This year we are proposing to start out with a $49 billion deficit.

We are all concerned, Mr. President, with rejuvenating the economy, with restoring health to the economy, and making the dollar sound once again. Imagine the impact if the Federal Government were not out there in the credit market next year borrowing this $49 billion; imagine the impact if that $49 billion were available for more productive enterprises, and if it were to remain in the private sector if we were not proposing to spend beyond our means once again.

Mr. President, there are those who say we cannot balance the budget in 1 year; that the best we can do is to promise to balance the budget down the road a ways if everything goes well. We have been hearing that for a long time. There is nothing new in that.

I say that we can balance the budget in 1982 if we have the courage and the boldness to do so. In the first place—and many Americans seem to lose sight of this because of the complexity of the budget process—it is Congress which decides how high the level of spending will be and what the level of spending will be in relation to the level of revenues. This Congress will decide how much money we spend right down to the penny. Not 1 cent of next year's $700 billion budget will be spent without the authorization and the appropriation by this Congress. So, in the first place, Congress can set any level of spending it has the urge to do.

I would like to refer for just a moment, Mr. President, to a newsletter which I sent to my constituents a year ago, dated October 1980, in regard to the budget process. A great many Americans feel that things are out of control in Washington and, in a sense, they are. But in a real sense they are not. Because, as I pointed out, Congres decides what the level of spending will be.

I will quote just one paragraph from that newsletter, Mr. President.

> Many of the people I talk to here in our State think Washington is out of control. An understandable sentiment. But, in fact, matters in Washington are entirely under control. Americans tend to lose sight of the fact that our nation's budget is set by Congress and that in Congress a majority prevails. Not one cent of the 1981 $633 billion budget can be included without a majority of Congress voting "aye," and not one cent can be spent without a majority voting "aye." The government is perfectly under control, doing just what Congress authorizes and funds.

While I am on the subject of newsletters, Mr. President, in regards to inflation let me also quote from a newsletter I sent out exclusively devoted to the issue of inflation just 1 year ago. At that time we were being told that inflation was the result of high energy prices, that inflation was the result of the materialistic indulgence of American citizens. I said to my constituents:

> Here is the real story. The roots of our inflation lie neither in the Middle East nor in Manchester, but within the single biggest spender, borrower and consumer in our economy—the federal government. When a government persistently devalues its currency by increasing the supply of money faster than the underlying economy can produce new goods, you get inflation. The federal government has been creating money fast enough to fill up Lake Winnipesaukee, and you don't need a Ph. D. in economics to understand why.
>
> For decades, Congress has been on a wild spending spree. In the last four years alone, the federal budget has soared from $400 billion to $600 billion. Invariably, taxes have not been sufficient to cover this spending (but not because Washington has not tried!), and each year the government has gone into the credit markets to borrow the forty, fifty or sixty billion dollars needed to cover the deficit.
>
> In addition to financing the current year's deficit, Washington is continually present in the capital markets re-financing the national debt, which is now nearing one trillion dollars. In other words, as the government's IOUs come due, Washington pays them off by borrowing further, and denying needed funds for private investment.
>
> With less and less capital available to firms and individuals, the competition for money drives up interest rates. Historically, when interest rates rise, the Federal Reserve injects a flood of freshly printed money into the banking system, and this expansion of the money supply satisfies loan demand, causing interest rates to fall.
>
> Unfortunately, there is a catch in this process. When the government pumps newly printed dollars into the economy, those dollars dilute the value of dollars in your pocket. That's inflation. So you see, Congress starts the fire by overspending, such that it must borrow heavily, driving up interest rates. The Federal Reserve tries to put the fire out with its flood of greenbacks, and inflation destroys your money in the process. The sooner the government curbs its spending, the sooner inflation will subside.

Mr. President, I have stated that it is Congress which sets the level of spending and we shall decide in the next few days how much we are going to spend next year and how much in deficit we will spend.

There are those who put forth the argument that we cannot cut spending sufficiently to balance the budget in 1982 because such a dramatic change in spending plans would induce a recession.

Those who argue that point are telling us that unless the Government in 1982 borrows $49 billion and spends it for citizens, we will have a recession.

The point is absurd.

They are saying that unless the Government takes money from the citizens, borrows money from the private sector, that money is going to be hidden away under a mattress somewhere and will have no effect on the economy.

I think the argument that we cannot cut spending because it will produce a recession is a very silly argument, Mr. President. Indeed, I would argue that the burden of a $49 billion deficit is much worse if you count items off the Federal budget—including, unfortunately, this killing of the strategic petroleum reserve which we have all but taken off the budget in contrast with the fundamental approach of this administration—if you are being honest about levels of spending and levels of deficit.

I would argue that if we left that $49 billion in the private sector, that would go a long way toward rejuvenating our economy. It would not induce a recession.

I would say as my last point in arguing that we can balance the budget this year, Mr. President, that it would take only a further 8-percent reduction in the entire Federal budget of $699 billion to eliminate this $49 billion deficit.

Mr. President, let me inquire at this point how much time I have remaining.

The PRESIDING OFFICER. The Senator has 12 minutes, 29 seconds.

Mr. HUMPHREY. Mr. President, let me say a word about tax cuts. That was the subject of an amendment which was acted upon a moment ago.

Those listening to my remarks might suspect that as an opponent of next year's deficit, I am also opposed to reducing taxes.

I am not at all. I fully support the President's program, all 3 years of it, for this very important reason with respect to 1982. The proposed tax cut of $51.4 billion in 1982 is not a tax cut at all. It barely offsets the tax increase that is already programmed by virtue of bracket creep and increased social security taxes.

According to a letter from the Joint Committee on Taxation to the President recently, taxes, through bracket creep and increased social security taxes, will increase in 1982 by $45.7 billion. The President's program, if passed as he wishes, will reduce taxes in 1982 by $51.4 billion for a net reduction in taxes not of $51.4 billion, Mr. President, but $5.7 billion.

So this so-called tax cut is not really a tax cut at all. All it represents is the elimination of a tax increase which will occur if we do not pass this so-called tax reduction.

We could defer these tax cuts but we would then be balancing the budget through increased taxes, would we not? That is not the way to go at this point, since the burden of taxation is already so great that it is counterproductive. That is, that it is yielding lower revenues than a more moderate rate of taxation would.

I am a supply sider. I believe in that.

Unfortunately, I do not think we are going far enough, and certainly not in the area of cutting spending.

I support the President's tax cuts because to oppose them is to favor a tax increase, which can only have further deleterious effects on our already weakened economy.

We must not balance the budget through raising taxes. The only way to balance the budget at this point is to reduce spending.

We have made some magnificent progress. I do not mean to take away at all from the efforts of the distinguished chairman of the Budget Committee and the members of that committee. They have done a magnificent job coming up with the very large reductions in spending that they have achieved. Surely, this is inarguably the most dramatic turnaround in magnitude and direction in decades. But, unfortunately, it is not enough. The $49 billion deficit in the budget resolution states that so eloquently.

Mr. President, some are going to vote against this budget resolution tonight because they feel the cuts are too great. I do not deny that the pain is great and the anguish and the wailing is great, and the political pressure is great. But this Senator cannot support the budget resolution for another reason, and that is that the cuts are not great enough. I cannot support this budget resolution because of the $49 billion deficit which, I am sorry to say in my best judgment, is likely to be worse than stated.

Yet, no one should misinterpret my opposition to this resolution, Mr. President, as opposition to the President. I was among his earliest supporters, well before the primary in my own party. When the final tally is taken, I am confident that I will be seen to have been one of his most ardent supporters.

The real test of support, Mr. President, is not so much in this budget resolution; the real test is going to come in the next couple of months in the Appropriations Committee and here on the floor when the appropriations bills come to the floor and are subject to what no doubt will be scores and scores of amendments to restore cuts made by the President and by the Budget Committee on the recommendation of the President.

I intend to fully support the President, I say to this body, and I will be among his staunchest supporters when the chips are down in opposing the restoration of funds to these cuts which have been made.

Mr. President, a word about the budget process.

I pointed out that last year at this time that some—not including this Senator—were congratulating themselves on having produced a balanced budget, according to the first budget resolution, and having produced a $100 billion surplus.

We all know the sorry results of that situation, that we have today facing us a $55 billion deficit.

The fact is, Mr. President, that not only last year but the year before that and the year before that, spending vastly, and the deficits vastly, exceeded figures in the first budget resolution. We have a very sorry record in that respect.

In fiscal year 1980, in the first budget resolution, the deficit was projected as $23 billion. In the second resolution, it had grown to $29.8 billion. It was necessary to have a revised second resolution which raised the projected deficit to $46.95 million. Even that did not cover the actual situation because the deficit in the end was $59.6 billion.

In fiscal year 1981, the first budget resolution projected a surplus of $200 million. By the second resolution, that surplus was gone. We were projecting a deficit of $27.4 billion. Again we had to pass an amended and revised second resolution in which the deficit projected rose to $62.8 billion, and has been reduced only through the courageous actions of the President.

So our record is clear. One has to be especially worried on the basis of that history when we are starting out with a $49 billion deficit.

Mr. President, I am worried that we might be losing our best opportunity to balance the budget. I am worried that, at this time next year, we shall not have nearly the national and bipartisan support for fundamentally changing the budget and cutting spending. I am worried that we are going to have a diminished sense of urgency as the months unfold. I am worried that we are going to fail.

Mr. President, I hope fervently that my pessimism is unfounded, that my judgment will be proven wrong, that events will turn out far better than even the chairman of the Budget Committee has predicted. I would be more than happy to eat humble pie—several humble pies—on this subject. But I have to exercise my independent judgment. Therefore, I cannot support this budget resolution.

Mr. President, if someone can bring the manager of the bill onto the floor, I am prepared to yield the floor. In the interim, 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. HART. 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. HART. Mr. President, I intend to vote against this committee's resolution, primarily because it perpetuates——

Mr. HUMPHREY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Under the previous order, the Senator from Michigan is to be recognized to call up the Riegle amendment.

Mr. HART. Will the Senator from Michigan yield me 2 minutes?

Mr. RIEGLE. Yes, I yield 2 minutes to the Senator.

The PRESIDING OFFICER. Until the Senator has called up his amendment, he has no time to yield.

UP AMENDMENT NO. 89

(Purpose: To reduce defense spending and to accommodate additional funding for education and income security programs and for other purposes.)

Mr. RIEGLE. Mr. President, do I have the floor at this time?

The PRESIDING OFFICER. The Senator has the floor.

Mr. RIEGLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) and the Senator from Delaware (Mr. BIDEN) propose an unprinted amendment numbered 89.

Mr. RIEGLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 4, line 6, delete "$225,400,000,000" and insert in lieu thereof "$223,200,000,000".

On page 4, line 7, delete "$188,000,000,000" and insert in lieu thereof "$186,200,000,000".

On page 4, line 10, delete "$254,300,000,000" and insert in lieu thereof "$251,900,000,000".

On page 4, line 11, delete "$221,100,000,000" and insert in lieu thereof "$218,800,000,000".

On page 4, line 14, delete "$289,200,000,000" and insert in lieu thereof "$286,700,000,000".

On page 4, line 15, delete "$250,300,000,000" and insert in lieu thereof "$247,800,000,000".

On page 7, line 6, delete "$20,800,000,000" and insert in lieu thereof "$21,000,000,000".

On page 7, line 7, delete "$20,100,000,000" and insert in lieu thereof "$20,300,000,0000".

On page 7, line 9, delete "$21,300,000,000" and insert in lieu thereof "$21,400,000,000".

On page 7, line 10, delete "$20,100,000,000" and insert in lieu thereof "$20,200,000,000".

On page 7, line 13, delete "$7,000,000,000" and insert in lieu thereof "$7,200,000,000".

On page 7, line 16, delete "$7,500,000,000" and insert in lieu thereof "$7,600,000,000".

On page 7, line 17, delete "$7,800,000,000" and insert in lieu thereof "$7,900,000,000".

On page 7, line 20, delete "$7,600,000,000" and insert in lieu thereof "$7,700,000,000".

On page 7, line 24, delete "$26,800,000,000" and insert in lieu thereof "$27,700,000,000".

On page 7, line 25, delete "$27,400,000,000" and insert in lieu thereof "$28,200,000,000".

On page 8, line 2, delete "$26,900,000,000" and insert in lieu thereof "$27,900,000,000".

On page 8, line 3, delete "$26,600,000,000" and insert in lieu thereof "$27,500,000,000".

On page 8, line 5, delete "$26,100,000,000" and insert in lieu thereof "$27,400,000,000".

On page 8, line 6, delete "$26,100,000,000" and insert in lieu thereof "$27,300,000,000".

On page 8, line 20, delete "$263,900,000,000' and insert in lieu thereof "$264,700,000,000".

On page 8, line 21, delete "$237,300,000,000" and insert in lieu thereof "$238,100,000,000".

On page 8, line 24, delete "$286,800,000,000" and insert in lieu thereof "$287,600,000,000".

On page 8, line 25, delete "$253,000,000,000" and insert in lieu thereof "$253,800,000,000".

On page 9, line 3, delete "$307,500,000,000" and insert in lieu thereof "$308,300,000,000".

On page 9, line 4, delete "$270,300,000,000" and insert in lieu thereof "$271,100,000,000".

On page 9, line 7, delete "$24,500,000,000" and insert in lieu thereof "$24,800,000,000".

On page 9, line 8, delete "$23,900,000,000" and insert in lieu thereof "$24,100,000,000".

On page 9, line 10, delete "$25,500,000,000" and insert in lieu thereof "$25,800,000,000".

On page 9, line 11, delete "$25,100,000,000" and insert in lieu thereof "$25,400,000,000".

On page 9, line 13, delete "$26,500,000,000" and insert in lieu thereof "$26,800,000,000".

On page 9, line 14, delete "$26,000,000,000" and insert in lieu thereof "$26,300,000,000".

On page 13, line 3, delete "$181,000,000,000" and insert in lieu thereof "$180,400,000,000".

On page 13, line 4, delete "$162,900,000,000" and insert in lieu thereof "$162,800,000,000".

On page 14, line 7, delete "$30,800,000,000" and insert in lieu thereof "$31,400,000,000".

On page 14, line 8, delete "$31,800,000,000" and insert in lieu thereof "$31,900,000,000".

Mr. RIEGLE. Mr. President, this is an amendment which would moderately reduce defense spending and transfer those funds into domestic areas. For example, my amendment would restore cuts in function 400, Transportation, in an attempt to maintain the ConRail system.

It will transfer funds into section 450, community and regional development. My intention is to permit an orderly phase down of most EDA programs. The resolution before us would require a sudden, disruptive halt to all EDA programs except for small but vital technical assistance activities such as the EDA university center program.

My amendment will also transfer funds into function 500, education and training, to provide more adequate funding for Pell grants, for title I, for guaranteed student loans, and for retraining of displaced workers.

My amendment would transfer funds into function 600, income security, for two purposes: For low-income energy assistance, which I think is a vital national need, and for school lunches.

Finally, my amendment would move money into function 700, veterans, to accommodate the increase for veterans health programs proposed last Friday in the Thurmond amendment. That is a need which some of us strongly support.

Mr. President, the corresponding budget authority reductions in the defense function, 050 are $600 million in 1981, $2.2 billion in fiscal year 1982; $2.4 billion in fiscal year 1983; and $2.5 billion in fiscal year 1984.

To illustrate the kind of programs that would benefit from my amendment, I shall use the low-income energy assistance.

Low-income Americans lost $6 billion in purchasing power over the last 12 months due solely to rising energy costs. That calculation was done by the Department of Energy's Fuel Oil and Marketing Advisory Committee.

In 1980, the poor spent nearly 22 percent of their income on household energy. They actually spent 35 percent, if you count the cost of gasoline for those who had automobiles. By contrast, the typical middle-class family spends only 5.1 percent of their income on household energy, or 13.2 percent, if you include gasoline.

Unlike other Americans, most poor people cannot further conserve energy without weakening their health. Mr. President, I have been in homes all across my State in the wintertime.

Time and again I have visited elderly persons, who have been dressed in several layers of clothing. Many were living in apartments or small homes where the thermostats had to be set at 50 or 52 degrees in an effort to hold down utility bills so they could have enough money left to meet their other needs, including food.

Mr. President, while these conditions exist, the Budget Committee is proposing deep cuts in low-income energy assistance but massive increases in defense spending. I support a large part of that defense increase, I particularly support efforts to strengthen our readiness for conventional warfare. I have great skepticism about plans to invest additional hundreds of billions of dollars in exotic new weapons systems, nuclear systems. I share the concern of many experts that these funds cannot be spent wisely and that much of this spending will not increase our security.

There are limits to the capacity of the Federal Government to spend money on everything we might want at any one time. My colleague from New Hampshire has just spoken of his concern, that over the years, the Federal Government has often been outrageously wasteful. I share his concern. We have not paid sufficient attention to our overall levels of spending.

But I am afraid we are about to fall into the same trap in defense spending. The administration's plan for military spending, which is incorporated in the resolution now before the Senate, projects an increase in the Pentagon's budget by 1984 which is so large that the increase alone is larger than the entire defense budget for fiscal year 1980.

Bear in mind that I am for some rather substantial increase in defense, but what is being asked for goes beyond what is justified.

I read from an article that appeared recently in the New York Review of May 14, 1981, by Lester Thorow:

> The recent discussion of President Reagan's budget has largely overlook its most alarming feature, so far as the U.S. economy is concerned. Reagan is proposing to increase defense expenditures by $142 billion, from $162 billion for the fiscal year 1981 in the current budget to $304 billion in fiscal year 1985, the last budget of his first term. If reelected he is planning a further $39 billion increase, to $343 billion in fiscal 1986.
>
> This $181 billion increase over five years can be understood only if it is compared with the build-up of military spending during the Vietnam War. In the five years between 1965 and 1970 military spending rose by $24.2 billion, and soon after rose to a peak of $26.9 billion. After correcting for inflation, a $26.9 billion increase then would be equivalent to a $59 billion increase now.
>
> As a result the military build-up that is currently being contemplated is three times as large as the one that took place during the Vietnam War.

Mr. President, I ask unanimous consent to have the article printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. RIEGLE. Mr. President, apart from the staggering financial implications of the proposed breakout of defense spending, there are enormous practical implications for the civilian economy. Very richly funded defense contracts, will draw scarce talents and scarce resources in our society away from activities upon which our long-term economic competitiveness will depend. Engineering talent, scientific talent, managerial talent, strategic resources, strategic minerals, and manufacturing facilities will be diverted from the task of regaining U.S. competitiveness in emerging world markets.

Basic industries in the civilian sector, such as automobiles and steel, will have even greater difficulty in mobilizing resources to overtake competitors in foreign countries that do not tax their economies with crash plans for military spending.

The rates of inflation on military procurement are already among the highest of all elements of the Federal budget. Those rates of inflation are bound to become worse, as bottlenecks and shortages in the defense industrial base are strained further. The resolution now before the Senate promises to buy more defense—instead, it almost guarantees we will spend more for the same level of defense.

Moreover, the proposed drain of capital from the private sector is likely to severely undermine long-term jobs creation. The number of jobs created per dollar spent is far greater in the civilian economy than in the defense economy. I am deeply concerned about that issue.

Mr. President, I come from Flint, Mich., an automotive town, the original home of General Motors. General Motors is still the foundation of Flint's economy. Many of my colleagues may have missed it, but I noticed an item buried in the Wall Street Journal indicating that General Motors, financially the most powerful company of the American auto industry, has just had to scale back its capital investment plans. Construction was halted on two new plants, one planned for St. Louis, Mo., and one for the suburban area around Flint. Both were intended to meet competition from the Japanese and other foreign countries. Construction had to be put on the back burner because mighty General Motors does not have sufficient capital.

Mr. President, we already have a capital shortage in the United States. The financial markets in the United States are struggling with an authentic crisis. Talk to your savings and loan managers, talk to your commercial bankers, talk to your builders, talk to readers in our basic industries—the breadth of the problem is troubling. Small business people, people in agriculture all are being crushed with record high interest rates.

The prime rate is at 19.5 percent. Some of the best forecasters, including Henry Kaufman expect the prime rate to go above 20 percent in response to the administration's economic plan, with its huge defense increase.

Mr. President, the defense spending reductions I propose today are modest in percentage terms. But I believe they are significant in dollar terms, and the dollars will be very significant if they

are reallocated to critical areas in the domestic economy as I propose.

Numerous defense analysts have identified responsible, prudent savings in Pentagon spending which far exceed the savings that I propose in my amendment.

Several strategic systems which are excellent candidates for spending delays or reductions—one is the MX missile. That system continues to be the subject of intense controversy within the Nation. Most recently, the Mormon Church, many of whose members are in the region where that system is targeted for construction has taken a close look at it. The church has great reservations about it; and I share those reservations.

So we have a number of tempting places in which these savings can be found.

Mr. President, I reserve the remainder of my time.

EXHIBIT No. 1

HOW TO WRECK THE ECONOMY

(By Lester Thurow)

The recent discussion of President Reagan's budget has largely overlooked its most alarming feature, so far as the US economy is concerned. Reagan is proposing to increase defense expenditures by $142 billion, from $162 billion for the fiscal year 1981 in the current budget to $304 billion in fiscal year 1985, the last budget of his first term. If re-elected he is planning a further $39 billion increase, to $343 billion in fiscal 1986.

This $181 billion increase over five years can be understood only if it is compared with the build-up of military spending during the Vietnam War. In the five years between 1965 and 1970 military spending rose by $24.2 billion, and soon after rose to a peak of $26.9 billion. After correcting for inflation, a $26.9 billion increase then would be equivalent to a $59 billion increase now.

As a result the military build-up that is currently being contemplated is three times as large as the one that took place during the Vietnam War. Whether an increase of this magnitude is really necessary depends on an analysis of foreign affairs and military readiness that is beyond this review. Some defense experts and legislators are questioning whether many items in the new military budget are actually needed and whether some of them endanger national security more than they protect it. Such questions are certainly important and must be raised. But if such a build-up is necessary, then it is important that it be done in such a way that it does the least possible damage to the economy.

The Reagan budegt has not been clearly understood because, perhaps deliberately, it has been presented as a set of subtractions from or additions to the Carter budget. The policies of President Carter are now irrelevant. It makes no difference what he proposed. Everything that is in the budget is now a Reagan proposal. The only questions to be resolved turn on what President Reagan wants.

In addition to the increase in the military budget, civilian expenditures are scheduled to rise by $76 billion—from $493 billion to $569 billion. After correcting for inflation, we can see that civilian expenditures are down substantially by 16 percent, although they rise in money terms. As a result the total budget increases from $655 billion in fiscal 1981 to $912 billion in fiscal 1986. In addition, President Reagan is proposing a 16 percent reduction in federal tax collections—$196 billion in fiscal 1986—in order to stimulate savings and investment.

President Johnson's refusal to raise taxes to pay for the Vietnam War is legitimately remembered as one of the key factors leading us into our current economic mess. He wanted both the Great Society and the war. But if he was to have both and not wreck the economy, his only option was to raise taxes sharply. He chose not to do so, and he wrecked the economy.

President Reagan wants both dramatic tax cuts to encourage investment and an even more extensive military buildup. But he cannot have both without wrecking the economy further unless he is willing to raise taxes dramatically on private consumption. He has chosen not to do so. If his current program is carried out, he too will wreck the economy.

Military spending is a form of consumption. It does not increase our ability to produce more goods and services in the future. While it may be necessary, it is consumption nonetheless. And as in any private budget, if you allocate more to one form of consumption, you must allocate less to some other form of consumption.

This means equivalent cuts must be made in other forms of consumption. The proposed military increase is so large that it cannot be fully paid for with cuts in civilian expenditures unless the president is willing to abolish major social programs such as Social Security. If he is not willing to do this, taxes must be raised to cut private consumption.

While President Reagan is only preparing for war and not actively engaging in one, the economic problems of military spending spring from the rapid production of weapons, not from their use. The capacity to produce capital goods and equipment, skilled manpower, and raw materials must all be quickly redirected to military production. In shifting both human and capital resources from civilian to military activities tremendous strains are placed on the domestic economy, unless measures are taken to restrain private consumption. Without tax increases the military can get only the necessary capital capacity, skilled manpower, and raw materials by paying more than the civilian economy is willing to pay. This drives up prices and creates civilian shortages.

The problem is compounded if tax breaks are to be given for investment, as is contemplated by Reagan's economic plan. The capital goods industries cannot produce enough equipment to build both military factories and civilian factories. The investment tax reductions therefore encourage private investors to get into a bidding war with the military for the industrial equipment that is available. The result would be a rapid rate of inflation in capital goods that would eventually lead to inflation in consumer goods. Inflation would break out, as it did during the Vietnam War, but this time the US would be adding inflation to an economic system that already has an 11 percent rate of inflation rather than to a system that had an inflation rate of less than 2 percent.

Unfortunately the negative effects of such a military budget and such a tax policy do not emerge quickly. Remember the acceleration in inflation during the Vietnam period. It was very slow but very persistent. During 1965 inflation stood at 1.7 percent per year. From there it rose to 2.9 percent in 1966–1967, to 4.2 percent in 1968, to 5.4 percent in 1969, and to 5.9 percent in 1970. President Nixon temporarily stopped inflation with wage and price controls in 1971, but when those controls were lifted inflation broke out in an even more virulent form, and has continued to this day.

As with President Johnson, the mistakes of President Reagan will only become obvious long after they have been made. By the time they are obvious, it will be too late to correct them. If the mistakes are to be corrected and the undesirable effects avoided, the correction must be made now—not two to three years from now.

President Reagan talks as if his cuts in civilian government consumption are going to pay for the extra military spending. But he also talks as if those civilian budget cuts are going to pay for the loss in revenue from business tax cuts and from the 30 percent cut in personal income taxes called for by the Kemp-Roth plan. But the sums that will be spent and saved do not match. A $138 billion cut ($43 billion of which has not yet been announced(in civilian expenditures—not an absolute cut but one relative to the Carter budget—simply does not counterbalance a $196 billion tax cut and a $181 billion increase in military spending.

If the Reagan administration were to carry out its current plans, it would have no rational alternative to a large tax increase on private consumption. If we were actually to fight World War III, we would instantly increase taxes to pay for it. If we want quickly to buy the equipment the administration claims is necessary to fight World War III, we have to be willing to do the same.

If the administration is unwilling to raise taxes on private consumption, it will repeat the Vietnam experience. Initially output will rise and unemployment will fall. But eventually a sustained inflation will result from the economy's inability to produce both the civilian and military goods that are being demanded of it. But the economic problems of a large increase in military spending go far beyond that of simply keeping total consumption under control. The defense department does not demand exactly the same commodities that civilians give up when their after-tax income goes down. Even if taxes are raised by the requisite amount, essential supplies will have to be directed to military uses without completely disrupting the civilian economy.

To do this, most countries when they decide to wage war or prepare for war traditionally impose controls over production, wages and prices, raw materials, and capital equipment. In this respect, the Korean War is a model of what to do. The Vietnam War is a model of what not to do.

During the Korean War America raised taxes dramatically at the beginning of the war and imposed a full range of wartime controls. When the war proved to be smaller than was first expected, those controls could be gradually eased with no disruption to the civilian economy. Instead of rising during the war, inflation fell from 6.6 percent in the first year of the war to 1.6 percent in the last year of the war.

By contrast, during the 1960s the US did none of the things that would have been necessary to fight the Vietnam War without economic damage. Military spending reached a peak of 13 percent of the gross national product during the Korean War and only 9 percent in the Vietnam War, but the economic damage was far greater during the Vietnam War. The economics of war production calls for planning for the worst possible economic effects and then being pleasantly surprised if the worst does not occur. Perhaps our economy will be able to take the current build-up without being wrenched out of shape, but no one should count on it.

The economic problems of the military build-up planned to take place between 1981 and 1988 are complicated by the current weakness of the American economy and the economic strength of the countries that are our military allies but our economic adversaries. When a nation such as the US sharply increases its military forces, it generally does so at a time when its industrial competitors are also attempting to increase their own military establishments, and are experiencing comparable economic strains. But the Reagan build-up is to take place in

a time when our allies are not raising their military expenditures at anything like our pace. Germany has just announced plans to cut back on its defense budget.

This difference poses the problem of how the US can maintain the industrial strength to compete with other countries in civilian production and sales. The basic problem here is not so much one of obtaining critical raw materials and equipment, although there may be shortages of both, but is one of skilled workers—craftsmen, engineers, and scientists. Such people will tend to be attracted to military production. Defense contractors will entice workers away from civilian firms by paying higher salaries as they build up their work forces on a crash basis. But even if the salaries were identical there would be a tendency for the most highly qualified people to move into defense. For most engineers, such work is simply more exciting.

Would the typical engineer rather work on designing a new missile with a laser guidance system or on designing a new toaster? To ask the question is to answer it. Military research and development are more interesting since they are usually closer to the frontiers of scientific knowledge and are not limited by economic considerations such as whether the product can be sold in the market. The military is willing to pay almost any premium to have a superior product. The civilian economy is not. As a result the most skilled technicians and scientists move into defense.

But suppose you own a civilian computer firm in Boston and many of your best people leave to work in Boston's higher paying and more exciting areospace firms. How do you compete with Japanese computer firms that will not be losing their most brilliant employees? The Japanese engineer might also like to work on missiles but he does not have the opportunity to do so. The result is that you cannot compete; the Japanese computer industry could well drive the American computer industry out of business.

A military build-up of the magnitude proposed by President Reagan almost demands that the US insist that its military allies, who are also its economic competitors, engage in a similar military build-up. From the point of view of equity, the American taxpayer cannot be expected to accept a large reduction in his standard of living while taxpayers abroad continue to improve their standards of living. But even more importantly, America cannot afford to destroy the competitive strength of its none-too-strong domestic economy. If the skilled workers and funds that are used for defense here are used for civilian production abroad, it should not come as a great surprise if we are driven out of civilian markets. What will happen to the United States if the industries that manufacture semiconductors, micro-processors, and computers are forced out of business while the nation is busy rearming itself? What good does it do us to dominate the world in missile production if we are at the same time being defeated in toasters? In the long run, a civilian economy that consistently fails in competition abroad will be unable to produce missiles for an effective military economy.

According to the Reagan economic scenario, the burden of total government spending will shrink not because of a decrease in that spending, but because there will be an explosion of economic output. After we correct for inflation, output is supposed to grow 23 percent during the next five years.

This explosion in output is predicted for an economy where growth in productivity has been gradually slowing down since 1965 and has in fact been negative during the last three years. The Reagan administration assumes that productivity is going to return to a 3 percent rate of growth almost instantly, but what will make this happen? Such an increase in productivity has never happened before in our history, and there are good technical reasons for believing that it will not happen now.

Our slowdown in productivity is caused by many factors, including an increasing movement toward services, and sharp declines in construction and mining productivity. These are not going to end suddenly. And the same slow transition will occur in the part of the economy on which the Reagan administration is focusing most of its attention—investment. New investment takes time. Major new industrial facilities typically take from five to ten years to complete, so we will have no output from them for five to ten years. Consequently they will not be raising productivity for five to ten years.

If a little extra investment would cure our productivity problem we would not have such a problem at all. When productivity was growing at more than 3 percent per year, from 1948 to 1965, Americans invested 9.5 percent of their GNP in industrial plant and equipment. While productivity was falling 0.5 percent a year from 1977 to 1980, Americans invested 11.3 percent of their GNP in industrial plant and equipment. We need more investment, but investment cannot cure the productivity problem in the short run.

But in planning a major military build-up, a wise economic general does not argue about whether there will, or will not, be a dramatic rebound in the growth of productivity. He plans such a rapid increase on the conservative assumption that there will not be a sharp change in productivity and hopes to be pleasantly surprised if productivity does in fact dramatically improve. No permanent damage occurs if he plans for slow productivity and finds that productivity is actually growing rapidly. He can always easily cut taxes if the economy has extra unused productive capacity. But if he plans for rapid growth in productivity and it does not occur, the economic damage will be great. Taxes can be raised later on, but as the Vietnam War demonstrated, a tax increase in 1969 does not substitute for a tax increase that should have occurred in 1965.

If vigorous growth resumes, as the Reagan administration assumes it will, the defense budget will generate the kinds of economic stress that we experienced during the Vietnam War. Under Reagan's assumptions about economic growth, the military budget will consume an extra 1.5 percent of the Gross National Product. Vietnam consumed an extra 1.7 percent. But if vigorous growth does not resume, the strains will be far more serious. The military will be absorbing an extra 2.4 percent of the GNP. As a result we should plan for those larger stresses but hope for the smaller ones.

These economic difficulties will also be magnified by the plans for the civilian budget. A 16 percent cut in taxes is supposed to stimulate savings and investment but it is directed at the wrong targets. Any across-the-board tax cut such as Kemp-Roth must confront the fact that the average American family saved only 5.6 percent of its income in 1980. Past experience strongly suggests that given a $100 tax cut, the average American will save and invest $5.60, but will also consume $94.40. In view of our needs for investment and of the military program the administration demands, we simply cannot afford to add private consumption of this magnitude to our economic system. We should be cutting consumption.

Similarly, many of the investment tax cuts proposed by Reagan are poorly conceived. A cut in the capital gains tax that includes both investment in plant and equipment and speculative investment—in land, homes, gold, antiques, paintings, etc.—may suck investment funds out of productive investments and into speculative investments, since speculative investments pay off faster than productive investments. But we need productive investments not speculative investments. If supply-side economics were to make sense, it would include tax increases for speculative investments.

The current proposal for accelerated depreciation on a "10–5–3"* basis gives the largest breaks to commercial buildings and may well encourage the construction of more shopping centers rather than industrial factories. Here again the largest tax breaks should favor new industrial facilities.

The administration's cuts in the civilian budget have relatively little to do with economics. They are good or bad depending upon your view of what constitutes adequate provision for the needy in a good society. My ethics tell me that there is something wrong with cutting nutrition programs for poor pregnant women. Mr. Stockman's ethics tell him that they are precisely the group whose benefits should be cut. Perhaps that is the difference between learning one's ethics and economics in a department of economics rather than at a divinity school.

There is, however, one major economic problem with the proposed cuts in expenditures. Most of the cuts focus on the working poor—essentially the group that is above the poverty line but within $3,000 of it. This group is going to be faced with a choice. The Reagan administration assumes that a cut in the social welfare benefits for the working poor will force them to work more. It is more likely that it will encourage them to work less to regain eligibility for the programs that they have just lost.

Suppose you are one of the working poor and have a sick child. One choice is to work harder—perhaps by taking a second job—in order to pay the necessary medical bills. Another is to quit working to make yourself eligible for Medicaid. To pose the choices is to give the likely answer. If the second choice prevails, the remaining social welfare programs will have to expand and will cost more than expected. The cuts in the civilian budget will therefore be smaller than the ones now projected. The result will be that the grave strains imposed on the economy by Reagan's military build-up will become graver still. The dangers of this budget are such that I can think of no priority higher for the nation's economic welfare than close and skeptical scrutiny of all new military expenditures to determine whether they are really needed.

Mr. HART. Mr. President, will the Senator yield me 2 minutes?

Mr. RIEGLE. I yield.

Mr. HART. I thank the Senator from Michigan for yielding.

Mr. President, I intend to vote against this committee's resolution because it perpetuates budget deficits at a time when both the President and the Congress have promised the American people a balanced budget. I have supported much of the President's economic program. The few differences are serious differences nonetheless. They compel my opposition to the resolution as a whole.

From the beginning, I have supported four of the five parts of the President's economic program:

First, I have supported budget cuts that were near the level the President proposed. In some instances, I offered or supported substitute cuts. Nonetheless, my commitment to eliminating budget deficits—as evidenced by my vote and the votes of my fellow Democrats in support of the reconciliation instruction—is clear.

Second, I support legitimate increases

in spending for national security that are fully as large as the President's request. A number of my colleagues have suggested the administration's program be reduced, to encourage the Department of Defense to undertake management and administrative efficiencies. Such improvements are possible and desirable, but the funds involved are urgently needed for other national security programs that the administration has not provided for sufficiently, such as improved readiness, military pay, and naval capability.

Third, I have supported reducing or eliminating unnecessary Government regulation, and proposed a number of regulatory reform measures of my own.

Fourth, I have supported targeted reductions in business taxes to stimulate investment. In fact, the tax program I offered in the Senate Budget Committee provided reductions more than twice the level proposed by the administration.

Finally, while I agree we must reduce personal income taxes to offset the effects of inflation—and proposed a tax plan to achieve that goal, I cannot support the fifth part of the President's program—the massive 3-year, across-the-board Kemp-Roth personal tax cut.

My concerns about the likely effect of this tax cut on our economy are so strong that I cannot, in good conscience, support the 1982 budget resolution. No one seriously concerned with reducing inflation could support it. It promises a balanced budget, and it pretends it can be achieved by resorting to the most dubious accounting and rosy economic assumptions. But ultimately Kemp-Roth will destroy that hope.

THE DEFECTS OF "KEMP-ROTH"

At a time when our economy is reeling from new increases in the cost of living and interest rates, President Reagan is asking us to take a large gamble—one we cannot afford. He asks that we risk large deficits and higher inflation in the remote hope that somehow inflation will be cured and productivity increased. As Professor Tobin of Yale has noted, Kemp-Roth is the laetrile of economics. It is no surprise that a vast array of liberal and conservative economists have agreed "Kemp-Roth" would be a terrible mistake in this period of very high inflation.

The adherents of Kemp-Roth paint a rosy picture. They claim a 3-year, 30-percent reduction in tax rates will produce an economic renaissance of such strength and vitality that the Japanese economy will look sluggish by comparison.

How this would happen, though, is less clear. The administration claims Kemp-Roth will foster a new burst of private saving and investment, and thereby provide billions of dollars for productive investment in our capital base. Frankly, this seems unlikely. Historically, Americans have saved only a small portion—about 6 percent—of their income from any source, including tax cuts; it is hard to figure out why Kemp-Roth will increase this percentage substantially. Therefore, most of the tax cuts will be a stimulus for consumption—and hence, inflation.

Furthermore, even if Kemp-Roth does increase personal savings, much of any increase will be invested in assets that are unproductive—for example, land, commodities and housing. If we are concerned with productive investment, we are far more likely to achieve it by reducing business taxes and providing direct incentives to save.

As a result, instead of this promised economic renaissance, Kemp-Roth could as easily lead to an even more troubled economy. Looming deficits and stimulative tax cuts would increase inflation as they weakened our confidence and resolve. Once again, tight money and high interest rates would assume the front line of anti-inflation policy.

This is not a partisan view. It is a concern shared by leaders in the financial community. Henry Kaufman—an investment banker and probably Wall Street's most respected economist—has roundly criticized Kemp-Roth. He did so because he is convinced it would lead to continued deficits. As a result, the entire burden of fighting inflation would fall on monetary policy and higher interest rates. Kemp-Roth, he warns is:

> Exceedingly expansionary, (and) does not pursue a course that fights inflation vigorously. . . .

Already the bond markets have begun to confirm Kaufman's prediction. Long-term interest rates, Wall Street's guess about the course of inflation, have risen steadily as the chances of a 3-year Kemp-Roth loom larger. What more eloquent testimony do we need?

Some in the administration have tried to justify Kemp-Roth on President Kennedy's coattails. But the Kennedy tax cut of the early 1960's offers no comparison. It was proposed at a time when the inflation rate was 1.5 percent and inflation was not even considered a problem. And the Federal deficit that year was $5.9 billion, about one-tenth what it is today.

The Kemp-Roth version of supply-side economics represents an illusory rainbow that leads to a nonexistent pot of gold. Higher inflation and larger deficits lie at the end of this rainbow instead. We cannot afford to try this experiment. Adoption of Kemp-Roth at this time would hurt the economy, for a number of reasons:

First, it would be seriously inflationary.

It would spur consumption—not saving—in an economy that has no need for $50 billion in excess demand. At a time when our Nation plans and needs substantial increases in defense, it would be a grave mistake to stimulate private consumption as well. We made that mistake in the 1960's, and most economists agree the result began the inflationary disease we're racked with today.

It would also continue high Government deficits and Government borrowing. Unless equally massive spending cuts can be found and enacted to offset the $150 billion or more in lost revenues, adoption of the Kemp-Roth program would, over 3 years, guarantee deficits billions of dollars larger than any we have seen. One economic simulation performed for the Joint Economic Committee estimated a fiscal year 1984 deficit of almost $110 billion. Others are more moderate but still disturbing: The Congressional Budget Office estimated a deficit of $77.9 billion based upon the spending cuts identified thus far. Whether one chooses estimates that are optimistic or pessimistic, it is obvious Kemp-Roth would strike a death blow to our—and President Reagan's—hopes for a balanced budget.

Budget deficits are certainly not the only cause of inflation, but they do mean more Government borrowing in competition with farmers, small businesses, homebuilding, and other sectors of the economy. At a time when the President and the Congress have promised a balanced budget—to instill confidence in our ability to control both our Government and our economy and to reduce Government borrowing that maintains high interest rates—any proposal that guarantees inflationary budget deficits for at least 4 more years ought to bear a heavy burden of proof.

Second, Kemp-Roth is unfair, in that most of its benefits go to those who are already well-off. Although portrayed as a "30-percent cut for everyone," the effect of Kemp-Roth is to reduce taxes of the wealthy far more than for the rest of us. Fully 30 percent of the reduced tax burden would accrue to taxpayers earning more than $50,000 per year. In the tax bill proposed by the Senate Finance Committee last year, by contrast, the comparable figure was 18 percent. It is hard to justify a tax cut that provides more for the wealthy than for the average worker and the poor at a time when inflation takes so harsh a toll on all.

KEEPING FAITH WITH THE AMERICAN PEOPLE

As the President has so rightly observed, our economic success depends critically upon our faith and resolve. Americans must have confidence in the forthrightness of the Government and the strength of the economy if they are to accept the sacrifices involved in wage and price restraint, and in saving instead of consumption. How can this confidence be maintained when promises of a balanced budget give way to a Federal deficit equal to $500 for every man, woman, and child in the country?

We cannot balance the budget by putting in more promises—a promise to find new cuts, a promise that the economy will behave perfectly. We have been promising a balanced budget for too long. Our task now is to enact one. We must demonstrate—not promise—that we can eliminate deficits before we turn to large personal tax cuts.

I am voting against the promise of illusory budget cuts and rosy economic assumptions. My vote is a vote against a tax program that is inflationary and unfair and that will not encourage saving and investment. It is a stand against telling the American people they will have a balanced budget 3 years hence, when nearly every respected economist tells us we will not, and against a program of continued deficits, high interest rates, heavy Government borrowing, and continued inflation.

Mr. President, the issue is a simple one

in this resolution: It is the issue of the individual tax cuts. There is no supporting economic data to justify the conclusion that an across-the-board, 3-year, 10-percent reduction in personal taxes will lead to a balanced budget in the near term. In fact, all the economic data reaches the opposite conclusion.

If that is the case, and we have budget deficits in 1983 and 1984 and into the mid-1980's, we will continue to have high rates of inflation.

We will continue to have high interest rates, and that will lead to massive bankruptcies in the housing, automobile, agriculture, and small business communities.

Mr. President, we cannot afford this at this time. The issue is not whether we should cut taxes. The issue is the timing. To suggest the massive kind of program of individual tax cuts that are untargeted and unspecified in their incentives for savings and investment, with the hope that the recipients of the tax cut will invest in response, is not being fair with the American people, in my judgment, and it is not a proper exercise of discretion on the part of the administration or Congress.

At such time as we have eliminated or seriously reduced the deficit, when interest rates have come down, when we have kept faith with the American people, then there will be plenty of time to reduce individual tax cuts in the nature of what the President is proposing.

In the meantime, these tax cuts are the wrong cuts at the wrong time and under the wrong circumstances. They are cuts pursuing a promise at the end of a rainbow which cannot be met. Therefore, I must oppose this resolution on that ground.

The PRESIDING OFFICER (Mr. WARNER). Who seeks recognition?

Mrs. KASSEBAUM. Mr. President, in response to the Senator from Michigan, I point out that we debated this matter in the Budget Committee on many of the points he has raised regarding his amendment. We have both sought to bring the best scrutiny to the defense budget as well as all other aspects of the budget.

However, I believe that in addressing these issues now, we are only going through an exercise that we have been through several times, not only in the debate on reconciliation but also on other numerous votes we have taken—a very similar vote having been on the Bradley amendment, just recently.

While I share many of the concerns the Senator from Michigan raises, these aspects have been thoroughly debated; and I believe that at this point it would be attempting to circumvent the numerous expressions of support we have already seen expressed in the votes on the floor.

The PRESIDING OFFICER. Does the Senator from Kansas wish to proceed?

Mrs. KASSEBAUM. Mr. President, I am ready to yield back whatever time might remain on this side.

Mr. RIEGLE. Mr. President, let me add a few thoughts.

First of all, I have great regard for the Senator from Kansas. I do not relish being on the opposite side of a debate from the Senator. I know we have a shared concern about these issues, whatever our difference on this particular amendment.

Nevertheless, I want to make several points. Numerous reports by GAO and other analysts have demonstrated that our principal need in military spending right now is combat readiness of existing forces and equipment. The need is constantly overlooked in our preoccupation with new systems. The need was highlighted when the Iranian rescue mission floundered on equipment failures. The stories of our lack of readiness, of our lack of conventional strength, are legion. Yet funds are being poured into exotic new ideas, the neutron bomb and other new nuclear weapons costing tens of billions of dollars.

In fact, U.S. News & World Report recently had a cover story on the waste in the Pentagon. The cover showed the Pentagon and a whirlwind of money going down into its top. The accompanying article detailed the structure of waste in defense spending.

But the Budget Committee would throw money at the Defense Department. Many Senators have said that, in the past, we have thrown money at social programs. That is no justification for abandoning prudence in defense spending.

It just does not make sense to rip up Conrail, which provides a freight system of strategic importance to the Nation and vital importance to 40 percent of our industrial base. There is absolutely no guarantee that we can maintain service in many areas that are now covered.

I think there are strategic implications to that, but the Budget Committee would have us scrap that system and send the money over to the Pentagon.

The committee takes the same approach to EDA's economic development. We are going to shut that down and send that money over to the Pentagon.

The committee would cut Pell grants. It would cut student loans. It would provide little for jobs for displaced workers. It would cut low-income energy assistance. It would cut school lunches. It would cut veterans' health facilities. It would divert the money to the Pentagon.

I feel strongly about this because my State is the hardest hit of any of the 50 States in terms of economic misery. But the economic stimulus of this defense spending increase will not be spread evenly across the 50 States. Waste in defense spending would not be justified even if it were, but it is not spread with any degree of equity. The benefits are concentrated in certain areas. The American industrial heartland, which is in desperate trouble and needs help in positive ways, is told, "Sorry, we cannot respond to your problem because we need this money to pile up more nuclear weapons."

We need economic stimulus in the cities of this country. We need it in Detroit, New York, Los Angeles, and other places. That is where we should be targeting our resources.

So, this amendment would merely bring a small decrease in the military increase.

It would reallocate those funds to other kinds of strategic investments in the future of this country and our people. Such investments would give us strength beyond nuclear weapons.

We are in the process right now of moving our defense industries, our basic industrial base offshore to other nations. We are moving them offshore to Japan. We are moving them offshore to Korea, to South America, and to other places. This just speeds up the weakening of this Nation.

Some people think we can just become a service economy with a tremendous Defense Establishment that picks up the defense tab for the whole rest of the world. I think that is a route to economic ruin. It is the road we are on today, and it troubles me very much.

Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. LEVIN. Mr. President, I rise in support of the amendment by my distinguished colleague from Michigan to reduce the national defense function of the first concurrent resolution on the budget for fiscal year 1982 by $600 million and to distribute this amount to increase the functions devoted to income security, veterans, and transportation.

In supporting this amendment to make a modest reduction in defense spending, I can, as a member of the Committee on Armed Services assure my colleagues that the military preparedness of our Nation will in no way suffer from its passage.

This is because, even with passage of the Riegle amendment, the large amount of money still in the national defense function represents a massive increase in our annual defense spending which will finance many improvements in our military strength.

I have opposed "transfer amendments" in the past that have carved billions out of the defense function and reallocated them to social programs. Such amendments are usually very nonspecific in their intent—both as to where funds are to be cut and added.

Mr. President I support this amendment for two reasons:

First, as a member of the Committee on Armed Services, I have spent the last 2½ years sitting through hearings and committee markups evaluating the hundreds of military research and development, procurement, and operations, and maintenance programs which comprise our defense budget. I know full well that there are specific programs in this budget function before us which are marginal, duplicative or unnecessary to maintain and improve our military capabilities.

The sum total of specific and identifiable reductions which I consider would be valid without harming our national security far exceeds the $600 million total embodied in the Riegle amendment. Such militarily justifiable reductions include more than $600 million alone for long-lead funding for another nuclear aircraft carrier, about $530 million to continue procurement of the

Roland Army air defense system and $200 million to finance redundant and overlapping management and administrative support activities within DOD and the armed services. These specific programmatic reductions total $1.33 billion.

In fact, I will be proposing an amendment to eliminate the $200 million in duplicative funding when the Senate considers the fiscal 1982 Defense Authorization Act later this week. Such an amendment would target this reduction to prevent readiness-related spending from being negatively affected.

The specific suggestions I have just made to support the Riegle amendment indicate that, as far as I am concerned, it too is a targeted reduction.

Second, as I have alluded to before in this statement, the overall size of the military budget contained in this national defense function itself creates a special set of circumstances the Senate should consider.

This budget represents one of the largest annual totals for defense allocated since World War II. Many of the programs it supports are needed to make up for years of past neglect—especially in the nuts-and-bolts areas of spare parts and war reserve stocks.

However, to fund these needed programs, the Congress and the Federal Government have begun the most sweeping restoration of Government spending priorities since the Great Depression.

In some areas, Congress even has exceeded the executive branch in its zeal to "turn the world upside down," and in its enthusiasm I think we have gone too far. We have poked many holes in the "safety net" of social programs which President Reagan promised will remain to support the health and welfare of the truly needy.

I do not disagree that we have to eliminate the waste and "fat" in our domestic programs, and that we have to make the Government more responsive to the needs and desires of the American people to reduce its intrusion into their lives. But I disagree with those who contend that these needs and desires require the Government to shirk its basic responsibilities to provide for the life, liberty, and happiness of those who cannot help themselves.

It is for that reason why I think that the modest amount reallocated to domestic programs by the Riegle amendment are appropriate, albeit slight, increases to these budget functions. This reallocation attempts to plug some of the more gaping holes in President Reagan's social safety net and to help our Government meet its basic responsibilities for the public good.

The PRESIDING OFFICER. Who yields time? If no one yields time, the time will run equally.

May I inquire of the managers of the resolution to yield back the time?

Mr. RIEGLE. Mr. President, I yield back the remainder of my time.

Mrs. KASSEBAUM. Mr. President, I yielded back earlier all the time I had.

The PRESIDING OFFICER. I thank the distinguished Senator from Kansas and the Senator from Michigan for having yielded back their time.

All time having been yielded back, the question is on agreeing to the amendment of the Senator from Michigan. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

The PRESIDING OFFICER (Mr. GORTON). Are there other Senators in the Chamber desiring to vote?

The result was announced—yeas 17, nays 81, as follows:

[Rollcall Vote No. 108 Leg.]

YEAS—17

Bumpers	Leahy	Riegle
Cranston	Levin	Sarbanes
Eagleton	Matsunaga	Tsongas
Hatfield	Metzenbaum	Weicker
Inouye	Mitchell	Williams
Kennedy	Pell	

NAYS—81

Abdnor	Exon	Moynihan
Andrews	Ford	Murkowski
Armstrong	Garn	Nickles
Baker	Glenn	Nunn
Baucus	Goldwater	Packwood
Bentsen	Gorton	Percy
Biden	Grassley	Pressler
Boren	Hart	Proxmire
Boschwitz	Hatch	Pryor
Bradley	Hawkins	Quayle
Burdick	Hayakawa	Randolph
Byrd, Harry F., Jr.	Heflin	Roth
	Heinz	Rudman
Byrd, Robert C.	Helms	Sasser
Chafee	Hollings	Schmitt
Chiles	Huddleston	Simpson
Cochran	Humphrey	Specter
Cohen	Jackson	Stafford
D'Amato	Jepsen	Stennis
Danforth	Johnston	Stevens
DeConcini	Kassebaum	Symms
Denton	Kasten	Thurmond
Dixon	Laxalt	Tower
Dodd	Long	Wallop
Dole	Lugar	Warner
Domenici	Mattingly	Zorinsky
Durenberger	McClure	
East	Melcher	

NOT VOTING—2

Cannon	Mathias

So Mr. RIEGLE's amendment (UP No. 89) was rejected.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. LEAHY. 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, may we have order in the Senate?

The PRESIDING OFFICER. The Senate will be in order.

Mr. BAKER. Mr. President, it is now 5:20, and there is an order for final disposition of this measure at 7 o'clock.

Mr. STENNIS. Mr. President, may we have quiet so we can hear the distinguished majority leader?

The PRESIDING OFFICER. The Senate will please be in order. Senators wishing to converse will please retire to the cloakrooms.

Mr. BAKER. Mr. President, I thank the Chair and the Senator from Mississippi. Mr. President, I was about to say that, in looking over the list of the amendments which are to be offered and which have been sequenced, I find the Stevens amendment is next, on which there is a 20-minute time limitation equally divided, to be followed by the Sasser amendment on which there is a 50-minute limitation, I believe, equally divided. I am sorry, the Metzenbaum amendment and then the Sasser amendment.

Some have indicated the possibility that there might be an amendment in the second degree to one or more of those amendments. I wonder if I can inquire at this time if there is such an intention to offer an amendment in the second degree to the amendment of Mr. STEVENS, to the amendment of Mr. METZENBAUM, or to the amendment of Mr. SASSER so we can get a better idea of where we stand on time.

Mr. ROBERT C. BYRD. Mr. President, Mr. RIEGLE does intend to offer an amendment in the second degree to the amendment by Mr. STEVENS. I have not talked to Mr. RIEGLE about cutting back on his time, but he is in the Chamber. Perhaps he can indicate the time required for the amendment in the second degree. I would then hope to get an order to that effect.

Mr. BAKER. I thank the minority leader. I join in hoping that, in view of the work yet to be done, the Senator from Michigan might consider reducing the time, the 1 hour to which he is entitled, on the amendment in the second degree.

Mr. RIEGLE. Mr. President, I am prepared to do that. I believe 40 minutes equally divided would be adequate.

Mr. BAKER. Mr. President, I make that request, that on the amendment in the second degree by the Senator from Michigan, which is to be offered to the amendment by the Senator from Alaska (Mr. STEVENS), there be a limitation of 40 minutes, equally divided.

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

Mr. BAKER. Mr. President, are there any other second-degree amendments which are to be proposed to amendments which have been sequenced?

Mr. President, I yield to my colleague from Tennessee.

Mr. SASSER. Mr. President, I suspect we could dispose of my amendment in 30 minutes, with 15 minutes to a side, equally divided.

Mr. BAKER. Mr. President, I thank the Senator from Tennessee. With his concurrence, then, Mr. President, I make the request that the time for the amendment of the Senator from Tennessee be reduced from 50 minutes to 30 minutes, equally divided.

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

Mr. BAKER. I thank all Senators.

Mr. President, if there are no other amendments that we do not know of, it appears that we may be able to reach the final phases of this matter as scheduled. I thank all Senators who made it possible for us to do that.

UP AMENDMENT NO. 90

The PRESIDING OFFICER. Under the previous order, the Senate will now pro-

ceed to the consideration of the Stevens amendment.

Mr. STEVENS. Mr. President, my amendment is at the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS), for himself, Mr. WARNER, Mr. DURENBERGER, Mr. MURKOWSKI, Mr. DOMENICI, and Mr. MATTINGLY, proposes an unprinted amendment numbered 90:

On page 2, line 16, delete "$775,100,000,000" and insert in lieu thereof "$775,900,000,000."

On page 2, line 21, delete "$699,100,000,000" and insert in lieu thereof "$700,800,000,000."

On page 3, line 4, delete "$48,800,000,000" and insert in lieu thereof "$50,500,000,000."

On page 3, line 9, delete "$1,091,200,000,000" and insert in lieu thereof "$1,092,000,000,000."

On page 3, line 10, delete "$1,154,300,000,000" and insert in lieu thereof "$1,155,100,000,000."

On page 3, line 11, delete "$1,197,600,000,000" and insert in lieu thereof "$1,198,400,000,000."

On page 3, line 15, delete "$91,400,000,000" and insert in lieu thereof "$92,200,000,000."

On page 4, line 6, delete "$225,400,000,000" and insert in lieu thereof "$226,200,000,000."

On page 4, line 7, delete "$188,000,000,000" and insert in lieu thereof "$188,800,000,000."

On page 8, line 21, delete "$237,300,000,000" and insert in lieu thereof "$238,200,000,000."

Mr. STEVENS. Mr. President, the amendment I have introduced is to retain the March 1982 cost-of-living adjustment for civil service and military retirees. Under the assumptions of this budget resolutions, civil service and military retirees would not receive an inflation adjustment for 18 months. My amendment conforms the resolution to the President's proposal and to the action of the Governmental Affairs Committee, which reduces the frequency of such adjustments from twice to once a year. Assuming the Congress adopts the President's proposal, civil service and military retirees will receive their next adjustment in March 1982. The current language in this resolution would defer that adjustment to October 1982.

Mr. President, my amendment would restore $800 million to function 50 for the military and $900 million to function 600 for the civil service. Although I opposed annualizing the cost-of-living adjustments for Federal retirees, the Governmental Affairs Committee reported out legislation to do so. Prior to the committee's decision on the cost-of-living adjustments, I had introduced an alternative formula which was the subject of a hearing before our subcommittee. The consensus of the witnesses was they would prefer annualization over my proposal if they must choose. However, it was clear that the affected parties were going to experience a hardship from annualization.

Many feel that Federal retirees are living in luxury. However, approximately one-half of those on the Federal retirement roles receive under $600 a month, which amounts to a "whopping" sum of $7,200 a year. Annualizing the cost-of-living adjustments will reduce the average annuitants income by $300 a year. If their next adjustment were deferred to September 1982, the same annuitant would lose an additional $600 a year. I think we all agree, enough is enough. I urge adoption of this amendment.

Mr. President, I stand ready to answer any questions any Member of the Senate might have concerning this. I am indebted to my good friend from New Mexico for cosponsoring the amendment and for the discussion I have had with Senator HOLLINGS, of South Carolina, who, as I understand it, is prepared to accept the amendment.

Mr. DOMENICI. Mr. President, the Senator is correct. I am a cosponsor. I commend him for this amendment.

Actually, Mr. President, as I view this amendment, when the Senate voted for a change in the cost-of-living index and/or for social security solvency reform, from my standpoint, there was a technical error. I really did not understand, when we were voting on that, that we were voting for the same kind of extension of the adjustment date for those who are now getting a twice-a-year cost-of-living increase; we had already ordered, by the reconciliation, that those twice-a-year COLA's be changed to once a year. So what we were doing was not only ordering the Committee on Governmental Affairs to change that from twice a year to once a year, but from my standpoint, we were mistakenly including a 6-month deferral as to the indexation increment by moving them to October. They were already, many of them, going to go without a cost-of-living increase because they were being changed from twice to once—that is, annually.

In addition, they do not all come due at the same time.

In terms of the rest of the savings that the Governmental Affairs Committee was ordered to make—they have also been ordered to save some substantial sums in other areas—they have done so.

Mr. President, I support the amendment. I do not wish to ask the added sacrifices by Federal retired employees, whom we already affected by reconciliation.

Mr. STEVENS. Mr. President, the Senator is right. What this does is annualize all of those who are retired who are entitled to a cost-of-living adjustment.

Mr. DOMENICI. Mr. President, it is correct also that, pursuant to the reconciliation instruction, if they were receiving an adjustment twice a year, they will now only receive it once per year. So we have already made a significant change to save substantial money. To delay their increase additional months to get it on an October date would really not be desirable.

Mr. STEVENS. I thank the Senator.

I yield to the Senator from Virginia, Mr. President.

Mr. WARNER. Mr. President, I join with the distinguished Senator from Alaska as a cosponsor of this amendment. I commend the distinguished manager of the budget resolution, the Senator from New Mexico (Mr. DOMENICI), for his clarification of the vote that was taken last Friday, a vote in which I participated in support of the manager's position.

Mr. President, the first concurrent resolution on the budget, with the directions of the President, is for the purpose of reducing inflation, which is the biggest enemy to any retiree. The Hollings amendment would go much farther in my judgment. It would make Federal retirees wait 18 months for their next raise. The Stevens amendment corrects this "double whammy" effect. It is for that reason that I support it.

This is only fair, Mr. President. Federal retirees should help with the very important task of controlling inflation, and restoring our economy's health. But they should not have to do more than their fair share—and this amendment will insure that they do not.

Mr. STEVENS. Mr. President, I am prepared to yield back the remainder of my time if the manager on the other side is prepared to yield back the remainder of his time so that Senator RIEGLE may offer his amendment.

Mr. KENNEDY. Will the Senator yield for a question? I would like to ask the Senator a question on his time.

Mr. STEVENS. Certainly, Mr. President.

Mr. KENNEDY. Mr. President, I am interested in why the Senator did not include the social security recipients in his amendment.

Mr. STEVENS. The intent of the Hollings amendment was that we would, in this resolution, annualize Federal retirees and adjust all retirement income by the lower of the CPI or wage index. What this does is say that these people who got their cost-of-living adjustment in March of 1981 need not wait until October of 1982—in other words, until fiscal 1983—in order to get their next payment because we agreed to annualize.

This amendment does not address the social security recipient at all. It merely carries out the decision which I understood was made and was followed up by the Governmental Affairs Committee to annualize the Federal retirees. Rather than having a twice-a-year adjustment, they will have a once-a-year adjustment. That means the civil service and military retirees must get theirs next March.

Mr. KENNEDY. On this point, Mr. President, it seems to me that what the Senator from Alaska is attempting to do is eliminate the inequities to the Federal retirees and some other personnel. I am just wondering why the case is not as compelling to eliminate the discrimination against the social security recipients as well, just in terms of time.

Mr. STEVENS. Mr. President, social security recipients will get their cost-of-living adjustment in October of 1982 and October of the following year. They will be treated the same way as civil service retirees who got their adjustment in March and will get it next March. This treats them all alike.

Mr. KENNEDY. It was July when they received it.

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

Mr. KENNEDY. Is it not a fact that the social security recipients receive their COLA in July and that as the resolution now reads, there would be a delay beyond July 1982 for the social security recipients? In this respect, the social security recipients are being treated just

as unfairly as Federal retirees, if we call the delay the Senator from Alaska seeks to adjust unfair to these workers.

Mr. STEVENS. It is this Senator's intent to simply conform the assumptions in this resolution to the bill that has come out of the Governmental Affairs Committee—that is, to annualize this rather than have it twice a year. I believe in the twice-a-year adjustment, but I lost that, and I do not see any reason for going any further. The unfortunate interpretation of the language in this resolution would have meant that the civil service and military retirees would have gone 18 months instead of 12 months before receiving an adjustment. That is the sole thing I am trying to correct in this amendment.

Mr. KENNEDY. I thank the Senator for his response.

The PRESIDING OFFICER. The Senator from West Virginia has time.

Mr. ROBERT C. BYRD. Mr. President, how much time remains?

The PRESIDING OFFICER. Eight minutes and 40 seconds.

Mr. ROBERT C. BYRD. I yield 8 minutes to Mr. RIEGLE on this amendment, if he wishes to use it. He may yield it to Mr. KENNEDY or anyone else.

Mr. RIEGLE. I thank the Senator.

Mr. President, is all time yielded back on the other side?

Mr. STEVENS. I am prepared to yield back the time on this side, if any remains. The Senator could speak at this time, if he wished.

Mr. ROBERT C. BYRD. Mr. President, is there any time remaining on the other side?

The PRESIDING OFFICER. The time has expired.

Mr. ROBERT C. BYRD. So the Senator has the remainder of 8 minutes to do as he wishes.

Mr. RIEGLE. Mr. President, I understand the parliamentary situation is that until that 8 minutes is used, I cannot submit my amendment. Is that correct?

Mr. STEVENS. That is correct.

Mr. ROBERT C. BYRD. The Senator can yield it back.

Mr. RIEGLE. Mr. President, the amendment I will offer shortly, in behalf of myself and other cosponsors, will be an amendment that is designed to correct two major defects in the budget resolution now before the Senate, which relate to social security and other Federal retirement programs.

We have debated this issue before. The amendment is in a different form, which I will explain. This amendment would maintain the Senate's support for the Consumer Price Index as the measure for calculating cost-of-living allowance (COLA) increases for Federal retirement programs. In addition, it would provide funds to retain the July dates for implementing the adjustment—the resolution is now based on an assumption that the adjustment will be delayed until October. So the effect of my amendment is to stay with the current law.

I am offering this as a perfecting amendment to the Stevens amendment. My amendment would incorporate the Stevens amendment and the change he is asking for.

I understand what the Senator from Alaska is saying. I believe he is correct in the effort he makes.

In addition, we have added language that makes it clear that there is no intention on my part to have the Appropriations Committee bear the responsibility for absorbing the offsets that are set forth here.

The funds I would restore would be fully offset through 1984 with reductions in the allowances function (920).

Now, why is this amendment offered? The Senator from Alaska has raised this issue today because of a concern he has about the impact of some of the policy changes proposed in the budget resolution. He is aware of how this resolution would impact some retired workers. I absolutely agree with him on that point. The problem is that his concern does not go far enough, his amendment would not deal with the problem that the budget resolution would create for millions of other retirees. They would be the losers if their benefits do not keep pace with the Consumer Price Index and if they are forced to wait several more months for a cost-of-living adjustment of their benefits. This budget resolution proposes a significant reduction in the incomes most retirees would receive under existing law.

Over the weekend, as I understand from phone calls I have received from senior citizens in my State and others, great concern has grown among the 44 million retirees in this country. They hear the reports, they recall promises that were made by the new administration. They are aware of the letter that was sent by the administration to the minority leader just last week, saying that the President has no intention to change the Consumer Price Index as the basis for calculating the COLA increases in social security and these other retirement programs. However, they now know that the numbers in this document are based on the assumption that just such a cut in benefits is contemplated.

The force of the amendment I am offering is to make it clear that the Senate does not support a cut in promised benefits.

The Senate voted overwhelmingly just a month ago to retain existing law on the social security COLA. We voted by a margin of 86 to 12 not to make the change that is now built into this resolution.

When this issue came up last Friday, in much the same form, several Members were absent who have strong feelings on this matter. They were not able to be recorded at that time. They will be able to be recorded today.

I believe that an affirmative vote for this perfecting amendment is a statement of assurance to 44 million retirees across this country, to those now heading into retirement and to those who have made their retirement plans based on the existing law. An affirmative vote would uphold commitments made during the campaign of 1980 and would reinforce commitments that have been repeated by the new administration, which has said that they intend to maintain these programs in force as part of the safety net.

It will say to these retirees that we mean to see that that promise and that commitment are kept.

Everyone here knows that inflation has been raging out of control in the United States. It hurts no one more than it hurts senior citizens on fixed incomes.

The PRESIDING OFFICER. All time on the Stevens amendment has now expired.

UP AMENDMENT NO. 91 TO AMENDMENT NO. 90

(Purpose: To restore certain cuts in Social Security and other retirement benefits that would result from changes in the cost of living adjustment)

Mr. RIEGLE. Mr. President, I send the perfecting amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) proposes an unprinted amendment numbered 91 to the Stevens unprinted amendment numbered 90.

Mr. STEVENS. Mr. President, what is the time limit?

The PRESIDING OFFICER. Forty minutes, evenly divided, on the amendment to the amendment of the Senator from Alaska.

Mr. RIEGLE. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with, as I have already undertaken to explain it, and I will be happy to explain it as we go along.

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

The amendment is as follows:

Delete all proposed insertions through "$92,200,000,000." on line 14.

Delete "$238,200,000,000" on line 20 and insert in lieu thereof "$244,200,000,000".

On line 18, after "$188,800,000,000" add the following:

"Notwithstanding any other provision of this resolution, the Congress hereby determines and declares pursuant to section 301 (a) of the Congressional Budget Act of 1974 that, for the fiscal years beginning on October 1, 1981, October 1, 1982, and October 1, 1983, the appropriate level of new budget authority and the estimated budget outlays for the major functional categories National Defense (050), Income Security (600), Veterans Benefits and Services (700), and Allowances (920) are respectively as follows:

(1) National Defense (050):

Fiscal Year 1983:

(A) New budget authority, $255,000,000,000;

(B) Outlays, $221,800,000,000.

Fiscal Year 1984:

(A) New budget authority, $289,900,000,000;

(B) Outlays, $251,000,000,000.

(12) Income Security (600):

Fiscal Year 1982:

(A) New budget authority, $264,000,000,000;

(B) Outlays, $244,200,000,000.

Fiscal Year 1983:

(A) New budget authority, $286,400,000,000;

(B) Outlays, $259,400,000,000.

Fiscal Year 1984:

(A) New budget authority, $306,800,000,000;

(B) Outlays, $276,700,000,000.

(13) Veterans Benefits and Services (700) .
Fiscal Year 1982:
(A) New budget authority, $24,600,000,000;
(B) Outlays, $24,000,000,000.
Fiscal Year 1983:
(A) New budget authority, $25,600,000,000;
(B) Outlays, $25,200,000,000.
Fiscal Year 1984:
(A) New budget authority, $26,600,000,000;
(B) Outlays, $26,100,000,000.
(18) Allowances (920):
Fiscal Year 1982:
(A) New budget authority, —$1,000,000,000;
(B) Outlays, —$7,800,000,000.
Fiscal Year 1983.
(A) New budget authority, —$20,800,000,000;
(B) Outlays,—$27,600,000,000.
Fiscal Year 1984:
(A) New budget authority, —$27,900,000,000;
(B) Outlays, —$35,000,000,000.
Notwithstanding any other provision of this resolution and pursuant to section 304 of the Congressional Budget Act of 1974, the paragraphs of section 2 of H. Con. Res. 448 relating to the major functional categories Income Security (600) and Allowances (920) are revised as follows:
(12) Income Security (600);
(A) New budget authority, $250,200,000,000;
(B) Outlays, $230,300,000,000.
(18) Allowances (920);
(A) New budget authority, $0;
(B) Outlays, —$600,000,000.
It is the sense of Congress that savings anticipated in function 920 for fiscal year 1981 and fiscal year 1982 shall not be allocated to any committee pursuant to Sec. 302 of the Congressional Budget and Impoundment Control Act of 1974, until after the Congress adopts a Second Concurrent Resolution on the Budget for Fiscal Year 1982.

Mr. RIEGLE. Mr. President, I will make one other point, and I will yield 5 minutes to the Senator from Massachusetts.

The inflation that is ravaging this country is hurting senior citizens more than any other group. They are the ones who are on fixed incomes, in most instances. They are the ones who, in many cases, are unable to seek work or to take work to generate additional income. Many are alone. Many are in poor health. Many have very high costs for medical care. Many of them are in older dwelling units which are poorly insulated. Many are in areas where, because of intense cold in some seasons of the year or intense heat in other seasons are unable to meet their utility bills. In many cases, they are not able to eat adequately.

We have data to show that more and more senior citizens in the United States are slipping into poverty, in large part because of the inflationary pressure that is underway. That is why the Consumer Price Index adjustment is critical.

We have to keep these benefits abreast of consumer price increases.

Some claim that that index can be perfected. That is a serious issue. Let us look at that question. Let us have hearings. Let us discuss it. Let us consider recommendations from the administration and others.

But let us not move here to change basic national policy by sneaking assumptions into budget resolutions.

Let us not suddenly rip away both this part of the safety net and that solemn pledge to the seniors of this country. Let us not undermine what they thought they could depend upon.

I think they should be able to depend upon a steady commitment from Congress. We have a chance here to honor that commitment and to honor that pledge by supporting this amendment.

Mr. President, I ask for the yeas and nays on the Stevens amendment.

The PRESIDING OFFICER. Is there a sufficient second?

Mr. STEVENS. On the Stevens amendment or the Riegle amendment?

Mr. RIEGLE. I am asking for the yeas and nays on the Stevens amendment at this point.

The PRESIDING OFFICER. That requires unanimous consent.

Mr. STEVENS. Mr. President, will the Senator let me use some of our time on this amendment?

The PRESIDING OFFICER. The Senator from Michigan has the floor at this point, but it is not in order for him to ask for the yeas and nays at this point on the Stevens amendment.

Mr. STEVENS. No.

Mr. RIEGLE. Mr. President, I ask for the yeas and nays on my amendment then.

Mr. STEVENS. On his amendment, yes.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Michigan has the floor.

Mr. RIEGLE. Mr. President, I yield 5 minutes to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I join my colleague in urging that the Senate accept this amendment in the final few hours or so of discussion and debate on the budget resolution, and I wish to just very briefly underline what I think is the basic issue in this debate.

When the President went before the American people not many weeks ago he proposed an economic program which he said would deal with the problem of inflation, which would bring America back to a position of economic competitiveness throughout the world; he said that we were not going to ask any group in our society to bear an undue burden. All of us were going to have to tighten our belts. But it was all going to be fair and equitable.

And if any one group would not be asked to do more than their fair share, it would be the senior citizens of the Nation. I think all of us heard those words. Certainly the 44 million Americans affected by the Budget Committee's proposal heard those words.

Unless we accept the Riegle amendment we are going to find that millions of Americans are going to find that their quality of life diminished to a very important degree.

It is not fair to ask the senior citizens on social security to bear a massive share of the burden of carrying the administration's economic program when that program is being questioned in the bond markets and the money markets every day.

If the Wall Street bankers and the leading business economists are questioning that program, is it not a bit premature to strip benefits from social security recipients.

Let us wait and see what these proposals are. Let us wait and see what occurs with the economy. But let us not take away benefits from the most vulnerable sector of our population.

Under the resolution cost-of-living adjustments under six Federal retirement programs would be based upon the lower of the Consumer Price Index or the BLS wage index and the date for applying the adjustment would be shifted forward to October 1.

But let us take a look at the proposal to revise the method of calculating the cost-of-living index for social security.

It seems to be premised on an assumption that the elderly really are not experiencing the impact of inflation as much as the CPI would indicate.

Well, that happens to be a false premise.

First, let us take food. The CPI estimates that food comprises 18 percent of the cost-of-living on the average. But what do low-income people spend, on the average, from their income, not 18 percent but 35 percent, nearly double.

Second, let us look at energy. The CPI estimates that energy comprises 10 percent of what families spend from their income. But what do the poor people and the elderly people spend on energy? They spend 25 to 35 percent of their income on energy—again twice as much.

And finally, what does the CPI estimate families spend from their income on health care? The CPI calculates that they spend only 4.7 percent of their income on health care.

Well, what do the poor people and the elderly pay on health care? It is at least double that amount Mr. President—9 percent.

And what are the elements of the CPI that have shown the largest increase over recent years? Food, energy, and health.

So before we start penalizing the elderly by reducing their benefits, perhaps we need to do a bit more studying of the implications.

I can think of no better demonstration of how the budget process has elevated numbers over the interests of the citizens of this country.

Less than 5 weeks ago we overwhelmingly rejected a similar proposal by a vote of 86 to 12. Now it has returned in an even harsher form.

It is not the product of a comprehensive review of Federal retirement programs; it has not been the subject of hearings.

In January OMB Director Stockman said we did not have to change COLA calculations because administration's anti-inflation programs would so drastically cut inflation that the budget impact of the COLA adjustments would be sharply reduced.

Mr. President, most elderly citizens rely on a combination of Federal retirement programs and other nonindexed income from private pensions and savings to meet basic needs. One-third of total elderly income is represented by private pensions and savings. Yet less than 3 percent of the private pension plans in this country include cost-of-living adjustment.

An individual who retired in 1974 has seen the value of his private pension eroded by almost 50 percent in just 7 years—and because unions are prohibited from bargaining for retirees those covered by collectively bargained pension plans have little hope of seeing that lost purchasing power restored.

I would also remind my colleagues that many of the individuals who will be affected by the Budget Committee proposal are also slated to face reduction in fuel assistance payments, reductions in health services and reductions in food stamps.

For all these reasons, we can expect the poverty rate among senior citizens—which jumped from 13.9 percent in 1978 to 15.1 percent in 1979, the largest increase ever recorded—to continue increasing. Nevertheless the budget resolution proposes to further erode the income of millions of older Americans whose only real protection from inflation is the indexing of their Federal retirement benefits.

The Budget Committee's proposal does not simply reduce benefits to future recipients, it is going to take benefits away from present recipients. Most of the cost-of-living adjustments under these programs are scheduled to take effect on July 1. We are not going to complete action on this legislation before the first checks reflecting these changes are mailed out. So, some time this fall over 35 million elderly citizens are going to have their social security checks reduced. In addition, the Social Security Administration will have to recoup overpayments made during the intervening period.

Mr. President, the Budget Committee's proposal makes no real sense in terms of equity. It is going to reduce the only protection the vast majority of retirees have from inflation at a time when there is no sign inflation is being reduced.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. KENNEDY. Mr. President, will the Senator yield me 2 additional minutes?

Mr. RIEGLE. Mr. President, I yield 2 additional minutes to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator may proceed for 2 additional minutes.

Mr. KENNEDY. Mr. President, we can talk about safety nets. But without the Riegle amendment, 36 million Americans who have paid into the social security system over the years, who in so many instances depended upon it as a lifeline, are going to find that they are the ones who bear the heavy burden in the fight against inflation.

So I hope that the Riegle amendment will be accepted. It remedies the previous action of the Senate and I think it is essential if we are going to be fair and equitable to the seniors of this country.

The PRESIDING OFFICER. Who yields time?

Mr. RIEGLE. Mr. President, I yield 2 minutes to the Senator from Arkansas.

Mr. PRYOR. Mr. President, I thank the distinguished Senator from Michigan for yielding.

Mr. President, last Friday the distinguished senior Senator from Michigan did offer an amendment in the Chamber which proposed to retain the Consumer Price Index indexing of cost-of-living benefits for the over 37 million civil service and social security retirees currently receiving benefits.

That amendment and the one offered this afternoon by Senator RIEGLE attempt to protect our retirees from a Budget Committee proposal which would, if retained in the budget package, place severe additional handicaps and financial strains on a group of older Americans which is already feeling the effect of these inflationary times.

Mr. President, during debate on his amendment on Friday, Mr. RIEGLE pointed out that, although included in the Budget Committee's package, this provision does not reflect the President's recommendations for the retirees of our Nation. The Senator from Michigan pointed out that the Senate would soon be in receipt of a comprehensive package for social security reform, and that approval of the Budget Committee's provision was, indeed, somewhat premature.

I think that he was wise then, and I think he is wise now in proposing this amendment.

Mr. President, we have now received the President's social security package and while it is still too early to know the full impact or merit of his plan, one thing is clear, the President today continues, it is my understanding, to oppose changing the current CPI-based cost-of-living adjustment formula in the social security program as a budget savings measure. The President does not support the provision currently contained in the Budget Committee's resolution to the best of my knowledge.

Mr. President, if we accept the Budget Committee's proposal to reduce the future income of these older Americans, we will have broken our promise to them. If we turn our backs on them now, we do so at our peril. Our Government, no less than our Nation and its people, must have its word as its bond.

Our retirees want fairness. They want a decent standard of living. They want the promises of Government to be kept. I have often said that we will not be judged by future generations by the buildings we build, or by the degree of technology we have achieved. We will be judged on our ability to support those who have worked in their lifetimes to preserve our peace and security, and who are now unable to support themselves.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. RIEGLE. Mr. President, I ask unanimous consent that Senators PRYOR, KENNEDY, METZENBAUM, and MATSUNAGA be added as cosponsors.

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

Who yields time?

Mr. DOMENICI. Mr. President, I yield 2 minutes to the Senator from Alaska.

Mr. STEVENS. Mr. President, I think the Senators who have just spoken ought to realize that the action taken by the Finance Committee concerning the social security program is yet to come. The Governmental Affairs Committee has already acted on the civil service retiree problem, and the bill has been reported from the committee.

This resolution, unless it is changed pursuant to my amendment, is inconsistent with the action taken for Federal civil service retirees. The Finance Committee has leeway under the budget resolution to take a series of options in dealing with social security reform, one of which is the option that Senator KENNEDY has just described. But it is not mandated by this resolution. We have already taken the action that was mandated by the previous resolution, and this should not be inconsistent with the action taken in compliance with the resolution passed by this Senate to date.

I hope the Riegle amendment, coming at us for the second time, will not be the springboard for defeating the change that should be made for the thousands and thousands of civil service retirees who would be inadvertently affected by the wording of the resolution as it exists today.

I think my amendment must carry to do justice to those people. The Finance Committee will deal with the question of what recommendations to make to the Senate on the social security question.

Mr. KENNEDY. May I have 30 seconds? I just want to give assurance to the Senator from Alaska that the Senator from Alaska's amendment is incorporated in the Riegle amendment, because I think for the very reasons we do not want to be unfair to the Federal employees, the Senator from Alaska has made a very worthwhile and valuable point. So the Senator from Alaska's amendment is included within the Riegle amendment.

What we are trying to make sure of is, what we are trying to be fair about as to the Federal and civil service retirees, we also want to make sure the other social security recipients are treated in the same way.

Mr. STEVENS. Mr. President, if I may have 30 seconds more, my point is, Mr. President, that the Riegle amendment has been defeated before. My amendment is new, and I am introducing it to correct an inadvertent inequity.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I yield myself 3 minutes.

Mr. President, with the exception of a slight change, just an arbitrary reduction of $100 million in 1984, which, I assume, the Senator from Michigan did so that it would not be called an identical proposal, with that one exception this is the proposal he made before that was voted down by the Senate.

It takes the money that is contemplated, if we assume the Stevens amendment is going to pass, and let us assume

that for the moment here in the Senate, it takes the money that the Budget Committee recommends be saved in the function that includes social security recipients, it takes that money and puts it down into function 920 and says, "We want to leave the same budget numbers but we do not want it to come out of the Finance Committee in terms of any kind of social security reform or otherwise."

On pure budget matters it is a kind of gimmickry at its best. But let us leave that alone for the minute. It does have some interesting crosswalk language, presumably so that some appropriators will not be worried that they might not have to find all that money in their functions, which I would just say for the record is totally ineffective. It is nothing but some language. But let us leave that alone and talk about the issue.

When we came to the floor with the budget resolution, and when Senator RIEGLE came along and wanted to strip the savings that were contemplated by the Hollings amendment, it was being said with almost certainty, as if the American people ought to get frightened to death out there and think that the Senate Budget Committee and the Senate have only one way to provide some social security solvency reform saving, and that is the CPI adjustment—some people took to the floor, including the distinguished chairman of the Finance Committee, who opposed the Riegle amendment, and said he supported it.

The PRESIDING OFFICER. The Senator has used his 3 minutes.

Mr. DOMENICI. I yield myself 3 additional minutes.

The chairman said that these were targets and that he thought there might be ways to find the saving.

Let me tell you what has happened in the meantime. In the meantime the President of the United States, acting through his Secretary, Secretary Schweiker, has come forth with a social security solvency plan. It does not have anything to do with balancing the American budget. It happens that, since Lyndon Johson, we have put social security in the integrated budget. The President and his people, cognizant of the President's commitments on social security, have said the time is now to begin social security solvency reform.

When you take their estimate of what they ask us to save in calendar year 1982, you find suggestions aimed at the long-term solvency.

If passed, it saves an amount which will be very close to the recommendation of the Budget Committee for savings in 1982, very close to the amount, and even higher in savings in 1983 and 1984.

No one's check is reduced. The early retirees who are already vested remain vested.

The point I am trying to make is Senator RIEGLE can insist that the Budget Committee making this recommended saving, which will be $6 billion if Senator STEVENS' amendment passes, $6 billion, he can say it means that Americans, the older Americans, are going to have their cost-of-living adjustment cut. But he could be wrong. It need not be done that way. Congress may decide to do it after appropriate hearings, but the target number for saving is realistic, it is achievable if Congress is willing to make the reforms recommended by this executive package. It might not be the only proposal to effect savings.

It is a vote on whether or not the social security fund, which everyone acknowledges has a solvency problem, significant in nature, whether or not $6 billion in savings for fiscal year 1982 are going to be doable or not.

I submit it is doable in a number of different ways, and the President has prescribed one in his recommendation which he submitted formally today, and which he and his Secretary are talking about to the American people.

So I am going to vote as I did last time, and I urge my fellow Senators to vote as they did last time, to defeat this amendment, leave the targets that we establish for social security solvency as they were, and we will see whether or not the House and Senate, in their wisdom, are willing to pass social security reform measures that keep that fund solvent, protect it for the young people paying, and assure that the old people continue to receive benefits.

I submit, from what I have read, it is doable and there are a number of ways to do it. I totally reject any argument to the contrary.

I trust the wisdom and the fairness of the Finance Committee in the Senate to find the savings consistent with the commitments that have been made to the American people.

Mr. President, I reserve the remainder of any time I might have.

The PRESIDING OFFICER. Who yields time?

Mr. RIEGLE. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. RIEGLE. Mr. President, I want to say to my friend from New Mexico that there is absolutely no way to fuzz this issue. The intent of the Budget Committee was made crystal clear in its report. The intention can be read on page 127. I did not write that report. The chairman and the Budget Committee majority did. It is absolutely clear-cut that the assumption in this budget document is about changing the COLA. And there is no way you can cover up or deny that intention.

I read this letter to Senator ROBERT C. BYRD from the President's agents here, Donald Regan and David Stockman, on May 6, it says:

> The President has opposed changing the current CPI-based cost-of-living adjustment formula in social security as a budget savings measure.

The Senator knows that no matter how much he might like now to cloud the issue, that just such a reduction in the COLA is exactly what is proposed in this document. That is what you have done. That is how the numbers have been developed, and that is where the numbers come from. That is the way you purport to save that $8 billion next year.

To say that this cut is not going to reduce the living standard of the older people of this country is just misleading. The Senator knows as well as I do that if you delay the benefit adjustment and if you shave that increase down, retirees are going to have their living standards eaten away by inflation. That is what is happening out there. We built this COLA factor to avoid that in the first place.

If the Senator does not understand the impact of this proposal, I think the President does. If he does not understand it in real human terms, he understands it in political terms. That is why the President has not proposed to make this change. But the Senator has, and it is built into this document, and there is no way to explain it away. That is where these numbers come from. That is why the senior citizens of this country are worried. The changes that the Senator is proposing here are spelled right out on page 127.

Now, if the Senator wants to tear this page out of his report and throw it away, we can start all over again. But, as long as that policy change is built into the proposed resolution, we should debate the policy.

That is why we are proposing to back out that recommendation and to support the current practice.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I find it amazing that my good friend from Michigan, when he reads assumptions in the Budget Act this afternoon, finds them to be the assumptions made to be absolutely binding, that is exactly the only way you can get where you have to go. Yet he has come down here and asked the Senator from New Mexico on the function on mass transit, he said, "We are not a line item committee and here this report says we have to cut Amtrak. Now, Mr. Chairman, that is not binding. All that is binding is the total savings. Isn't that correct?"

And the chairman of the committee says, "Yes, that is correct, Senator RIEGLE." And then someone comes down here and says, "How about Conrail? You recommend the exact payments out of Conrail. Now, that is one of your assumptions. That need not be the case, Mr. Chairman.

"No, it need not be. It is up to the authorizing committee."

Now, if it is up to the authorizing committees on all these other assumptions, why is it not up to them to find $6 billion in savings if they can find it? There is one proposal now that the President has made that will do that. There will be others. And I repeat, you can read what the assumptions are, you can take it, you can put it in your amendment, and you can say it is this that I am trying to get rid of.

But what I am saying is that with the passage of the Stevens amendment, the Finance Committee of the U.S. Senate will have to find $6 billion in social security reform, cuts, whatever you want to call it, $6 billion.

If the Senator from New Mexico says, "Maybe the President's proposal will prevail," and it does not do it, then do not

tell me that you are absolutely right and I am absolutely wrong. We are probably both entitled to our opinion, and that is about all it is.

It will then be up to committees in the Congress to find out whether or not you can do it. And if you cannot, you will come to the second concurrent resolution and tell us that it cannot be done.

Mr. President, how much time remains on my side?

The PRESIDING OFFICER. The Senator has 7 minutes and 45 seconds remaining.

Mr. RIEGLE. Mr. President, will the Senator yield for a question?

Mr. DOMENICI. Mr. President, I am pleased to yield.

Mr. RIEGLE. Mr. President, it sounds to me like the Senator is apologizing for this assumption.

Mr. DOMENICI. Mr. President, it sounds to me like whatever the Senator wants to assume it sounds like. It is up to my good friend, I say to the Senator.

Mr. RIEGLE. Mr. President, is the Senator still supporting this assumption or not?

Mr. DOMENICI. Mr. President, I am not apologizing for anything. That is a perfectly valid assumption.

Mr. RIEGLE. So this is the assumption that is before us?

Mr. DOMENICI. Wait a minute. I am generally willing to do anything to accommodate the Senator. But I did not say that this is the assumption. I said that is an assumption in the document.

Mr. RIEGLE. Is this what the numbers are based on?

Mr. DOMENICI. The numbers are based on that. And if you take Stevens out, by coincidence, they are equal to the amount that the President says he will save by his solvency reform. Now, which is the number? The number is about $6 billion.

Mr. RIEGLE. What problem would the Senator have then in revising this? Why do we not just tear this out of here? Why do we not just take out the bottom of page 127, if the Senator is saying that we are not bound by this or that he has some misgivings about it? Clearly, the President does, because he is on record, as recently as last week, in saying that he does. Why do we not just take it out? That is all the amendment does. We are changing the Senator's budget totals, as he knows.

Mr. DOMENICI. Mr. President, I say to the Senator that we are not about to take a Budget Committee report, with hundreds of assumptions, with hundreds of assumptions, and go back through this record and find the many times that we have said we are not a line item committee, we do not dictate the exact way—yes, the authorizing committee could put more in Amtrak and less in Conrail. If somebody stood up and said, "Will you take the assumption out of the record?", I would say, "No."

The Senator asked me if I want to take it out of this. No.

I tell the senior citizens of this country to wait and see. There will be plenty of time for hearings. This is a target number.

I did not have the President's plan, nor did the committee with their reform package, when we wrote that budget resolution. The numbers are there. The assumptions are there.

There can be many other assumptions in the minds of the committee.

I say to the Senator that I have been here at times when a chairman of a committee looked at our budget resolution, read the assumption, and came to me and said, "We are going to save that $2 billion you recommended, but we are not going to do it the way you suggested because we have already been researching and we have another way to save the $2 billion."

Now, I did not come down here and say to take that resolution, and one of these committees sees fit to save the money another way, to take the assumption out. It is a perfectly valid assumption. I cannot tell the Senator anything more than that.

Mr. RIEGLE. Mr. President, I would say to the Senator that in light of what he said, it ought to be taken out. If you want to make the savings in some other form, I have no problem with that. Our amendment accommodates that. We are not changing the Senator's total. We have offsets here where you can go and find those savings in some other way, some other form, even some other function.

But when you leave this in here, you may win, but the old people of this country are going to lose, and the Senator knows it. That is the effect of this. That is how you got the big savings. I just do not understand it.

Mr. DOMENICI. Mr. President, we will wait and see. We will be back after 3 or 4 days of conference and have another report.

I yield back the remainder of my time on the amendment.

Mr. RIEGLE. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Two minutes and fifty-five seconds.

Mr. RIEGLE. Mr. President, I yield to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I would just like to direct a statement to the manager of the bill. In the statement of the Secretary of HHS on page 4, he talks about moving the date for automatic benefit increases as part of their calculation, which is $3.4 billion. So it does seem to me that what we are seeing is really a basic and fundamental statement by the administration of the reduction of benefits.

I just want to again underline what the Senator from Michigan has said. If you are going to save the $7 billion, if you think that is essential in terms of the integrity of the social security system, we ought to have the opportunity to have alternatives. We have been closed out from that opportunity, and what we are faced with today is a very arbitrary one which we think will be unfair and unfairly burdensome on the senior citizens of this country by changing the cost-of-living adjustment.

Mr. RIEGLE. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. One minute and fifty-three seconds.

Mr. RIEGLE. Mr. President, this may be the single most important vote we cast on this resolution. It goes right to the integrity of the safety net promise; it goes to the integrity of the promises made by the President of the United States.

Make no mistake about it. If we adopt this budget package without the amendment that is now before us, we are party to the breaking of a solemn pledge that the President of the United States made about the safety net. That pledge to 44 million Americans has been kept all of 5 months. We should here today reject this threat that the pledge will be broken.

Mr. President, we are getting heavy mail today. We are getting the highest volume of mail in the history of this institution. But, if we leave this budget assumption unchallenged, in the face of conflictional promises that have been made to people, we are going to see a volume of mail we have not seen before. We might as well get ready for it.

To break that promise, to dishonor that pledge is to breed disillusionment. To hurt these people, to steal from their living standard, to walk away from the problem that inflation is imposing on them is absolutely irresponsible.

There is no way to fuzz this issue. You cannot speak with two voices on this issue. Either what the President said is true, and honest, and real, and dependable, or it is not. That is what this vote is about.

I hope the Senate will uphold that pledge.

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

All time having been yielded back, the question is on agreeing to the amendment of the Senator from Michigan to the amendment of the Senator from Alaska. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) would vote "yea."

The PRESIDING OFFICER (Mrs. KASSEBAUM). Are there any other Senators in the Chamber who wish to vote?

The result was announced—yeas 44, nays 54, as follows:

[Rollcall Vote No. 109 Leg.]

YEAS—44

Baucus	Eagleton	Metzenbaum
Bentsen	Ford	Mitchell
Biden	Glenn	Moynihan
Bradley	Hart	Pell
Bumpers	Hawkins	Pressler
Burdick	Heflin	Proxmire
Byrd,	Heinz	Pryor
Harry F., Jr.	Inouye	Randolph
Byrd, Robert C.	Jackson	Riegle
Chafee	Kennedy	Sarbanes
Chiles	Leahy	Sasser
Cranston	Levin	Specter
DeConcini	Long	Tsongas
Dixon	Matsunaga	Williams
Dodd	Melcher	Zorinsky

NAYS—54

Abdnor	Gorton	Nickles
Andrews	Grassley	Nunn
Armstrong	Hatch	Packwood
Baker	Hatfield	Percy
Boren	Hayakawa	Quayle
Boschwitz	Helms	Roth
Cochran	Hollings	Rudman
Cohen	Huddleston	Schmitt
D'Amato	Humphrey	Simpson
Danforth	Jepsen	Stafford
Denton	Johnston	Stennis
Dole	Kassebaum	Stevens
Domenici	Kasten	Symms
Durenberger	Laxalt	Thurmond
East	Lugar	Tower
Exon	Mattingly	Wallop
Garn	McClure	Warner
Goldwater	Murkowski	Weicker

NOT VOTING—2

Cannon Mathias

So Mr. RIEGLE's amendment (UP No. 91) was rejected.

Mr. BAKER. Madam President, I move to reconsider the vote by which the amendment was rejected.

Mr. HOLLINGS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Alaska.

Mr. HEFLIN. Madam President, have the yeas and nays been ordered?

The PRESIDING OFFICER. They have not been ordered.

Mr. HEFLIN. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is not a sufficient second.

The yeas and nays were not ordered.

Mr. RIEGLE. Madam President, a parliamentary inquiry. How many are required?

The PRESIDING OFFICER. One-fifth of those Senators having voted on the last vote.

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

Mr. EAGLETON. I ask for the yeas and nays.

The PRESIDING OFFICER. The clerk will call the roll to ascertain the presence of a quorum.

The assistant legislative clerk proceeded to call the roll.

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

Mr. HART. Madam President, may we have order in the Senate?

The PRESIDING OFFICER. The Senate will be in order. Those Senators wishing to converse will retire from the Chamber.

Mr. HEFLIN. Let us have the yeas and nays.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Ohio that the order for the quorum call be rescinded?

Mr. BAKER. Madam President. I hope we will not have a rollcall vote. We are rapidly running out of time. We have other matters to dispose of. The sponsor of the amendment is willing to have a voice vote on this matter. I think we can dispose of it quickly, and I hope we will proceed on a voice vote.

Mr. HEFLIN. I request the yeas and nays.

Mr. STEVENS. Is the quorum call still on?

The PRESIDING OFFICER. There is a quorum call in process.

Is there objection to rescinding the order for the quorum call? The Chair hears none, and it is so ordered.

Mr. HEFLIN. I move that the yeas and nays be ordered.

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

The yeas and nays were ordered.

Mr. BAKER. Madam President, I ask unanimous consent that the rollcall be a 10-minute rollcall.

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

The question is on agreeing to the amendment of the Senator from Alaska (UP No. 90). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 97, nays, 1, as follows:

[Rollcall Vote No. 110 Leg.]

YEAS—97

Abdnor	Garn	Moynihan
Andrews	Glenn	Murkowski
Armstrong	Goldwater	Nickles
Baker	Gorton	Nunn
Baucus	Grassley	Packwood
Bentsen	Hart	Pell
Biden	Hatch	Percy
Boren	Hatfield	Pressler
Boschwitz	Hawkins	Proxmire
Bradley	Hayakawa	Pryor
Bumpers	Heflin	Quayle
Burdick	Heinz	Randolph
Byrd, Harry F., Jr.	Hollings	Riegle
	Huddleston	Roth
Byrd, Robert C.	Humphrey	Rudman
Chafee	Inouye	Sarbanes
Chiles	Jackson	Sasser
Cochran	Jepsen	Schmitt
Cohen	Johnston	Simpson
Cranston	Kassebaum	Specter
D'Amato	Kasten	Stafford
Danforth	Kennedy	Stennis
DeConcini	Laxalt	Stevens
Denton	Leahy	Symms
Dixon	Levin	Thurmond
Dodd	Long	Tower
Dole	Lugar	Tsongas
Domenici	Matsunaga	Wallop
Durenberger	Mattingly	Warner
Eagleton	McClure	Weicker
East	Melcher	Williams
Exon	Metzenbaum	Zorinsky
Ford	Mitchell	

NAYS—1

Helms

NOT VOTING—2

Cannon Mathias

So Mr. STEVENS' amendment (UP No. 90) was agreed to.

(Later the following occurred:)

Mr. PROXMIRE. Mr. President, earlier today I voted "no" on the Stevens amendment. I intended to vote "aye." It would not change the result of the vote, and I ask unanimous consent that I may be recorded as voting in the affirmative on the Stevens amendment.

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

(The foregoing tally has been changed to reflect the above order.)

The PRESIDING OFFICER. Under the previous order, the Senator from Ohio is recognized.

UP AMENDMENT NO. 92

(Purpose: To reduce outlays for tobacco price supports for fiscal year 1982)

Mr. METZENBAUM. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Ohio (Mr. METZENBAUM) proposes unprinted amendment No. 92.

Mr. METZENBAUM. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 2, line 21, strike out "$699,100,000,000" and insert "$699,021,000,000".

On page 3, line 4, strike out "$48,800,000,000" and insert "$48,721,000,000".

On page 3, line 9, strike out "$1,091,200,000,000" and insert "$1,091,121,000,000".

On page 3, line 10, strike out "$1,154,300,000,000" and insert "$1,154,221,000,000".

On page 3, line 11, strike out "$1,197,600,000,000" and insert "$1,197,521,000,000".

On page 3, line 15, strike out "$91,400,000,000" and insert "$91,321,000,000".

On page 6, line 9 strike out "$4,600,000,000" and insert "$4,521,000,000".

Mr. BAKER. Madam President, will the Senator yield to me?

Mr. METZENBAUM. I yield.

Mr. BAKER. Madam President, I ask unanimous consent that I may now have a brief colloquy with the distinguished minority leader and the sponsor of this amendment without charging against his time.

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

Mr. BAKER. Madam President, it is clear now that we are not going to be able to dispose of this amendment in the time that we previously provided for it, through no one's fault. It is just running out.

But what I wish to inquire of the minority leader at this time is whether or not the proposal that I have made to him on a method to conclude consideration of this measure and get in shape to go to conference may be generally acceptable and to try to deal with the request by the distinguished Senator from Ohio to extend the time briefly so that he may have a brief time or have some time to debate his amendment. But the two really do interrelate because we have to tie this package up and get it ready to go to conference.

So, I inquire of the minority leader if he could respond to the attitude of the minority on the method suggested for the final termination of this matter.

Mr. METZENBAUM. Not wishing to interrupt the colloquy, the Senator from Ohio wishes to ask for the yeas and nays before the hour of 7 p.m. arrives.

The PRESIDING OFFICER. Is there a

sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HUDDLESTON. Madam President, may I inquire? I intend to move to table this amendment. Is it appropriate to ask for the yeas and nays on that motion at the present time?

The PRESIDING OFFICER. The Parliamentarian advises it will take unanimous consent to do that at this time.

Mr. HUDDLESTON. Madam President, I ask unanimous consent that it be in order that I ask for the yeas and nays on the motion to table.

Mr. METZENBAUM. Objection, because I would be cutting myself off from debate at this point.

The PRESIDING OFFICER. No.

Mr. BAKER. Madam President, it is 2 minutes until 7 p.m.

I ask unanimous consent that for the purpose of permitting us to have a colloquy on the final terminal procedures on this matter that the time for final disposition be changed under the same conditions as provided for yesterday, that is the final disposition of this matter from 7 p.m. to 7:05 p.m.

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

Mr. BAKER. Madam President, if I could engage the attention of the minority leader, I wish to try to explore the method by which we can conclude consideration of this resolution and place the Senate in a favorable position to go to conference with the other body.

Mr. ROBERT C. BYRD. Madam President, may we have order in the Senate?

The PRESIDING OFFICER. The Senate will be in order.

Mr. ROBERT C. BYRD. Madam President, may I ask the distinguished majority leader what would be his motion or his request, whichever he elects to pursue, with respect to the terminal proceedings?

Mr. BAKER. Madam President, in response to the question put by the distinguished minority leader, the motion that I had in mind to make is as follows: I would move the Senate proceed to the consideration of Calendar No. 83, House Concurrent Resolution 115, a concurrent resolution revising the congressional budget for the U.S. Government for the fiscal year 1981 and setting forth the congressional budget for the U.S. Government for the fiscal years 1982, 1983, and 1984.

At that point I would anticipate that either I or the distinguished chairman of the committee would then seek recognition on behalf of the committee to send to the desk an amendment to the House-passed resolution, and the amendment would be in the form that I am prepared to deliver to the minority leader at this point, which has been discussed at length, I believe, with the distinguished minority manager, ranking member of the Budget Committee.

If the amendment were adopted, the net effect of that would be to place, I believe, the Senate in the most favorable position for an expeditious conference with the House of Representatives.

Mr. ROBERT C. BYRD. Madam President, I will ask the majority leader this question: Would the amendment which he or the manager of the resolution proposes to send to the desk at that point in time contain any new matter or material over and beyond that which is being considered in the Senate resolution?

Mr. BAKER. It would not.

Mr. ROBERT C. BYRD. Would the amendment be mathematically consistent?

Mr. BAKER. It would.

Mr. ROBERT C. BYRD. Would the Senator explain the reason for this amendment?

Mr. BAKER. If the minority leader will permit me to do so, I would like to yield to the distinguished chairman of the Budget Committee for that purpose.

Mr. DOMENICI. Madam President, we would be following the exact practice that the Appropriations Committee follows when a House bill is here. They do not take the House bill caption and substitute their bill. They take their bill, as passed by the Senate, and line by line amend the House bill. The net effect of that is that if during conference you should end up with technical disagreement you have in fact accomplished a successful conference to the point that you reached a technical disagreement.

If we do not do that, a technical disagreement would require unanimous consent to be cured for us to have any agreement at all.

So in any document and subject matter as complex as this, we could indeed have a couple of technical disagreements coming out of conferecne, yet we would have a conference. We would return to the Senate with just the technical matters in dispute and it would not be subject, as I understand it, to a point of order that we had not reached agreement.

The technically unagreed upon matters would still be conferrable subject to the rules of the Senate and the Budget Committee, and subject to debate, but we would basically have a much better opportunity to avoid the risk that failure to agree could result in no conference at all.

The crosswalks are in there, and we would not have to seek technical—we would not have to seek unanimous consent in the event we were not in agreement.

I would say in the past we have had technical disagreements, as the distinguished minority leader understands, and they have each year been cured by unanimous-consent request that we have a conference on some technical disagreements.

I am not suggesting that that will not occur again, but I think the distinguished leader has said to me to present this in the best way for us to go to conference so that we would be avoiding that necessity for unanimous consent in the event of technical disagreements.

Mr. BAKER. Madam President, I might say to the minority leader, and I am sure he understands, there is no effort to inject new material, to create a new position favorable to the majority or any point of view or any position. It is rather to put this matter in a position that will lead to the most expeditious manner of resolving this matter after the two bodies conclude their conference.

I hope the procedure I have just outlined might be found agreeable, and if it is I would like to proceed to provide some time now for the distinguished Senator from Ohio so that he may debate the amendment that is now before the Senate.

Mr. ROBERT C. BYRD. Madam President, will the Senator yield?

Mr. BAKER. Yes.

Mr. ROBERT C. BYRD. Madam President, the purpose of this procedure is to make it possible for section 302 allocations to be included in the conference report when it is brought back.

I recognize the necessity for that, and with the assurance that there is nothing new in the amendment which would be sent to the desk by the distinguished majority leader or the manager of the resolution (Mr. DOMENICI), and with the further assurance that the amendment is in every way mathematically consistent, and with the further responses that have been given to my question, I will have no objection to the terminal procedure.

Mr. BAKER. Madam President, I thank the minority leader. I think it will greatly expedite the proceedings of the Senate.

I would now like to address the question of how much time—and I urge it be as brief as possible—how much time the Senator from Ohio wished to debate his amendment.

Mr. METZENBAUM. Twelve minutes on a side.

Mr. HUDDLESTON. Twelve minutes per side.

TIME LIMITATION AGREEMENT

Mr. BAKER. Madam President, an additional 12 minutes on a side for an additional 24 minutes is agreeable to the adversaries, and I ask unanimous consent that there now be a period of 24 minutes of debate on the Metzenbaum amendment, and that the vote on final disposition of this matter occur at the expiration of the time, the disposition of that amendment.

Mr. DOMENICI. Madam President, reserving the right to object——

Mr. JOHNSTON. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. DOMENICI. I have a technical amendment which has been cleared with Senator HOLLINGS that I will have to get in there before I move the substitution of our language. I need that.

The PRESIDING OFFICER. There has been an objection raised by the Senator from Louisiana.

Mr. BAKER. May I point out if there is an objection, that as soon as I yield the floor we will proceed to final passage of this resolution, and I really do not wish to do that, so I ask unanimous consent once more, Madam President, that we be able to provide some time for debate on the amendment.

Surely if the time suggested by the two Senators, that is, the Senator from Kentucky and the Senator from Ohio, is agreeable to them it should be to the remainder of the Senate. So, Madam President, I ask unanimous consent that

there be an additional time of 24 minutes equally divided on this amendment and that after this amendment is disposed of the Senator from New Mexico be recognized for the purpose of offering a technical amendment, and that following on after the disposition of that we proceed immediately, without intervening motion or debate, to the final consideration of the matter before the Senate as previously set forth.

Mr. SARBANES. Madam President, reserving the right to object, will the majority leader let us know what the technical amendment the Senator from New Mexico, the chairman of the committee, wishes to offer?

Mr. HOLLINGS. Madam President, if the distinguished Senator will yield, the technical amendment is that in the reconciliation when it was sent over we gave the wrong designation to certain committees, and this corrects and gives the proper designation to the House committees.

Mr. BAKER. Madam President, I would like to, if I may, amend my unanimous-consent request in one respect. I neglected to state that we had provided yesterday for a time for the distinguished Senator from Virginia (Mr. HARRY F. BYRD, JR.) to be recognized prior to final passage. He had asked for 10 minutes. He has now very kindly suggested to me that he will take 1 minute, so I modify my request to provide that after the disposition of the Metzenbaum amendment, after the disposition of the technical amendment by the Senator from New Mexico, that there be 1 minute in which the Senator from Virginia be recognized.

Mr. JOHNSTON. Madam President, reserving the right to object, how much time is it on the Metzenbaum amendment?

Mr. BAKER. Twenty-four minutes.

Mr. JOHNSTON. This is the same tobacco amendment we have debated many, many times?

Mr. METZENBAUM. No.

Mr. JOHNSTON. I object, Madam President.

The PRESIDING OFFICER. The objection is heard.

Mr. BAKER. Madam President, I ask unanimous consent that the time for the colloquy on this subject be extended under the same conditions to 7:15 p.m.

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

Mr. BAKER. Madam President, let me point out that if we do not provide——

Mr. JOHNSTON. Madam President, if I may interrupt, I will withdraw my objection.

Mr. BAKER. Madam President, I thank the Senator. I renew my request.

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

Mr. BAKER. Madam President, I thank all Senators.

UP AMENDMENT NO. 92

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Madam President, I yield myself 6 minutes.

This amendment reduces funding for the Federal program of tobacco price support subsidy.

Madam President, may I have order in the Senate?

The PRESIDING OFFICER. The Senate will be in order. Senators wishing to converse will withdraw from the Chamber.

The Senator from Ohio may proceed.

Mr. METZENBAUM. Madam President, it is time we stop this unnecessary and counterproductive subsidy for one of our Nation's most profitable and most deadly industries.

Next year, the Federal Government will spend $203 million in special price and crop insurance support programs for the tobacco industry. The Commodity Credit Corporation, which makes loans to farmers to maintain tobacco crop price levels, has budgeted $199 million for tobacco price support loans for fiscal year 1982.

Madam President, I ask for order in the Senate and I ask that the time not be charged against myself.

The PRESIDING OFFICER. The Senate will be in order.

Mr. STEVENS. Madam President, I object to not charging the time.

The PRESIDING OFFICER. The objection is heard.

The Senator from Ohio mav proceed.

Mr. METZENBAUM. Madam President, at the same time, it anticipates the repayment of $120 million from past loans, meaning a balance of $79 million in price support outlays in the next fiscal year.

In fiscal year 1981, the Federal crop insurance program has budgeted $41.5 million for payments for tobacco crops, against premium revenues of $18.2 million, for an expenditure of $23.3 million to subsidize tobacco insurance.

In fiscal year 1982, the Federal crop insurance program has budgeted $4.2 million in insurance losses for tobacco.

The Federal Government provides other types of support to tobacco growers as well. In the past, the low interest rate charged on price support loans was an extra subsidy in itself. That subsidy costs $106 million this year. Although figures are inexact, the Agriculture Department's below-market rate loans have cost at least $550 million in nonrecoverable subsidies in the past 7 years.

Also, according to published reports, the Government has built up a 647-million-pound tobacco stockpile of potentially unsalable tobacco, valued now at about $981 million.

Finally, we run the well-known tobacco allotment program, a license to grow tobacco at a guaranteed profit with the help of Federal loans and supply restrictions. This flies in the face of good sense, good economic policy, and this administration's determination to let free economic forces work.

The U.S. Government has no business being in the tobacco business. I am glad that the Director of the Office of Management and Budget, Dave Stockman agrees with me that we do subsidize tobacco, and that it ought to stop.

Let me repeat for you a conversation that took place in the Senate Budget Committee on March 12 of this year, between the Senator from Utah, Senator HATCH, and Director Stockman:

Senator HATCH. Let me ask you this: What about those little people on those tobacco farms. I frankly do not like tobacco subsidies either, but are they really subsidies?

Mr. STOCKMAN. Well, you get into a great, arcane question of——

Senator HATCH. Are they subsidies?

Mr. STOCKMAN. They are subsidies, yes.

Senator HATCH. Okay.

(Laughter.)

Senator HATCH. Well, I believe they are too, but that is what I want to find out. You are saying they have a negative balance sometimes?

Mr. STOCKMAN. Well, they have a negative and they have a positive, but mostly it is a positive cost to the government, and I think it is too costly and we ought to find some way to do something about it.

Mr. President, my amendment offers us an opportunity to "do something about it."

I am not proposing a complete, immediate dismantling of the tobacco subsidy programs we run, but instead, a beginning. I propose to eliminate the $79 million which represents, for fiscal year 1982, the difference between repayments and expenditures in the price support program.

That is not much out of a program costing $325 million a year. This is a modest beginning but it is a step in the right direction.

The USDA's tobacco program began in the 1930's, when tobacco farmers were getting as little as 6 cents a pound for their product. Today, the Federal Government guarantees a minimum price of $1.587 to $1.636 a pound and controls supply through a system that makes a mockery of the free market.

Just because a farmer wants to produce tobacco in this country does not mean that he can do so. Tobacco may be produced without penalty only by those who hold an acreage allotment assigned more than 30 years ago. The penalty for growing tobacco over the allotment or without the allotment is a stiff one. It equals 75 percent of the previous year's average sale price of tobacco.

Those allotments are as hereditary as any feudal domain in medieval Europe.

They are valuable. A 200-acre farm with a 10-acre tobacco allotment is worth up to $50,000 more than an identical farm without an allotment.

Mr. President, ours is the greatest free market economy in the world, and this administration prides itself on being a "free market" administration. This administration campaigned on getting, and keeping, the big, bad regulatory Government out of the marketplace.

And so this administration has pulled out of the safety and regulating business. And it is pulling out of the consumer safety assurance business.

It is pulling out of environmental regulatory involvement with business.

But is it not strange that the one type of business and free marketplace interference this administration still supports, is interference with the free marketplace in tobacco?

We control crop volume.

We control crop price.

We penalize backyard growing of tobacco without a license.

We keep Mom and Pop out of the marketplace unless he or she has an allotment.

Even the tobacco growers' newspaper, "The Cured Tobacco Farmer," questioned the allotment program:

> The benefits of the support program appear to be migrating largely into the bank accounts of the nonproducing quota owners, with you, the actual producer, profiting at approximately the same level you could be expected to without any program at all.

We may even be keeping some newer, safer types of tobacco out of circulation: Who knows?

The one thing I do know is that this administration, the "keep the Government out of the marketplace" administration and the "get the Government off the businessman's back" administration, has all 10 fingers and all 10 toes in the tobacco industry, keeping prices up and supply down.

Madam President, the Government should not be in the business of promoting in any way the production, sale, or export of tobacco.

Let us review some of what is known about smoking and health.

As a group, smokers have a 70-percent increased risk of death over nonsmokers of the same age. Heavy smokers run a 100-percent higher risk of early death.

Smokers are more frequently afflicted than non-smokers with chronic conditions—bronchitis, emphysema, sinusitis, peptic ulcer disease.

Male smokers lose 33 percent more workdays than nonsmokers. For women, that figure is 45 percent.

Smoking clearly and unequivocally causes cancer—of the lung, larynx, mouth and esophagus.

Smoking is linked with heart disease.

Smoking by pregnant women increases the incidence of fetal death and lowers birth weights.

Smoking, Madam President, is one of this Nation's two or three leading public health problems.

It is not good public policy to subsidize with Federal funds an industry that produces a product endangering the Nation's health.

Madam President, I reserve the remainder of my time.

Mr. HUDDLESTON addressed the Chair.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. HUDDLESTON. Madam President, again the distinguished Senator from Ohio is confusing his terminology when he refers to the tobacco program as a subsidy program.

We have debated this question on the floor of the Senate and in the Agriculture Committee many times.

I think anyone who understands the program recognizes that it is, No. 1, the most effective and least expensive of all of our agriculture programs.

In the period of some 40 years that it has been in effect, it has cost the taxpayers less than a million dollars per year, and in many years returned a direct profit to the Federal Treasury. That is not including the fact that the Federal Treasury receives almost three times as much revenue from tobacco as the farmer who grows it, through taxation. State governments receive about the same amount and even city and local governments also receive a great deal.

I think most of our colleagues recognize that the program works as a loan to the producers, with the stocks taken in by CCC and later resold.

We have just recently cleaned out the supply of burley tobacco that has been on hand, and the Federal funding was returned with interest.

During the 40-some years that the program has been in effect, the Federal Government has advanced some $4 billion for loans. Three and a half billion dollars of that has already been repaid, with interest over $276 million to the Treasury. So it is not a program that will affect any savings by eliminating it or by reducing it, as the Senator from Ohio has suggested.

Madam President, before acting on the amendment to reduce funding for the tobacco price support program, there are a number of false impressions which have prompted unjustified attacks on the tobacco price support program, which I wish to address.

And, there are a number of facts pertaining to the program and the economic impact of the proposal which cannot be ignored.

Perhaps, the most frequent misconception regarding the tobacco price support program, administered by the Department of Agriculture, is an impression that it is inconsistent with programs administered by the Department of Health and Human Services to discourage smoking. As clearly shown by statements issued from the then Office of the Secretary and Office of Smoking and Health in the Department of Health, Education, and Welfare, there is not an inconsistency.

In an April 15, 1980 letter to me from Mr. William B. Welsh, then Assistant Secretary for Legislation, Office of the Secretary, Department of Health, Education, and Welfare, Mr. Welsh stated:

> . . . The Department has long held that the price support program of the Department of Agriculture is not a public health issue.
>
> The purpose of the program is to protect the price the farmer gets for his tobacco, not to encourage or uphold cigarette smoking. Presumably, if the program were removed the price would drop, which would mean either more profit for the cigarette manufacturer or lower prices for the person who buys cigarettes. This might actually increase consumption.

Similarly, Mr. Robert Hutchins, Associate Director, Office of Smoking and Health, and an ardent antismoking advocate, stated with regard to the tobacco price support program:

> We must do what we can to encourage current smokers to quit and to encourage nonsmokers, especially young people, not to take up the habit. We are doing this through our smoking and health initiative.
>
> If the Government's price support program for the tobacco farmer has any effect at all on public health it is favorable. The purpose of the program is to stabilize tobacco production, and, thus, assure fair prices to the farmer. If the program were to be withdrawn, tobacco prices would fall, and cigarettes would become less expensive, possibly encourage more young people to smoke.

President Reagan and Secretary Block have indicated that they support this Nation's tobacco price support program.

Secretary Bergland indicated that it makes no sense to dismantle the tobacco price support program and suggests that the issues of smoking and health and the tobacco price support program should be separated, I agree.

A second false impression, precipitated by opponents of the program, is that the tobacco price support program imposes an enormous cost on the taxpayer. To the contrary, Mr. President, the program, operative since the mid-1930's has been perhaps the most successful and least costly of the major price support programs administered by the Department of Agriculture. The cumulative financial loss on the tobacco loan program represents less than 0.3 of 1 percent of CCC's total loss of about $18 billion on all commodity loan inventory operations since 1923.

The loss has been small due to the programs' structure. In return for the acceptance of marketing quotas—voted on by farmers every 3 years—tobacco farmers have been assured at least the support price for the tobacco they produce, either by commercial buyers or through nonrecourse loans by the Federal Government.

Under contracts with the Commodity Credit Corporation (CCC), the farmer cooperatives receive the tobacco pledged for Federal loans, process, store and ultimately sell the tobacco, repaying the loans, with interest, to the Government.

The Burley Tobacco Growers Cooperative Association, Lexington, Ky., has administered the price support program for 40 crops of Burley tobacco in the States of Kentucky, West Virginia, Ohio, Indiana, and Missouri. The statement of its operations for the 1940–79 crops shows the exceptional results of their efforts. Since 1940, the pool has had sales which have substantially exceeded the costs of the program.

Excluding the profits on the 1975, 1976, 1977, 1978, and 1979 crops which have been sold but not finally settled for, this Association from its operations has distributed to its members $16,486,000.

On the 1975 and 1976 crops, the association will distribute to its members the first week in June 1981, in excess of $7,000,000 and in 1982, it will distribute in the 1977, 1978, and 1979 crops an additional $7,000,000. The overall result is that the total gains distributed, and to be distributed, will exceed $26,000,000.

Today, the Burley Tobacco Growers Cooperative stocks have been depleted, as production has not kept pace with demand.

USDA data shows that since 1940 loans made to all tobacco farmers, through their regional cooperatives, have exceeded $4 billion. During the period 1940–80, the bulk of these loans have been repaid, $3½ billion, plus over

$275 million in interest, January 31, 1981, loans outstanding total $782 million. Of this latter figure, loan stocks valued at $200 million were committed for sale, leaving a balance of $582 million in stocks to be liquidated. Based on 39 years of experience, eventual sale of the loan tobacco should liquidate these loans without loss to the taxpayers.

Total losses on the program over the past 40 years, as reported by USDA, are $56 million, a small price to pay for a commodity that has generated over $130 billion in State and Federal excise taxes over the past 100 years.

A third impression mistakenly held by some is that the principal beneficiary of the tobacco price support program is the cigarette manufacturer. This clearly is not the case.

Tobacco companies, in the absence of a program, could produce tobacco themselves, contract with producers for large acreages largely on their terms, or import quantities of tobacco needed to meet domestic demand at lower prices. Instead they have supported the domestic price support program which has provided the major types of high quality leaf tobacco in a timely manner at higher, yet reasonable, prices.

And a fourth impression, incorrectly held, is that progress cannot be made to develop a "safer cigarette." An example of progress which has been made through production research is the development of tobacco varieties with lower nicotine-tar ratios. Another is an emerging technology which shows promise of permitting nitrogenous compounds, considered undesirable from a public health perspective, to be removed in a crystalline form which will have applications in the medical field in the treatment of kidney disease and other ailments which respond to or need a protein of high quality and purity. Such research may have an enormous public payoff and should continue to be assisted by public funds.

I wish to turn now, Madam President, from factors which may have prompted the proposed amendment, to the economic impacts which its adoption would have on almost 600,000 farm families who depend on tobacco for most or a significant part of their livelihood.

In the United States 275,000 producers market about 2 billion pounds of tobacco from 1 million acres each year. Although tobacco uses only 0.3 percent of the Nation's cropland, it is usually the fourth or fifth most valuable crop, accounting for 4 percent of cash receipts from all U.S. crops.

Last year U.S. farmers in 18 States received $2.7 billion from tobacco sales, while Federal, State, and local governmental bodies across the country received over $6.4 billion in tax revenues.

While farm receipts from tobacco vary significantly from State to State, production does occur in the following States: Alabama, Connecticut, Florida, Georgia, Missouri, North Carolina, Indiana, Kentucky, Massachusetts, Tennessee, Virginia, Ohio, Pennsylvania, South Carolina, West Yirginia, and Wisconsin.

In my State, tobacco sales total over $700 million and this represents 52 percent of farm receipts from crops, and 28 percent of farm receipts from all commodities.

With over 75 percent of the farms operated by Burley tobacco producers containing less than 50 acres of cropland, it is clear that other crops are not reasonable income alternatives. Nor would they offer the same level of employment. Labor requirements per acre of Burley tobacco average over 300 hours per year, a factor which has resulted in an industry wherein production units are sized mainly by operator and family labor availability. To eliminate the price support program would impact severely on these family farming units, and not at all on tobacco consumption.

The amendment we are now considering would eliminate a very successful farm program which is the backbone of farm income security for tobacco farmers.

If this amendment would become law, what would have been accomplished is to condemn hundreds of thousands of small tobacco farmers in my State to a life of abject poverty.

There is no way that small farmers in my State would be able to continue to produce tobacco facing the uncertainty that would exist if there were no tobacco program. Tobacco farmers are not large, well capitalized farmers. They are small operators who could not continue farming under the boom-and-bust conditions that would prevail with no tobacco program.

Madam President, if the tobacco price support production control program were dismantled, not one less cigarette would be smoked in this country.

If tobacco production in this country were totally ended, cigarette manufacturers would continue to make cigarettes using imported tobacco. Who would benefit under this type of situation?

Not the American public generally, because our balance-of-payments deficit would grow—not the 55 million cigarette smokers in the United States—not the tobacco farmer. I do not know a single individual or group that would benefit from this amendment.

Tobacco farmers have already been asked and expected to have to assume over $8 million in costs which have been expended from the Treasury to maintain the tobacco grading and inspection service—an essential marketing function that has been covered many times over by taxes imposed on tobacco products.

In conclusion, Madam President, I am convinced that the amendment, offered as a measure to assist in balancing the budget, would have the opposite effect, as secondary and tertiary effects of the elimination of the program began to impact on tobacco farmers, rural communities, and the national economy, and are reflected in other revenue and expense line items in the Federal budget.

With farm income already a major national concern, there is little doubt that cancellation of this program would not exacerbate an already severe income problem in the farm sector.

I urge the Senate to defeat this amendment and permit the tobacco price support production control program to continue.

I yield at this time to the distinguished Senator from North Carolina.

Mr. HELMS. Madam President, I thank my friend from Kentucky.

Madam President, let me say at the outset that my friend from Ohio is sincere, but he is sincerely wrong. This amendment is disingenuous. It is based on a Senator's arithmetic which is not accurate, on facts which are incorrect, and logic which is unsupportable. The tobacco program does not involve subsidies in the sense that the term is used around here.

The tobacco program is a mechanism which employs nonrecourse loans from the Commodity Credit Corporation to provide price stability for tobacco farmers and to assist in the orderly marketing of the crop. It is a program for farmers—not the tobacco "industry."

Virtually every farm commodity employs similar mechanisms, and the advantage to the Nation is without question. Some 15 commodities are provided access to the CCC nonrecourse loans—including wheat, corn, cotton, rice, soybeans, and a host of others. Tobacco receives no "special privilege" or unusual consideration. In fact, because tobacco farmers have approved overwhelmingly in referendum to accept strict production controls not imposed on the growing of other crops, tobacco is dealt with more strictly than any other crop. Farmers want it that way because they do not want their tobacco program to involve large outlays and direct subsidies.

I cannot emphasize strongly enough that outlays for virtually all farm commodity programs are recoverable. The loans are literally that, loans made to farmers with their crops held as collateral. When the stocks are sold off after the glut of the harvest is over, the loans are repaid, with interest.

Recently, the CCC announced that it would charge all borrowers interest rates which reflect the cost of money to the Treasury in all instances, and at market rates when appropriate. This will remove any sort of interest "subsidy" received by farmers of any kind—including tobacco.

Additionally, the administration has sent up request legislation which provides that fees for the inspection and grading of tobacco will be collected from tobacco farmers. In each of these instances tobacco farmers have recognized the need to reduce Federal budget exposure, and have agreed to cooperate in making the changes.

My point, Madam President, is that tobacco farmers have willingly taken their share of cuts and reductions in budget exposure. Any effort to punish them or to make them carry special burdens not asked of other farmers is not in the national interest.

TOBACCO IS PEOPLE

When we talk about tobacco we are talking about people—the vast numbers of our citizens whose livelihood it is to

grow and manufacture tobacco and tobacco products.

So often when economists and other experts gather to discuss tobacco they speak of volumes of exports, marketing quotas, grade distribution of loan rates, and other highly technical information that is important, but which does not communicate the human, personal aspect of the importance of tobacco to our farmers and to rural America.

To show you what I mean, let me cite a few figures: There are almost 700,000 families directly engaged in the growing and production of tobacco. That includes 182,000 families in my own State of North Carolina, with the rest in a dozen or so other States. In addition, tobacco manufacturers employ almost 80,000 workers.

This is not to mention the literally countless thousands of our people who are integral parts of our farm economy—the fertilizer and fuel distributors, the merchants in our rural villages and towns, and all the rest.

Tobacco is people. Without tobacco all these people—the most industrious and hard-working people the world knows—would be without a livelihood. There would be no way for them to support their families, to educate their children, and to improve their lives.

TOBACCO AND FOOD PRODUCTION

It is just not enough to say that tobacco is important to North Carolina and to the other tobacco producing States—tobacco is absolutely crucial: it is the underpinning of our entire farm and rural economy.

Many of the opponents of tobacco and the tobacco program have said to me: "Why should your people grow tobacco. They ought to grow food." The answer, of course, is that they do grow food. Tobacco is a cash crop that enables our farmers to stay in business. The average allotment for the Fluecured area is 6 or so acres. Gross income in my State can average $2,500 per acre. Without such cash income it just would not be possible for farmers to finance the expensive equipment, fertilizer, land and all the rest of the things they use to provide this Nation—and indeed, the world—with vital food products.

For instance, the best substitute crops—the ones the enemies of tobacco always mention—are soybeans and corn. These crops would yield only around $300 gross income per acre for the farmer. Now, our farmers do grow soybeans and corn and hogs, poultry, and other food products, but again, without the certainty of the cash income from tobacco, they just would not have the means to finance their entire farm operation, and would, of course, very quickly go out of business. Tobacco not only provides income and well-being to our farmers; it enables them to supply the rest of us with plentiful supplies of reasonably priced food.

WE ALL HAVE A STAKE

Madam President, the tobacco industry is America's oldest, dating from John Rolfe's first export crop from Jamestown in 1613. No survey of its direct and indirect contributions to the economy had been made, however, until the Wharton Applied Research Center of the University of Pennsylvania began a preliminary study in 1978.

Now Wharton has extended its research to determine not only the economic effects of tobacco nationally in 1979 but its contributions as well to the 100 counties of North Carolina.

All total, America's golden leaf gave in 1979 to all 50 States: 2 million jobs of all kinds; $30 billion in wages and earnings; $15.5 billion in capital investment; $22 billion in taxes; and $58 billion, or 2.4 percent, to America's gross national product.

In short, of every dollar's worth of goods and services rendered to, and by, Americans in 1979, roughly 2½ pennies were generated by tobacco.

In North Carolina, Wharton estimates that cultivating 342,000 acres of leaf on 44,000 farms in 82 counties in 1979 entailed the equivalent of 36,900 year-round jobs. The 224,210-person work force estimated at harvest time equalled the combined population of Raleigh and Durham.

According to Wharton, there were an estimated 70,000 full-time jobs in the industry in North Carolina in 1979 for people involved between the seedbed and sales counter. Almost 2,600 more North Carolina jobs are in industries supporting cigarette manufacture.

Tobacco's direct contribution to North Carolina employment, then, is an estimated 72,300 jobs, or 3.3 percent of the State's private work force. More than 75,000 others exist because of the golden leaf's spillover effects. Therefore, tobacco accounts, directly and indirectly, for roughly 1 of every 15 Tar Heel jobs of all sorts, or about 6.8 percent of all employment.

The nearly 148,000 Tar Heels who benefit directly or indirectly from tobacco earned $1.6 billion in 1979. Their paychecks and goods and services paid for by their employers boost all parts of the State's economy.

Not to be overlooked is the fact that tobacco is more heavily taxed than any consumer product. In fact, Federal, State, and local governments collected $6.3 billion in direct taxes on tobacco products in fiscal year 1979. Cigarette taxes, alone, represented 98.8 percent, or $6.2 billion.

That its estimated contribution to the gross national product is roughly two-and-a-half times the net U.S. spending on tobacco products, demonstrates the magnitude of the industry's dramatic "ripple" effect on the national economy.

NO TOBACCO SUBSIDY

In the wake of President Reagan's announced proposals of cutting various subsidized programs, recent news reports have incorrectly labeled the tobacco price stabilization and production control program a Government "subsidy" for farmers. The implication is that this "subsidy" should be cut along with others.

To begin with, there is no—no tobacco subsidy. There is a Government program to stabilize tobacco prices and to control production of this crop.

The U.S. Department of Agriculture administers laws to stabilize leaf production and assure fair prices. To be eligible to participate in the program, a grower must guarantee not to produce more than specific acreage and poundage allotments.

When growers approve marketing quotas for a certain type of leaf, price supports for it are mandatory. Under this program, the Commodity Credit Corporation makes loans to farmers through their cooperative associations with the tobacco as collateral.

If a grower's tobacco fails to bring an auction bid of at least 1 cent above the price support, a grower-owned cooperative takes the leaf and uses the funds from CCC to make the farmer a loan equal to the support price.

The cooperatives process and store the leaf until it is sold, repaying the loans, plus interest. This program is the most successful of all farm commodity programs.

Since it began in 1933, the cooperatives have handled a total of $5.5 billion in loans. During the past 47 years, loans advanced to farmers, minus interest paid on the loans and sales of tobacco collateral, equal a net cost of $56.7 million to the American taxpayers.

This amounts to 0.1 percent of the cost of all 13 farm commodity price support programs. Put another way, the net cost of the tobacco loan program over 47 years represents about the same amount of money the Federal Government spends every 45 minutes.

It also should be noted that during the life of the program, about $130 billion has been collected by Federal and State Governments in cigarette excise taxes. Tobacco also contributes heavily to the U.S. balance-of-payments, netting nearly $2 billion in foreign trade last year.

Instead of asking if the tobacco support program should be eliminated, the question should be, "How can other farm commodity programs be altered to operate as efficiently as the tobacco program?"

The amendment of the Senator from Ohio is unworthy, and I urge its defeat.

Madam President, the cumulative loss since 1933 has amounted to $56.7 million. That is since 1933. In the last 10 years, it has made money for the Federal Government, even on the loan program.

I might point out that comparable losses for the other commodities during the same period were $67 billion.

As the Senator from Kentucky has pointed out, the Federal Government gets three times as much from this program as the tobacco farmers earn from it themselves.

Madam President, I yield the floor.

Mr. THURMOND. Madam President, will the distinguished Senator yield?

Mr. HUDDLESTON. Madam President, I yield 2 minutes to the distinguished Senator from South Carolina.

Mr. THURMOND. Madam President, I rise in opposition to the amendment offered by the Senator from Ohio (Mr. METZENBAUM) which purports to require the Senate Agriculture Committee to report legislation that would eliminate tobacco subsidies.

There appears to be widespread misunderstanding of the tobacco price support program. A common misconception

is that the Federal Government is subsidizing tobacco producers. This is simply not the case.

In 1933, as a result of excessive production and depressed prices, the Federal Government promised tobacco farmers a minimum price for their crop, if they would agree to limit annual production. A referendum was held in which a majority of farmers voted in favor of the program. Subsequently, each farmer was assigned an acreage allotment. Additional referendums have been held every 3 years since 1940.

The support price is not a subsidy. It is in fact a loan—which is repaid, with interest. Under the price support program, when prices fall below the support price, the Commodity Credit Corporation (CCC) will make loans to tobacco producers, with the tobacco as collateral. When prices rise above the support price, the CCC liquidates the tobacco it has been "holding" as collateral. The proceeds from the sale are utilized to cover administrative and storage costs.

The tobacco price support program has been one of the most successful of all farm commodity price support programs. The realized cost of the program since its beginning in 1933 has been about 0.1 percent of the cost for all 13 farm commodity price support programs. There have been no losses at all in more than a decade. In fact, in most years, the program produces a profit for the Government.

It also should be made clear, Madam President, that during the life of the tobacco program, about $130 billion has been collected by the Federal and State governments in cigarette excise taxes.

In 1979, the Federal Government received more than $2.4 billion in excise taxes on tobacco products, while State treasuries were benefited by $3.7 billion in revenues from tobacco.

Tobacco also contributed favorably to this Nation's international balance of payments, netting nearly $2 billion in foreign trade in 1980. Over $2.4 billion of U.S. tobacco was exported last year, while about $487 million of foreign leaf was imported into this country.

The point is, Madam President, the tobacco price support program is not a drain on the Federal Treasury. The program essentially pays for itself, and the tobacco industry enormously benefits the national economy through billions of dollars in excise taxes and trade receipts.

Elimination of the successful tobacco price support program would create chaos in a farming sector where stability has prevailed, and the ultimate victims would be thousands of small family farmers who depend on income from tobacco, or leased tobacco allotments, for a substantial portion of their livelihoods.

With regard to the health issue, Madam President, I have stated many times that I do not think it is the province of Government to dictate to its citizens what they can and can not consume, so long as the products involved have not been proved to be criminally dangerous to society.

My own view is that a substantial number of Americans are going to continue to smoke no matter what the Surgeon General warns, and I do not think it is the Government's job to forcefully shape personal habits. Moreover, whether or not the tobacco price support program continues, tobacco products no doubt will remain available and be consumed by millions of Americans. Elimination of the support program would only mean that other countries would grow even more tobacco and American farmers would probably grow far less. That kind of foreign aid seems to me to be most unwise and illogical.

For all of these reasons, Madam President, I believe this amendment should be rejected.

Madam President, I ask unanimous consent that a leaflet prepared by the Tobacco Institute, entitled "There Is No Tobacco Subsidy," be printed in the RECORD, and also a resume of points for retaining the tobacco program.

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

THERE IS NO TOBACCO SUBSIDY

Countless tobacco critics have diagnosed "schizophrenia" in our federal government which, in one department scolds smokers and in another helps farmers who grow the leaf.

End the "tobacco subsidy," the argument goes, and the image of the split personality will dissolve.

In fact, there is no tobacco subsidy.

Yes, taxpayers' money is used to guarantee farmers a minimum price for their tobacco crops. And their corn crops and their rice crops and their wheat and their peanuts, and their cotton. Thirteen different commodities, altogether. (See table.)

No, the money isn't a gift. It's a loan. Repaid with interest. To be eligible a tobacco farmer must guarantee to *limit* his tobacco production.

How does the program work? What does it really cost? What is its effect in terms of the smoking and health controversy?

Nearly a half-century ago, the Great Depression was more than a business calamity, a stock market crash and an unemployment epidemic. Consumer purchasing power was low. Agricultural prices would not sustain farm families.

Permanent federal government "programs" to stabilize many aspects of the national economy, including agriculture, emerged from the Franklin Roosevelt administration and the Congress. Tobacco was among the leading farm commodities subjected to price stabilization and production control legislation.

Tobacco is cultivated today on some 400,000 American farms. Among major crops, its dollar yield per acre is highest. It is characteristically grown on a plot of land so small that no other crop on the same plot can support a family.

Traditionally, tobacco is sold at warehouse auctions after being graded for type and quality by government-employed inspectors. The rapid "chant" of the auctioneer records bids and invites higher ones as buyers from tobacco products and leaf export companies signal their interest. (U.S. tobacco products manufacturing companies purchase all their leaf supplies: none actually grows tobacco.)

If leaf offered by a farmer is unsold at a government-pegged minimum price, and if the farmer has not exceeded his government-set production quota, he receives instead a government loan equal to the minimum price. His tobacco is taken as collateral by a cooperative funded by the government.

Tobacco is among the most imperishable of farm crops. It can be and is stored, sometimes for many years, until it can be sold under more favorable commercial market conditions.

Setting crop quotas in advance of each growing season is an important and sophisticated activity of the U.S. Department of Agriculture. Among the considerations are weather and demand forecasts, as well as inventory factors and the outlook for quality and yield.

For 44 years beginning in 1933, stabilization of the tobacco farm economy has been a public policy objective in the U.S.

But at what cost?

In those 44 years, the arithmetic comes out this way: Loans advanced to farmers, minus interest paid on the loans, minus sales of the tobacco collateral equals a net loss of $52 million to the taxpayers. That is twelve hundredths of one percent of the cost of all farm commodity price support operations.

In a fair appraisal, one must add to this the government's annual administrative costs—for example, $5.6 million in 1977 for tobacco—chiefly for inspection and market news services. This annual expense varies downward, of course, for earlier, pre-inflation years—$52 million, plus administrative expenses, in 44 years.

During those 44 years, purchasers of tobacco products paid the U.S. Treasury more than $68 billion in excises such as the current federal tax of eight cents on each package of cigarettes. They provided state governments with an additional $46 billion.

So there is no tobacco "subsidy." Considering then the price stabilization-production control program of the government (to give it its lengthy but proper label), what are its implications for the nation's health?

Critics of the program see it as helping to make tobacco products more easily and widely available on the consumer market. In their opinion, tobacco is a detriment to the health of Americans, and therefore the program is, too. But these critics appear to ignore the essential facts:

1. The program is intended to and does keep tobacco leaf prices higher than they would be without it.

2. The program is intended to and does keep tobacco supplies lower than they would be without it.

If the Congress were to repeal the program, as these critics have suggested, considerably increased acreage could be devoted to tobacco farming. The restrictive quotas would be gone. There would be a larger tobacco supply entering the commercial market.

As Health, Education, and Welfare Secretary Joseph Califano testified at a 1978 Congressional hearing: "I do not believe that anyone smokes or doesn't smoke or decides to begin or continue or stops smoking because of the tobacco subsidy. I don't think it is in any way related to that."

He gave the program the wrong name. But he gave it an accurate analysis.

GOVERNMENT PRICE SUPPORT LOANS, 1977

[Dollar amounts in millions]

	New loans	Loans "charged off"—unpayable
Corn	$1,926.0	$186
Wheat	1,204.0	140
Cotton	919.0	95
Sorghum	384.0	34
Soybeans	327.0	0
Tobacco	288.0	0
Sugarbeets	229.0	0
Rice	123.0	146
Barley	111.0	12
Peanuts	109.0	102
Oats	64.0	1
Honey	4.0	0
Rye	1.4	0

Source: Fiscal Division, U.S. Department of Agriculture.

POINTS

1. The tobacco price support is not a subsidy. It is a loan which is repaid, with interest.

2. The tobacco price support program has been one of the most successful of all farm commodity price support programs. The realized cost of the program since its beginning in 1933 has been about .1% of the cost for all 13 farm commodity price support programs. There have been no losses at all in more than a decade. In fact, in most years, the program produces a profit for the government.

3. In 1979, the Federal government received more than $2.4 billion in excise taxes on tobacco products. State treasuries were benefitted by $3.7 billion in revenues from tobacco.

4. Tobacco also contributed favorably to our balance of payments, netting nearly $2 billion in foreign trade in 1980. Over $2.4 billion of U.S. tobacco was exported last year, while about $487 million of foreign leaf was imported.

5. Destruction of this successful program would create chaos in a farming sector where stability has prevailed. The ultimate victims would be thousands of small family farmers who depend on income from tobacco, or leased tobacco allotments, for a substantial portion of their livelihoods. It would reduce revenues to the Federal and state treasuries, and adversely affect our trade balance.

6. The 500,000 families in 22 states engaged in growing and harvesting of tobacco.

Mr. THURMOND. Madam President, I just want to say in closing that I hope the Senate will not see fit to abolish this program.

Mr. HUDDLESTON. Madam President, how much time remains?

The PRESIDING OFFICER. Five minutes, twenty seconds.

Mr. HUDDLESTON. Madam President, I yield to the Senator from South Carolina.

Mr. HOLLINGS. Madam President, I thank my distinguished colleague.

Madam President, I rise in opposition to the amendment by the Senator from Ohio. This proposal is an attempt to eliminate the tobacco price support program thereby destroying an industry that works well and contributes much to the economies of many States and the Nation as well.

This amendment is based on a limited perspective that fails to recognize the important contribution our tobacco producers make. I am confident that the Senate will reject this amendment handily, when the facts are presented and the case is made. Let me state that case and voice the concerns this amendment raises.

First, the long-term costs of the tobacco price support program are low since nearly all price support loans are repaid. Repaid with interest I might add. Commodity Credit Corporation net realized losses due to the tobacco program are expected to average below $1 million per year for the next 5 years.

Since 1933, $5 billion has been loaned under the tobacco price support program with a loss rate of only 1 percent.

A loss rate that, I might emphasize, Madam President, is the lowest of any major commodity. The tobacco program is successful, it works better than the rest, but my colleague inappropriately singles it out for elimination.

Second, elimination of the tobacco price support program could have serious employment effects. Tobacco is by far the most labor intensive agricultural crop grown in the United States. Tobacco production uses about 250 hours of labor per harvested acre, compared to 21 hours for cotton and 3 hours for food and feed grains.

According to the Census of Agriculture, 50,000 tobacco farms reported employing an average of 10 workers per farm, usually at harvest time. These seasonal workers have very few outside employment opportunities because of their low skill level, lack of proximity to urban employment, and the minimum wage requirements of off-farm work.

The production of tobacco, because of its labor intensity, offers many jobs to young people and makes a significant impact on the youth employment problem.

Third, tobacco production is stabilized through the price support program. This aspect of the program enhances U.S. tobacco exports by increasing the reliability of U.S. supplies.

Approximately $2.1 billion worth of tobacco products will be exported in fiscal year 1981. This ranks tobacco fifth among our agricultural exports, Madam President.

Needless to say this has a tremendous and very beneficial impact on our balance of payments. These exports strengthen the value of the dollar abroad and fight inflation at home by reducing prices on imported products.

Fourth, termination of the tobacco price support program would be particularly detrimental to small-scale family farms. Tobacco growers represent 276,000 farm families in 18 States. The average productive tobacco acreage per farm is only 3 acres. Tobacco is unique in that it allows small family farms to support themselves. It preserves the family farm. My colleague from Ohio would call an end to this.

Fifth, smokers more than pay for the cost of the tobacco support program. The USDA program is estimated to cost about $0.2 billion in fiscal year 1981—less than one penny for each pack of cigarettes sold.

Also, the Federal excise tax on cigarettes which is 8 cents per pack amounts to about $2.6 billion per year. State and local taxes in turn generate about $3.5 billion annually while other tax revenues, such as corporate income tax, account for an additional $3 billion.

Total estimated revenue for tax collection from the tobacco industry, therefore, Madam President, is in the vicinity of $9 billion annually. The tobacco program is economically sound and a significant money maker that I wish we had a few more of around here.

With a few more contributors to our economic system along the lines of tobacco we would not have the economic problems that presently exist in our Nation. Success such as this should be promoted, not destroyed.

Finally, it should be indicated that despite the critics contention the tobacco price support program is a subsidy; it is nothing of the kind. Usually there is no expense with the support program and generally the program generates revenues for the Treasury. That is the record and the facts prove this point, Madam President.

The tobacco price support program does not encourage increased tobacco production or smoking. The program insures orderly marketing and stabilizes tobacco production. It is a sound and contributing part of our economy, Madam President, and for this reason and the reasons I have outlined I urge that the amendment by the Senator from Ohio be defeated.

Mr. HUDDLESTON. Madam President, I yield 1 minute to the Senator from Kentucky.

Mr. FORD. Madam President, not only is the program we are debating today of little or no cost at all to the Government, it is also vital to the economic well-being of the State I represent.

The importance of tobacco, the fact that 1 of every 14 Kentucky workers owes his or her job to the crop, and the rippling economic effect of the tobacco industry to communities, local, State—and even the Federal Government—were highlighted in a recent editorial in the Lexington (Ky.) Leader.

I ask unanimous consent that this editorial be entered in the RECORD.

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

VALUE OF TOBACCO INDUSTRY SHOULD NOT BE UNDERESTIMATED

It comes as no surprise to Kentuckians that tobacco is the commonwealth's cash crop, that it has a major impact on the state economy and that one of every 14 Blue Grass workers owes his or her job to tobacco.

Nevertheless, it is good to hear a prestigious research organization reinforce our confidence in the tobacco industry and come up with some facts and figures to back up long-held opinions about the contributions it makes to the state.

Granted that the study was commissioned by the Tobacco Institute, an organization of cigarette makers. However, the study was made by the Wharton Applied Research Center at the University of Pennsylvania, so its credibility is above reproach.

The timing of the report is significant, because it says good things about tobacco and its economic benefits. It can go a long way toward countering some of the criticism of federal tobacco programs that comes annually at budget time.

What the study did was measure the Kentucky tobacco industry's effect on the economy; that was based in a 1979 survey of all jobs, income and tax revenues directly related to the industry's business activities.

Since it was the first such study, it carries weight in facts and figures that are more plausible than previous statements many believed were conjecture.

For example, the total tobacco industry generates 43,580 fulltime jobs in the state, with compensation of nearly $399 million a year. The study estimates that tobacco also generates, through non-tobacco sector effects, an additional 38,100 jobs and $517 million in compensation.

Consider also the benefits for state tax coffers—about $9 million, or 2.3 cents of every tax dollar collected, was linked to tobacco in 1979.

There is prestige and profit in Kentucky's standing among other states in tobacco statistics. For example, it ranks second only to

North Carolina in tobacco farm employment, and third in manufacturing. The most prominent factor in this area, however, is the fact that Kentucky ranks first in tobacco warehousing.

That is particularly impressive to Lexingtonians, because this is the world's largest burley market, and that segment of the industry is the backbone of local economy.

We hope that Gov. John Y. Brown, Jr., in making the report to a meeting of tobacco men here, caught the significance of the figures on Kentucky's per-pack tax on cigarettes. The state in 1979, collected $21.3 million in this category, and its tax is only 3 cents a pack.

We still maintain that the tax could be doubled, offering relief for state revenue shortfalls and at the same time having a negligible effect on cigarette sales. Increasing the per-pack levy certainly is something Gov. Brown and the General Assembly should consider next year.

The Wharton report comes at a time when things are looking up for Kentucky burley farmers. Both poundage quotas and support prices have been increased for this season. Demand by buying companies probably will be greater this year.

The report should also give a new image to tobacco and its importance in the eyes of all Kentuckians, because there are few who aren't touched by the economies of the leaf industry.

Mr. FORD. Madam President, I think of all of the debate we have had on this issue in the past and there has been no change now. I urge my colleagues to vote as they have in the past.

Mr. HUDDLESTON. Madam President, I yield 2 minutes to the Senator from Virginia.

Mr. WARNER. I thank the distinguished Senator from Kentucky.

Madam President, the law states that, should tobacco producers vote to adopt marketing quotas, as a supply control measure, the Government is required to provide price support. The method used to support tobacco prices is nonrecourse loans from the Commodity Credit Corporation, with tobacco held as collateral.

Since 1971, the amount of new loans made each year has ranged from $30.1 million to $315.8 million, with the average being $173.3 million per year. New loans in fiscal year 1980 amounted to $172.0 million.

Over the past 10 years, loan repayments have come within $24 million of equalling new loans that were made. There were large differences from year to year, but over the long run, repayments and loan outlays have approximately balanced.

This is exactly how the loan program is designed to work, and the year-to-year variation between repayments and new loans is simply the manifestation of the success supply stabilization feature of the price support program.

It is the loan program that absorbs some of the shock of production variation due to weather. Without stocks of tobacco under loan, the supply shocks would produce greater market price variation. The loan program works to stabilize the tobacco market.

A small amount of tobacco has been sold out of the loan program at a loss to the Government. These losses on tobacco sold from loan stocks, plus other associated costs and recoveries, have totaled $1.66 million over the past 10 years, an average of $166,000 per year. In fiscal year 1980, the CCC showed a net loss of $36,000 on its loan activities.

The low net loss on tobacco loan activities of the past 10 years typifies the program since its inception. Since 1933, the cumulative loss on loan activities has amounted to only $56.7 million. Comparable losses for all other commodities is $69 billion.

I ask unanimous consent that a document entitled "Facts About Tobacco Price Support Program" be printed at this point in the RECORD.

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

TOBACCO PRICE SUPPORT PROGRAM

1. Who Benefits?

Farmers. Tobacco is the principal cash crop on 276,000 farms in 22 States. The price support "loan" is made to farmers on tobacco that is not sold the day it is brought to market. The "Tobacco Stabilization Cooperative" takes posession of the tobacco, processes it, and sells it at a later date. The farmer is then paid for his tobacco, and thereupon repays the "loan." The average tobacco allotment is 4.4 acres—so we're talking about relatively small farmers benefiting most.

2. Is there a tobacco subsidy?

No. The price support loans are all repaid when Stabilization sells its stocks. In fact, because the stocks are sold at a profit by Stabilization, the government actually realizes a profit. CCC had a net gain of $827,000 on tobacco price support operations in 1978, with $88 million more repayments in outstanding loans in 1980 than new loans offered.

3. Does the tobacco program encourage smoking—The health issue.

No. Here's what HEW says:

". . . if the (tobacco) program has any effect at all on public health it is favorable. The purpose of the program is to stabilize tobacco production, and, thus, assume fair prices to the farmer. If the program were to be withdrawn, though, prices would fall, and cigarettes might become less expensive, possibly encouraging more young people to smoke."

4. Tobacco taxes

U.S. farmers received about $2 billion for their tobacco crop last year.

The federal government received $2.4 billion in direct taxes.

States, counties, and cities collected almost $4 billion more, for a total of $6,305,521,000 in direct taxes on tobacco.

5. Balance of trade

One-third of all U.S. tobacco is exported—to the tune of $2.5 billion in 1980. The favorable balance of trade in tobacco was $1.69 billion.

6. Farm income stabilization—the bottom line

USDA projected a decline in farm income of 20–24 percent for 1980. A discontinuation of this program would further exacerbate the depressed economic situation and cause massive foreclosures in the 8 states where tobacco is a leading crop.

7. Caution

The tobacco program is uniquely suited to that commodity alone because of its geographic concentration. Unlike other crops that can be grown anywhere, tobacco is concentrated in the Southeast—with 67 percent in N.C. alone.

Mr. MITCHELL. Madam President, I will vote for the pending proposal to reduce spending in the budget resolution by $79 million by eliminating the costs the administration has identified in connection with the tobacco program.

This resolution purports to be a barebones budget, containing only the most essential spending for our national defense, for our economic recovery and for the survival of the most needy in our society. At a time when inflation is eroding the purchasing power of the wages of working men and women and the pensions of retirees, the goal of a barebones budget is a laudable one.

All Americans are prepared to scale back their demands for programs and services if we have, in truth, a budget that contains only the minimal amounts absolutely essential for Government operations.

But the presence in this resolution of funding of $79 million to encourage the production of a commodity which the Government itself has identified as positively harmful to human health—a commodity, moreover, whose growers claim is in no need of a subsidy—is inconsistent with our objective.

During our first budget-cutting debate, the majority in the Senate decided we could not afford $80 million for vocational education costs—a program that helps young people prepare to hold productive, taxpaying jobs in our economy. That majority decided we could not afford to pay for the costs of rural health care centers—low-cost clinics which serve people who have no ready access to physicians. That majority even determined that we could not afford $6 million to maintain a program of immunization for America's children.

Yet, this resolution says that we can afford $79 million to continue to support the production of a commodity which is not a food source, has no medicinal value, and has been associated with the most serious and life-threatening illnesses.

If the Senate determines that tobacco program costs cannot be cut, then we have plainly established the wrong priorities in this budget. How can anyone stand before the American people and say that we cannot afford $6 million to protect our children from disease, but we can afford $79 million to subsidize the growing of tobacco?

Various claims have been made for public support of spending cuts: The majority of those claims rest on reasonable grounds. But I have seen no evidence to support the contention that the public desire for budget cuts, reallocation includes a desire to protect the expenditure of $79 million to grow tobacco.

The PRESIDING OFFICER. Who yields time?

The Senator from Ohio.

Mr. HUDDLESTON. Madam President, I reserve the remainder of my time.

Mr. METZENBAUM. Madam President, I was pleased to hear the comments of my distinguished friends addressing themselves to this issue.

As a matter of fact, I am not prepared to stand here and say they are 100 percent wrong, because they are not. They are partially right. But their figures tell only a small part of the story.

They do not reflect the fact that we have $840 million in price support loans outstanding, some as old as 7 years, and almost all of which are far below the cost of money to our Government.

They do not reflect the fact that this $849 million is in nonrecourse loans.

All we have is 670 million pounds of tobacco stored away. Some of it cannot be sold because current demand is being met by current production. Some of it cannot be sold because it would undercut the current price. Some of it cannot be sold because, reportedly, it is old and stale.

The bottom line is that the Federal Government is not getting back dollar for dollar what it loans out because of this 670 million pound white elephant which represents, in the CRS report's own words, an outstanding loan of $814 million.

The CRS study, which some have referred to, does not include the allotment lease payments, about $279 million a year, which are passed on to the consumer in higher tobacco prices, nor does it include the interest subsidy for the outstanding loans which amount to about $106 million in costs, nor does it include the losses from the crop insurance program, or the $15 million a year administrative cost to run all these programs.

If this program did not cost the Federal Government any money, if this program did not provide for a Federal subsidy, does anybody really believe that as many Senators as have risen on this floor to oppose it would have seen fit to come to the floor for that very purpose?

Of course it costs money. Of course it costs hundreds of millions of dollars. All we are trying to do is to cut back $79 million of that Federal subsidy.

Madam President, if the opposition is ready to yield back the remainder of its time, I am prepared to yield back the remainder of my time.

Mr. HUDDLESTON. Madam President, how much time do we have remaining?

The PRESIDING OFFICER. There are 3 minutes and 2 seconds.

Mr. HUDDLESTON. Madam President, I shall take just a minute to respond to the statements just made by the Senator from Ohio.

We are not here because it is a Government expenditure program, we are here because it is a program that has stabilized and controlled the growing of tobacco and has been eminently successful. It is the major source of income for hundreds of thousands of small farmers throughout the tobacco area. That is why we are here defending it today.

Madam President, I yield back the remainder of our time.

The PRESIDING OFFICER. All time has been yielded back.

Mr. HUDDLESTON. I move to lay the amendment on the table. I ask for the yeas and nays.

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

Mr. JOHNSTON. Madam President, I ask unanimous consent that this be a 10-minute vote.

Mr. BAKER. Madam President, I need to clear that on my side. I am sympathetic to it. I must object for now.

The PRESIDING OFFICER. The objection is heard. The question is on agreeing to the motion to lay the amendment on the table. The clerk will call the roll.

Mr. BAKER. Madam President, before the rollcall starts, I am told that we do not have an objection. I join in the request of the distinguished Senator from Louisiana that the rollcall be a 10-minute rollcall.

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

Mr. HELMS. Madam President, I ask unanimous consent that I be allowed to proceed for 30 seconds to make a parliamentary inquiry—just to make a point.

Mr. METZENBAUM. Madam President——

Mr. HELMS. I am not going to address the substance, Madam President.

Mr. METZENBAUM. The Senator is not going to raise any parliamentary questions?

Mr. HELMS. No, Madam President, I just want to ask the Parliamentarian if a point of order would lie against this amendment.

Mr. METZENBAUM. Madam President, I yielded to the Senator only because he said he is not raising a parliamentary question.

The PRESIDING OFFICER. The Chair advises the Senator from North Carolina that the Parliamentarian says it would be subject to a point of order. It is not mathematically consistent.

Mr. HELMS. I just wanted to make that point, Madam President.

The PRESIDING OFFICER. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

The PRESIDING OFFICER (Mr. STEVENS). Are there any other Senators in the Chamber who wish to vote?

The result was announced—yeas 56, nays 42, as follows:

[Rollcall Vote No. 111 Leg.]

YEAS—56

Abdnor	Exon	Melcher
Andrews	Ford	Murkowski
Baker	Goldwater	Nunn
Baucus	Grassley	Percy
Boren	Hayakawa	Pressler
Burdick	Heflin	Pryor
Byrd, Harry F., Jr.	Helms	Randolph
Byrd, Robert C.	Hollings	Sarbanes
Chiles	Huddleston	Sasser
Cochran	Inouye	Schmitt
Cranston	Jackson	Simpson
D'Amato	Jepsen	Stennis
DeConcini	Johnston	Stevens
Denton	Laxalt	Symms
Dixon	Long	Thurmond
Dole	Lugar	Tower
Domenici	Matsunaga	Wallop
East	Mattingly	Warner
	McClure	Zorinsky

NAYS—42

Armstrong	Gorton	Moynihan
Bentsen	Hart	Nickles
Biden	Hatch	Packwood
Boschwitz	Hatfield	Pell
Bradley	Hawkins	Proxmire
Bumpers	Heinz	Quayle
Chafee	Humphrey	Riegle
Cohen	Kassebaum	Roth
Danforth	Kasten	Rudman
Dodd	Kennedy	Specter
Durenberger	Leahy	Stafford
Eagleton	Levin	Tsongas
Garn	Metzenbaum	Weicker
Glenn	Mitchell	Williams

NOT VOTING—2

Cannon Mathias

So the motion to lay the amendment (UP No. 92) on the table was agreed to.

Mr. HELMS. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. METZENBAUM. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Under the previous order, the Senator from New Mexico is recognized to offer an amendment.

UP AMENDMENT NO. 93

Mr. DOMENICI. Mr. President, I am offering a technical amendment to correct the reconciliation instructions, as I indicated earlier. I send the amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New Mexico (Mr. DOMENICI) proposes an unprinted amendment numbered 93.

Mr. DOMENICI. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 25, line 16, delete "$645,000,000" and insert in lieu thereof "$505,000,000."

On page 25, line 18, delete "$3,243,000,000" and insert in lieu thereof "$2026,000,000."

On page 25, line 18, delete "$3,200,000,000" and insert in lieu thereof "$1,932,000,000."

On page 25, line 19, delete "$4,011,000,000" and insert in lieu thereof "$2,656,000,000."

On page 25, line 20, delete "$3,961,000,000" and insert in lieu thereof "$2,616,000,000."

On page 25, line 21, delete "$4,613,000,000" and insert in lieu thereof "$3,153,000,000."

On page 25, line 21, delete "$4,517,000,000" and insert in lieu thereof "$3,066,000,000."

On page 27, line 18, delete "$2,282,000,000" and insert in lieu thereof "$2,460,000,000."

On page 27, line 19, delete "$372,000,000" and insert in lieu thereof "$402,000,000."

On page 27, line 20, delete "$8,578,000,000" and insert in lieu thereof "$9,956,000,000."

On page 27, line 21, delete "$6,733,000,000" and insert in lieu thereof "$8,082,000,000."

On page 27, line 22, delete "$10,035,000,000" and insert in lieu thereof "$11,586,000,000."

On page 27, line 22, delete "$8,968,000,000" and insert in lieu thereof "$10,440,000,000."

On page 27, line 23, delete $12,324,000,000" and insert in lieu thereof "$14,014,000,000."

On page 27, line 24, delete "$10,872,000,000" and insert in lieu thereof "$14,014,000,000."

On page 28, line 5, delete "$176,000,000" and insert in lieu thereof "$215,000,000."

On page 28, line 6, delete "$110,000,000" and insert in lieu thereof "$149,000,000."

On page 28, line 7, delete "$695,000,000" and insert in lieu thereof "$787,000,000."

On page 28, line 7, delete "$1,011,000,000" and insert in lieu thereof "$1,103,000,000."

On page 28, line 8, delete "$903,000,000" and insert in lieu thereof "$1,082,000,000."

On page 28, line 9, delete "$1,537,000,000" and insert in lieu thereof "$1,716,000,000."

On page 28, line 10, delete "$1,164,000,000" and insert in lieu thereof "$1,355,000,000."

On page 28, line 11, delete "$2,056,000,000" and insert in lieu thereof "$2,247,000,000."

On page 28, line 16, delete "$764,000,000" and insert in lieu thereof "$1,764,000,000."

On page 28, line 17, delete "$19,000,000" and insert in lieu thereof "$29,000,000."

On page 28, line 19, delete "$4,088,000,000" and insert in lieu thereof "$4,138,000,000."

On page 28, line 20, delete "$4,846,000,000" and insert in lieu thereof "$4,976,000,000."

On page 28, line 22, delete "$5,101,000,000" and insert in lieu thereof "$5,261,000,000."

On page 34, line 9, delete "$3,659,000,000" and insert in lieu thereof "$3,791,000,000."

On page 34, line 9, delete "$8,383,000,000" and insert in lieu thereof "$8,427,000,000."

On page 34, line 10, delete "$3,591,000,000" and insert in lieu thereof "$3,748,000,000."

On page 34, line 11, delete "$9,373,000,000" and insert in lieu thereof "$9,492,000,000."

On page 34, line 12, delete "$3,454,000,000" and insert in lieu thereof "$3,637,000,000."

On page 34, line 13, delete "$9,745,000,000" and insert in lieu thereof "$9,907,000,000."

Mr. DOMENICI. Mr. President, I move the adoption of the amendment.

Mr. HOLLINGS. We have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Mexico.

The amendment was agreed to.

Mr. DOMENICI. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HOLLINGS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. BAKER. Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. Will Senators please take their seats?

Mr. BAKER. Mr. President, earlier I had planned to make this request, and I make it now.

I ask unanimous consent that consideration of the amendment by the distinguished junior Senator from Tennessee in sequence be vitiated.

Before the Chair rules, I explain that the Senator from Tennessee very kindly agreed to offer his amendment tomorrow. It is a sense of the Senate resolution. It need not be attached to this resolution. I have agreed that I will make a provision, which I will do later this evening, for a time for the transaction of morning business tomorrow, in which that resolution can be considered.

I express my appreciation to the Senator from Tennessee for his consideration in permitting us to proceed in this manner.

The PRESIDING OFFICER. Without objection, the order is vitiated.

ECONOMIC ASSUMPTIONS OF S. CON RES. 19

Mr. FORD. Mr. President, in just a few moments, the Senate will vote on the revised second budget resolution for fiscal year 1981. I intend to cast my vote to approve this resolution, but I do so with grave reservations about the economic assumptions on which this version of the budget is based.

I am concerned—deeply concerned—that these assumptions are far too optimistic and I seriously question their validity.

The Budget Committee has relied on assumptions that are identical to the administration except that interest rates were adjusted to take into account trends implied by prices in the Treasury bill futures market.

These assumptions, in my opinion, are still closer to wishful thinking than reality. I hope that I am mistaken, but I fear that time will prove it true.

Historically, the Budget Committee has relied on economic predictions of the Congressional Budget Office which have consistently been more reliable than administration forecasts. But now, despite CBO's dependable track record, the Senate apparently prefers to ignore the CBO's assumptions which project slower economic growth, higher inflation and higher interest rates and rely, instead, on the rosier picture painted by the administration.

As Senator HOLLINGS pointed out in his minority views:

> For the first time in its history, the Budget Committee ignored the economic assumptions of the nonpartisan Congressional Budget Office. It formulated a budget not using the CBO estimates, but instead using "Reaganomics" which predicted nearly twice the growth rate in 1982 predicted by other major economic forecasters, as well as totally unrealistic inflation and interest rate projections.

Using the CBO estimates, the 1984 deficit actually amounted to over $50 billion—not the balanced budget asserted by the Republicans.

I realize that it is difficult, if not impossible, to project what the economy will look like 6 months from now, much less 3 years down the road. But at the same time, we have a responsibility to separate fact from fiction and reality from fantasy.

The administration's figures fail to accomplish this, and I fear this fact will become painfully clear in the months ahead.

If anything, I have presented a compelling case for opposing this resolution, but yet my vote on this budget resolution, like my vote on the budget reconciliation measure, will be in support of the President's overall economic proposals.

Despite my misgivings, I do not want to be seen as an obstructionist. While I disagree with many specifics of the administration plan, I will give the President a chance to put his economic recovery program in place.

I hope that it will work. I hope that it can pump new life into this country's economy and bring inflation under control. I also hope that if the economic projections on which we are signing off today prove to be in error, that the administration will come back to the Congress, admit it made a mistake, and work with the Congress to correct any shortcomings that become obvious in this plan.

Mr. LEVIN. Mr. President, the first budget resolution for 1982 recognizes a clear need to cut spending and taxes. I, too, recognize that need and wish I could find a way to support the specific approach contained in the resolution.

Unfortunately, I cannot for two fundamental reasons. First, the budget makes little economic sense. The budget assumes a 30 percent across-the-board cut in marginal tax rates—a cut which is truly inflationary and assures deficits in 1984 and beyond. Economists and investors are already responding to the inflationary implications of this budget. The increase in interest rates, and the projection by Secretary Regan that they may again reach 20 percent—or higher—is compelling evidence to suggest that the private sector does not view this tax plan as an economic answer. The recent increase in Treasury bill yields also points to significant skepticism about this economic approach. Obviously, higher interest rates will do little to spur sales of major consumer items—like autos and homes. Any economic recovery plan which has the effect of further retarding demand in these critical sectors of the economy has very little chance of success.

Furthermore, this tax plan just does not do enough to target incentives to save and invest. The approach used denies us the use of other more precise tax tools which could have come from alternative plans—tax plans which the Senate rejected today even though they were endorsed just last year by a bipartisan majority on the Senate Finance Committee. Our economy ought not be a political football. But the votes we have seen today suggest that it has become one.

Philosophically, I am unable to support this resolution because it denies basic principles of equity. The assumed tax cut confers disproportionate relief to the wealthy. In the area of budget cuts, this proposal violated the commitments we have made as a nation to millions of seniors who have come to depend on the social security system for adequate retirement incomes. We are breaking our promise to the unemployed, the poor, and the disadvantaged—breaking the President's own pledge that a safety net for the truly needy would remain in place.

The resolution is unfair to more than individuals. It is also unfair to entire regions of the country and sectors of the economy. If the budget is considered a tool to encourage economic growth, and promote growth in areas needing help, this budget is contrary to that goal. For example, objective studies suggest that an analysis of the budget cuts and the defense spending increase clearly work to the disadvantage of older industrial States of the Northeast and Midwest. While water projects remain relatively untouched, critical economic development programs are eliminated or substantially reduced. I just do not believe that this country is really willing to sacrifice its honor and its future in an effort to reduce Federal spending—especially when alternative reductions have been offered which are compatible with our past promises.

Mr. President, this resolution makes some laudable reductions in Federal spending. I suport many of them. In fact, if my votes on this resolution and the reconciliation bill are examined, it becomes clear that for every dollar I voted to spend, I also voted to reduce a matching amount in other areas. My support for increased spending in some areas, then, is not a vote for increased Federal spending above the President's level. But because the mix of reductions

is unfair, because the tax plan is economically unproductive, I cannot support the resolution.

Mr. BRADLEY. Mr. President, the economic policy reflected in this budget resolution is not sound, and I must oppose the resolution. It is a static, rather than a forward-looking approach. It subjects the economy to volatile cross-currents, rather than striking out on a direct course to improve competitiveness, lower inflation and achieve vibrant growth. It fidgets with formulas, rather than addressing economic fundamentals.

Mr. President, I believe this budget resolution reflects and reinforces an untested economic theory that gambles with the only economy we have. It threatens to mortgage our future to a throw of the dice.

Mr. President, the budget resolution strikes the wrong fiscal balance between spending and revenues, contains an unexamined defense spending time bomb that threatens to explode with shattering effect on our economy in the future, and results in a stimulative fiscal policy that is at cross-purposes with the restrictive monetary policy that the Federal Reserve will be driven to in order to offset the budget's inflationary effects. The result for the economy is a high risk of inflation, financial uncertainty and poor growth performance.

Mr. President, 6 weeks ago I supported the reconciliation resolution approved by this body because I share with the President and with most of my Senate colleagues, a commitment to reduce Federal spending. That measure addressed only the issue of savings on the spending side of fiscal policy; it permitted no action concerning the revenue side of fiscal policy.

Accordingly, I voted to support the general level of savings achieved in the measure. But it makes no sense to make large cuts in spending, in order to reduce inflation and strengthen private capital markets, if you recklessly allow those gains to hemorrhage out the tax side with consumption-stimulating inflationary tax cuts for the next 3 years. And it is unfair to take food from the mouths of children, or medical care from the poor in order to preserve tax privileges which complicate the equitable administration and broad understanding and acceptance of our tax system.

Mr. President, spending on the tax side, in the form of tax expenditures, is no less inflationary and no less damaging to capital markets than is direct spending on programs. Indeed, it is my view that the mix of spending and revenue policy reflected in this budget resolution is more damaging to the economy than would be a mix favoring productive public expenditure and disfavoring inflationary tax programs or exploitative tax privileges.

Accordingly I proposed a package of changes to the budget resolution which have redirected spending to programs that move the economy toward long-term real growth, and away from tax expenditures that make no direct contribution to growth. I sought to strengthen our country's industrial base, which is necessary to make us more competitive in the future. That means replacing old plants and equipment with new capital investment. I strongly support measures to stimulate increased net savings and investment without which we will not improve our productivity, or make the necessary technological breakthroughs. But no less important to rekindle economic growth are two other investment components: Retaining our economic infrastructure such as railroads, and developing human capital in the form of skilled manpower for the industries of the future. Mr. President, my program specifically increased funding for research and development, mass transit, education, worker retraining and science by reducing tax-avoidance schemes such as commodity tax straddles and others. My proposal would have achieved a better, more productive fiscal mix by strengthening future-oriented programs, eliminating wasteful tax subsidies, and at the same time reducing the Federal deficit. I cannot support a budget program that would spend more to gain far less.

I also cannot support a budget resolution that turns defense spending into a blind alley which could lead straight to economic disaster. I support a strong defense for this country, but not scattershot defense spending. Such an approach will not only undermine our economy, but it is the surest way to undermine the consensus in this country for a strong defense. We need a sustained defense effort over time, not a one-shot glut. We must not repeat the error of the 1960's when we financed a war with inflation, instead of recognizing that everything, including defense, has an opportunity cost. We need to present Americans with a solid defense program trimmed of all fat, aimed at realizing clearly articulated strategic objectives and funded in a way that conveys strength and analysis.

The people of this country I think will come to understand that escalating levels of defense spending combined with deep tax cuts cannot assure either real economic growth or a steady sound defense buildup. Now they are willing to bear the cost of the higher defense expenditure, which I believe we need, because security is the most basic human need. But they will continue that support only if they know what they are getting, and are satisfied that they are getting, what they pay for.

Mr. President, our Government has a responsibility to justify defense increases in terms of the strategic requirements of our national security and to make clear the real costs of such a defense under realistic assumptions about developments in our economy. The administration has not done this. Therefore I proposed a sense of the Congress resolution calling on the administration to report to Congress the effect on the economy of the proposed defense spending and deep tax cuts under varying rates of economic growth.

It also called for a thorough justification of the administration defense programs in terms of the strategic requirements of U.S. national security interests. My proposal was defeated. Therefore my concern remains that these critical strategic and economic considerations will not receive the necessary attention.

Finally, Mr. President, now that the tax side has been added to the spending side of the budget equation, my concern that the President's economic program would risk high inflation and depressed growth intensifies. Because of the failure to balance spending and tax cuts properly, and to design both with an eye toward improving the competitiveness of the U.S. economy, the Federal budget is prone to stimulate consumption and thereby fuel the wage-price cycle. This fiscal stimulus will cause the Federal Reserve to further restrict the supply of money, driving up interest rates. In the absence of a sound program to fight inflation, this will put a squeeze on real economic growth. High interest rates will drive out the very investment that is necessary to improve the competitiveness of U.S. industries, and provide the robust economic growth which the administration is counting on to generate revenues for balancing the budget and funding defense. With a fiscal policy that is at cross-purposes with monetary policy, the economy won't achieve the necessary growth. There will be little or no relief from inflation, and the budget deficit will grow out of control. This will not fulfill the promise that we made to the American people to move toward a balanced budget and to restore robust real growth. Further, it will not set in place the basis for a competitive economy able to meet the challenges of the future. Therefore I cannot give my support to this budget resolution, and to its underlying economic policy.

IMPOUNDMENT CONTROLS IN BUDGET RESOLUTION

Mr. HATFIELD. Mr. President, I wish to commend Chairman DOMENICI and the members of the Budget Committee for their efforts to date. They have provided the framework for the Senate to implement the goals of the economic recovery program. I rise today, however, to remark upon that portion of the Budget Committee's report on the resolution which deals with increased impoundment powers for the executive branch. Title X of the Budget Act, entitled "Impoundment Control," is of particular interest to me and, I think I can safely say, most Members of the Senate.

Title X provides for the procedure of rescinding and deferring appropriated funds. The President transmits special messages to Congress to propose the delay—deferral—or elimination—rescission—of budget authority for a particular program. This is an option available to the President whenever he determines that all or part of any budget authority will not be required to carry out the full objectives of programs, or that such an action is necessary for fiscal policy considerations. Unless both Houses of Congress complete action on a rescission bill within 45 days, the budget authority must be made available for obligation. In the case of deferrals, one House must pass an impoundment resolution in order to disapprove the delay of obligating funds.

This process insures Congress review

of such Presidential proposals, and develops a partnership with him to achieve an appropriate fiscal policy. This year, for example, President Reagan has sent Congress a large number of rescission and deferral proposals which are an important part of this overall economic recovery program. The Congress has lost no time in considering the President's package and is forging ahead on the fiscal year 1981 supplemental appropriation which will implement a great deal of his program. Let me illustrate how diligently both Appropriations Committees are pursuing the rescission process this year. Over the life of the Budget Act, Presidents have proposed some $11.9 billion in rescissions and Congress has approved approximately $6 billion. This year alone, I am confident the members of the Appropriations Committees will agree in conference to over $13 billion in rescissions. So in 1 year, we will eclipse the totals established over the life of the Budget Act.

I mention that to indicate just how responsive Congress can be in enacting spending cuts. But I also should note that rescissions are not simply prospective savings. They actually constitute a reversal of appropriations choices made by Congress only months before. These earlier decisions are not entered into lightly and that explains why Congress may sometimes be reluctant to reverse itself.

The report on the budget resolution, however, proposes a review of this procedure with an eye for greatly expanded impoundment powers vested in the executive branch. I appreciate the desire on the part of Members to give the President maximum flexibility to reach his economic goals. But I feel that to do so through amending title X of the Budget Act in this way would not be the responsible course.

As most Members recall, title X and its impoundment controls are the heart of the congressional budget process. It was extensively debated and carefully constructed to provide balance between what was seen at the time as an abuse of the Presidential power of impoundment and the Constitutional mandate for Congress to take responsibility for appropriating funds. The Senate, in particular, made clear its intentions regarding that responsibility, by resisting the House's approach to impoundment control. The House-passed version of the Budget Act—H.R. 7130, 93d Congress—contained a provision for handling impoundments proposed by the executive branch, requiring a resolution by either House to disapprove executive branch impoundments. In other words, in the absence of congressional action, the impoundment would take place. Because the Senate felt so strongly that impoundment actions must undergo the active scrutiny of the very legislative body which made the authority originally available, the conferees on the Budget Act achieved a compromise on this point. That is why today we have the process by which the President proposes rescissions, but Congress must act in order for them to take effect. And, alternatively, Congress must intervene to prevent the President from deferring funds. This two-pronged approach is the result of much careful debate and consideration. This procedure has been tested many times since 1974, and especially this year is providing the Congress the ability to react most positively to Presidential proposals aimed at limiting spending.

Mr. President, I should also add a word about the deep concern of both the House and Senate Appropriations Committees over so-called uncontrollable expenditures. These are the outlays driven by entitlement programs, permanent appropriations and other payments mandatory under law which are not subject to the discipline of annual appropriations review. The level of so-called uncontrollables is over 77 percent of the President's 1982 budget.

Unfortunately, the rescission process does not touch these programs at all. Instead, rescissions cut only the remaining 23 percent of the budget which is under annual appropriations review. In this light, it is obvious that increased impoundment powers for the President will do nothing to bring restraint to the large uncontrollable segment of the budget most in need of review.

I believe there are improvements in the process which the Congress should consider. For example, the act provides for 45 days of continuous congressional session in which to act upon rescissions. This is confusing and time consuming, since the wait has often averaged as much as 80 days. In place of the current provision, I believe we should substitute a 60-calendar day limit.

Another beneficial change would allow a deferral after a prior rescission or deferral is rejected. This action would be allowed only where the new deferral furthers good administrative practice or is based on factors unknown when the prior proposal was made. Thus, the President could make use of sound financial practices and aid in controlling unwarranted expenditures.

But in its zeal to provide the President with the greatest latitude to achieve a balanced budget, Congress must not undo the careful balance struck between legislative and executive authority in title X of the act.

Mr. President, let me close with just a few words about another proposal by the Budget Committee. I share their concern about the difficulties experienced in estimating outlays and I commend them for focusing our attention on this issue. This is a problem which will not present a simple solution, since overestimates have been as large a problem as underestimates in recent years. The following chart illustrates our experience with outlay estimates from 1969 to the present.

Again, Mr. President, I want to commend the Budget Committee, and especially its chairman, for the work they have done. I plan to cooperate fully with them as we explore the proposals outlined in their report.

DIFFERENCE IN BUDGET OUTLAYS: CURRENT-YEAR ESTIMATE TO ACTUAL 1969-1981

[Outlays in billions of dollars]

Fiscal period	Current-year budget	Actual	Difference	
			Amount	Percentage
1969	183.7	184.6	0.9	0.5
1970	197.9	196.6	−1.3	−.7
1971	212.8	211.4	−1.4	−.7
1972	236.6	231.9	−4.7	−2.0
1973	249.8	246.5	−3.3	−1.3
1974	274.7	268.4	−6.3	−2.3
1975	313.4	324.6	11.2	3.6
1976	372.3	365.7	−6.6	−1.8
1977	416.6	401.9	−14.7	−3.5
1978	462.2	450.8	−11.4	−2.5
1979	493.4	493.7	.3	.1
1980	563.6	579.6	16.0	2.8
1981	662.7	NA		

Mr. LEAHY. Mr. President, I will oppose the budget plan before us today because in my judgment, it is not equitable, it is not balanced in its priorities, and it is not economically sound.

A consensus has formed in favor of reduced Government spending, reduced Government regulation, and lower taxes to promote thrift and business investment. It is a consensus shared by the American public, by Congress, and by President Reagan.

This consensus was shaped by a common desire for an improved economy, for lower inflation, new job opportunities and greater economic security. It is held together by a belief that spending cuts and selective tax cuts will improve the economy. It is held together because the American public trusts Congress and trusts the President to make necessary cuts in a just and sensible way.

Mr. President, I must oppose this budget because it breaks this public trust and the consensus that I joined. It violates the rules of equity and fairness. It lacks in vision and planning for the future. It is short on compassion. And worse, it promises, in my judgment, higher inflation, fewer jobs, and less economic security for many Americans.

Earlier this year, I supported the budget reconcilation resolution to cut the budget by some $36 billion this year alone. I favor substantial cuts in Federal spending because I believe a balanced budget is one of the many steps that must be taken to reduce inflation and interest rates.

Unfortunately, the budget before us today proposes huge budget deficits for the next several years—deficits which the Congressional Budget Office estimates may exceed $200 billion by 1984.

What do the money experts think?

Expectations of higher inflation have again pushed the prime lending rate near 20 percent—this despite predictions by the Reagan administration that those rates would soon fall below 10 percent.

In the last 10 days of trading on the New York Stock Exchange, the Dow Jones average of 30 industrials has plummeted 60.61 points.

Mr. President, these developments are not votes of confidence for the Reagan economic plan. A close look at the budget plan before us reveals some troubling facts.

There is strong reason to believe that huge budget deficits will persist throughout the remainder of the President's term in office.

This budget assumes real economic growth of between 4 and 5 percent each year beginning this fall. It assumes inflation of 8.3 percent and falling, and interest rates of 12 percent and falling, also beginning this fall. And it assumes that unemployment will decline to 7.2 percent next year and will continue to fall over the next several years. These optimistic forecasts are greatly at odds with most private economic forecasters. If the economy does not perform the hoped for miracles, the budget deficit could swell by tens of billions of dollars.

Over the next 3 years, this budget proposes $170 billion in increased defense spending—more than the entire fiscal year 1981 defense budget—$176 billion in domestic spending cuts, and tax cuts of $293 billion. Unless the untested "supply-side economics" theory works miracles, budget deficits of nearly $300 billion or $100 billion each year may be the result.

Even if the optimistic economic forecasts and theories bear themselves out fully, there is still reason to believe that this budget will not be balanced in 1984.

On top of the rosy forecasts, this budget relies on savings of $81 billion from "additional cuts not yet proposed, assumed passage of legislation to increase Presidential impoundment powers, assumed 1 percent cuts in waste, fraud, and abuse" and other sleights of hand to bring it into balance.

Mr. President, this budget is just plain fiscally irresponsible. It places commitments to a careless and wasteful defense buildup and tax handouts to the wealthy above the fight against inflation.

The huge budget deficits likely to result are not the only inflationary feature of this plan.

Few economists will argue that the $54 billion Reagan-Roth-Kemp tax cut proposed for next year, written entirely in red ink, will not be inflationary. Coming at a time of already high inflation, it is virtually certain to fan, not dampen, inflation.

This budget overlooks the major role that skyrocketing energy costs and oil import bills continue to play in our present inflation. To cut energy conservation and alternative energy development budgets by roughly two-thirds is pure folly.

Not only do I oppose the economic policies reflected by this resolution, Mr. President, but I believe many of the specific spending cuts it assumes are inequitable and shortsighted.

The combined effect of cuts in housing, highway and EPA sewage construction moneys, regional and community development moneys, and large cuts in Farmers Home, SBA, and HUD lending programs may prove devastating to Vermont's economy and the economies of other rural States with chronic money shortages.

It is false economy to slash assistance for preventive health care and education assistance. Greater costs to society will surely follow.

All of our major nutrition programs—school lunch, food stamps, and the special program for pregnant women, infants, and children (WIC)—will be dramatically reduced if Congress enacts this budget. While I support efforts to cut Federal spending, even in the nutrition area, these cuts are pennywise and pound-foolish.

Mr. President, the budget cuts for child nutrition may achieve immediate savings, but the long-term costs for health care and education will far outweigh the short-term benefits. According to Vermont school officials, these nutrition cuts may force many elementary and secondary schools to close down their school lunch program, a program which has been in existence since 1946. If the cuts are not modified, most school lunch programs in rural areas will close in 1982.

A balanced mix of all the domestic energy sources is needed to end the U.S. dependence on foreign oil. This mix must include fossil fuels, solar, hydro, and other renewable energy resources as well as a strong conservation effort. The energy spending proposals reflected in this budget are not balanced. Cuts of roughly two-thirds have been proposed for conservation programs, for solar and renewable energy source programs, and for fossil fuel programs in fiscal year 1982. At the same time, large subsidies for synthetic fuels and a 33-percent increase in funding for nuclear power programs were left in place.

These cuts ignore the realities of today's energy markets, the success of renewable energy programs and the success of conservation efforts in Vermont and elsewhere. Funds for conservation and renewable energy source programs should be restored.

Major reductions are proposed in Federal support for mass transportation in rural and urban areas. These cuts threaten the future of the entire Amtrak passenger rail system, including Vermont's "Montrealer". While it may be possible for Vermont's four rural bus lines in the areas surrounding Rutland, Bethel, Newport, and Bennington to absorb some budget cuts, the Reagan administration proposal which is tied to the cuts could force all four bus lines to end or seriously reduce their services.

Reduced funding for mass transit and arbitrary and urban-biased restrictions on the use of mass transit funds contradict our Nation's need to reduce the consumption of foreign oil through more efficient transportation services.

There are also areas where I believe further cuts could and should be made, and where proposed spending increases go too far.

We can and should save millions of additional tax dollars by eliminating water projects that are not economically justified. To stop construction of the Tennessee-Tombigbee and Dickey-Lincoln projects would save well over $2.5 billion. Halting these two projects this year would save $200 million, an amount roughly equal to the entire Federal payment to the State of Vermont.

Another area in which to achieve budget savings is the myriad "advisory commissions." They are easy to set up, but are proving considerably more difficult to end. For example, the Franklin Delano Roosevelt Memorial Commission was established in 1955 to create a suitable memorial for FDR. It was set up despite the existing memorial in downtown Washington, and against the wishes of the Roosevelt family. While the commission's $500,000 annual budget may appear small, the total spent to fund over 800 such "advisory commissions" is substantial. The Leahy report in 1976 on this abuse of taxpayers' dollars has resulted in many of them being discontinued, but the job is far from complete.

Finally, we must recognize that America's security is based on a balance which must be struck among efforts to address all of our national needs—defense, economics, energy, health, and so on. Indiscriminate defense spending destroys this balance and is precisely the same thing as indiscriminate Government spending in any other area—waste. America cannot afford waste in any program.

To give the Pentagon, or any Federal department, $255 billion without sufficient guidance and accountability is both shortsighted and irresponsible. We must question the need for the full $170,000,000,000 defense spending increase which has been proposed over the next 3 years. We must question where and how each dollar will be spent. Before we commit billions to any new weapon program, we must make certain that there are ample funds for fuel, training, operations, maintenance, and personnel in the Department of Defense.

Mr. President, I commend President Reagan for acting swiftly and effectively in presenting his economic plan. I share his commitment to control further the growth of Government spending, to provide selective tax cuts for business and individuals, and to continue to simplify and reduce the cost of Government regulation.

In the spirit and interest of the broad public support which I believe exists for each of these goals, I believe we should reject the budget plan before us today. We should reject it in favor of a plan which promises an end to huge Federal budget deficits. This plan does not.

We should reject it in favor of a budget package which assumes a modest, carefully targeted tax cut which Government can afford. This budget will place us billions and billions more into debt.

Finally, we should reject this plan in the interest of a budget which requires equal sacrifice and offers equal reward to the different regions of the country and to people of differing economic means.

CONCERNS ABOUT REAGAN'S ECONOMIC PLAN

Mr. EAGLETON. Mr. President, the American people clearly want an end to inflation. President Reagan has used his enormous personal appeal and his formidable sales ability to convince them his program will do just that, and more. The administration has promised that its economic package of budget cuts, tax cuts and tight money will do it all—

bring inflation under control, stimulate economic growth, increase productivity and reduce the role of Government in all our lives. What is more, the plan provides the resources with which to rebuild the Nation's defenses and make it the unrivaled superpower on Earth.

Mr. President, it is a difficult thing to rise in opposition to such a wonderous prospect as this. Yet, that is what I do today, for the simple reason that it just will not work. There is no way one can increase defense spending over 3 years by $100 billion, reduce taxes over the same time by a net total over $300 billion and offset it in any feasible way by cuts in basic social programs. Even if Congress were willing to go along with additional social cuts, we would still be left with a highly expansionary and inflationary program.

This is not just one Democrat's view of the matter. Skepticism and downright disbelief are widespread within the economic and financial communities. Remove the emotional and partisan trappings from this package and get down to hard-headed economic analysis, and you will hear a different verdict than what is likely to be reached here today.

Let me cite some examples to elaborate my point, Mr. President. For example, the May 7, 1981 Wall Street Journal contained a front page article that I found worrisome entitled "Wall Street Is Greeting President's Program With Jitters, Turmoil." The article went on to say that "a top White House official concedes that the recent turmoil in the financial markets 'indicates a lack of confidence in the President's program'."

This sentiment was compounded by economic pundit Henry Kaufman of the New York investment banking firm of Salomon Brothers several weeks ago in a speech before the National Press Club. Dr. Kaufman, whose standing in financial circles is such that his words can influence markets, said that he was sympathetic toward the administration's goals, but he was completely at odds with its theory of economics. Discussing the administration's proposed tax cut and increases in defense spending, he said:

> The powerful stimulative combination of large tax cuts and sizable increases in defense spending is likely to more than offset the restraining influence of a slowing in Federal expenditures, even with some presumed revenue feedback from the tax cut. . . . The stimulants (in the Reagan package) are bound to have a greater demand multiplier impact than the negative impact coming from a slower growth in non-defense outlays.

Later in the speech he stated:

> The new fiscal policy, however, is exceedingly expansionary, does not pursue a course that fights inflation vigorously along the way, and will place nearly all the anti-inflation effort squarely on monetary policy. . . . Massive tax cuts, large leaps in defense spending, and a slowdown in other Government outlays will not, in my opinion, be enough. These measures will place an extraordinary strain on monetary policy, leading to further distortions in financial markets, much higher interest rates, and additional fragility of our financial systems.

The May 3, 1981 New York Times Magazine carried an article by leading MIT economist Lester Thurow, entitled "Undamming the American Economy" in which Dr. Thurow convincing argues that the Reagan administration's brand of supply-side economics will not, in fact, "undam the economy." Dr. Thurow writes:

> If the GNP is to resume growing, the monetary dam must be removed. But this means finding some technique other than recession for fighting inflation. The current administration has no such technique. It merely plans to pursue the old methods with greater vigor.

He further criticizes the administration for an unrealistic and unimaginative approach for dealing with our economic woes.

> But the Reagan Administration's proposed investment incentives are as poorly targeted as its savings incentives. . . . At the same time that its program to stimulate productivity is inadequate, the Reagan Administration has no new proposals for dealing with inflation. . . . it is not surprising that the Reagan Administration has drifted off into what Vice-President Bush once called "voodoo economics." Economic progress is ostensibly going to be restored without anyone having to sacrifice—except the poor. Tax cuts are the order of the day.

A case of the jitters at home has also been mirrored by our friends and allies abroad. During British Prime Minister Thatcher's visit to the United States several months ago, much talk centered on the topic of the economies of the United States and Great Britain—and the extent to which the two countries were proceeding down similar paths. There are, in fact, striking similarities between the two plans: Mrs. Thatcher promised sizable tax cuts, deep spending cuts, and an end to rampant inflation. She believed that excessive growth in the money supply was the root cause of that inflation and therefore promised to keep a tight rein over monetary policy. Finally, she promised to pare down the role of government overall. From all appearances, Ronald Reagan may be trying to ride that same wave with a plan of action that mirrors that of our close ally.

What has been the reaction of some of Mrs. Thatcher's own press to President Reagan's proposals? Let me cite a few quotes:

From the Financial Times:

> On the political side, Mr. Reagan has clearly committed all his formidable powers of persuasion to his program . . . the assumptions about growth and inflation are quite another matter, except for those so star-struck as to believe that Mr. Reagan's persuasive charm can alter the whole pattern of market behavior. . . . This is a road we have recently traveled and it did not arrive at the expected destination.

From the Daily Guardian:

> The rationale behind the Reagan Administration's tight money policy is essentially similar to Mrs. Thatcher's: if the government borrows less even in recession, then the private sector will be able to borrow more for productive investment. There is everything right with the objective, but sadly, everything wrong with the method.

Last, but not least, from the respected London Economist:

> Even if all the proposed tax cuts fought their way through a 1 or 2 percent rise in annual productivity by some improbable (but not impossible) supply-side magic, this would take at most 1 or 2 percent off the inflation rate, and the rest would have to be accomplished by monetary control or (this is the real hope) lower inflationary expectations leading to lower wage demands . . . Any American tug-of-war between bungled budgets and ever tighter money will be unremitting bad news all around the world.

The quote from the Financial Times dwells on a key element of the Reagan/Thatcher plan: The use of the "bully pulpit" as an economic tool for reducing inflationary expectations. The British people wanted "believing to make it so"—and elected Margaret Thatcher's party into office. But Britain's progress to date has shown that it takes more than unswerving faith to make her bold experiment work.

The administration's preoccupation with inflationary expectations has unsettled many people. Referring to a quote from the Reagan White Paper, "An Economic Plan for Recovery," which stated that "central to the new policy is the view that expectations play an important role in determining economic activity, inflation, and interest rates," Lawrence Chimerine, Chief Economist for Chase Econometrics Associations said bluntly, "The impact of expectations on the inflation process is very, very slow." William Fellner, an economist with the conservative American Enterprise Institute added, "Because most labor contracts run three years, there will be a lag of 3 or 4 years before a change in expectations produces a slower inflation rate." Irwin Kellner wrote in the February 1981 Manufacturers Hanover Economic Report:

> The probability of success (of the President's economic program) would be greater if less attention were paid to the relatively new and untested rational expectations theory and more emphasis were placed on the traditional, well-known and respected theories of balancing the budget, slowing money growth and providing additional economic incentives from business investment.

That these distinguished gentlemen—whose word is highly respected on Wall Street—find reason to be concerned with an important component of the Reagan package is cause for concern on my part. Others are skeptical of the underlying assumptions on which the package is based. Said Irving Shapiro, chairman of E. I. Dupont de Nemours and Company, "I have a lot of trouble with this new economic religion. No businessman would run his business on the basis of an untested thesis."

From abroad, the Swiss Journal de Geneve says:

> Like Lucky Luke, the cowboy who shoots faster than his shadow, Ronald Reagan has only one chance of succeeding: He has to take America by speed. . . . If a majority of Americans judge inflation to be unbeatable—for that matter the Reagan program doesn't contain any specific anti-inflation measure—one can confidently bet that current monetary tensions, which are keeping interest rates at high levels, will persist. . . .

As we debate this budget resolution, I will hazard a guess that Congress will pass legislation that will leave the administration's budget proposal more or less intact. However, I am not so sanguine about the fate of the tax proposals; I believe other colleagues of mine would echo these sentiments. Speaking of the Reagan tax proposal, Sam Nakagama, an economist with Kidder Peabody calls it "the most irresponsible fiscal program to be presented to the American people in our time. Reagan says he wants to shift 2–3 percent of the GNP to defense, 1 percent to energy and 1 percent to capital formation. How can he do that with a consumption tax cut?"

Said Fred Peck, an economist at the First Boston Corp., "No one except the administration ever expected tax cuts to increase savings substantially." The January 15 issue of Financial World quotes Lawrence Kudlow, formerly an economist at Bear Stearns, and currently Assistant Director for Economic Policy at OMB saying, "They can't cut the budget enough in 1981 and Kemp-Roth will just worsen Federal borrowing." As for the composition of the tax package, the March 1981 Dun's Review quotes Arthur Levitt, Jr., chairman of the American Stock Exchange as saying. "* * * capital gains tax cuts would help us more. Government must recognize the need to move financial assets from the less productive to the more productive part of our economy."

There are echoes of this skepticism from abroad. The February 16, 1981 issue of Forbes magazine quotes Roger Nightingale, an economist at the London brokerage house of Hoare Govett, Ltd. (and whom Forbes calls the "British Henry Kaufman") as saying:

> The U.S. supply siders say they'll encourage investment by changing the tax environment. Of course, you can make investment more attractive to industrialists, but at the expense of collecting less taxes. So your federal deficit goes up. How do you finance it? Do you increase consumer taxation—meaning that consumers spend less—so that extra capital equipment is not balanced on the consumption side? Or do you sell more bonds? But in that case industrialists either have less money to buy equipment or consumers have less money to buy new output.

The well-known Japanese newspaper Yomiuri Shimbun states:

> Although the President claims that the reduced tax revenues will be saved and encourage capital investment, isn't it possible that on the contrary consumer spending will increase, accelerate inflation . . .? The most essential question is, with only this policy will labor and management change their way of thinking and co-operate in the enhancement of productivity?

I hope that my colleagues will find these viewpoints and comments constructive during this debate on the first concurrent resolution on the budget. As I mentioned earlier, it troubles me that some of our conservative businessmen and investment analysts are sending out so many red flags on the Reagan administration's economic package.

For my part, I am most unhappy that the Senate Budget Committee has chosen to use the administration's economic assumptions as the basis for this resolution—rather than using CBO's numbers. As my good friend Senator HOLLINGS pointed out so well in his "Individual Views on the Budget Resolution," it will be virtually impossible for us to achieve a balanced budget by 1984 as the Republicans predict using these numbers. By 1984, the Republicans have magically waved away an early $45 billion deficit. They have assumed, among other things, a 1-percent cut in all functions for "waste, fraud, and abuse," a 40-percent pay absorption by the Defense Department, passage of Presidential impoundment powers legislation, and "additional cuts not yet proposed" to the tune of $22.8 billion in fiscal year 1984. In my opinion, this is nothing but sleight of hand.

Those are the Republican's own figures that they arrived at in their April 9 meeting. Instead of a balanced budget for fiscal year 1984, the Republicans were confronted with a $45 billion deficit. If one were to use the more reasonable, impartial figures of the Congressional Budget Office, the real deficit could approach a figure closer to $80 billion, making it the biggest deficit in the country's history.

Let me urge my colleagues to reflect on these facts and on some of the statements made by others in positions of responsibility here and abroad. I have quoted economists, academicians, businessmen, and press—all of whose opinions are widely solicited and wisely respected. As we proceed with the budget resolution, let us not be hesitant to listen to others "out there" who will ultimately know the impact of our decisions here, for the rise and fall of Reaganomics depends on them.

In conclusion, Mr. President, over the 3-year life of the Reagan tax proposal, taxes would be cut over $300 billion. During these same 3 years, the Administration will spend over $100 billion additional on national defense.

With $300 billion less revenue and $100 greater defense spending, there is no way on Earth that we can have a balanced budget by 1984.

Further, along the road to 1984, there will be greater Federal deficits, greater Federal borrowing engendering high interest rates, and greater inflation created by the consumption-oriented nature of the tax cuts.

That is why Wall Street and financial analysts are becoming concerned over the economic consequences of the Reagan tax plan.

That is why we should be concerned as well.

That is why we should vote against the budget resolution, which is predicated on the Reagan tax plan.

BUDGET RESOLUTION EXCESSIVE, INFLATIONARY BUT BETTER THAN NOTHING

Mr. PROXMIRE. Mr. President, I shall vote for the budget resolution with a heavy heart. I vote for it because it does place limits on the volume of Federal spending. Those limits are too high, much too high. I tried to cut those limits by $48.8 billion in the amendment I offered. The amendment would have balanced the budget. The Senate proposes in this budget a mamouth $48.8 billion deficit for 1982. That deficit will drive up prices, it will help keep interest rates at their present cruelly punishing level. Unfortunately, it is a fact of life that without this resolution the deficit would be even worse. The sentiment in the House and Senate where committees already push spending above the limits of this resolution makes that clear.

Mr. President, the first step in bringing high interest rates down is to stop fat increases in Government borrowing. How do we do that? One way: Balance the budget and run surpluses. Until we do, the greatest geniuses in the world at the Federal Reserve can not bring high interest rates under control. And high interest rates choke this economy, right now. Housing, automobiles, small business have their backs to the wall because the Federal Government borrows almost a trillion dollars a year—the average maturity of our $945 billion national debt is less than a year—and in the process drives interest rates right up to the sky.

So let us not kid ourselves. This budget resolution may keep the situation from getting worse than it otherwise would get. But it does not solve the problem. The people of this country want the budget balanced. And right now. We know that. How do we answer the simple question: "Why don't you cut spending enough to stop this immense increase in Federal borrowing every year?" Mr. President, I have been waiting for 3 years for the answer to that question. Every year I submit an amendment balancing the budget, and every year I get the same answer: "Not this year. Some other time." Mr. President, that simply is not good enough. I am going to continue to offer a balance budget amendment every year I remain in the Senate until we do it. When we do and only when we do will we begin to make a credible fight to bring inflation and high interest rates under control, and not until then.

Mr. KENNEDY. Mr. President, I oppose this budget resolution and I intend to vote against its final passage by the Senate.

All of us support a fair policy of budget restraint. All of us seek to reduce inflation and to restore prosperity. But we cannot support the unfair economic policy of unequal budget sacrifice which the administration has proposed.

The administration claims it has a mandate from the people for its program. But I do not believe that the American people voted last November to deny a college education to the sons and daughters of workers and the middle class. I do not believe that the American people voted last November to turn their backs on our public schools, on health care for our children, on housing for our cities, or on cost-of-living benefits for the millions of retired Americans for whom social security is an essential lifeline.

The figures we are talking about and voting upon are not just printouts from computer runs or numbers on a balance sheet.

This is not a time for silence, delay, or equivocation. Real human beings will suffer from untreated illness if these budget cuts are enacted into law. Real

workers will be put out of work. The elderly next winter will be left with a cruel choice between food on their tables and heat for their homes. Students will be forced to abandon their dream of a college education because they have lost their college loans. Teachers of reading and arithmetic will be fired from the public schools. School nutrition programs will be cut back for 14 million children. Infants will be born retarded because of cuts in protein supplements for their mothers.

There are those who suggest that no matter what the merits of our case, we should not resist the conservative tide. They suggest, in effect, that we try to ride the tide ourselves—or at least wait for a better political time to speak. But as Democrats, we stand for more than that. As Democrats, we must not run out on all those who have always depended on our party as their hope and their help. As Democrats, we must not run from our great political convictions for the convenience of the hour. As Democrats, we have always been, and we must always be, more than warmed-over Republicans.

The budget now before us is an unrelenting budget for the super-rich. It is antihealth, antieducation, antielderly, antipoor, and antimiddle class. It rests on a quicksand of quixotic economic myths that will make all our problems worse. It is a budget whose antigovernment bias is contrary to our best traditions and alien to all our hopes.

The plain fact is that we cannot renew our industrial base, revive our cities, or restore price stability without active effective government. I am convinced that the day for that kind of government will come again—and sooner than our opponents now foresee. And when it does, we will be ready.

We will be ready with new ideas, but they will not be retreads of the reactionary policies of this day. They will be rooted in the timeless and time-tested values of the Democratic Party—equity, compassion and a fair prosperity for all Americans.

Mr. THURMOND. Mr. President, the measure before the Senate, the first concurrent resolution on the budget for fiscal year 1982, represents another milestone along the road to a national economic recovery and a balanced Federal budget. I commend President Reagan and his administration for his foresight in charting what I believe is a proper course for this Nation's future, and I congratulate Senator DOMENICI for his leadership in bringing this package to the Senate for consideration.

This budget resolution represents a sharp and greatly needed break with past Federal policies in three critical areas. First, it contains the reconciliation instructions enacted by the Senate a few weeks ago that initiate the greatest reductions in previously adopted spending programs ever attempted. These curtailments are urgently needed to rein in runaway spending in a number of program areas. This passage will cut in half the otherwise anticipated rate of future increases in Federal outlays from in excess of 12 percent to about 6 percent, or an average annual decline of 1.1 percent in real terms. Clearly, the Federal Government's appetite for spending must be whetted, if we are to be successful in balancing the budget as soon as practicable and in getting inflation under control.

The second major policy change set in motion by this budget resolution is its allowance for the tax reduction package recommended by President Reagan. There are a number of reasons why the Reagan tax cut is necessary, Mr. President, but the bottom line is that the Federal Government has not only been spending too much, it also has been extracting too much from the pockets of working Americans and the vast majority of businesses. A sustained high rate of inflation over the last few years, combined with the progressively increasing percentage bite of the Federal income tax tables has pushed American families into higher tax brackets—a phenomenon known as bracket creep—thereby causing an actual decline in real incomes. This, in turn, has contributed to a decline in individual savings, a drop in work effort and employee productivity, and general stagnation in the economy.

In the business sector, American companies have found it increasingly difficult to build new plants and purchase modern equipment—the kind of investments that would create new jobs and enhance productivity. This has occurred because the current tax laws do not permit firms to recover the cost of capital expenditures in a realistic time, considering the rate at which prices of such recurring investments have been rising and the rapid writeoffs permitted competing firms in most other industrial nations. Thus, the accelerated, simplified depreciation schedules and investment credit modifications proposed by President Reagan are essential. They are essential, Mr. President, if we are to achieve the productivity advances and economic growth necessary to restore and preserve the U.S. position of world economic leadership. Of course, directly associated with this goal of economic strength among nations is the objective of further improving the standard of living for all our citizens here at home, especially those who are now without jobs or are underemployed.

Mr. President, this budget resolution not only follows the course of economic revitalization boldly charted by President Reagan, it also embraces a third, most important policy change initiated by our President—that of reviewing the decline in real spending for our Nation's defense. With the Soviet Union outspending the United States in nearly every military category and encouraging Communist aggression at every opportunity throughout the world, it is absolutely critical that we undertake a major reallocation of spending from domestic programs to national defense. This budget resolution begins that process of reallocation. It allows for increased defense spending at an average annual rate of 16.4 percent for fiscal years 1981–85, in contrast to an average real decline of 2.6 percent per year during the decade of the seventies.

Mr. President, we must, for our freedom's sake and that of our children, put our defense priorities first. Unfortunately, that has not been the case in the post-Korean war years, as Federal expenditures for defense and international affairs slipped dramatically from a level exceeding domestic spending, to a point in 1980 where, for every dollar spent on defense and international affairs, $4.32 was spent on domestic programs. We cannot afford for these trends to continue. Our economy cannot stand the strain of such rapid increases in social program spending, and our defensive bulwarks cannot stand further neglect. We are fortunate to be at peace today because our potential adversaries still respect our strength; however, that respect is declining, as our advantage in military capabilities is eroded in one area after another. If we are to preserve our freedom and world peace, there must be no room for doubts about the strength of this Nation's defenses or its ability to respond swiftly to crises wherever they may occur throughout the world.

Mr. President, these three major policy changes—slowing the overall rate of Federal spending growth, decreasing the tax burden, and reversing the decline in real defense expenditures—are vital to our Nation's future prosperity and security.

It is clear that, not only is this the new direction in which our Nation should go, but it also is the direction in which the majority of our citizens want to go. As I have traveled around my State and other parts of the Nation in recent months, my conviction that the American people want some dramatic changes has been reinforced. They think the Federal Government should spend far less; they want the budget to be balanced; they feel the tax burden is too great; and they think we must enhance our defense capabilities. I have heard from thousands of citizens by telephone, post card, telegram, and especially, by individual, often hand-written letters, who have overwhelmingly expressed their support for the Reagan program, as now embodied in this budget resolution. Many realize that some of the budget cuts will adversely affect them, but they are ready and willing to do their part. I have been most impressed by some of their comments. For example, an elderly gentleman from Anderson, S.C., remarked:

> I am seventy five years old and I receive Social Security checks and Medicare helps pay my medical bills. I will be delighted to have these items cut along with many others. I want my children and grandchildren to be able to live with a reasonably stable dollar.

Mr. President, such an unselfish willingness to sacrifice is noble and admirable. Admittedly, the more frequent and understandable reaction to budget cuts that hit home is quite different. In this particular instance, however, my constituent can be reassured by the fact that the President exempted social security retirement benefits and medicare from reductions, although there may yet have to be some adjustments in these program areas.

Another of my South Carolina constituents, the chairman of a small avia-

tion company, summarized his view of the President's program this way:

The proposed [aviation] user fees will be a massive blow to the aviation business, and comes at a time when our industry is still struggling under the traumatic effects of high fuel costs and excessive interest rates. . . . *In spite of these burdens, we are actively supporting the President's program* (italic added).

Mr. President, of course, I have also received mass mailings from groups who strongly oppose some part or parts of the President's program. The concerns of many of those who have written me and/or visited my office are understandable. As a matter of fact, there are a few specific areas in which the administration has recommended cuts that cause me particular concern. For example, reductions in already very limited veterans programs would cause hardships for some who have served their country with bravery and self-sacrifice. That is why I offered an amendment to this resolution to make some adjustments, within the overall ceiling established for the budget, in the veterans function. I would also like to indicate my strong approval of a decision made by the Budget Committee, through the adoption of an amendment offered by Senator ANDREWS, to restore cuts slated for rural electric and telephone cooperative programs. This was one area in which I felt the administration failed to accurately gage the importance of these modest Federal support programs to the economic health of rural America.

Mr. President, I fully realize that other Senators may have their particular concerns about specific budget reductions. Without a doubt, many worthwhile programs will have to be reduced. I am confident, however, that this administration is right in its overall approach, and I strongly support the economic recovery package. We can and we will continue to provide assistance to those who, through no fault of their own, are unable to adequately care for their own needs. President Reagan and his Cabinet have repeatedly emphasized this.

In the long run, however, those on the lower end of the economic ladder, the jobless, and American citizens generally, will benefit far more from a revitalized, growing economy than they will from a myriad of social programs. This budget resolution correctly outlines, in my opinion, the priorities which our Nation should follow. Furthermore, as a significant step in the legislative process, it moves us forward toward the goals of domestic economic health and stability, improved national security, and a new, well-deserved respect among other nations in the world community. It is my hope that this resolution will receive the overwhelming support of the Senate, just as the House earlier gave its strong endorsement to a very similar budget proposal.

BUDGETING THE COSTS OF REGULATIONS

● Mr. DURENBERGER. Mr. President, when the Senate talks about budgets and budget resolutions, the debates focus almost exclusively on taxes and spending. That focus is appropriate. Gradually, however, Congress is expanding the concept of spending and is looking at the Federal budget in the context of the national economy. This year yet another aspect of Federal spending has been introduced: the cost of regulation.

I want to call attention to section 9 of the first budget resolution dealing with regulatory costs. Section 9 recognizes the probable inflationary costs of regulations. It calls upon the President to implement a "zero net inflation impact" policy, and to keep an accounting of all new regulations which have a significant measurable cost to the economy.

Mr. President, I heartily endorse this policy.

The Federal Government uses a variety of tools to achieve national goals: Direct spending; taxation and tax exemptions; loans and credit authority; and finally, regulation.

We have always known that some regulations impose significant costs on those who must comply. Until recently, there seemed to be a consensus that the public benefit being purchased—whether it was clean air, clean water, safe toys, or equal employment opportunities—was worth the price. But, as we began using the regulatory tool to achieve an increasing number of national goals, complaints started coming in about the costs of compliance, the inflexibility of the regulatory approach used, and in some cases, the need for regulation. In the same way that the intergovernmental system has become overloaded, so our regulatory system has become overloaded—and costly, rigid, and dysfunctional to the realization of many important national goals.

The shortcomings of the regulatory process have been highly publicized. It is now fashionable to attack the entire system. And, it will be tempting, in this climate, to err on the side of too little regulation.

It is time for Congress to examine this issue of regulatory costs in an objective, comprehensive fashion. As a first step, we need to develop a scheme for looking at regulations in a comprehensive, comprehendable form. Such a scheme would organize regulations according to the national goals they are designed to meet, much as the budget format organizes spending programs by function. It would also be important to organize regulations from the perspective of the major industries affected, following the example of the Automobile Calendar recently published by the Regulatory Council.

Second, we need the information section 9 of the budget resolution calls for, information about costs. Although the executive branch has been requiring agencies to estimate costs and benefits for 2 years now, the success has been varied. Some agencies, notably EPA, received high marks for cost accounting; others are not doing so well.

The difficulties lie not so much with the willingness of the agencies to comply with the cost-benefit requirement, but with the undeveloped state of the science. Theoreticians have not reached a consensus about what costs should be measured: Direct, indirect, or some combination of both. Technicians have not reached consensus about how to measure the costs. Furthermore, the costs complying with one type of regulation often cannot be compared in a meaningful way with the costs of complying with others. Are the costs associated with smokestack scrubbers in any way comparable to the costs of hiring more minority employees? Despite the experience with estimating regulatory costs and benefits, the theory and the practice are still in the first stages of development. Congress can push the theoreticians and the technicians to accelerate their work by including policy statements in the budget resolution and by enacting a regulatory reform bill with a cost-benefit analysis requirement.

Third, the executive branch and the Congress must apply some constraints to regulatory costs. Even while the cost-accounting techniques are in the trial-and-error stage, we should look toward the development of a regulatory budget. I do not suggest that we set mandatory cost ceilings or "appropriate" regulatory authority to agencies in terms of dollar amounts. I do suggest that we begin debating regulatory cost levels, just as we now debate expenditure and tax levels; that we consider tradeoffs when it is clear not all our regulatory goals can be met simultaneously or in our preferred time frame; and that we consciously look for alternative, nonregulatory techniques to use in achieving our goals.

Mr. President, the task before us is difficult, but we must move ahead. Although the Congress does not write regulations, it enacts the laws that give birth to the regulations. We need to direct our attention to the resources allocated to compliance with an eye toward limiting those costs to appropriate levels. The policy contained in the first budget resolution is a step in the right direction.●

Mr. RIEGLE. Mr. President, I am voting against this committee's resolution because it has several critical defects.

First, it perpetuates massive Federal deficits which can only add to inflationary pressure and saddle our economy with sky-high interest rates.

The projected deficits as estimated by the Congressional Budget Office are $63 billion in 1981, $60 billion in 1982, $78 billion in 1983, and $88 billion in 1984. Even with the most optimistic economic assumptions developed by the Republican-controlled Budget Committee, the deficits as projected to be $63 billion in 1981, $54 billion in 1982, $52 billion in 1983, and $45 billion in 1984. We cannot afford deficits of this size.

It was these massive continuing Federal deficits that originally caused three Republican members of the Budget Committee to reject this same budget package now before us.

An effort was made to "paperover" these deficits with unrealistic or unspecified future "savings," but the hard fact remains that this package does not head toward a balanced budget, and the record high interest rates and instability in the financial markets at this time are grim, impartial evidence that this package is highly inflationary.

For those regions like the industrial Midwest, this is chilling news. We cannot

achieve reindustrialization or economic revitalization unless interest rates fall and massive new capital investment takes place. This package, as now constructed, virtually guarantees high interests for the next 4 years. I have fought to reduce these deficits in committee and on the floor, but these efforts were unsuccessful.

The second major deficit concerns major regional inequities in the pattern of spending cuts. I support a ceiling on Federal spending, and have previously supported the President on that issue, despite my differences on specific spending priorities. I support fiscal restraint as a necessary part of the fight against inflation.

However, as cochairman of the Northeast-Midwest Coalition I must state my view that the pattern of spending cuts will harm Michigan more than any other State, while States in the South and the West are asked to make far less sacrifice. We urged this administration to correct this inequity—their response was to deny its existence—despite overwhelming evidence to the contrary. To this must be added the fact that States in the upper Midwest have traditionally been shortchanged by the Federal Government vis-a-vis our tax payments to Washington so that the additional extra sacrifices our region is now being asked to make have crippling future implications for States like Michigan.

I have repeatedly said the Michigan will make its fair-share sacrifice in the interest of national economic recovery, but we cannot make a double- or triple-sized sacrifice—and I will use every resource at my command to prevent that kind of inequity.

It is also important to note that many vital human programs are either eliminated outright or cut to the bone, apparently for ideological reasons, while other programs like tobacco subsidies and western water projects are scarcely touched.

Major cuts in community action programs, job training, student loans, health care, community development, scientific research and training, alternative energy development including solar and gasohol, unemployment compensation, trade adjustment assistance, vocational education, low-income energy assistance. The minimum benefit under social security, economic development, nutrition programs, and dozens more will hurt countless people and communities across America. These are false savings that will cost us more in the longer run. Smaller individual program cuts, more widely distributed, would achieve the same overall dollar savings, and with greater benefit to our Nation.

One particularly mistaken aspect of this resolution is the sneak attack on social security recipients, in direct violation of President Reagan's much publicized pledge not to cut the social safety net. The change incorporated in this resolution would end the use of the Consumer Price Index as the annual cost-of-living adjustment factor, and would postpone the inflation catchup adjustment an additional 3 months starting in 1982. Four other groups of Federal retirees, including veterans, are also hurt by that recommended policy change contained in this resolution.

On two occasions during the debate on this package, I offered amendments which would have maintained the current practice on the cost-of-living adjustments, keeping President Reagan's promise to the Nation's retirees, and I also required other offsetting budget savings so that the overall budget totals were not increased. By votes of 42 to 49, and 44 to 54, these two amendments were defeated, largely on party line votes.

The third major defect is a massive 5-year buildup in defense spending that exceeds our realistic defense needs and our financial capacity. I have supported and continue to support needed substantial increases in defense spending, particularly for conventional capability, mobilization, rapid deployment, and better salaries to retain skilled personnel.

I strongly object to unlimited spending of additional billions for nuclear weapons which are excessive to our real need and provide no new security. I attempted to provide a somewhat smaller increase in defense spending, but that amendment was rejected. It is important to note that President Reagan is projecting a 5-year increase in defense spending that will be three times greater than the military cost buildup of the Vietnam war. I believe those aggregate expenditure levels are excessive, will divert scarce resources from our civilian economy, and prove to be highly inflationary. This, too, will lead to higher interest rates.

The fourth major defect involves the size and nature of the proposed tax cuts. The business portion is too small and fails to provide a major capital investment "front-load" that could move critically needed capital into reindustrialization, modernization, innovation, and job creation. Because the investment tax credit is not refundable, it will be useless to most of the domestic auto companies, and the critical supplier companies, large and small, now in loss positions. This is a disastrous oversight, both for the vital industrial sector and for Michigan.

Despite efforts to correct this obvious defect, the administration was unwilling to accept any change. One of many frustrating ironies is that special tools used by the auto industry, now depreciated over 2 years, will have a longer 5-year depreciation life under the tax plan in this resolution—a step in exactly the wrong direction for this capital-short industry.

The business tax cuts should also be more tightly targeted—and include incentives to encourage the rehabilitation and modernization of existing plants, rather than untargeted incentives that will hasten plant flight to new locations, presumably in the Sun Belt, subsidized by Federal tax incentives.

On the personal tax cut side, the 10–10–10 Roth-Kemp plan is unfair and overly stimulative to an economy experiencing runaway inflation and record high interest rates. We need total tax cut reforms like elimination of the marriage tax penalty, specific incentives for savings, where individuals and families could earn substantial interest on savings accounts, and dividends on stock free of Federal tax, where small family farms and family businesses could have an inheritance tax exemption to enable these farms and businesses to pass intact from one generation to another. We also should target the major portion of the tax cut to the middle-income wage earners; this program targets the largest benefits to those at the very high income levels. I find that unfair and poor economic strategy as well. I offered such alternative tax proposals in the Budget Committee; they were rejected.

Looking beyond today's vote, I intend to work cooperatively with the Reagan administration to face these problems and correct these defects as we act on these individual legislative items in the weeks and months ahead. I want a sound program that can succeed—one that is fair and will accomplish our goals of fiscal restraint, less inflation, targeted tax cuts, and major incentives for new capital investment and job creation. This is the only way to bring down interest rates, get people back to work, and enable the American people to get off the inflationary treadmill that is eroding our living standard.

We have only one chance to achieve this goal—so we must be careful to construct a program that is balanced and can win the broad confidence of our citizens and our financial decisionmakers.

The overall goals are sensible—and the general direction is correct—and President Reagan deserves great credit for focusing national attention on these overriding economic needs. Our task now is to adjust this program so it can actually meet the goals we made and which the country must accomplish. I am pledged to this task.

● Mr. DODD. Mr. President, I intend to oppose final passage of Senate Concurrent Resolution 19, the first budget resolution for fiscal year 1982. When I opposed passage of Senate Concurrent Resolution 9, the reconciliation resolution, I referred to the numerous examples of misplaced priorities it contained. We were asked, at that time, to accept crippling reductions in a wide range of programs which in the past have contributed to economic growth, development and the health of our Nation.

At the same time, that resolution failed to achieve needed savings in a number of areas where substantial reductions in real waste could be achieved. Cities and towns, efforts to achieve energy self-suffciency, and the education, health and well-being of our children and senior citizens all took second place to continued extravagance in procurement, bureaucratic frills, and military waste which will add nothing to our national security.

Now, we are asked to support a budget resolution which would not only reaffirm these wrong choices, but also add new distortions, misinformation and flawed policy prescriptions through widely disputed economic assumptions and provisions for a massive, multiyear, demand-oriented tax cut widely regarded as inflationary and unlikely to spur real economic growth.

We are asked to believe forecasts of inflation which have been judged as ex-

cessively optimistic by five out of the six economic organizations whose observations are contained in the report. We are also asked to believe forecasts of economic growth which are, again, judged as excessively optimistic by five out of six of these same organizations. And we are asked to accept spending targets which not only fail to address the pressing needs of communities and individuals across the Nation, but also underestimate by tens of billions of dollars the actual expenditures likely to be mandated by economic conditions created by these policies. If inflation is higher than predicted, the cost of entitlement programs, such as social security, and other programs linked to the inflation rate, will also be higher than predicted.

High interest rates, which will almost certainly coincide with higher inflation, will also increase spending above the projections, directly through higher interest costs to the Government, and indirectly through increased costs to businesses, higher prices, sluggish economic activity, increased joblessness, and ultimately through higher welfare and unemployment compensation costs.

I am particularly concerned about the proposals to weaken the social security benefit structure in the name of fighting inflation and preserving the soundness of the social security system. There is no doubt that the system needs reforming, but the best way to revive the system is to revive the economy. The administration's social security proposals reflect the wrong decisions made in the budget. These proposals take from those who can least afford to sacrifice, as does the budget as a whole.

I submit that our Nation is being subjected to a serious error in fiscal judgment when we are asked to ignore more than $4 billion in wasteful activity relating to water projects, consultant services, public relations, advertising, filmmaking and debt collection. However, my most serious objection lies in the revenue estimates that assume passage of the 3-year, 30-percent tax cut formerly known as Kemp-Roth. Proponents of this approach to tax-cutting argue that it is necessary in order to stimulate economic growth and that this growth will be so rapid that the tax cuts will pay for themselves. This view is inconsistent with the views of many economists of varying political persuasions who find one flaw after another in this analysis

Last year, for example, the Congressional Research Service estimated that in order for these general tax cuts to pay for themselves, nominal gross national product (GNP) would have to increase annually by roughly five times the amount of the direct revenue loss, which the administration acknowledges will exceed $200 billion in 1986. However, this required growth rate is roughly 50 percent greater than the already optimistic growth rates assumed by the administration in this budget and in this resolution.

In addition, the administration insists that this multiyear tax cut is necessary so that Americans will be encouraged to work, save, and invest and thus provide the basis for healthy national economic growth. However, inflationary pressures which have sapped and will continue to sap the purchasing power of most Americans are not likely to permit Americans to save much more than they have been saving over the recent past. I am distressed that this body saw fit to reject what, in my view, were substantial improvements in this approach.

The amendment offered by Senators MOYNIHAN and BRADLEY, for example, would have substituted a proposal developed in the Senate Finance Committee last year, in which nearly half of the tax reductions were explicitly targeted toward increases in productivity and capital formation and which would have produced a budget surplus by 1984.

I recognize the urgent need to restrain spending and reduce taxes, but the cuts made within this budget were destructive, rather than constructive. There are blatantly wrong choices made in this budget and the goals of reducing inflation and reviving the economy are seriously threatened by these choices. It is clear to me, Mr. President, that this proposal is unacceptable as a remedy for our economic problems, and for this reason, I am opposing it.●

Mr. HARRY F. BYRD, JR. Mr. President, the budget resolution now before the Senate has been justly described as a turning point.

It represents the first time in the 7-year history of the congressional budget process that a serious effort has been made to restrain the growth of Federal spending. Last year the cost of Government increased by 17 percent.

I commend the Budget Committee for bringing this improved situation, and I commend President Reagan for presenting and working for a significant reduction in spending growth. It is his courageous leadership that has made the difference.

I believe that as we approach a final vote on this important measure, it is useful to see just what it does. And that can best be done by looking first at what it does not do.

This resolution does not cut spending.

This resolution does not cut taxes.

Under the provisions of Senate Concurrent Resolution 19, spending in fiscal year 1982 will rise by $36 billion over the total for this year. Taxes will go up by a minimum of $50 billion.

These are not reductions but sizable increases.

What is being achieved in the Senate today is the passage of a resolution that charts a new course for the Federal Government.

If the present determination holds, this new course can lead to a sharp reduction in the rate of growth of Federal spending, which recently has run between 12 and 17 percent, and to a cutback in the proportion of income taken by the Federal Government, now at a record high.

I say "if the present determination holds" advisedly. On the floor of the Senate—and the House—significant victories have been won for the cause of fiscal responsibility. But at the same time, reports from the committee rooms of both Houses show clearly that the special interests clamoring for "business as usual" spending have only begun to fight. And they have won some skirmishes.

So even as we pass this resolution, forces are at work to undermine its objectives. The fight has only begun.

The first concurrent resolution on the budget is a significant milestone, but the debate on this measure has highlighted two important problems.

The first is what might be called the "Battle of the Estimates." Obviously, in preparing a budget, one must proceed on some assumptions as to what will happen in the economy in the year ahead. Economic conditions affect both revenues and outlays.

The difficulty is that there is no consensus about the course of the economy over the next year and a half.

For example, for calendar 1982, professional forecasts of real growth in the gross national product range from 2.1 percent to 4.9 percent. Inflation projections range from 7.4 to 9.7 percent.

Under these circumstances, there is a natural tendency for advocates of each Federal budget proposal to adopt as gospel whatever set of estimates best suits their own prescription.

The result is that for every budget plan, there is an economist to justify it. "You pays your money and you takes your choice."

At the same time, the economic forecasters as a group have fallen victim to a credibility gap as a result of repeated bad guesses in recent years.

As a noneconomist who nevertheless has had some experience with Government finance, I would offer this observation:

While a great deal of attention has been paid to the impact of the economy on the budget, too little has been paid to the converse—the impact of the budget on the economy.

Let no one be so foolish as to suppose that actions in Washington do not heavily influence the economy. Not only do massive deficits lead to a huge debt and heavy Government borrowing, but Wall Street watches every jiggle of the money supply and the various interest rates. Decisions made on the floor of the Senate and at the Federal Reserve have an enormous impact on decisions made by businessmen, labor unions and consumers.

Moreover, the actions of the Government greatly influence economic expectations—the psychological climate in which buying and selling, building and contraction, take place all around the country.

I think that is one of the most important truths which President Reagan is trying to get across to the country.

If we can by our actions help to create a climate favorable to economic growth, then that growth is very likely to take place. And if we can demonstrate the will to restrain spending and fight inflation, inflation will very likely decline.

On the other hand, if the Congress backslides into its big spending habits of recent years, it is a sure bet that stagnation and inflation will continue.

So we bear a heavy responsibility. It is imperative that the Congress keep this responsibility in mind as it moves from the formation of general targets in this resolution to the nitty-gritty of authorizations and appropriations.

My own interpretation of the battle of the estimates is this:

There is no responsible or rational economic projection under which the Nation will be better off with a continuation of the bankrupt high-spending, high-tax policies of the past.

Therefore, the new course chartered by this resolution is the way we must go.

As the year goes by, there will be many debates over the merits of individual programs and over the proper shape of a tax reduction. That is as it should be.

But if we depart from the fundamental direction of this resolution, we shall be courting disaster.

The second difficulty highlighted in the budget debate could be called the dilemma of the deficit.

Let me say at the outset that this particular dilemma is one which I find most painful.

For many years I have fought to achieve a balanced budget.

In 1978 I sponsored legislation to require a balanced budget in fiscal year 1981—the current year—and thereafter. This legislation was passed by the Congress and signed into law by former President Carter.

But Congress has refused to obey its own law.

I have also sponsored an amendment to the Constitution which would require a balanced budget, and place a ceiling on Federal spending, except in time of emergency.

So far, Congress has not acted on that resolution, or on the many similar resolutions proposed by other Members of the Congress.

I remain convinced that a balanced budget policy—except in time of emergency—should be the law of the land.

The resolution before us, however, projects a deficit of $49 billion in fiscal year 1982, which begins on October 1, 1981.

Moreover, it projects figures for future years which would delay achievement of a balanced budget until fiscal year 1984, which does not begin for 2½ years.

I do not approve of the deficit envisioned by this resolution—nor the total spending which prompts it. Spending is still too high.

I joined with Senator PROXMIRE in sponsoring an amendment which would have produced a balanced budget in fiscal year 1982.

Moreover, I voted for other amendments to this budget resolution which would have reduced spending by $4.3 billion below the level recommended by the Budget Committee.

I believe the growth of spending could and should be cut more than it has been in this resolution.

But as I stressed earlier, this legislation charts a new course in the finances of the Federal Government.

Most importantly, it reverses the trend of recent years toward ever-increasing rates of growth in spending.

We have had budget resolutions before which have projected budget balance down the road—in that never-never land which we call the "outyears"—but in each case, those projections came packaged with a current year budget which continued the bankrupt, big spending policies of the past.

In those resolutions, the promises for the future were negated by the policies of the present.

Today we have a resolution which points the Nation in a new direction—a reduction in the continued escalation of Federal spending growth.

In my judgment, the spending restraints do not go far enough. I feel the spending level is too high. I do not feel the deficit level to be appropriate.

But I recognize that the resolution does represent some progress toward getting Government spending under control. For that reason, I support Senate Concurrent Resolution 19.

● Mr. BIDEN. Mr. President, the Senate, following the lead taken by the Senate Budget Committee, is moving quickly and decisively to adopt the President's economic program. The Budget Committee's report refers to the program before us as "a dramatic change in the spending and taxing policies that have governed the Federal Government."

This resolution proposes a major economic experiment. It proposes a combination of spending cuts and tax reductions which, its proponents say, will set the pace for an economic recovery with lower inflation, increasing productivity, and less unemployment.

I have no doubt that we are going to give this experiment a chance. I think it deserves that chance, and will vote for it for that reason.

However, I feel compelled to state that I am skeptical about the likelihood of this program's success.

I believe that too much is being claimed for the program. I cannot agree with some of the program priorities expressed in this resolution. I am concerned about the size of the deficits that may result. And most of all, I am concerned about whether the resolution, as revolutionary as it is, truly puts us on a path toward fiscal responsibility and restraint.

Mr. President, I supported the President's program of reducing spending when it was before us as the Reconciliation Instruction in Senate Concurrent Resolution 9. While I favored various changes in spending priorities, I nonetheless voted for the total package. I did so because I believe restraining Federal spending is essential.

I support the need for increased funds for our national defense.

I support reductions in the general tax burden of individuals whose taxes have been pushed ever upward by inflation.

I support tax reductions for business—reductions targeted to increase capital investment and productivity—as well as targeted cuts in individuals taxes for the same purpose.

And I support decreasing Federal regulation and involvement in our economy.

In other words, I support many of the President's goals.

But I am not at all convinced that his economic program—as embodied in this resolution—will actually achieve them.

A particular concern in this regard is the need to balance the Federal budget.

While this resolution is heralded as the beginning of a new direction in Federal budget policy, it does not actually provide for a budget that is balanced. In fact, it only contains a promise to try to balance the budget—4 years from now, in 1984.

If we implement all of the budget cuts and tax reductions for fiscal year 1982 that are contained in this resolution, the budget will still have a deficit of $45 billion or more in fiscal year 1984. This means we will need to make at least $45 billion in additional cuts to actually achieve a balanced budget in that year.

This is a serious defect in this economic program, in my judgment. The people of this Nation cannot stand continued, massive Federal deficits year after year. These deficits are devastating the credit markets, and pushing interest rates out of reach of individuals, farmers and businesses. There is no greater disincentive to capital investment for productivity growth than the difficulties in securing credit that exist today.

As we proceed in the next few months to carry out the budget policy contained in this resolution, we must do a better job of tailoring fiscal policy toward budget balance than this resolution does.

Another issue of major concern in this resolution is the extremely optimistic economic assumptions it contains.

The resolution assumes, for example, that inflation will drop to 5.5 percent by 1984. It assumes that unemployment will fall to 6.4 percent in the same period. And it assumes prolonged and substantial growth of GNP in the range of 4 to 5 percent each year.

Frankly, even if the President's program is a success, there is still a serious question about whether such dramatic improvements in the economy will be realized.

I do not raise this issue in order to have an academic debate over the likely course of the economy in the next few years. The question of the validity of the resolution's economic assumptions is a hardnosed question, since the validity of the resolution's budget policy rests on the validity of these assumptions.

For example, if inflation does not slacken as rapidly as expected, many spending programs will rise much more than anticipated, increasing budget outlays. If unemployment does not fall off as quickly as expected, further increases in budget outlays will occur. And if economic growth is not as steadily strong as expected, the whole effort to reverse fiscal policy may well fail.

In sum, I fear we may be headed into the same trap we have fallen into before—by seeing in the future what we want to see. It may be much more difficult to put our fiscal house in order under the terms of this resolution than the resolution assumes. Other estimates of the likely path of the economy forecast a much more gloomy picture, pointing to a deficit this year of $65 billion or more,

and a $50 billion deficit in 1984 under the President's program.

If the economic assumptions contained in this resolution are correct, all will be well. But if they fail by just a little, our goal of balancing the budget will be that much harder to achieve.

For this reason, I would be much more secure if we were using more moderate economic forecasts with some further adjustments of spending and revenue to reach a securely balanced budget in 1984. If we were using more moderate forecasts, I believe a majority of the committee would demand further changes in fiscal policy.

A third area of concern in this resolution is the program of tax changes it envisions.

Although I support tax reductions for both individuals and business, as I have stated, I cannot embrace the specific tax package contained in this resolution.

This package could be wildly inflationary, reducing revenues by $54 billion in 1982 and $150 billion by 1984. It could result in a deficit of more than $50 billion in 1984, when the budget should be balanced.

In addition, the individual tax reductions of $44 billion in 1982 and $118 billion by 1984 will not have major supply-side effect, any more than the several other tax reductions that have been enacted since I have served in the Senate. They will be demand-side cuts, bolstering consumer spending power.

I believe we should make supply-side tax cuts first, to increase supply before we stimulate consumer demand.

Finally, the individual tax cuts contained in the resolution give too great a proportion of the benefits to those taxpayers who least need it. These cuts do not give real relief to middle-income taxpayers, whose incomes have been most pinched by rising tax burdens.

In my judgment, a tax cut program such as the one proposed here yesterday by Senator HOLLINGS is far preferable. There should be an immediate reduction in business taxes targeted to increase investment and productivity.

This cut should be immediate, not phased in as proposed in the resolution, so that its effects will be felt as quickly as possible.

There should also be supply-side cuts in individual taxes, such as exemptions of interest and dividends of up to $2,000 per couple and a decrease in the marriage tax penalty. These steps should be followed next year by a general tax reduction for individuals as well as a decrease in corporate tax rates, especially for smaller businesses.

In addition to these broad concerns about this resolution, I also wish to state my specific concerns about two specific procedural proposals which are surfaced in the Budget Committee's report, and credited by that report with achieving some $12 billion in savings. I fear that we have no idea of the program impacts of these procedural changes.

I will state my concerns about these proposals only briefly here, because they are not really matters for consideration at this time. However, the committee has chosen to make them a part of its estimates, and some comment is therefore necessary.

The first proposal is to increase the President's impoundment power. I hasten to add that the committee report does not spell this out. It simply states that we must modify our "rescission procedures." But there is no doubt that the intention is to modify the provisions of the Congressional Budget and Impoundment Control Act of 1974 to increase the President's authority.

As we all know, this is the act which strengthened congressional control over the budget. It is the act which has been used successfully this year to implement the President's program.

I hope that later this year I can join my colleagues in strengthening still further congressional control over fiscal policy. I believe this is the right way to go. We will not achieve greater fiscal responsibility by weakening Congress or delegating its powers and responsibilities.

While I will withhold final comment until I see the specific proposals, we should be mindful at this time of the controversial issue which the committee's report raises here.

The second procedural proposal which concerns me is the proposal for an "automatic procedure" for cutting fraud, waste, and abuse from the budget.

This procedure would apparently withhold a flat percentage amount from the budget of every agency, which would then be placed under pressure to identify that amount of savings from the elimination of fraud, waste, and abuse.

If the money were truly needed to carry out legitimate program services, it could only be returned after a long and difficult series of investigations and public hearings which most departments would probably prefer to avoid.

What this means is that there will be a strong temptation, when no fat is left to cut, to cut into the meat and substance of Federal program expenditures. This proposal is, in effect, authority to the executive branch to impound funds regardless of the extent of fraud, waste, and abuse.

In the last analysis, this proposal may actually create more waste than it eliminates. The determination of which funds are truly needed will not be made until the fiscal year is 75 percent over, so that any agency which receives funds back at that time will have to rush to spend them in just 3 months—a sure recipe for wasteful spending.

I want to eliminate fraud, waste, and abuse as much as anyone here. But I seriously doubt the wisdom of trying to achieve that goal by taking a flat percentage out of every agency's budget with no knowledge of the program consequences.

In summation, Mr. President, I support President Reagan's goal of paring back Federal spending. I have had some differences with the administration on specific program issues, but I have always supported the goal of a restrained and prudent fiscal policy. I admire the President for the bold, forthright way he is proceeding.

I am, however, concerned that the President's efforts may be blunted by overly optimistic estimates of economic performance, a poorly designed tax reduction plan, some unwise spending changes which will have serious economic consequences in the long run, such as the proposal to disband Conrail, and faulty procedural changes. There are already indications that the financial markets share many of these concerns.

The importance of a return to balanced budgets and a stable Federal fiscal policy cannot be overemphasized. This must be the central element of any economic recovery plan. The President recognizes this, I know. But we must have a plan that will actually give us a balanced budget, not just promise one. And I fear that the program contained in this resolution may not be adequate to this task.●

● Mr. GLENN. Mr. President, I find it necessary to cast my vote against this budget resolution because it does not fight inflation, it does not balance the budget, and promises the people of this Nation more than it can deliver.

The resolution is flawed, I believe, because its foundation is laid in greatly overly optimistic assumptions with regard to interest rates, the rate of inflation, and other economic factors. Even so, it achieves an allegedly balanced budget in 1984 only by making further promises with regard to future, unidentified budget cuts exceeding $30 billion. And it assumes eventual approval of a tax cut proposal—the Kemp-Roth program of personal tax cuts of 10 percent a year for 3 years—that amounts to an experiment based more on hunch than on experience.

Mr. President, I favor well-targeted tax cuts on the business side that will enhance capital formation and investment. In fact, after all the talk about supply-side economics, the resolution does not do nearly enough to provide needed business capital. I favor tax cuts much more targeted to the needs of business than just hoping that sufficient spillover will occur from upper-income investors. But I find no reason for confidence that the tax cuts assumed by this resolution will lead to that needed investment in increased productivity and jobs.

I intend to continue to pursue tax changes more in line with that need, just as I voted twice for better-business-targeted tax proposals during consideration of this resolution.

Indeed, I believe the tax bill that this Congress will eventually approve later this year is of more importance than the budget-cutting targets of this nonbinding resolution because they will have a far longer impact on the economy than will this resolution.

I favor reduced Federal spending. I voted earlier for Senate Concurrent Resolution 9, which included the reconciliation instructions which are folded into this resolution as well. I may differ, and have during consideration of both of these resolutions, on the specific cuts targeted in any number of instances.

We have chopped programs which are aimed at greater productivity. I regret cuts that have been posed in energy research programs that might give us in-

dependence from OPEC oil, in science funds, and in other areas that affect our future ability to compete in the international marketplace.

I favor a balanced budget, and surely by 1984. But this resolution gives us that. only by making assumptions beyond anything approaching a realistic appraisal.

Mr. President, not long ago I received a letter from the mayor of Cleveland, George Voinovich, addressing a different area of concern. Mayor Voinovich, whose political faith is not the same as mine, enclosed a copy of a letter of the President dated April 24, 1981, in which he advised the President of earlier correspondence with the administration concerning complaints about major holes in the so-called safety net.

Mayor Voinovich wrote, and I quote:

> What is dismaying to me is the vagueness of the response by the inclusion of comments such as, it is believed, awaiting a formula, while specific figures are not available, and we can give no detailed figures on the points raised.

As the mayor wrote:

> This kind of response indicates to me that there has not been a great deal of research on how the proposed reductions will affect the lives of many city residents.

I can only agree with Mayor Voinovich, but my wonder encompasses more than city dwellers. We are gambling with an entire country and its economic future by taking this step down an uncharted path without benefit of greater and more careful consideration.●

● Mr. PELL. Mr. President, I have voted against the first budget resolution for fiscal year 1982, but with some reluctance. I strongly support the objectives of President Reagan's economic program—to control inflation and restore sound economic growth. To reach those objectives we must restrain Federal Government spending, provide targeted tax incentives to increase savings and investment, and move strongly toward a balanced budget.

The budget resolution presented by the Budget Committee moves in the right direction, but in my view makes reductions in some programs that are too severe, while providing a huge increase in defense spending which I believe would be wasteful and inflationary.

In addition, instead of providing for carefully targeted tax cuts, the resolution provides for across-the-board tax cuts that are too large.

Most importantly, as a result of the defense spending increases, and the oversized tax cuts, this resolution projects huge budget deficits, and in fact does not provide for a balanced budget within the next 3 years. This failure to move strongly toward a balanced budget, even with all of the cuts in domestic programs, is a serious flaw that must be corrected if we are to stand a chance of controlling inflation.

I hope these serious flaws can be corrected in the course of further congressional action on the budget, but I cannot support the budget resolution in its present form.●

Mr. ROBERT C. BYRD. Mr. President, passage by the Senate of the first budget resolution is a tribute to the President's popularity and power of persuasion. The fact that the Senate will pass this resolution reflects the national mood that his program be given a chance.

There are two ways to look at a budget. A budget can be the articulation of targets and goals. But as well as being a wish list, a budget should also be a blueprint which tells the Nation, with some degree of accuracy, where the Federal budget will be in the next fiscal year and in the several fiscal years down the road.

I will vote for this budget resolution because I hope that the President will succeed in meeting his optimistic economic assumptions of high levels of growth, with significantly lower price increases and interest rates. I share his goal of reduced domestic spending, increased defense spending, and significant tax reductions. And I will vote to give the President a chance to achieve his targets and goals.

But I have severe reservations about this budget as an accurate blueprint for the coming years. Because the budget assumes $27 billion in unidentified savings; because it employs unrealistically optimistic economic assumptions; because it fails to account for a second tax bill which the administration has promised; because it assumes a change in the cost-of-living adjustment for social security and other programs—I do not believe that the budget will be balanced in fiscal year 1984 as this resolution promises.

I hope I am wrong. I am voting in support of this resolution because I want to give the administration's economists and budget experts the benefit of the doubt. But as I look at their track record to date, I am not encouraged.

This resolution provides for total outlays in fiscal year 1981 of $662.7 billion. During congressional consideration of the second budget resolution for fiscal year 1981, which this resolution amends, Caspar Weinberger, speaking for the President, promised that outlay levels could be held to $620 billion in this fiscal year. If the administration misestimated the spending levels for this fiscal year by $43 billion in a matter of a few months, one must wonder whether their blueprint for a balanced budget 3 years from now is likely to prove accurate.

In the last several months, I have talked with thousands of my constituents from West Virginia. The message I receive is largely consistent. Many of them are concerned about the impact and the fairness of some of the budget cuts. Many of them are skeptical about the Kemp-Roth tax cut. Many of them do not think the President's plan will work. But they overwhelmingly believe that his program deserves a chance.

I truly hope that the economy experiences the dramatic recovery the administration predicts.

I truly hope that inflation will drop from 11.1 to 8.3 percent in just 1 year, and to 6.2 percent the following year. I must admit that as much as I hope to see these dramatic improvements, my expectation is that we may be disappointed.

This first budget resolution is a target, and only a target. There is nothing binding about it. My vote for it is not an endorsement of Kemp-Roth. Nor do I endorse the administration's rosy economic assumptions. Nor do I want to give the impression that the budget can be balanced under the administration's program.

I have very serious doubts that the 1984 budget is balanced on anything other than paper.

I think that the balanced budget in this resolution is based on unsound projections and juggled figures—some of which were produced out of thin air.

I am very doubtful that the $45 billion deficit for fiscal year 1984 that the Budget Committee projected prior to the Easter recess has been eliminated. I believe it has been disguised behind blue smoke and mirrors.

Also, I doubt that the Congress will agree to increase Presidential impoundment powers.

I believe that the $27 billion in unidentified savings can fairly be characterized "as a gleam in Mr. Stockman's eye." I find it curious that the Budget Committee would include unidentified savings which work to reduce the deficit, but fail to include the revenue loss from the unidentified provisions of the second tax bill which the administration has promised, and which would of course increase the deficit.

Although all of these doubts concerning this resolution are serious, perhaps my most serious doubt is the assumption of savings by reducing benefits for millions of retirees in this country. Whether the COLA is changed or the savings result from the social security changes the President proposed today, the hole in the promised social safety net is growing larger.

We are asked to assume that the Congress will enact legislation that was revealed only today. No hearings have been held. Most of us have not had an opportunity to review anything other than the briefing materials. Yet, we have to assume savings of $7.9 billion in fiscal year 1982, $7.3 billion in fiscal year 1983, and $7.4 billion in fiscal year 1984. I, for one, have serious doubts that this administration and this budget resolution will achieve these savings.

The President will receive a victory in the passage of this first budget resolution. His program is being given a chance. But it is my genuine hope that he will be willing to relent on the issue of Kemp-Roth, and recognize that a tax cut which only gives 20 percent of its revenue to productivity will not bring about the supply-side response necessary to effect the economic recovery which we all desire. Victory for the President in this first target budget resolution should not be misinterpreted by the public or the administration as a mandate for Kemp-Roth. It is not.

When the tax bill is written in the Ways and Means and Finance Committees, there will be substantial changes made to the President's tax program. I would urge the administration to work cooperatively with the Congress in framing a tax cut which truly will bring the supply-side response which most of us now feel is necessary.

In my remarks on the Senate floor summing up the Democratic strategy on the reconciliation resolution, I said:

From the start Democrats have had a strategy to deal with the budget. All along we have said we would support the dimensions of the President's cuts, disagree on some of the specifics, and rework his tax proposal. We have witnessed that strategy at work this week. We will see it at work throughout the long budget cycle.

Mr. President, this continues to be the strategy of Senate Democrats. Some Senators from my side of the aisle will vote against the resolution because of the dimension of the tax cuts which it assumes, because of their disagreement over the economic assumptions, or because they do not believe that the budget can be balanced in fiscal year 1984. Some will vote "no" because they disagree with the spending priorities. Others, like myself, for reasons I have explained, will vote for this resolution.

But in the final analysis, when all the votes have been tallied, it will be clear, I believe, that the Senate is giving the President's program its chance.

Mr. BAKER. Mr. President, I know of no other amendments; none have been ordered. The time for disposition of this matter has arrived.

HOUSE CONCURRENT RESOLUTION 115

I move that the Senate proceed to the consideration of Calendar No. 83, House Concurrent Resolution 115, revising the congressional budget for the U.S. Government for the fiscal year 1981 and setting forth the congressional budget for the U.S. Government for the fiscal years 1982, 1983, and 1984.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (H. Con. Res. 115) revising the congressional budget for the United States Government for the fiscal year 1981 and setting forth the congressional budget for the United States Government for the fiscal years 1982, 1983, and 1984.

The PRESIDING OFFICER. The resolution is privileged and the motion is not debatable.

UP AMENDMENT NO. 94

Mr. DOMENICI. Mr. President, on behalf of the Budget Committee, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New Mexico (Mr. DOMENICI) proposes an unprinted amendment numbered 94.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, I call attention to the fact that the amendment would have to be read if an objection were made, but I have already asked the distinguished majority leader if there is anything in the amendment new, above and beyond the matter or material contained in the Senate resolution which has been debated now for 4 days. The distinguished majority leader answered in the negative.

I asked if the amendment as sent to the desk would be mathematically consistent in every respect. The majority leader answered in the affirmative.

I asked explanations for the reasons why the amendment was being offered, and I received the explanations. They were satisfactory.

I have no objection.

Mr. BAKER. Mr. President, I thank the minority leader.

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

The amendment is as follows:

On page 2, line 2, strike "$603,300,000,000)" and insert in lieu thereof, "$599,900,000,000".

On page 2, line 4, strike "$8,900,000,000)" and insert in lieu thereof, "$8,600,000,000".

On page 2, line 6, strike "719,050,000,000" and insert in lieu thereof, "$716,000,000".

On page 2, line 8, strike "$660,000,000,000" and insert in lieu thereof, "$662,700,000,000".

On page 2, line 11, strike "—$56,700,000,000" and insert in lieu thereof, "$62,800,000,000".

On page 2, line 13, strike "$994,100,000,000" and insert in lieu thereof, "$999,800,000,000".

On page 2, line 13, insert "temporary" before "statutory".

On page 2, line 15, strike "$9,100,000,000" and insert in lieu thereof, "$91,100,000,000".

On page 2, strike lines 16 through 21.

On page 3, line 5, strike "$180,700,000,000" and insert in lieu thereof, "$181,000,000,000".

On page 3, line 6, strike "$162,100,000,000" and insert in lieu thereof, "$162,900,000,000".

On page 3, line 8, strike "$23,600,000,000" and insert in lieu thereof, "$23,300,000,000".

On page 3, line 9, strike "$11,250,000,000" and insert in lieu thereof, "$11,000,000,000".

On page 3, line 11, strike "$6,450,000,000" and insert in lieu thereof, "6,500,000,000".

On page 3, line 14, strike "$7,050,000,000" and insert in lieu thereof, "$7,000,000,000".

On page 3, line 15, strike "$9,600,000,000" and insert in lieu thereof, "$9,800,000,000".

On page 3, line 17, strike "$10,650,000,000" and insert in lieu thereof, "$10,400,000,000".

On page 3, line 23, strike "$6,350,000,000" and insert in lieu thereof, "$6,600,000,000".

On page 3, line 24, strike "$3,050,000,000" and insert in lieu thereof, "$3,400,000,000".

On page 4, line 1, strike "$24,800,000,000" and insert in lieu thereof, "$25,000,000,000".

On page 4, line 2, strike "$23,700,000,000" and insert in lieu thereof, "$23,900,000,000".

On page 4, line 4, strike "$9,200,000,000" and insert in lieu thereof, "$8,000,000,000".

On page 4, line 5, strike "$12,200,000,000" and insert in lieu thereof, "$11,300,000,000".

On page 4, line 8, strike "$32,000,000,000' and insert in lieu thereof, "$30,800,000,000".

On page 4, line 9, strike "$31,750,000,000" and insert in lieu thereof, "$31,800,000,000".

On page 4, line 11, strike "$72,200,000,000" and insert in lieu thereof, "$71,800,000,000".

On page 4, line 12, strike "$66,800,000,000" and insert in lieu thereof, "$66,400,000,000".

On page 4, line 14, strike "$250,350,000,000" and insert in lieu thereof, "$250,200,000,000".

On page 4, line 15, strike "$227,300,000,000" and insert in lieu thereof, "$229,700,000,000".

On page 4, line 17, strike "$23,000,000,000" and insert in lieu thereof, "$23,300,000,000".

On page 4, line 18, strike "$22,600,000,000" and insert in lieu thereof, "$22,800,000,000".

On page 4, line 20, strike "$4,250,000,000" and insert in lieu thereof, "$4,400,000,000".

On page 4, line 21, strike "$4,550,000,000" and insert in lieu thereof, "$4,700,000,000".

On page 4, line 23, strike "$5,150,000,000" and insert in lieu thereof, "$5,300,000,000".

On page 4, line 24, strike "$4,900,000,000" and insert in lieu thereof, "$5,000,000,000".

On page 5, line 1, strike "$6,200,000,000" and insert in lieu thereof, "$6,100,000,000".

On page 5, line 4, strike "$79,000,000,000" and insert in lieu thereof, "$79,500,000,000".

On page 5, line 5, strike "$79,000,000,000" and insert in lieu thereof, "$79,500,000,000".

On page 5, line 7, strike "$1,200,000,000" and insert in lieu thereof, "$0".

On page 5, line 8, strike "$1,200,000,000" and insert in lieu thereof, "$0"

On page 5, line 10, strike "$29,300,000,000" and insert in lieu thereof, "$28,800,000,000".

On page 5, line 11, strike "$29,300,000,000" and insert in lieu thereof, "$28,800,000,000".

On page 5, strike lines 18 and 19, and insert in lieu thereof, "Budget Act of 1974, that for the fiscal years beginning on October 1, 1981, October 1, 1982, and October 1, 1983:".

On page 5, line 21, strike, "$657,800,000,000", and insert in lieu thereof, "as follows:

Fiscal Year 1982: $650,300,000,000;
Fiscal Year 1983: $709,100,000,000;
Fiscal Year 1984: $770,700,000,000;"

On page 5, strike line 23, and insert in lieu thereof, "creased as follows:

Fiscal Year 1982: $51,300,000,000;
FiscalYear 1983: $97,100,000,000;
Fiscal Year 1984: $144,800,000,000;"

On page 5, line 25, strike "$764,550,000,000" and insert in lieu thereof, "——— as follows:

Fiscal Year 1982: $775,900,000,000;
Fiscal Year 1983: $812,600,000,000;
Fiscal Year 1984: $865,000,000,000;"

On page 6, strike line 2, and insert in lieu thereof, "as follows:

Fiscal Year 1982: $700,800,000,000;
Fiscal Year 1983: $730,500,000,000;
Fiscal Year 1984: $770,700,000,000;"

On page 6, line 5, strike "—$31,000,000,000" and insert in lieu thereof, "as follows:

Fiscal Year 1982: $50,500,000,000;
Fiscal Year 1983: $21,400,000,000;
Fiscal year 1984: $0;"

On page 6, line 7, strike "$1,000,000,000,000" and insert in lieu thereof, "as follows:

Fiscal Year 1982: $1,092,000,000,000;
Fiscal Year 1983: $1,155,100,000,000;
Fiscal Year 1984: $1,198,400,000,000;"

On page 6, at the end of line 7, insert "temporary".

On page 6, strike line 9, and insert in lieu thereof, "creased is as follows:

Fiscal Year 1982: $92,200,000,000;
Fiscal Year 1983: $63,100,000,000;
Fiscal Year 1984: $43,300,000,000;"

On page 6, strike line 15, and insert in lieu thereof, "that, for the fiscal years beginning on October 1, 1981, October 1, 1982, and October 1, 1983, the".

On page 6, strike lines 20 and 21, and insert in lieu thereof,

"Fiscal Year 1982:

(A) New budget authority, $226,200,000,000;

(B) Outlays, $188,800,000,000.

Fiscal Year 1983:

(A) New budget authority, $254,300,000,000;

(B) Outlays, $221,100,000,000.

Fiscal Year 1984:

(A) New budget authority, $289,200,000,000;

(B) Outlays, $250,300,000,000.

On page 6, strike lines 23 and 24 and insert in lieu thereof,

"Fiscal Year 1982:

(A) New budget authority, $16,800,000,000;

(B) Outlays, $11,100,000,000.

Fiscal Year 1983:

(A) New budget authority, $16,100,000,000;

(B) Outlays, $11,500,000,000.

Fiscal Year 1984:

(A) New budget authority, $17,200,000,000;

(B) Outlays, $12,000,000,000."

On page 7, strike lines 1 and 2, and insert in lieu thereof,

"Fiscal Year 1982:

(A) New budget authority, $7,200,000,000;

(B) Outlays, $7,000,000,000.

Fiscal Year 1983:
(A) New budget authority, $7,700,000,000;
(B) Outlays, $7,300,000,000.
Fiscal Year 1984:
(A) New budget authority, $7,200,000,000;
(B) Outlays, $7,200,000,000."
On page 7, strike lines 4 and 5, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $4,400,000,000;
(B) Outlays, $6,900,000,000.
Fiscal Year 1983:
(A) New budget authority, $3,800,000,000;
(B) Outlays, $6,500,000,000.
Fiscal Year 1984:
(A) New budget authority, $2,800,000,000;
(B) Outlays, $4,900,000,000."
On page 7, strike lines 7 and 8, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $8,400,000,000;
(B) Outlays, $12,800,000,000.
Fiscal Year 1983:
(A) New budget authority, $10,700,000,000;
(B) Outlays, $11,800,000,000.
Fiscal Year 1984:
(A) New budget authority, $10,800,000,000;
(B) Outlays, $10,900,000,000."
On page 7, strike lines 10 and 11, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $5,400,000,000;
(B) Outlays, $4,600,000,000.
Fiscal Year 1983:
(A) New budget authority, $6,400,000,000;
(B) Outlays, $4,700,000,000.
Fiscal Year 1984:
(A) New budget authority, $5,400,000,000;
(B) Outlays, $4,900,000,000."
On page 7, strike lines 13 and 14, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $8,300,000,000;
(B) Outlays, $4,500,000,000.
Fiscal Year 1983:
(A) New budget authority, $5,200,000,000;
(B) Outlays, $4,200,000,000.
Fiscal Year 1984:
(A) New budget authority, $5,800,000,000;
(B) Outlays, $3,800,000,000."
On page 7, strike lines 16 and 17, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $21,700,000,000;
(B) Outlays, $21,000,000,000.
Fiscal Year 1983:
(A) New budget authority, $20,800,000,000;
(B) Outlays, $20,100,000,000.
Fiscal Year 1984:
(A) New budget authority, $21,300,000,000;
(B) Outlays, $20,100,000,000."
On page 7, strike lines 19 and 20, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $7,000,000,000;
(B) Outlays, $9,200,000,000.
Fiscal Year 1983:
(A) New budget authority, $7,500,000,000;
(B) Outlays, $7,800,000,000.
Fiscal Year 1984:
(A) New budget authority, $7,800,000,000;
(B) Outlays, $7,600,000,000."
On page 7, strike lines 23 and 24, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $26,800,000,000;
(B) Outlays, $27,400,000,000.
Fiscal Year 1983:
(A) New budget authority, $26,900,000,000;
(B) Outlays, $26,600,000,000.
Fiscal Year 1984:
(A) New budget authority, $26,100,000,000·
(B) Outlays, $26,100,000."
On page 8, strike lines 1 and 2, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $83,600,000,000;
(B) Outlays, $73,400,000,000.
Fiscal Year 1983:
(A) New budget authority, $90,800,000,000;
(B) Outlays, $80,900,000,000.
Fiscal Year 1984:
(A) New budget authority, $99,600,000,000;
(B) Outlays, $88,900,000,000."
On page 8, strike lines 4 and 5, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $263,900,000,000;
(B) Outlays, $238,200,000,000.
Fiscal Year 1983:
(A) New budget authority, $286,800,000,000;
(B) Outlays, $253,000,000,000.
Fiscal Year 1984:
(A) New budget authority, $307,500,000,000;
(B) Outlays, $270,300,000,000."
On page 8, strike lines 7 and 8, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $24,500,000,000;
(B) Outlays, $23,900,000,000.
Fiscal Year 1983:
(A) New budget authority, $25,500,000,000;
(B) Outlays, $25,100,000,000.
Fiscal Year 1984:
(A) New budget authority, $26,500,000,000;
(B) Outlays, $26,000,000,000."
On page 8, strike lines 10 and 11, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $4,300,000,000;
(B) Outlays, $4,500,000,000.
Fiscal Year 1983:
(A) New budget authority, $4,500,000,000;
(B) Outlays, $4,500,000,000.
Fiscal Year 1984:
(A) New budget authority, $4,700,000,000;
(B) Outlays, $4,700,000,000."
On page 8, strike lines 13 and 14, and insert in lieu thereof,
Fiscal Year 1982:
(A) New budget authority, $5,000,000,000;
(B) Outlays, $4,800,000,000.
Fiscal Year 1983:
(A) New budget authority, $5,200,000,000;
(B) Outlays,$5,000,000,000.
Fiscal Year 1984:
(A) New budget authority, $5,300,000,000;
(B) Outlays, $5,300,000,000."
On page 8, strike lines 16 and 17, and insert in lieu thereof:
Fiscal year 1932:
(A) New budget authority, $6,400,000,000;
(B) Outlays, $6,400,000,000.
Fiscal year 1983:
(A) New budget authority, $6,500,000,000;
(B) Outlays, $6,500,000,000.
Fiscal year 1984:
(A) New budget authority, $6,900,000,000;
(B) Outlays, $6,800,000,000."
On page 8, strike lines 18 and 20, and insert in lieu thereof,
Fiscal year 1982:
(A) New budget authority, $89,500,000,000;
(B) Outlays, $89,500,000,000.
Fiscal year 1983:
(A) New budget authority, $93,700,000,000;
(B) Outlays, $93,700,000,000.
Fiscal year 1984:
(A) New budget authority, $94,600,000,000;
(B) Outlays, $94,600,000,000."
On page 8, strike lines 22 and 23, and insert in lieu thereof,
Fiscal year 1982:
(A) New budget authority, $0;
(B) Outlays, $0.
Fiscal year 1983:
(A) New budget authority, —$20,400,000,000;
(B) Outlays, —$20,400,000,000.
Fiscal year 1984:
(A) New budget authority, —$27,800,000,000;
(B) Outlays, —$27,800,000,000."
Beginning on page 8, line 25, strike out everything through page 9, line 1, and insert in lieu thereof,
Fiscal year 1982:
(A) New budget authority, —$33,500,000,000;
(B) Outlays, —$33,500,000,000.
Fiscal year 1983:
(A) New budget authority, —$39,400,000,000;
(B) Outlays, —$39,400,000,000.
Fiscal year 1984:
(A) New budget authority, —$45,900,000,000;
(B) Outlays, —$45,900,000,000.
On page 9, line 6, strike "$55,970,000,000" and insert in lieu thereof "$51,452,000,000".
On page 9, line 8, strike "$78,620,000,000" and insert in lieu thereof, "$85,626,000,000".
On page 9, strike line 10, and insert in lieu thereof, "$70,042,000,000".
On page 9, line 13, strike the word "primary" and insert in lieu thereof, "gross".
On page 9, line 18, strike "primary" and insert in lieu thereof, "gross".
On page 9, line 19, after "$30,000,000" insert the following, "of which $0 shall be secondary loan guarantee commitments."
On page 9, strike lines 20 and 21.
On page 9, line 23, strike "$8,230,000,000" and insert in lieu thereof, "$11,183,000,000".
On page 9, line 24, strike the word "primary" and insert in lieu thereof, "gross".
On page 9, line 25, strike "$8,340,000,000" and insert in lieu thereof, "$11,043,000,000 of which $0 shall be secondary loan guarantee commitments."
On page 10, strike lines 1 and 2.
On page 10, line 4, strike "$0" and insert in lieu thereof, "$144,000,000".
On page 10, line 5, strike the word "primary" and insert in lieu thereof, "gross".
On page 10, line 6, strike "$0" and insert in lieu thereof, "$0, of which $0 shall be secondary loan guarantee commitments."
On page 10, strike lines 7 and 8.
On page 10, line 10, strike "$1,100,000,000" and insert in lieu thereof, "$4,504,000,000".
On page 10, line 11, strike the word "primary" and insert in lieu thereof, "gross".
On page 10, line 12, strike "$2,640,000,000" and insert in lieu thereof, "$6,502,000,000 of which $0 shall be secondary loan guarantee commitments."
On page 10, strike lines 13 and 14.
On page 10, line 16, strike "$20,000,000" and insert in lieu thereof, "$24,000,000".
On page 10, line 17, strike the word "primary" and insert in lieu thereof, "gross".
On page 10, line 18, after "$0" insert the following, "of which $0 shall be secondary loan guarantee commitments."
On page 10, strike lines 19 and 20.
On page 10, line 22, strike "$7,530,000,000" and insert in lieu thereof, "$8,878,000,000".
On page 10, line 23, strike the word "primary" and insert in lieu thereof "gross".
On page 10, line 24, strike "$2,430,000,000" and insert in lieu thereof, "$3,597,000,000 of which $0 shall be secondary loan commitments."
On page 11, strike lines 1 and 2.
On page 11, line 4, strike "$14,150,000,000" and insert in lieu thereof, "$13,689,000,000".
On page 11, line 5, strike the word "primary" and insert in lieu thereof, "gross".
On page 11, line 6, strike "$35,730,000,000" and insert in lieu thereof, "$121,175,000,000 of which $69,542,000,000 shall be secondary loan guarantee commitments."
On page 11, strikes lines 7 and 8.
On page 11, line 10, strike "$150,000,000" and insert in lieu thereof, "$475,000,000".
On page 11, line 11, strike the word "primary" and insert in lieu thereof, "gross".
On page 11, line 12, strike "$1,140,000,000" and insert in lieu thereof, "$1,504,000,000 of which $0 shall be secondary loan guarantee commitments."
On page 11, strike lines 13 and 14.
On page 11, line 16, strike "$850,000,000" and insert in lieu thereof, "$841,000,000".

On page 11, line 17, strike the word "primary" and insert in lieu thereof, "gross".

On page 11, line 18, strike "$80,000,000" and insert in lieu thereof, "$1,280,000,000 of which $0 shall be secondary loan guarantee commitments."

On page 11, strike lines 19 and 20.

On page 11, line 23, strike "$920,000,000" and insert in lieu thereof, "$1,424,000,000".

On page 11, line 24, strike the word "primary" and insert in lieu thereof, "gross".

On page 11, line 25, strike "$5,200,000,000" and insert in lieu thereof, "$6,197,000,000 of which $500,000,000 shall be secondary loan guarantee commitments."

On page 12, strike lines 1 and 2.

On page 12, line 4, strike "$90,000,000" and insert in lieu thereof, "$93,000,000".

On page 12, line 5, strike the word "primary" and insert in lieu thereof, "gross".

On page 12, line 6, strike "$100,000,000" and insert in lieu thereof, "$175,000,000 of which $0 shall be secondary loan guarantee commitments."

On page 12, strike lines 7 and 8.

On page 12, line 10, strike "$300,000,000 and insert in lieu thereof, "$2,959,000,000".

On page 12, line 11, strike the word "primary" and insert in lieu thereof, "gross".

On page 12, line 12, strike "$14,790,000,000" and insert in lieu thereof, "$17,446,000,000 of which $0 shall be secondary loan guarantee commitments."

On page 12, strike lines 13 and 14.

On page 12, line 16, strike "$550,000,000" and insert in lieu thereof, "$648,000,000".

On page 12, line 17, strike the word "primary" and insert in lieu thereof, "gross".

On page 12, line 18, strike "$7,380,000,000" and insert in lieu thereof, "$7,383,000,000 of which $0 shall be secondary loan guarantee commitments."

On page 12, strike lines 19 and 20.

On page 12, line 23, strike the word "primary" and insert in lieu thereof, "gross".

On page 12, line 24, after "$0", insert the following, "of which $0 shall be secondary loan guarantee commitments."

On page 13, strike lines 1 and 2.

On page 13, line 4, strike "$21,840,000,000" and insert in lieu thereof, "$31,000,000".

On page 13, line 5, strike the word "primary" and insert in lieu thereof, "gross".

On page 13, line 6, strike "$0" and insert in lieu thereof "$31,000,000 of which $0 shall be secondary loan guarantee commitments."

On page 13, strike lines 7 and 8.

On page 13, line 10, strike "$140,000,000" and insert in lieu thereof, "$145,000,000".

On page 13, line 11, strike the word "primary" and insert in lieu thereof, "gross".

On page 13, line 12, strike "$760,000,000" and insert in lieu thereof, "$756,000,000 of which $0 shall be secondary loan guarantee commitments."

On page 13, strike lines 13 and 14.

On page 13, line 17, strike the word "primary" and insert in lieu thereof, "gross".

On page 13, line 18, after "$0" insert the following "of which $0 shall be secondary loan guarantee commitments."

On page 13, strike lines 19 and 20.

On page 13, line 23, strike the word "primary" and insert in lieu thereof, "gross".

On page 13, line 24, after "$0" insert the following, "of which $0 shall be secondary loan guarantee commitments."

On page 14, strike lines 1 and 2.

On page 14, line 5, strike the word "primary" and insert in lieu thereof, "gross".

On page 14, line 6, after "$0" insert the following, "of which $0 shall be secondary loan guarantee commitments."

On page 14, strike lines 7 and 8.

On page 14, strike lines 9 through 17, and insert in lieu thereof,

"(c) It is the sense of the Congress that the President through administrative actions should limit in fiscal year 1982 total Federal Financing Bank origination of direct loans guaranteed by other Federal agencies to $16,460,000,000; and Federal Financing Bank purchases of loan assets from Federal agencies to $6,531,000,000. It is the further sense of Congress that direct borrowing transactions of Federal agencies should be, to the maximum extent possible, restricted to the Federal Financing Bank."

On page 14, line 18, strike everything after "SEC. 204" through page 15, line 24, and insert in lieu thereof,

"It shall not be in order in the House or the Senate during fiscal years 1981 and 1982 to consider any bill, resolution, or amendment authorizing new direct loan obligations or new loan guarantee commitments unless that bill, resolution, or amendment also provides that the authority to make or guarantee such loans shall be effective only to such extent or in such amounts as are contained in appropriation Acts."

On page 16, line 1, strike everything through page 21, line 23.

On page 21, line 24, strike everything through page 22, line 12.

On page 22, strike lines 17 and 18, and insert in lieu thereof,

"SEC. 301. Congress hereby determines and declares that it is necessary to make changes in enacted laws in order to reduce budget authority by $14,667,000,000, and outlays by $2,353,000,000, in fiscal year 1981; to reduce budget authority by $52,825,000,000 and outlays by $36,945,000,000, in fiscal year 1982; to reduce budget authority by $59,228,000,000, and outlays by $47,694,000,000, in fiscal year 1983; and to reduce budget authority by $68,074,000,000, and outlays by $56,937,000,000, in fiscal year 1984."

Beginning with page 22, line 23, strike everything through page 23, line 3, and insert in lieu thereof, "to reduce outlays by $163,000,000 in fiscal year 1981; to reduce budget authority by $232,000,000 and outlays by $693,000,000 in fiscal year 1982; to reduce budget authority by $400,000,000 and outlays by $362,000,000 in fiscal year 1983; and to reduce budget authority by $520,000,000 and outlays by $525,000,000 in fiscal year 1984; and"

Beginning with "$1,928,000,000" on page 23, line 9, strike lines 9 through 14, and insert in lieu thereof, "$525,000,000 in budget authority and $3,000,000 in outlays for fiscal year 1981; $2,026,000,000 in budget authority and $1,932,000,000 in outlays for fiscal year 1982; $2,656,000,000 in budget authority and $2,616,000,000 in outlays for fiscal year 1983; and $3,153,000,000 in budget authority and $3,066,000,000 in outlays for fiscal year 1984."

On page 23, strike lines 19 through 24 and insert in lieu thereof, "to reduce budget authority by $233,000,000 and outlays by $233,000,000 in fiscal year 1981; to reduce budget authority by $966,000,000 and outlays by $936,000,000 in fiscal year 1982; to reduce budget authority by $899,000,000 and outlays by $899,000,000 in fiscal year 1983; and to reduce budget authority by $511,000,000 and outlays by $511,000,000 in fiscal year 1984."

On page 24, strike lines 6 through 11, and insert in lieu thereof, "outlays as follows: $7,146,000,000 in budget authority and $143,000,000 in outlays for fiscal year 1981; $14,139,000,000 in budget authority and $808,000,000 in outlays for fiscal year 1982; $16,534,000,000 in budget authority and $1,669,000,000 in outlays for fiscal year 1983; and $18,789,000,000 in budget authority and $2,632,000,000 in outlays for fiscal year 1984."

On page 24, strike lines 17 through 22 and insert in lieu thereof, "follows: $39,000,000 in budget authority and $40,000,000 in outlays for fiscal year 1982; $53,000,000 in budget authority and $34,000,000 in outlays for fiscal year 1983; and $72,000,000 in budget authority and $69,000,000 in outlays for fiscal year 1984."

On page 25, strike lines 3 through 8, and insert in lieu thereof, "$808,000,000 and outlays by $725,000,000 in fiscal year 1982; to reduce budget authority by $1,681,000,000 and outlays by $1,532,000,000 in fiscal year 1983; and to reduce budget authority by $2,785,000,000 and outlays by $2,590,000,000 in fiscal year 1984; and"

On page 25, strike lines 14 through 19, and insert in lieu thereof, "as follows: $2,460,000,000 in budget authority and $402,000,000 in outlays for fiscal year 1981; $9,956,000,000 in budget authority and $8,082,000,000 in outlays for fiscal year 1982; $11,586,000,000 in budget authority and $10,440,000,000 in outlays for fiscal year 1983; and $14,014,000,000 in budget authority and $12,486,000,000 in outlays for fiscal year 1984."

Beginning on page 25, line 25, strike everything through page 26, line 5, and insert in lieu thereof, "$215,000,000 and outlays by $149,000,000 in fiscal year 1981; to reduce budget authority by $787,000,000 and outlays by $1,103,000,000 in fiscal year 1982; to reduce budget authority by $1,082,000,000 and outlays by $1,716,000,000 in fiscal year 1983; and to reduce budget authority by $1,355,000,000 and outlays by $2,247,000,000 in fiscal year 1984; and"

On page 26, strike lines 11 through 16, and insert in lieu thereof, "as follows: $1,764,000,000 in budget authority and $29,000,000 in outlays for fiscal year 1981; $4,885,000,000 in budget authority and $4,138,000,000 in outlays for fiscal year 1982; $5,251,000,000 in budget authority and $4,976,000,000 in outlays for fiscal year 1983; and $5,297,000,000 in budget authority and $5,261,000,000 in outlays for fiscal year 1984."

Beginning with page 26, line 22, strike everything through page 27, line 2, and insert in lieu thereof, "as follows: $1,050,000,000 in budget authority and $301,000,000 in outlays for fiscal year 1982; $600,000,000 in budget authority and $367,000,000 in outlays for fiscal year 1983; and $435,000,000 in budget authority and $531,000,000 in outlays for fiscal year 1984."

On page 27, strike lines 3 through 13, and insert in lieu thereof,

"(8) The House Committee on Interior and Insular Affairs shall report changes in laws within the jurisdiction of that committee sufficient to reduce appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $331,000,000 in budget authority and $84,000,000 in outlays for fiscal year 1981; $815,000,000 in budget authority and $369,000,000 in outlays for fiscal year 1982; $796,000,000 in budget authority and $564,000,000 in outlays for fiscal year 1983; and $774,000,000 in budget authority and $654,000,000 in outlays for fiscal year 1984."

On page 27, strike lines 19 through 23, and insert in lieu thereof, "$116,000,000 in budget authority and $13,000,000 in outlays for fiscal year 1982; $133,000,000 in budget authority and $81,000,000 in outlays for fiscal year 1983; and $144,000,000 in budget authority and $124,000,000 in outlays for fiscal year 1984."

On page 28, strike lines 4 through 9, and insert in lieu thereof, "$39,000,000 and outlays by $39,000,000 in fiscal year 1981; to reduce budget authority by $242,000,000 and outlays by $242,000,000 in fiscal year 1982; to reduce budget authority by $479,000,000 and outlays by $479,000,000 in fiscal year 1983; and to reduce budget authority by $641,000,000 and outlays by $641,000,000 in fiscal year 1984; and"

On page 28, strike lines 15 through 20 and insert in lieu thereof, "outlays as follows: $147,000,000 in budget authority and $15,000,000 in outlays for fiscal year 1982; $60,000,000 in budget authority and $32,000,000 in outlays for fiscal year 1983; and $71,000,000 in budget authority and $60,000,000 in outlays for fiscal year 1984."

Beginning on page 28, line 25, strike everything through page 29, line 5, and insert in lieu thereof, "Law 93-344 sufficient to reduce outlays by $513,000,000 in fiscal year 1982;

to reduce outlays by $414,000,000 in fiscal year 1983; and to reduce outlays by $357,000,000 in fiscal year 1984; and"

On page 29, strike lines 11 through 16, and insert in lieu thereof, "as follows: $4,737,000,000 in budget authority and $4,650,000,000 in outlays for fiscal year 1982; $6,304,000,000 in budget authority and $6,324,000,000 in outlays for fiscal year 1983; and $7,390,000,000 in budget authority and $7,371,000,000 in outlays for fiscal year 1984."

Beginning on page 29, line 21, strike everything through page 30, line 2, and insert in lieu thereof, "Public Law 93-344 sufficient to reduce outlays by $185,000,000 in fiscal year 1982; to reduce outlays by $900,000,000 in fiscal year 1983; and to reduce outlays by $1,365,000,000 in fiscal year 1984; and"

On page 30, strike lines 8 through 13, and insert in lieu thereof, "outlays as follows: $2,350,000,000 in budget authority and $68,000,000 in outlays for fiscal year 1981; $6,446,000,000 in budget authority and $1,033,000,000 in outlays for fiscal year 1982; $5,122,000,000 in budget authority and $2,697,000,000 in outlays for fiscal year 1983; and $6,241,000,000 in budget authority and $4,381,000,000 in outlays for fiscal year 1984."

On page 30, strike lines 19 through 24, and insert in lieu thereof, "follows: $82,000,000 in budget authority and $35,000,000 in outlays for fiscal year 1981; $78,000,000 in budget authority and $39,000,000 in outlays for fiscal year 1982; $90,000,000 in budget authority and $59,000,000 in outlays for fiscal year 1983; and $102,000,000 in budget authority and $83,000,000 in outlays for fiscal year 1984."

On page 31, strike lines 6 through 11, and insert in lieu thereof, "lows: $97,000,000 in budget authority and $67,000,000 in outlays for fiscal year 1981; $526,000,000 in budget authority and $390,000,000 in outlays for fiscal year 1982; $564,000,000 in budget authority and $541,000,000 in outlays for fiscal year 1983; and $554,000,000 in budget authority and $533,000,000 in outlays for fiscal year 1984."

On page 31, strike lines 12 through 21 and insert in lieu thereof,

"(15) (A) The House Committee on Veterans' Affairs shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $14,000,000 and outlays by $14,000,000 in fiscal year 1981; to reduce budget authority by $32,000,000 and outlays by $32,000,000 in fiscal year 1982; to reduce budget authority by $28,000,000 and outlays by $28,000,000 in fiscal year 1983; and to reduce budget authority by $24,000,000 and outlays by $24,000,000 in fiscal year 1984; and

"(B) The House Committee on Veterans' Affairs shall also report changes in laws within the jurisdiction of that committee sufficient to reduce appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $414,000,000 in budget authority and $375,000,000 in outlays for fiscal year 1982; $397,000,000 in budget authority and $404,000,000, in outlays for fiscal year 1983; and $522,000,000 in budget authority and $520,000,000 in outlays for fiscal year 1984."

On page 32, strike lines 2 through 7, and insert in lieu thereof, "$36,000,000 and outlays by $195,000,000 in fiscal year 1981; to reduce budget authority by $3,791,000,000 and outlays by $8,427,000,000 in fiscal year 1982; to reduce budget authority by $3,445,000,000 and outlays by $4,492,000,000 in fiscal year 1983; and to reduce budget authority by $3,637,000,000 and outlays by $9,907,000,000 in fiscal year 1984; and"

On page 32, strike lines 13 through 18, and insert in lieu thereof, "lows: $978,000,000 in budget authority and $994,000,000 in outlays for fiscal year 1982; $1,294,000,000 in budget authority and $1,312,000,000 in outlays for fiscal year 1983; and $1,647,000,000 in budget authority and $1,675,000,000 in outlays for fiscal year 1984."

Beginning on page 32, line 25, strike everything through page 33, line 6, and insert in lieu thereof: "Public Law 93-314 sufficient to reduce outlays by $163,000,000 in fiscal year 1981; to reduce budget authority by $474,000,000 and outlays by $928,000,000 in fiscal year 1982; to reduce budget authority by $659,000,000 and outlays by $618,000,000 in fiscal year 1983; and to reduce budget authority by $794,000,000 and outlays by $795,000,000 in fiscal year 1984; and"

On page 33, strike lines 13 through 18, and insert in lieu thereof, "$645,000,000 in budget authority and $3,000,000 in outlays for fiscal year 1981; $3,243,000,000 in budget authority and $3,200,000,000 in outlays for fiscal year 1982; $4,011,000,000 in budget authority and $3,961,000,000 in outlays for fiscal year 1983; and $4,613,000,000 in budget authority and $4,517,000,000 in outlays for fiscal year 1984."

Beginning on page 33, line 23, strike everything through page 34, line 3, and insert in lieu thereof, "sufficient to reduce budget authority by $233,000,000 and outlays by $233,000,000 in fiscal year 1981; to reduce budget authority by $966,000,000 and outlays by $966,000,000 in fiscal year 1982; to reduce budget authority by $899,000,000 and outlays by $899,000,000 in fiscal year 1983; and to reduce budget authority by $511,000,000 and outlays by $511,000,000 in fiscal year 1984."

On page 34, strike lines 9 through 14, and insert in lieu thereof, "thority and outlays as follows: $6,146,000,000 in budget authority and $133,000,000 in outlays for fiscal year 1981; $15,460,000,000 in budget authority and $958,000,000 in outlays for fiscal year 1982; $18,412,000,000 in budget authority and $2,274,000,000 in outlays for fiscal year 1983; and $21,303,000,000 in budget authority and $3,882,000,000 in outlays for fiscal year 1984."

On page 34, strike lines 15 through 25, and insert in lieu thereof,

"(4) (A) The Senate Committee on Commerce, Science, and Transportation shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $150,000,000 and outlays by $150,000,000 in fiscal year 1982; to reduce budget authority by $300,000,000 and outlays by $300,000,000 in fiscal year 1983; and to reduce budget authority by $450,000,000 and outlays by $450,00,000 in fiscal year 1984; and

"(B) The Senate Committee on Commerce, Science, and Transportation shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $1,558,000,000 in budget authority and $884,000,000 in outlays for fiscal year 1982; $1,598,000,000 in budget authority and $1,328,000,000 in outlays for fiscal year 1983; and $1,465,000,000 in budget authority and $1,337,000,000 in outlays for fiscal year 1984."

On page 35, strike lines 6 through 11, and insert in lieu thereof, "and outlays as follows: $2,071,000,000 in budget authority and $106,000,000 in outlays for fiscal year 1981; $3,714,000,000 in budget authority and $3,404,000,000 in outlays for fiscal year 1982; $3,660,000,000 in budget authority and $3,628,000,000 in outlays for fiscal year 1983; and $3,604,000,000 in budget authority and $3,711,000,000 in outlays for fiscal year 1984."

On page 35, strike lines 16 through 19, and insert in lieu therof, "Law 93-344, sufficient to reduce outlays by $185,000,000 in fiscal year 1982; to reduce outlays by $900,000,000 in fiscal year 1983; and to reduce outlays by $1,365,000,000 in fiscal year 1984; and"

Beginning on page 55, line 25, strike everything through page 36, line 5, and insert in lieu thereof, "thority and outlays as follows: $2,350,000,000 in budget authority and $68,000,000 in outlays for fiscal year 1981; $4,935,000,000 in budget authority and $793,000,000 in outlays for fiscal year 1982; $3,035,000,000 in budget authority and $1,872,000,000 in outlays for fiscal year 1983; and $3,500,000,000 in budget authority and $2,826,000,000 in outlays for fiscal year 1984."

On page 36, strike lines 10 through 15, and insert in lieu thereof, "to reduce budget authority by $212,000,000 and outlays by $295,000,000 in fiscal year 1981; to reduce budget authority by $4,354,000,000 and outlays by $3,354,000,000 in fiscal year 1982; to reduce budget authority by $4,494,000,000 and outlays by $10,870,000,000 in fiscal year 1983; and to reduce budget authority by $4,618,000,000 and outlays by $11,761,000,000 in fiscal year 1984; and"

Beginning on page 36, line 21, strike everything through page 37, line 2, and insert in lieu thereof, "follows: $96,000,000 in budget authority and $112,000,000 in outlays for fiscal year 1982; $114,000,000 in budget authority and $132,000,000 in outlays for fiscal year 1983; and $149,000,000 in budget authority and $177,000,000 in outlays for fiscal year 1984."

On page 37, strike lines 8 through 13, and insert in lieu thereof, "lays as follows: $1,050,000,000 in budget authority and $301,000,000 in outlays for fiscal year 1982; $600,000,000 in budget authority and $367,000,000 in outlays for fiscal year 1983; and $435,000,000 in budget authority and $531,000,000 in outlays for fiscal year 1984."

On page 37, strike lines 18 through 23, and insert in lieu thereof, "93-344, sufficient to reduce outlays by $513,000,000 in fiscal year 1982; to reduce outlays by $414,000,000 in fiscal year 1983; and to reduce outlays by $357,000,000 in fiscal year 1984; and"

On page 38, strike lines 4 through 9, and insert in lieu thereof, "and outlays as follows: $4,776,000,000 in budget authority and $4,690,000,000 in outlays for fiscal year 1982; $6,360,000,000 in budget authority and $6,388,000,000 in outlays for fiscal year 1983; and $7,462,000,000 in budget authority and $7,440,000,000 in outlays for fiscal year 1984."

On page 38, strike lines 15 through 20, and insert in lieu thereof, "follows: $116,000,000 in budget authority and $13,000,000 in outlays for fiscal year 1982; $133,000,000 in budget authority and $81,000,000 in outlays for fiscal year 1983; and $144,000,000 in budget authority and $124,000,000 in outlays for fiscal year 1984."

On page 39, strike lines 1 through 6, and insert in lieu thereof, "thority by $39,000,000 and outlays by $49,000,000 in fiscal year 1981; to reduce budget authority by $658,000,000 and outlays by $622,000,000 in fiscal year 1982; to reduce budget authority by $1,601,000,000 and outlays by $1,495,000,000 in fiscal year 1983; and to reduce budget authority by $2,702,000,000 and outlays by $2,551,000,000 in fiscal year 1984; and"

On page 39, strike lines 12 through 17 and insert in lieu thereof, "thority and outlays as follows: $2,388,000,000 in budget authority and $414,000,000 in outlays for fiscal year 1981; $10,303,000,000 in budget authority and $7,928,000,000 in outlays for fiscal year 1982; $12,363,000,000 in budget authority and $10,913,000,000 in outlays for fiscal year 1983; and $15,224,000,000 in budget authority and $13,525,000,000 in outlays for fiscal year 1984."

Beginning on page 39, line 23, strike everything through page 40, line 3, and insert in lieu thereof, "lays as follows: $97,000,000 in budget authority and $67,000,000 in outlays for fiscal year 1981; $526,000,000 in budget authority and $390,000,000 in outlays for fiscal year 1981; $564,000,000 in budget au-

thority and $541,000,000 in outlays for fiscal year 1983; and $554,000,000 in budget authority and $533,000,000 in outlays for fiscal year 1984."

On page 40, strike lines 4 through 13, and insert in lieu thereof,

"(13)(A) The Senate Committee on Veterans' Affairs shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of Public Law 93-344, sufficient to reduce budget authority by $14,000,000 and outlays by $14,000,000 in fiscal year 1981; to reduce budget authority by $32,000,000 and outlays by $32,000,000 in fiscal year 1982; to reduce budget authority by $28,000,000 and outlays by $28,000,000 in fiscal year 1983; and to reduce budget authority by $24,000,000 and outlays by $24,000,000 in fiscal year 1984; and

"(B) the Senate Committee on Veterans' Affairs shall also report changes in laws within the jurisdiction of that committee sufficient to require reductions in appropriations for programs authorized by that committee so as to achieve savings in budget authority and outlays as follows: $414,000,000 in budget authority and $375,000,000 in outlays for fiscal year 1982; $397,000,000 in budget authority and $404,000,000 in outlays for fiscal year 1983; and $522,000,000 in budget authority and $520,000,000 in outlays for fiscal year 1984."

On page 40, between lines 13 and 14, insert the following,

"SEC. 302a. The Committees on Appropriations of the House and Senate shall report not later than June 5, 1981, legislation to reduce previously enacted appropriations by $13,300,000,000 in budget authority and $1,500,000,000 in outlays for fiscal year 1981; by $3,200,000,000 in outlays for fiscal year 1982; by $1,800,000,000 in outlays for fiscal year 1983; and by $1,100,000,000 in outlays for fiscal year 1984."

On page 40, line 24, strike "June 15, 1981" and insert in lieu thereof, "May 31, 1981".

On page 40, strike lines 14 through 23.

On page 41, between lines 7 and 8, insert the following,

"SEC. 304a. The enactment of savings required by this resolution is critical to the health of the economy of the Nation; and

"Expeditious action on legislation pursuant to these instructions is critical to achieving the savings required by this resolution; and

"The Senate is committed to completing action on the savings legislation required by this resolution at the earliest possible time; and

"It is the sense of the Senate that Senate committees instructed in section 3(c)(1) through (c)(13) of this resolution should begin deliberations on the legislation those committees are required to report under this resolution as soon as the resolution is agreed to in the Senate; and

"It is the further sense of the Senate that Senate committees should report the legislation required by section 3(c) of this resolution as agreed to in the Senate, except to the extent that the amounts referred to may be modified in conference with the House of Representatives, by May 31, 1981."

On page 41, between lines 7 and 8, insert the following,

"SEC. 304b. The Senate Committee on Governmental Affairs should report changes in laws within the jurisdiction of that committee which would reduce the costs to the Government which result from waste, fraud, and abuse. Savings in appropriations and expenditures from trust funds from such statutory changes are estimated to be $700,000,000 in budget authority and $1,300,000,000 in outlays in fiscal year 1982; $1,000,000,000 in budget authority and $2,000,000,000 in outlays in fiscal year 1983; and $1,500,000,000 in budget authority and $3,000,000,000 in outlays in fiscal year 1984."

On page 41, strike lines 9 through 19, and insert in lieu thereof,

"SEC. 305. No bill or resolution providing new budget authority for fiscal year 1982 or providing new spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 in excess of the allocation to or report by a committee or subcommittee pursuant to section 302 of the Budget Act shall be enrolled until Congress has completed action on the Second Budget Resolution for that fiscal year as required to be reported under section 310 of the Budget Act; and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution or both."

On page 41, after line 19, insert the following:

"SEC. 306. It is the sense of the Congress that due to the extreme rate of inflation in the United States economy, the possible cost-of-living effects of Federal regulations and legislation shall be carefully monitored as part of a program of fiscal restraint. Cost-of-living effects should therefore be a prime consideration in developing both regulations and legislation. In order to coordinate the aggregate economic impact of regulations with Federal fiscal policy, it is the sense of Congress that the President should implement a "zero net inflation impact" policy for the regulations promulgated in the remainder of fiscal year 1981 and for fiscal year 1982. This policy will require the President to keep an accounting for fiscal year 1981 of all new regulations which have a significant, measurable cost to the economy. Cost-saving modification need not affect the same area of economic activity as the cost-inducing regulations. The President should institute an exemption procedure to assure the promulgation of regulations necessary to avert any imminent threat to health and safety."

(b) It is also the sense of Congress that the Director of the Congressional Budget Office should issue a periodic "inflation scorekeeping" report which shall contain an estimate of the positive or negative cost-of-living effects, wherever measurable, of legislation enacted to date in the current session of Congress. The report shall also indicate for each bill, promptly after it is reported by a committee of Congress, whether—

(1) it is judged to have no significant positive or negative impact on cost of living;

(2) it is judged to have a positive or negative cost-of-living impact on the amount specified in terms of both dollar amounts and change in the Consumer Price Index; or

(3) it is judged likely to have a significant positive or negative impact on cost of living, but the amount cannot be determined immediately.

Mr. DOMENICI. Mr. President, in order to go to conference with the House, it is necessary to amend the House-passed resolution so as to reflect the decisions of the Senate. The amendment that I have sent to the desk would change the House numbers so as to reflect our actions of the last few days.

In the past, we have gone to conference simply by offering a "strike and insert" amendment to the House resolution. Although this was a convenient method of getting to conference, it created an awkward post-conference procedure which unnecessarily complicated our deliberations.

Mr. President, this amendment incorporates the Senate decisions into the House resolution. It contains nothing more and nothing less. It strikes any additional House language not confirmed in the Senate resolution as amended.

In sum, it is nothing more than a procedural vehicle to get to conference with the House in an orderly manner as envisioned by the draftsmen of the Budget Act. By adopting this amendment and moving to final passage on the House resolution, we can finalize our consideration of the first concurrent budget resolution and go to conference with the House.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Mexico.

The amendment (UP No. 94) was agreed to.

Mr. SARBANES. Mr. President, will the majority leader yield for a question?

Mr. BAKER. Mr. President, I am happy to yield.

Mr. SARBANES. Mr. President, did I understand what has been included in the procedure is not different from what the Senate adopted in the course of considering its resolution?

Mr. BAKER. That is correct.

Mr. DOMENICI. That is correct.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the concurrent resolution, as amended.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS), is necessarily absent.

I further announce that, if present and voting, the Senator from Maryland (Mr. MATHIAS), would vote yea.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) is necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), would vote "yea."

The PRESIDING OFFICER. Are there any other Senators who wish to vote?

The result was announced—yeas 78, nays 20, as follows:

[Rollcall Vote No. 112 Leg.]

YEAS—78

Abdnor	Ford	Murkowski
Andrews	Garn	Nickles
Armstrong	Goldwater	Nunn
Baker	Gorton	Packwood
Baucus	Grassley	Percy
Bentsen	Hatch	Pressler
Biden	Hatfield	Proxmire
Boren	Hawkins	Pryor
Boschwitz	Hayakawa	Quayle
Bumpers	Heflin	Randolph
Burdick	Heinz	Roth
Byrd, Harry F., Jr.	Helms	Rudman
Byrd, Robert C.	Huddleston	Sasser
Chafee	Inouye	Schmitt
Chiles	Jackson	Simpson
Cochran	Jepsen	Specter
Cohen	Johnston	Stafford
D'Amato	Kassebaum	Stennis
Danforth	Kasten	Stevens
DeConcini	Laxalt	Symms
Denton	Long	Thurmond
Dixon	Lugar	Tower
Dole	Matsunaga	Wallop
Domenici	Mattingly	Warner
Durenberger	McClure	Zorinsky
East	Melcher	
	Mitchell	

NAYS—20

Bradley	Hollings	Pell
Cranston	Humphrey	Riegle
Dodd	Kennedy	Sarbanes
Eagleton	Leahy	Tsongas
Exon	Levin	Weicker
Glenn	Metzenbaum	Williams
Hart	Moynihan	

NOT VOTING—2

Cannon	Mathias

So the concurrent resolution (H. Con. Res. 115), as amended, was agreed to.

Mr. DOMENICI. Mr. President, I move to reconsider the vote by which the concurrent resolution was agreed to.

Mr. GOLDWATER. I move to lay that motion on the table.

Mr. HOLLINGS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized to make technical and clerical corrections in the engrossment of House Concurrent Resolution 115 so as to accurately reflect the decisions of the Senate.

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

Mr. DOMENICI. Mr. President, I move that the Senate insist upon its amendments, that the Senate request a conference with the House, and that the Chair be authorized to appoint conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. STEVENS) appointed Mr. DOMENICI, Mr. ARMSTRONG, Mrs. KASSEBAUM, Mr. BOSCHWITZ, Mr. HATCH, Mr. TOWER, Mr. ANDREWS, Mr. HOLLINGS, Mr. CHILES, Mr. BIDEN, Mr. METZENBAUM, and Mr. EXON conferees on the part of the Senate.

Mr. BAKER. Mr. President, if the other Senators have unanimous-consent requests I will yield for that purpose. Otherwise, Mr. President, I would like to take this opportunity to express my profound appreciation to the distinguished manager of the bill on behalf of the majority, Senator DOMENICI, and the manager on behalf of the minority, Senator HOLLINGS. Together they have preserved and extended the tradition of the Budget Committee in the Senate of acting in a bipartisan way in bringing to the Senate a measure that could be dealt with promptly and with dispatch and, I think, appropriate for the circumstances at the moment.

I think we passed a good resolution. I think it was a good spirit of accommodation on both sides of the aisle. I think it is remarkable indeed that in the course of the deliberations on this measure that we consumed 34½ hours of debate; we considered 22 amendments; we had 22 rollcall votes, to dispatch this matter, an important matter of legislative concern, I think, in a very effective and workmanlike way.

Mr. President, I wish to express my appreciation to the distinguished minority leader for his help and assistance in arriving at a reasonable schedule for the Senate and in helping arrive at an agreement for the reduction in time of so many amendments, and in assisting the majority in a bipartisan way to see that the Senate acted promptly, effectively, and in a most judicious way.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished majority leader for his kind remarks.

Mr. BAKER. Mr. President, I thank the minority leader.

Mr. President, I wish to express my appreciation to several Senators who offered amendments for their diligence and consideration for the requirements of the Senate in scheduling and the consideration they showed for the leadership for permitting us to move as we have now moved.

Mr. President, I wish to express my appreciation and respect to the distinguished staff of the Budget Committee on both sides of the aisle for their efforts, for their diligence, and for their very, very effective work on behalf of both the majority and minority.

Those staff members are: Stephen E. Bell, staff director; Lizbeth Tankersley, minority staff director; Robert Fulton, chief counsel; Sidney Brown, budget review chief; Carol Cox, legislative director; Andrew Ellis, counsel; Gail Fosler, chief economist; Pete Davis, senior economist for tax analysis; William Stringer, assistant to the staff director and senior economist; Kemble Stokes, chief economist, minority staff; and J. Thomas Sliter, special assistant to minority staff director.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, as a part of our arrangement for disposition of this resolution tonight, the distinguished junior Senator from Tennessee (Mr. SASSER) agreed to withdraw his amendment, which was a sense-of-the-Senate resolution. I represented that I would provide for the consideration of that measure as a free-standing resolution on tomorrow.

Let me proceed now, Mr. President, to try to arrange a schedule for tomorrow and for the remainder of this day.

Might I inquire, first, Mr. President, if it is not so that there is an order next to proceed to the consideration of the defense authorization bill?

The PRESIDING OFFICER. The Senator is correct. Under the previous order, the Senate will proceed to the consideration of S. 815 when the Senator has yielded the floor.

Mr. BAKER. I thank the Chair. Mr. President, I will yield the floor shortly, but before we do proceed to the consideration of the defense authorization bill, I wish to announce there will be no further rollcall votes tonight. It would be my hope that the managers of the bill could make their initial opening statements and that one amendment, at least, might be called up and debated to some extent tonight, although I would not expect them to ask for a rollcall vote. If one is ordered tonight, we will attempt to put it over until tomorrow.

ORDERS FOR WEDNESDAY

ORDER FOR RECESS UNTIL 9:30 A.M. TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business this evening it stand in recess until the hour of 9:30 a.m. on tomorrow.

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

REDUCTION IN LEADERSHIP TIME

Mr. BAKER. Mr. President, I ask unanimous consent, with the minority leader's concurrence, that the time for the two leaders under the standing order be reduced to 5 minutes each.

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

RESUMPTION OF DEFENSE AUTHORIZATION BILL

Mr. BAKER. Mr. President, I ask unanimous consent that at 9:45 a.m. tomorrow the Senate resume consideration of the defense authorization bill or any amendment thereto that may be pending at that time.

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

ORDER FOR RECOGNITION OF MR. SASSER AT 12:30 P.M. TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that at the hour of 11 a.m. tomorrow the Senate temporarily set aside the defense authorization bill and that the Senator from Tennessee (Mr. SASSER) be recognized for the purpose of calling up a sense-of-the-Senate resolution as in routine morning business. Mr. President, I further ask unanimous consent that there be a limitation of time on that resolution of 1 hour to be equally divided.

Mr. ROBERT C. BYRD. Mr. President, I am informed that the distinguished senior Senator from Virginia (Mr. HARRY F. BYRD, JR.) would want an hour under his control.

Mr. BAKER. On this resolution?

Mr. ROBERT C. BYRD. Yes.

Mr. BAKER. I thank the minority leader. I amend the request, Mr. President, so that there will be a 2-hour time limitation on the resolution, 1 hour to be equally divided between the junior Senator from Tennessee and the majority leader or his designee, and that the second hour be under the control of the distinguished senior Senator from Virginia.

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

Mr. BAKER. I thank the minority leader.

The PRESIDING OFFICER. Will the distinguished majority leader inform the Chair if there was any mention of amendments in the unanimous-consent agreement?

Mr. BAKER. No. I will make that provision. I thank the Chair for calling it to my attention.

Before I do that, however, may I continue with the request that after the disposition of the Sasser resolution the Senate immediately resume consideration of the defense authorization bill.

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

Mr. BAKER. Mr. President, we have 2 hours on the Sasser resolution, 1 hour equally divided between the junior Senator from Tennessee and the majority leader or his designee, and 1 hour under the control of the distinguished senior Senator from Virginia.

Mr. President, I ask unanimous consent that on any amendment to the Sasser resolution that there be a time

limitation of 20 minutes to be equally divided and that on any second-degree amendment there be a limitation of 10 minutes to be equally divided.

Mr. LONG. Will the Senator mind asking that those amendments be germane?

Mr. BAKER. Mr. President, I make that request.

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

Mr. BAKER. Mr. President, I ask unanimous consent that any point of order, if the same is submitted, or appeal be limited to 10 minutes, equally divided.

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

Mr. STENNIS. Mr. President, will the Senator yield to me?

Mr. BAKER. Yes.

Mr. STENNIS. I did not understand what other proceeding was to be had here tomorrow.

Mr. BAKER. Mr. President, if I might, in answer to the distinguished Senator from Mississippi, it was contemplated that the Senator from Tennessee would offer an amendment to the budget resolution tonight, a sense of the Senate resolution. It was determined that it was not necessary that that resolution be offered to the Budget Act and the junior Senator from Tennessee kindly agreed to withhold his amendment tonight in exchange for my commitment that tomorrow during the day we would provide an opportunity for debate on the free standing offer of his resolution to the Senate. In order to try to accommodate the maximum number of Senators, I have just requested that we interrupt the consideration of the defense authorization bill at 11 o'clock in order to proceed to the consideration of the Sasser resolution and honor the promise that I made to the junior Senator from Tennessee.

Mr. STENNIS. I really do not want to disturb the Senator's agreement or anything. We really had in mind a debate. The Senator from Texas was called from the Chamber for a minute, and I see he has returned. If he wants to say anything about it, I will yield to him. I am not inclined to try to disturb anything.

Mr. BAKER. Mr. President, I thank the Senator from Mississippi and all Senators. I hope they will understand that it was certainly my view, and I believe the view of the joint leadership, that in order to arrive at a time to have a final disposition of the budget resolution it was necessary to proceed in this way.

Mr. STENNIS. That is entirely all right. But it will be at 11 o'clock when we go back on the military bill?

Mr. BAKER. No. Under the request I have made, which I hope the Senate will permit and the Chair will grant, the request that I have made is that at 11 o'clock we will leave the defense bill and proceed to the consideration of the Sasser amendment and immediately after the disposal of the Sasser amendment we will return to the consideration of the defense bill.

Mr. STENNIS. I have no objection.

Mr. TOWER. Mr. President, reserving the right to object, and I shall not object, I just might note that the distinguished majority leader has discussed this with me and it is perfectly acceptable to the manager of the bill.

Mr. BAKER. Mr. President, I thank the distinguished chairman. I apologize to the Senator from Mississippi for not discussing this matter with him but, as he knows, things were in something of a turmoil at the time we concluded consideration of the budget resolution.

Mr. STENNIS. I thought the Senator did the right thing.

Mr. BAKER. I thank the Senator.

(Later the following occurred:)

Mr. TOWER. Mr. President, if I may have the attention of the distinguished majority and minority leaders, it is the intention of Senator LEVIN tonight to lay down an amendment concerning the MX missile so that it will be the pending business tomorrow morning. He has some difficulty with the consent request to permit Senator SASSER to intervene at 11 o'clock. Is there any possibility that that unanimous-consent request could be reconsidered and postponed until noon?

Mr. BAKER. Mr. President, I certainly have no objection to that. I do not know whether the Senator from Tennessee is still here or not. I know he intended to be here at 11 o'clock. I think it might be safe to assume that he would be here at 12:30.

For my part, Mr. President, I am willing to make that modification, if the distinguished minority leader will concur.

Mr. ROBERT C. BYRD. Mr. President, I have no objection. I wonder if the distinguished majority leader would condition it on the approval of Mr. SASSER.

Mr. BAKER. Yes.

Mr. ROBERT C. BYRD. I have no reason to believe he will not be here, but I would like to protect him in that regard.

Mr. BAKER. I thank the minority leader.

Mr. President, I ask unanimous consent that the order previously entered to turn to the consideration of the Sasser amendment at 11 o'clock be changed to provide for its consideration at 12:30 on the same terms and conditions as previously described, and that that order be subject to revocation upon the objection hereafter by the distinguished Senator from Tennessee.

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, might I inquire of the distinguished minority leader and the managers of the defense bill, there is one other measure that might be dealt with tonight that would take just a brief moment, I believe, and that is a resolution to be offered by the distinguished Senator from New York (Mr. D'AMATO), which has been cleared. I am prepared to do that now or we can wait until we do calendar work later in the evening.

Could I ask the distinguished Senator from New York how long it would take to present his resolution?

Mr. D'AMATO. No longer than 2 minutes.

Mr. ROBERT C. BYRD. Mr. President, that resolution has been cleared on this side of the aisle, with the understanding that there will be no amendments offered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of a resolution offered by the distinguished junior Senator from New York, that no amendments be in order, and that the time for the consideration of the resolution be limited to 2 minutes, equally divided.

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

I might state that it is the Chair's understanding that the whole agreement the majority leader has asked for concerning the proceedings tomorrow has been agreed to.

Mr. BAKER. I thank the Chair.

The PRESIDING OFFICER. The Senator from New York.

SENATE RESOLUTION 131—THE IMPRISONMENT OF ANATOLY SHCHARANSKY

Mr. D'AMATO. Mr. President, I send a resolution to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The resolution will be stated by title.

The legislative clerk read as follows:

A resolution (S. Res. 131) relating to the imprisonment of Anatoly Shcharansky.

The cosponsors of the resolution submitted by Mr. D'AMATO are: Senators BAKER, DOLE, MATTINGLY, SPECTER, ARMSTRONG, HATCH, LAXALT, DOMENICI, HELMS, QUAYLE, BOSCHWITZ, GORTON, PACKWOOD, THURMOND, BENTSEN, JEPSEN, GRASSLEY, MURKOWSKI, BRADLEY, HUMPHREY, COHEN, NICKLES, HAYAKAWA, ZORINSKY, PROXMIRE, GOLDWATER, DIXON, ROBERT BYRD, SYMMS, LUGAR, JACKSON, ANDREWS, STEVENS, DANFORTH, PELL, WALLOP.

Senators HEINZ, WEICKER, HARRY BYRD, SCHMITT, KASSEBAUM, HATFIELD, SIMPSON, MCCLURE, KASTEN, COCHRAN, LEVIN, LEAHY, SARBANES, DECONCINI, DODD, MOYNIHAN, METZENBAUM, CRANSTON, BIDEN, PRESSLER, EAST, HAWKINS, GARN, TOWER, PERCY, RUDMAN, BOREN, ABDNOR, NUNN, CHAFEE, WARNER, RIEGLE, SASSER, MATSUNAGA, ROTH, and STAFFORD.

The Senate proceeded to consider the resolution.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Mr. President, I am submitting today, along with many of my colleagues, a resolution that has great humanitarian significance. It is most significant, because as I speak, Anatoly Shcharansky is dying in a Soviet prison.

Anatoly Shcharansky has been imprisoned in violation of the Helsinki accord—a document for which he fought in his homeland—a fight which has cost him freedom.

Five years ago, Anatoly Shcharansky and 10 others formed what was known as the first "public group to promote observance of the Helsinki agrements." Mr. Shcharansky and his comrades worked

to make the world aware of human rights violations. Their published reports angered the very officials in the Soviet Government who signed the Helsinki agreements. Anatoly Shcharansky has become the victim of his own government's hypocricy.

On July 14, 1978, Mr. Shcharansky was sentenced to 13 years in a Soviet labor camp. He remains there today. He is in poor health. His wife, Mrs. Avital Shcharansky, who I met with Sunday, tells me he is dying.

Mr. President, I implore you and my colleagues to protest this senseless and unjustified violation of one man's freedom. We must reaffirm our commitment to those basic freedoms on which the Helsinki accords rest—the right of the individual, the right of human dignity, the right to individual freedom. All of these are being denied Anatoly Shcharansky, injuring his good health.

I am calling on the Soviet Union to end the enslavement of Anatoly Shcharansky. He has suffered too long for a crime he did not commit. The crime, according to the Soviet authorities, was treason. If Anatoly Shcharansky betrayed anything, it was the Soviet Union's determined effort to quash all public dissent, to lower human dignity and freedom to the lowest denominator.

Anatoly Shcharansky must be set free and allowed to emigrate to Israel. I am calling on the Secretary of State and the U.S. Delegation to the current Madrid Conference on Security and Cooperation in Europe to express in the strongest possible terms that the United States is opposed to the imprisonment of Anatoly Shcharansky. This message shall be transmitted by the Secretary of State to the Soviet Ambassador to the United States and the Chairman of the Soviet Union's Presidium.

It is a message of freedom; the kind of message which Anatoly Shcharansky lived and fought for and eventually was sent to prison for. I hope this message will also set him free.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 131) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

Resolved, Whereas, the final act of the Conference on Security and Cooperation in Europe commits its 35 signatories to respect human rights and fundamental freedoms;

Whereas, the Soviet Union is signatory to this Act;

Whereas, Anatoly Shcharansky has been imprisoned in violation of this Act;

Whereas, Mr. Shcharansky's health has now deteriorated to the point where his life is threatened, as a result of the actions of Soviet officials, and

Whereas, humanitarian interests and the provisions of the final act require that Soviet authorities cease their continued incarceration and inhumane treatment of Mr. Shcharansky: Now, therefore, be it

Resolved, That it is the sense of the Senate that:

Section I—Anatoly Shcharansky be released from prison and be given proper medical treatment and be permitted to emigrate to Israel,

Section II—The Senate urges the President, the Secretary of State and the United States Delegation to the Current Madrid Conference on Security and Cooperation in Europe meeting to continue to express at every suitable opportunity and in the strongest terms the opposition of the United States to the imprisonment of Anatoly Shcharansky,

Section III—The Secretary of the Senate shall transmit copies of this resolution to the Soviet Ambassador to the United States and to the Chairman of the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics.

ORDER OF PROCEDURE

(The following proceedings occurred later and are printed at this point in the RECORD by unanimous consent:)

Mr. BAKER. Mr. President, I would like to take up the calendar now.

Might I ask the distinguished minority leader if he is prepared to proceed to the consideration of any items on the Executive Calendar, and I particularly invite his attention to Calendar No. 137, the nomination of Gerald P. Carmen, of New Hampshire, to be Administrator of General Services.

Mr. ROBERT C. BYRD. Mr. President, there is no objection on this side to the consideration of that nomination.

EXECUTIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate now go into executive session for the purpose of considering the nomination of Gerald P. Carmen, of New Hampshire, to be Administrator of General Services.

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

GENERAL SERVICES ADMINISTRATION

The PRESIDING OFFICER. The nomination will be stated.

The assistant legislative clerk read the nomination of Gerald P. Carmen, of New Hampshire, to be Administrator of General Services.

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

Mr. BAKER. Mr. President, I move to reconsider the vote by which the nomination was confirmed.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask that the President be immediately notified.

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.

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

THE CALENDAR

Mr. BAKER. Mr. President, I inquire of the minority leader if there are items on the General Order Calendar which might be dealt with at this time.

Mr. ROBERT C. BYRD. Mr. President, in response to the question by the distinguished majority leader, there is no objection to proceeding to the consideration of Calendar Order Nos. 68, 69, 70, 71, 77, and 86. There is no objection to doing those items en bloc, if the majority leader would like to do so.

Mr. BAKER. Mr. President, I ask unanimous consent that the items identified by the minority leader may be considered en bloc.

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

ADVANCE PAYMENTS FOR COMPUTER PROGRAMING SERVICES

The bill (S. 1124) to authorize the Sergeant at Arms and Doorkeeper of the Senate, subject to the approval of the Committee on Rules and Administration, to enter into contracts which provide for the making of advance payments for computer programing services, was announced as next in order, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 1124

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, the Sergeant at Arms and Doorkeeper of the Senate, subject to the approval of the Committee on Rules and Administration, is hereafter authorized to enter into contracts which provide for the making of advance payments for computer programming services.

PRINTING OF ADDITIONAL COPIES OF PART 1 OF THE REPORT ENTITLED "DEVELOPMENTS IN AGING, 1980"

The resolution (S. Res. 93) authorizing the printing of additional copies of part 1 of the Senate report entitled "Developments in Aging, 1980," was considered and agreed to, as follows:

S. RES. 93

Resolved, That there shall be printed for the use of the Special Committee on Aging the maximum number of copies of part 1 of its annual report to the Senate, entitled "Developments in Aging: 1980", which may be printed at a cost not to exceed $1,200.

PRINTING OF ADDITIONAL COPIES OF A DOCUMENT FOR USE OF THE COMMITTEE ON FINANCE

The resolution (S. Res. 26) authorizing the printing of extra copies of a document for use of the Committee on Finance, was considered and agreed to, as follows:

S. RES. 26

Resolved, That a compilation of materials relating to the history of the Committee on Finance be printed, with illustrations, as a Senate document, and that there be printed such additional copies not to exceed $1,200 in cost of such document for the use of the committee.

PRINTING OF A REVISED EDITION OF THE STANDING RULES OF THE SENATE

The resolution (S. Res. 122) authorizing the printing of a revised edition of the "Standing Rules of the Senate" as

a Senate document, was considered and agreed to, as follows:

S. RES. 122

Resolved, That the Committee on Rules and Administration hereby is directed to prepare a revised edition of Senate Document Numbered 96–46, entitled "Standing Rules of the Senate", and that such standing rules shall be printed as a Senate document.

SEC. 2. There shall be printed two thousand five hundred additional copies of the document specified in section 1 of this resolution for the use of the Committee on Rules and Administration.

AUTHORIZATION FOR YOUTH EMPLOYMENT AND DEMONSTRATION PROGRAMS

The bill (S. 1070) to extend the authorization for youth employment and demonstration programs, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 1070

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 Demonstration Amendments of 1981".

SEC. 2. Section 112(a)(4) of the Comprehensive Employment and Training Act is amended by adding at the end thereof the following new subparagraph:

"(D) There are authorized to be appropriated such sums as may be necessary for the fiscal year 1982 to carry out part A of title IV.".

SEC. 3. Section 441 of the Comprehensive Employment and Training Act is repealed.

SENIOR CENTER WEEK

The joint resolution (S.J. Res. 79) to designate the second week in May beginning with Mother's Day, May 10, 1981, as "Senior Center Week," was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S.J. RES. 79

Whereas local communities support over eight thousand senior centers and there is hardly a city or town without one;

Whereas senior centers affirm the dignity, self-worth, and independence of older persons by facilitating their decisions and action, tapping their experiences, skills, and knowledge, and enabling their continued contribution to the community;

Whereas, as encouraged and supported by the Older Americans Act, senior centers function as service delivery focal points, helping older persons to help themselves and each other, and offering service or access to community services as needed;

Whereas the month of May has historically been proclaimed Older Americans Month, and communities across the country are giving special recognition to older persons and the role of senior centers in serving them: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the second week in May, beginning with Mother's Day, May 10, 1981, is designated as "Senior Center Week" and the President is requested to include this designation of Senior Center Week as part of the proclamation he issues for Older Americans Month, calling upon the people of the United States to honor older Americans and these local organizations that bring together activities and services for their benefit.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the bills were passed and the resolutions were agreed to.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROBERT C. BYRD. Mr. President, I have a question of the distinguished majority leader. Just recently the Senate entered an order, at my request, that certain portions of the Budget Reform Act be included in a new printing together with the Standing Rules of the Senate. Calendar Order No. 71 requests the printing of a revised edition of "Standing Rules of the Senate" as a Senate document. I take it that the provisions from the Budget Reform Act will be included in that new printing.

Mr. BAKER. Mr. President, I might say to the distinguished minority leader that it is my understanding that that material will be included in this printing.

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

ORDER TO INDEFINITELY POSTPONE S. 648

Mr. BAKER. Mr. President, could I ask the minority leader if he is in position to dispose of Calendar Order No. 59, S. 648, that it be indefinitely postponed.

Mr. ROBERT C. BYRD. There is no objection on this side.

Mr. BAKER. Mr. President, I ask unanimous consent that Calendar Order No. 59, S. 648, be indefinitely postponed.

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

Mr. BAKER. Mr. President, I thank the minority leader and all Senators. I especially thank the Senator from Texas and the Senator from Mississippi for permitting me to take care of these housekeeping details.

MILITARY PROCUREMENT AUTHORIZATION

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of S. 815, which the clerk will state by title.

The assistant legislative clerk read as follows:

A bill (S. 815) to authorize appropriations for fiscal year 1982 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons, for research, development, test, and evaluation, and for operation and maintenance for the Armed Forces, to prescribe the authorized personnel strength for each active duty component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, and for other purposes.

The Senate proceeded to consider the bill which had been reported from the Committee on Armed Services with an amendment to strike out all after the enacting clause, and insert the following:

That this Act may be cited as the "Department of Defense Authorization Act of 1982".

TITLE I—PROCUREMENT

AUTHORIZATION OF APPROPRIATIONS

SEC. 101. Funds are hereby authorized to be appropriated for fiscal year 1982 for the use of the Armed Forces of the United States for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons, as authorized by law, in amounts as follows:

Aircraft

For aircraft: for the Army, $1,836,700,000; for the Navy and the Marine Corps, $9,331,700,000; for the Air Force, $15,070,798,000.

Missiles

For missiles: for the Army, $2,469,100,000; the Navy, $2,555,000,000; for the Marine Corps, $223,024,000; for the Air Force, $4,718,746,000.

Naval Vessels

For naval vessels: for the Navy, $10,118,600,000.

Tracked Combat Vehicles

For tracked combat vehicles: for the Army, $3,537,300,000; for the Marine Corps, $281,739,000.

Torpedoes

For torpedoes and related support equipment: for the Navy, $516,600,000.

Other Weapons

For other weapons: for the Army, $655,400,000; for the Navy, $200,200,000; for the Marine Corps, $136,344,000; for the Air Force, $3,047,000.

Army National Guard Equipment

For tracked combat vehicles and other weapons: for the Army National Guard, $50,000,000, which amount shall be in addition to any other funds authorized to be appropriated by this or any other Act.

COMPANION TRAINER AIRCRAFT PROGRAM

SEC. 102. None of the funds authorized to be appropriated by this title may be obligated or expended for advanced procurement related to the Companion Trainer Aircraft program until a contractor has been selected by the Air Force for the construction of such aircraft and 60 days have elapsed after the date on which the Secretary of the Air Force has notified the Committees on Armed Services of the Senate and the House of Representatives of the name of the contractor selected.

SEALIFT FUNDS

SEC. 103. Of the funds made available during fiscal year 1981 for the procurement of sealift vessels, the sum of $53,000,000 shall be available and expended for advance procurement items for the Maritime Prepositioning Ship (TAKX). None of the funds made available during fiscal year 1981 for the procurement of sealift vessels may be obligated or expended after the date of the enactment of this Act for the modification of any Fast Logistics Ship (T-AKRX) that does not include a roll-on/roll-off (RO/RO) capability.

XM-1 MAIN BATTLE TANK

SEC. 104. Of the total amount authorized to be appropriated in this title for the XM-1 Tank, the sum of $577,200,000 may not be obligated or expended until the Secretary of Defense certifies in writing to the Committees on Armed Services of the Senate and the House of Representatives that (1) the durability performance results of the RAM-D testing program for such tank do not present an unacceptable level of risk in terms of satisfying the Army's operational mission requirements, and (2) such results support the procurement of such tanks in a number greater than 569.

FIGHTING VEHICLE SYSTEM

SEC. 105. Of the funds authorized to be appropriated in this title for tracked combat vehicles, $50,000,000 shall be available only for the purpose of providing a second source for the manufacture and assembly of the Fighting Vehicle System. No business entity in which the prime contractor for the Fighting Vehicle System has an ownership interest

shall be eligible as a second source contractor for such system.

LIGHT ARMORED VEHICLES

SEC. 106. Of the funds authorized to be appropriated in this title for tracked combat vehicles, the sum of $36,200,000 shall be available only for the procurement of Light Armored Vehicles for the Marine Corps. The Secretary of the Navy shall be responsible for management and direction of the program for the procurement of such vehicles.

AUTHORIZATION OF APPROPRIATIONS FOR CONTRIBUTION TO AIRBORNE WARNING AND CONTROL SYSTEM (AWACS) FOR NATO

SEC. 107. Of the funds authorized to be appropriated in this title for aircraft for the Air Force, the sum of $358,200,000 shall be available only for contribution by the United States as its share of the cost for such fiscal year of acquisition by the North Atlantic Treaty Organization of the Airborne Warning and Control System (AWACS).

CERTAIN AUTHORITY PROVIDED SECRETARY OF DEFENSE IN CONNECTION WITH THE NATO AIRBORNE WARNING AND CONTROL SYSTEM (AWACS) PROGRAM

SEC. 108. (a) During fiscal year 1982, the Secretary of Defense, in carrying out the Multilateral Memorandum of Understanding Between the North Atlantic Treaty Organization (NATO) Ministers of Defence on the NATO E-3A Cooperative Programme, signed by the Secretary of Defense on December 6, 1978, may—

(1) waive reimbursement for the cost of the following functions performed by personnel other than personnel employed in the United States Air Force Airborne Warning and Control System (AWACS) program office:

(A) auditing;

(B) quality assurance;

(C) codification;

(D) inspection;

(E) contract administration;

(F) acceptance testing;

(G) certification services; and

(H) planning, programming, and management services;

(2) waive any surcharge for administrative services otherwise chargeable; and

(3) in connection with the NATO E-3A Cooperative Programme for fiscal year 1982, assume contingent liability for—

(A) program losses resulting from the gross negligence of any contracting officer of the United States;

(B) identifiable taxes, customs duties, and other charges levied within the United States on the program; and

(C) the United States share of the unfunded termination liability.

(b) Authority under this section to enter into contracts shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

TITLE II—RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

AUTHORIZATION OF APPROPRIATIONS

SEC. 201. (a) Funds are hereby authorized to be appropriated for fiscal year 1982 for the use of the Armed Forces of the United States for research, development, test, and evaluation, as authorized by law, in amounts as follows:

For the Army, $3,893,100,000; for the Navy (including the Marine Corps), $6,155,001,000; for the Air Force, $9,130,100,000; for the Defense Agencies, $1,935,550,000, of which $53,000,000 is authorized for the activities of the Director of Test and Evaluation, Defense.

(b) In addition to the funds authorized to be appropriated in subsection (a), there are authorized to be appropriated for fiscal year 1982, such additional sums as may be necessary for increases in salary, pay, retirement, and other employee benefits authorized by law for civilian employees of the Department of Defense whose compensation is provided for by funds authorized to be appropriated in this title.

STANDOFF TARGET ACQUISITION SYSTEM

SEC. 202. (a) The Secretary of the Army shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report not later than December 15, 1981, containing a comprehensive evaluation of reasonable alternatives to the Standoff Target Acquisition System.

(b) Not more than $20,000,000 of the funds authorized to be appropriated by this title may be used to conduct any research, development, testing, or evaluation of the Standoff Target Acquisition System until after the Secretary of the Army has submitted to the Committees on Armed Services of the Senate and the House of Representatives the report required under subsection (a).

LIGHTWEIGHT ARMORED VEHICLES

SEC. 203. The Congress finds that, because of the urgency of the need for lightweight armored vehicles, it would be in the best interest of the United States to give full responsibility for the development of such vehicles to one military department. Accordingly, the Secretary of the Navy shall assume, at the earliest practicable date as determined by him, full responsibility of the program for the development of lightweight armored vehicles for use by the ground combat forces of the United States.

LIGHT AIRCRAFT CARRIER DESIGN

SEC. 204. Of the amount authorized to be appropriated in this title for the Navy, not more than $55,100,000 is authorized for Ship Development (Engineering). However, none of the funds authorized to be appropriated in this title for the Navy may be obligated or expended for Ship Development (Engineering) until the Secretary of the Navy submits to the Committees on Armed Services and Appropriations of the Senate and the House of Representatives a written report describing the Navy's most feasible ship designs for a light aircraft carrier, and most realistic construction program for such aircraft carrier, in sufficient detail to permit the authorization of funds in fiscal year 1983 for the development and construction of such a carrier should the Congress elect to authorize funds for such purpose.

DIESEL-ELECTRIC SUBMARINE DESIGN

SEC. 205. Of the funds authorized to be appropriated for the Navy in this title, not more than $40,953,000 is authorized for Ships, Submarines, and Boats Technology. However, none of the funds authorized to be appropriated in this title may be obligated or expended for Ships, Submarines, and Boats Technology until the Secretary of the Navy submits to the Committees on Armed Services of the Senate and the House of Representatives the written report concerning existing diesel-electric submarine designs which was requested by the Committee on Armed Services of the Senate in Senate Report Number 96-826.

MX MISSILE AND BASING MODE

SEC. 206. (a) None of the funds authorized to be appropriated by this title may be obligated or expended for the full-scale engineering development of an operational basing mode for the MX missile until—

(1) the President has submitted a written report to the Congress containing his decisions on the MX missile and basing development, procurement, and construction program which specifically describes the proposed basing mode for such missile;

(2) the Secretary of Defense has submitted to the Committees on Armed Services of the Senate and the House of Representatives a report in writing (A) justifying the decisions of the President referred to in clause (1), and (B) a comparison and evaluation of alternative programs to the program decided upon by the President; and

(3) sixty days have elapsed after the day on which the President's report has been received by the Congress and during which the Senate and the House of Representatives have not agreed to resolutions of their respective Houses expressing disapproval of the President's decision.

(b) For the purposes of this section, the term "resolution" means only a resolution of either House of Congress, the matter after the resolving clause of which is as follows: "That the does not favor the decisions of the President regarding the basing mode for the MX missile submitted to the Congress on ", the first blank space therein being filled with the name of the resolving House and the second blank space therein being filled with the date on which the report of the President described in subsection (a)(1) was received by the Congress.

(c) A resolution in the Senate shall be referred to the Committee on Armed Services of the Senate. A resolution in the House of Representatives shall be referred to the Committee on Armed Services of the House of Representatives.

(d) If the committee to which a resolution has been referred has not reported it at the end of seven calendar days after its introduction, it is in order to move either to discharge the committee from further consideration of the resolution or to discharge the committee from further consideration of any other resolution which has been referred to the committee.

(e) A motion to discharge may be made only by an individual favoring the resolution, is highly privileged (except that it may not be made after the committee has reported a resolution), and debate thereon shall be limited to not more than one hour, to be divided equally between those favoring and those opposing the resolution. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(f) If the motion to discharge is agreed to or disagreed to, the motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution.

(g) When the committee has reported, or has been discharged from further consideration of, a resolution, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the resolution. The motion is highly privileged and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

(h)(1) Debate on the resolution shall be limited to not more than ten hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is not debatable. An amendment to, or motion to recommit, the resolution is not in order. A motion to reconsider the vote by which the resolution is agreed to or disagreed to is not in order.

(2) Motions to postpone, made with respect to the discharge from committee or the consideration of a resolution, and motions to proceed to the consideration of other business, shall be decided without debate.

(3) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution shall be decided without debate.

(i) Whenever the President transmits copies of the report referred to in subsection (a)(1) to the Congress, a copy of such report shall be delivered to each House 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.

(j) Subsections (c) through (i) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they are deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of resolutions described in subsection (b), and they supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedures of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

TITLE III—OPERATION AND MAINTENANCE

AUTHORIZATION OF APPROPRIATIONS

SEC. 301. (a) Funds are hereby authorized to be appropriated for fiscal year 1982 for the use of the Armed Forces of the United States (other than the Coast Guard) and for other activities and agencies of the Department of Defense, for operation and maintenance purposes, as authorized by law, in amounts as follows:

(1) For the Army (including the Army Reserve and the Army National Guard), $17,490,300,000.

(2) For the Navy and the Marine Corps (including the Naval Reserve and the Marine Corps Reserve), $21,929,949,000.

(3) For the Air Force (including the Air Force Reserve and the Air National Guard), $19,274,420,000.

(4) For the defense agencies and other activities of the Department of Defense, $4,881,551,000.

(b) In addition to the funds authorized to be appropriated in subsection (a), there are authorized to be appropriated for fiscal year 1982 such additional sums as may be necessary (1) for increases in salary, pay, retirement, and other employee benefits authorized by law for civilian employees of the Department of Defense whose compensation is provided for by funds authorized to be appropriated by this title, and (2) for unbudgeted increases in fuel costs and for increases as the result of inflation in the cost of activities authorized by this title.

TITLE IV—ACTIVE FORCES

AUTHORIZATION OF END STRENGTHS

SEC. 401. The Armed Forces are authorized strengths for active duty personnel as of September 30, 1982, as follows:

(1) The Army, 785,800.

(2) The Navy, 554,300.

(3) The Marine Corps, 192,100.

(4) The Air Force, 582,400.

LIMITATION ON NUMBER OF NON-HIGH SCHOOL GRADUATES WITH NO PRIOR MILITARY SERVICE THAT MAY BE ENLISTED OR INDUCTED INTO THE ARMED FORCES DURING FISCAL YEAR 1982

SEC. 402. Section 302(a) of the Department of Defense Authorization Act, 1981 (Public Law 96-342; 10 U.S.C. 520 note) is amended by striking out "October 1, 1980" and "September 30, 1981" and inserting in lieu thereof "October 1, 1981" and "Septemebr 30, 1982", respectively.

TITLE V—RESERVE FORCES

AUTHORIZATION OF AVERAGE STRENGTHS

SEC. 501. (a) For fiscal year 1982, the Selected Reserve of the reserve components of the Armed Forces shall be programed to attain average strengths of not less than the following:

(1) The Army National Guard of the United States, 392,800.

(2) The Army Reserve, 235,300.

(3) The Naval Reserve, 87,600.

(4) The Marine Corps Reserve, 37,600.

(5) The Air National Guard of the United States, 98,600.

(6) The Air Force Reserve, 62,800.

(7) The Coast Guard Reserve, 11,700.

(b) Within the average strengths prescribed in subsection (a), the reserve components of the Armed Forces are authorized, as of September 30, 1982, the following number of reserve component members to be serving on full-time active duty for the purpose of organizing, administering, recruiting, instructing, or training the reserve components:

(1) The Army National Guard of the United States, 11,439.

(2) The Army Reserve, 6,285.

(3) The Naval Reserve 208.

(4) The Marine Corps Reserve, 447.

(5) The Air National Guard of the United States, 3,312.

(6) The Air Force Reserve, 701.

(c) The average strength prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by (1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at any time during the fiscal year, and (2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participation in training) without their consent at any time during the fiscal year. Whenever such units or such individual members are released from active duty during any fiscal year, the average strength prescribed for such fiscal year for the Selected Reserve of such reserve component shall be proportionately increased by the total authorized strength of such units and by the total number of such individual members.

(d) Upon a determination by the Secretary of Defense that such action is in the national interest, the authorizations prescribed in subsection (b) may be increased by not more than 5 percent.

INCREASE IN NUMBERS OF CERTAIN PERSONNEL ON ACTIVE DUTY IN SUPPORT OF THE RESERVE COMPONENTS

SEC. 502. (a) Effective only for the peroid beginning October 1, 1981, and ending September 30, 1982, the table in section 517(b) of title 10, United States Code, relating to the number of enlisted personnel in grades E-8 and E-9 who may be on active duty in support of the reserve components, is amended to read as follows:

"Grade	Army	Navy	Air Force	Marine Corps
E-9	222	146	76	4
E-8	908	319	307	12".

(b) Effective only for the period beginning October 1, 1981, and ending September 30, 1982, section 524(a) of title 10, United States Code, relating to the number of reserve officers in certain grades which may be on active duty in support of the reserve components, is amended—

(1) by striking out the column of figures under the heading "Army" and inserting in lieu thereof the following:

"Army
1,105
551
171".

and

(2) by striking out the column of figures under the heading "Air Force" and inserting in lieu thereof the following:

"Air Force
189
194
147".

TITLE VI—CIVILIAN PERSONNEL

AUTHORIZATION OF END STRENGTHS

SEC. 601. (a)(1) The Department of Defense is authorized a strength in civilian personnel, as of September 30, 1982, as follows:

(A) The Department of the Army, 381,200.

(B) The Department of the Navy, including the Marine Corps, 312,600.

(C) The Department of the Air Force, 249,000.

(D) Activities and agencies of the Department of Defense (other than the military departments), 81,400.

(2)(A) Of the 21,300 increase in civilian personnel for the Army authorized by paragraph (1), the Secretary of the Army shall use not less than 16,800 civilian personnel to relieve military personnel for the performance of other duties. Not more than 5,000 of such 16,800 personnel may be indirect hires.

(B) The Secretary of the Army shall submit a written report to the Committees on Armed Services of the Senate and the House of Representatives not later than September 30, 1981, specifying how the 16,800 increase in civilian personnel referred to in subparagraph (A) is to be utilized. The Secretary shall also indicate in such report (i) the extent to which such increase in civilian personnel will be used to fill positions currently occupied by noncommissioned officers, and (ii) the number of such noncommissioned officers who will be returned to combat units by virtue of such increase in civilian personnel.

(b) In computing the strength for civilian personnel, there shall be included all direct-hire and indirect-hire civilian personnel employed to perform military functions administered by the Department of Defense (other than those performed by the National Security Agency) whether employed on a full-time, part-time, or intermittent basis, but excluding special employment categories for students and disadvantaged youth such as the stay-in-school campaign, the temporary summer aid program and the Federal junior fellowship program and personnel participating in the worker-trainee opportunity program. Personnel employed under a part-time career employment program established under section 3402 of title 5, United States Code, shall be counted as prescribed by section 3404 of that title. Whenever a function, power, duty, or activity is transferred or assigned to a department or agency of the Department of Defense from a department or agency outside of the Department of Defense, or from another department or agency within the Department of Defense, the civilian personnel end strength authorized for such departments or agencies of the Department of Defense affected shall be adjusted to reflect any increases or decreases in civilian personnel required as a result of such transfer or assignment.

(c) When the Secretary of Defense determines that such action is necessary in the national interest or if any conversion of commercial and industrial type functions from performance by Department of Defense personnel to performance by private contractors which was anticipated to be made during fiscal year 1982 in the Budget of the President submitted for such fiscal year is not determined to be appropriate for such conversion under established administrative

criteria, the Secretary of Defense may authorize the employment of civilian personnel in excess of the number authorized by subsection (a), but such additional number may not exceed 2 percent of the total number of civilian personnel authorized for the Department of Defense by subsection (a). The Secretary of Defense shall promptly notify the Congress of any authorization to increase civilian personnel strength under this subsection.

EXEMPTION FROM CERTAIN REPORTING REQUIREMENTS APPLICABLE TO THE CONVERSION OF PERFORMANCE OF COMMERCIAL AND INDUSTRIAL TYPE FUNCTIONS FROM DEPARTMENT OF DEFENSE PERSONNEL TO PRIVATE CONTRACTORS

SEC. 602. Section 502 of the Department of Defense Authorization Act, 1981 (Public Law 96-342; 10 U.S.C. 2304 note) is amended—

(1) in subsection (a)—

(A) by striking out "that on October 1, 1980, is being performed by" in the material preceding clause (1) and inserting in lieu thereof "that, on October 1, 1980, is being performed by fifty or more"; and

(B) by striking out "if more than 50 employees are involved," in paragraph (2)(D)(i);

(2) by adding at the end thereof the following new subsection:

"(d) In no case may any commercial or industrial type function being performed by Department of Defense personnel be modified, reorganized, divided, or in any way changed for the purpose of exempting from the requirements of subsection (a)(2) the conversion of all or any part of such function to performance by a private contractor."; and

(3) by redesignating subsection (d) as subsection (e).

TITLE VII—MILITARY TRAINING STUDENT LOADS

AUTHORIZATION OF TRAINING STUDENT LOADS

SEC. 701. (a) For fiscal year 1982, the components of the Armed Forces are authorized average military training student loads as follows:

(1) The Army, 57,996.

(2) The Navy, 65,133.

(3) The Marine Corps, 18,311.

(4) The Air Force, 46,389.

(5) The Army National Guard of the United States, 7,467.

(6) The Army Reserve, 8,456.

(7) The Naval Reserve, 1,041.

(8) The Marine Corps, 2,835.

(9) The Air National Guard of the United States, 2,804.

(10) The Air Force Reserve, 1,405.

(b) In addition to the number of average military training student loads authorized in subsection (a), the following components of the Armed Forces are authorized a military training student load to be utilized solely for one station unit training of not less than the following:

(1) The Army, 17,732.

(2) The Army National Guard of the United States, 7,070.

(3) The Army Reserve, 2,374.

(c) The average military training student loads for the Army, the Navy, the Marine Corps, and the Air Force and the reserve components authorized in subsection (a) for fiscal year 1982 shall be adjusted consistent with the manpower strengths authorized in titles IV, V, and VI of this Act. Such adjustment shall be apportioned among the Army, the Navy, the Marine Corps, and the Air Force and the reserve components in such manner as the Secretary of Defense shall prescribe.

TITLE VIII—ATTACK-RELATED CIVIL DEFENSE

AUTHORIZATION OF APPROPRIATIONS

SEC. 801. There is hereby authorized to be appropriated for fiscal year 1982 to carry out the provisions of the Federal Civil Defense Act of 1950 (50 U.S.C. App. 2251-2297) the sum of $126,842,000.

INCREASE IN AMOUNT THAT MAY BE CONTRIBUTED TO STATES FOR PERSONNEL AND ADMINISTRATIVE EXPENSES

SEC. 802. The third sentence of section 408 of the Federal Civil Defense Act of 1950 (50 U.S.C. App. 2260) is amended by striking out "$40,000,000" in the second proviso and inserting in lieu thereof "$45,000,000".

TITLE IX—GENERAL PROVISIONS

LONG RANGE COMBAT AIRCRAFT

SEC. 901. (a) None of the funds authorized to be appropriated by this Act may be obligated or expended for the full-scale engineering development or procurement of a long range combat aircraft until—

(1) the President has submitted a written report to the Congress containing his decision on a specific program for the development or procurement of a long range combat aircraft;

(2) the Secretary of Defense has submitted to the Committees on Armed Services of the Senate and the House of Representatives a report in writing (A) justifying the decision the President referred to in clause (1), and (B) a comparison and evaluation of alternative programs to the program decided upon by the President; and

(3) sixty days have elapsed after the day on which the President's report has been received by the Congress and during which the Senate and the House of Representatives have not agreed to resolutions of their respective Houses expressing disapproval of the President's decision.

(b) For the purposes of this section, the term "resolution" means only a resolution of either House of Congress, the matter after the resolving clause of which is as follows: "That the does not favor the decision of the President regarding a long range combat aircraft submitted to the Congress on ", the first blank space therein being filled with the name of the resolving House and the second blank space therein being filled with the date on which the report of the President described in subsection (a)(1) was received by the Congress.

(c) A resolution in the Senate shall be referred to the Committee on Armed Services of the Senate. A resolution in the House of Representatives shall be referred to the Committee on Armed Services of the House of Representatives.

(d) If the committee to which a resolution has been referred has not reported it at the end of seven calendar days after its introduction, it is in order to move either to discharge the committee from further consideration of the resolution or to discharge the committee from further consideration of any other resolution which has been referred to the committee.

(e) A motion to discharge may be made only by an individual favoring the resolution, is highly privileged (except that it may not be made after the committee has reported a resolution), and debate thereon shall be limited to not more than one hour, to be divided equally between those favoring and those opposing the resolution. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(f) If the motion to discharge is agreed to or disagreed to, the motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution.

(g) When the committee has reported, or has been discharged from further consideration of, a resolution, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the resolution. The motion is highly privileged and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

(h)(1) Debate on the resolution shall be limited to not more than ten hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is not debatable. An amendment to, or motion to recommit, the resolution is not in order. A motion to reconsider the vote by which the resolution is agreed to or disagreed to is not in order.

(2) Motions to postpone, made with respect to the discharge from committee or the consideration of a resolution, and motions to proceed to the consideration of other business, shall be decided without debate.

(3) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution shall be decided without debate.

(i) Whenever the President transmits copies of the report referred to in subsection (a)(1) to the Congress, a copy of such report shall be delivered to each House 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.

(j) Subsections (c) through (i) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they are deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of resolutions described in subsection (b), and they supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedures of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

REPORT ON ALLIED CONTRIBUTIONS TO THE COMMON DEFENSE

SEC. 902. (a) In recognition of the growth, relative to the United States, in the economic strength of Japan, Canada, and Western Eurepean countries which has occurred since the signing of the North Atlantic Treaty on April 4, 1949, and the Mutual Cooperation and Security Treaty between Japan and the United States on January 19, 1960, it is the sense of Congress that—

(1) the burdens of mutual defense now assumed by the countries allied with the United States under those agreements are not commensurate with their economic resources; and

(2) the continued unwillingness of those countries to increase their contributions to the common defense to more appropriate levels would endanger the vitality, effectiveness, and cohesiveness of the alliances between those countries and the United States.

(b) It is further the sense of Congress that the President should seek from each signatory country (other than the United States) of the two treaties referred to in subsection (a) acceptance of international security responsibilities and agreement to make contributions to the common defense which are commensurate with the economic resources of such country, including, when appropriate, an increase in host nation support.

(c) The Secretary of Defense shall submit to the Congress not later than February 1, 1982, a report providing—

(1) a comparison of the fair and equitable shares of the mutual defense burdens of these alliances that should be borne by the United States, by other member nations of

the North Atlantic Treaty Organization (NATO), and by Japan, based upon economic strength and other relevant factors, and the actual defense efforts of each nation together with an explanation of disparities that currently exist;

(2) a description of efforts by the United States and of other efforts to eliminate existing disparities;

(3) estimates of the real growth in defense spending in fiscal year 1982 projected for each NATO member nation compared to the annual real growth goal in the range of 3 percent set in May 1978;

(4) a description of the defense-related initiatives undertaken by each NATO member nation within the real growth in defense spending of such nation in fiscal year 1982; and

(5) an explanation of those instances in which the commitments to real growth in defense spending and to the Long-Term Defense Program have not been realized and a description of efforts being made by the United States to ensure fulfillment of these important NATO commitments.

REQUIREMENT OF ANNUAL AUTHORIZATION OF APPROPRIATIONS FOR PROCUREMENT OF AMMUNITION AND FOR OTHER PROCUREMENT

SEC. 903. (a) Section 138(a) of title 10, United States Code, relating to annual authorization of appropriations, is amended—

(1) by striking out "or" at the end of clause (6); and

(2) by inserting after clause (7) the following new clauses:

"(8) procurement of ammunition for the Army; or

"(9) procurement of any items in the 'other procurement' account of the Department of Defense, any items in the 'procurement, Marine Corps' account, and any items in the 'procurement, Defense Agencies' account,".

(b) The amendments made by subsection (a) shall apply with respect to funds appropriated for fiscal years beginning after September 30, 1982.

REPEAL OF PROFIT LIMITATIONS ON CONTRACTS FOR AIRCRAFT AND NAVAL VESSELS

SEC. 904. (a)(1) Chapter 141 of title 10, United States Code, relating to miscellaneous procurement, is amended by striking out section 2382.

(2) The table of sections at the beginning of such chapter is amended by striking out the item relating to section 2382.

(b)(1) Chapter 633 of such title is amended by striking out section 7300.

(2) The table of sections at the beginning of such chapter is amended by striking out the item relating to section 7300.

INCREASING FROM $5,000,000 TO $50,000,000 THE CANCELLATION CEILING ON MULTIYEAR PROCUREMENT CONTRACTS; REPORT BY THE SECRETARY OF DEFENSE

SEC. 905. (a) Section 810 of the Department of Defense Appropriation Authorization Act, 1976 (Public Law 94-106; 89 Stat. 539), relating to the obligation of funds under a multiyear procurement contract, is amended by striking out "$5,000,000" and inserting in lieu thereof "$50,000,000".

(b)(1) The Secretary of Defense shall specify in the Department of Defense request for authorization of appropriations for each fiscal year those weapons programs which in his judgment should, for sound management reasons, be procured under multiyear contracts, except that the Secretary shall not be required to include in any such report any weapons programs if the contract cancellation ceiling would be less than $50 million.

(2) Before making a determination that any weapons program to be procured by the Department of Defense, or any item to be procured in connection with any such program, is suitable for multiyear contracting, the Secretary of Defense shall consider, among other things—

(A) whether the use of multiyear contracts will yield substantial cost avoidance or other benefits when compared with conventional annual contracting methods;

(B) whether the minimum need for the items purchased for such programs is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate and total quantities;

(C) whether there is a reasonable expectation that the programs are likely to be funded at or near the required level for the entire contract period;

(D) whether there is a stable design for the item or items to be procured and whether the technical risks associated with the item or items are excessive;

(E) whether there is a reasonable assurance that the cost estimates for both contract costs and anticipated costs avoidance are realistic; and

(F) whether the furnishing of items to be procured under the contract would require (i) a substantial investment in plant or equipment by the contractor, (ii) an exposure to substantial contingent liabilities, or (iii) a substantial financial investment to assemble, train, and provide transportation for a specialized labor force.

PROHIBITION ON USE OF FUNDS TO RELIEVE ECONOMIC DISLOCATIONS

SEC. 906. (a) Chapter 141 of title 10, United States Code, relating to procurement, is amended by adding at the end thereof the following new section:

"§ 2391. Prohibition on use of funds to relieve economic dislocations

"(a) In order to help avoid the uneconomic use of Department of Defense funds in the procurement of goods and services, the Congress finds that it is necessary to prohibit the use of such funds for certain purposes.

"(b) No funds appropriated to or for the use of the Department of Defense may be used to pay, in connection with any contract awarded by the Department of Defense, a price differential for the purpose of relieving economic dislocations.".

(b) The table of sections at the beginning of chapter 141 of such title is amended by adding at the end thereof the following new item:

"2391. Prohibition on use of funds to relieve economic dislocations.".

(c) The amendments made by subsection (a) shall become effective on October 1, 1981.

PROCUREMENT OF AUTOMATIC DATA PROCESSING EQUIPMENT

SEC. 907. (a) Chapter 137 of title 10, United States Code, relating to procurement generally, is amended by adding at the end thereof, the following new section:

"§ 2315. Laws inapplicable to the acquisition of automatic data processing equipment to be used for certain purposes

"No provision of law other than the provisions of this chapter and chapter 141 of this title, shall be applicable to the procurement by the Department of Defense of any automatic data processing equipment or services if the function, operation, or use of such automatic data processing equipment or services—

"(1) involves intelligence activities;

"(2) involves cryptologic activities related to national security;

"(3) involves the command and control of military forces;

"(4) involves equipment which is an integral part of a weapon or weapons system; or

"(5) is critical to the direct fulfillment of military or intelligence missions, except that the exclusion provided for in this clause (5) shall not include procurement of any automatic data processing equipment or services if such equipment or services are to be used for routine administrative and business applications, such as payroll, finance, logistics, or personnel management.".

(b) The table of sections at the beginning of chapter 137 of such title is amended by adding at the end thereof the following new item:

"2315. Laws inapplicable to the acquisition of automatic data processing equipment to be used for certain purposes.".

REQUIREMENTS RELATING TO THE AWARDING OF SOLE-SOURCE CONTRACTS

SEC. 908. (a) Notwithstanding any other provision of law, the Department of Defense may not award a sole-source contract for more than $100,000 to any contractor unless—

(1) such department has first published in the Commerce Business Daily a notice that the Department of Defense intends to award such contract and includes in such notice all information pertaining to such contract that would be required to be published if such contract were to be awarded under a competitive bid procedure;

(2) a period of at least 30 days has expired after the date of the publication of such notice, during which contractors have been invited, and given an opportunity, to bid on such contract;

(3) such department has considered all bids received on such contract and determined that the contract should be awarded to the sole-source contractor as originally proposed; and

(4) the Secretary of Defense or his authorized designees has approved the award of such contract on a sole-source contract basis.

(b)(1) The Secretary of Defense or his authorized designees may waive the requirements of subsection (a) in the case of any contract if he determines such action is necessary because of national security reasons.

(2) The provisions of subsection (a) shall not apply in the case of—

(A) classified procurements if the synopsis cannot reasonably be worded to preclude disclosure of classified information;

(B) procurement of utility services;

(C) procurement of commercial transportation services furnished by regulated common carriers;

(D) procurement of perishable subsistence and of services related thereto whenever it is determined that it is impracticable for delivery or performance to be extended by the period required for compliance with subsection (a);

(E) procurements when only foreign sources are to be solicited;

(F) procurement of personal or professional services, to the extent that a determination is made that only one source can provide the desired service;

(G) procurement of construction services if a contractor or group of contractors is already at work on the site, and it would not be practicable to allow another contractor or additional contractors to work on the same site;

(H) procurements to be made by an order placed under an existing contract, but only if the existing contract was awarded after a notice published in the Commerce Business Daily in accordance with subsection (a);

(I) procurements to be made from or through another Government department or agency, including procurements from the Small Business Administration using the authority of section 8(a) of the Small Business Act, or a mandatory source of supply;

(J) facilities contracts when the performance required practicable can be obtained only from one source;

(K) procurements as to which competition is precluded because of the existence of patent rights, copyrights, or proprietary information;

(L) procurements from nonprofit educational institutions;

(M) procurements that are of such urgency that the Government would be seriously injured by the delay involved in permitting the date set for award to be extended by the period required for compliance with subsection (a);

(N) procurements as to which bids have been solicited and no responsive bid has been received from a responsible bidder; and

(O) procurements reimbursed by a foreign country that requires the product to be obtained from a particular source.

(c) The Secretary of Defense shall submit a written report to the Committees on Armed Services of the Senate and the House of Representatives each year not later than November 1 regarding the use by the Department of Defense of sole-source contracts during the preceding fiscal year. The Secretary shall include in each such report—

(1) a comparison of the number and total dollar amount of sole-source contracts of more than $100,000 awarded during each quarter of the fiscal year with the number and total dollar amount of such contracts awarded during the corresponding quarters of the preceding fiscal year;

(2) a comparison of the total number and total dollar amount of all procurement contracts of more than $100,000 awarded during each quarter of the fiscal year with the total number and total dollar amount of all such procurement contracts awarded during the corresponding quarters of the preceding fiscal year; and

(3) the number of sole-source contracts awarded during the fiscal year with respect to which the Secretary exercised a waiver under subsection (b) and the total dollar amount of such contracts.

The Secretary of Defense shall submit the first such report not later than November 1, 1982.

(d) As used in this section, the term "sole-source contract" does not include a noncompetitive contract awarded as a follow-on contract or contract for related supplies or services if such follow-on or related contract is awarded in connection with the procurement of any equipment or service with respect to which there was a price or design competition conducted by the Department of Defense.

CONTINGENT ONCE-A-YEAR ADJUSTMENT OF RETIRED AND RETAINER PAY

SEC. 909. (a)(1) The increase in the retired and retainer pay of members and former members of the uniformed services which but for this section would be made effective September 1, 1981, under the provisions of paragraph (2)(B) of section 1401a (b) of title 10, United States Code, shall not be made.

(2)(A) In making the determination required by the provisions of paragraph (1)(A) of section 1401a(b) of title 10, United States Code, to be made on January 1, 1982, or within a reasonable time hereafter, the Secretary of Defense shall determine the percent change in the index (as such term is defined in section 1401a(a) of title 10, United States Code) published for December 1981 over the index published for December 1980 (rather than over the index published for June 1981).

(B) The increase in the retired and retainer pay of members and former members of the uniformed services to be made effective March 1, 1982, under the provisions of paragraph (2)(A) of such section shall, in lieu of the increase prescribed by such paragraph, be the percent change computed under subparagraph (A), adjusted to the nearest one-tenth of 1 percent.

(3) The President shall by Executive Order provide for only one cost-of-living adjustment in the annuities paid under the Central Intelligence Agency Act of 1964 for Certain Employees (50 U.S.C. 403 note) during the period beginning on September 1, 1981, and ending on August 31, 1982. Such adjustment shall be effective March 1, 1982, and shall be made in the same manner and percentage as the adjustment provided for in paragraphs (1) and (2) for the retired and retainer pay of members and former members of the uniformed services.

(4) Paragraphs (1), (2), and (3) shall not take effect unless similar legislation is enacted which provides for only one cost-of-living increase in annuities paid under subchapter III of chapter 83 of title 5, United States Code, during the period beginning on September 1, 1981, and ending on August 31, 1982.

(b) Section 812(b) of the Department of Defense Authorization Act, 1981 (Public Law 96-342; 10 U.S.C. 1401a note) is amended—

(1) by striking out "August 31, 1981, but subject to paragraph (3)" in paragraph (1) and inserting in lieu thereof "August 31, 1982, but subject to paragraph (2)"; and

(2) by inserting "and until" after "unless" in paragraph (2).

DELAY OF EFFECTIVE DATE FOR CEILING ON NUMBER SENIOR-GRADE CIVILIAN EMPLOYEES OF THE DEPARTMENT OF DEFENSE

SEC. 910. Section 811(a) of the Department of Defense Appropriation Authorization Act, 1978 (Public Law 95-79; 10 U.S.C. 131 note) is amended by striking out the first sentence of paragraph (2).

DEPARTMENT OF DEFENSE CIVILIAN PERSONNEL MANAGEMENT CONSTRAINTS

SEC. 911. The civilian personnel of the Department of Defense shall be managed each fiscal year solely on the basis of and consistent with (1) the workload required to carry out the functions and activities of such department, (2) the funds made available to such department for such fiscal year, and (3) the authorized end strength for the civilian personnel of such department for such fiscal year. The management of such personnel in any fiscal year shall not be subject to any man-year constraint or limitation.

LIABILITY OF THE UNITED STATES UNDER CERTAIN CIRCUMSTANCES FOR TORT ACTIONS OF MEMBERS OF THE NATIONAL GUARD

SEC. 912. (a)(1) Chapter 163 of title 10, United States Code, relating to military claims, is amended by adding at the end thereof the following new section:

"§ 2738. Liability of the United States for certain tort actions of members of the Army National Guard of the United States and members of the Air National Guard of the United States

"The United States shall be liable with respect to claims for property damage, personal injury, or death caused by the act or omission of a member of the Army National Guard of the United States or the Air National Guard of the United States while such member is performing service under section 316, 502, 503, 504, or 505 of title 32, or performing service under any other provision of law for which such member is entitled to, or has waived, pay under title 37, in the same manner and to the same extent that the United States would be liable in any other action brought against the United States under section 1346(b) of title 28 and chapter 171 of such title.".

(2) The table of sections at the beginning of chapter 163 of such title is amended by adding at the end thereof the following new item:

"2738. Liability of the United States for certain tort actions of members of the Army National Guard of the United States and members of the Air National Guard of the United States.".

(b) The amendments made by subsection (a) shall be applicable to acts and omissions of members of the Army National Guard of the United States and members of the Air National Guard of the United States that occur on or after the date of the enactment of this Act.

ESTABLISHING BY LAW THE POSITION OF DIRECTOR OF THE DEFENSE SECURITY ASSISTANCE AGENCY

SEC. 913. (a) Chapter 4 of title 10, United States Code, relating to the Department of Defense, is amended by adding at the end thereof the following new section:

"§ 141. Director of the Defense Security Assistance Agency: appointment, powers, and duties

"(a) There is a Director of the Defense Security Assistance Agency, appointed from civilian or military life by the President, by and with the advice and consent of the Senate.

"(b) The Director shall perform such duties relating to security assistance as the Secretary of Defense may prescribe, including—

"(1) being the principal advisor to the Secretary on security assistance matters; and

"(2) supervising all security assistance activities in the Department of Defense.".

(b) The table of sections at the beginning of chapter 4 of such title is amended by adding at the end thereof the following new item:

"141. Director of the Defense Security Assistance Agency: appointment, powers, and duties.".

REQUIREMENT FOR ANNUAL REPORT ON NATIONAL GUARD AND RESERVE COMPONENT EQUIPMENT

SEC. 914. Section 138(b) of title 10, United States Code, relating to annual authorization of appropriations, is amended—

(1) by inserting "(1)" after "(b)"; and

(2) by adding at the end thereof the following new paragraph:

"(2) The Secretary of Defense shall submit to the Congress each year, not later than February 15, a written report concerning the equipment of the National Guard and the reserve components of the armed forces for each of the three succeeding fiscal years. Each such report shall include—

"(A) recommendations as to the type and quantity of each major item of equipment which should be in the inventory of the Selected Reserve of the Ready Reserve of each reserve component of the armed forces;

"(B) the quantity and average age of each type of major item of equipment which is expected to be physically available in the inventory of the Selected Reserve of the Ready Reserve of each reserve component as of the beginning of each fiscal year covered by the report;

"(C) the quantity and cost of each type of major item of equipment which is expected to be procured for the Selective Reserve of the Ready Reserve of each reserve component from commercial sources or to be transferred to each such Selected Reserve from the active-duty components of the armed forces; and

"(D) the quantity of each type of major item of equipment which is expected to be retired, decommissioned, transferred, or otherwise removed from the physical inventory of the Selected Reserve of the Ready Reserve of each reserve component and the plans for replacement of that equipment.

The report required by this paragraph shall be prepared and expressed in the same format and with the same level of detail as the information presented in the annual Five Year Defense Program Procurement Annex prepared by the Department of Defense.".

AUTHORIZATION OF MILITARY COOPERATION WITH CIVILIAN LAW ENFORCEMENT OFFICIALS

SEC. 915. (a) Part I of subtitle A of title 10, United States Code, is amended by adding after chapter 17 the following new chapter:

"CHAPTER 18—MILITARY COOPERATION WITH CIVILIAN LAW ENFORCEMENT OFFICIALS

"Sec.
"371. Use of information obtained by members of the armed forces.
"372. Use of armed forces equipment and facilities.
"373. Training and advising civilian law enforcement officials.
"374. Regulations.

"§ 371. Use of information obtained by members of the armed forces

"The Secretary of Defense may provide to Federal, State, and local civilian law enforcement officials any information collected during the normal course of military operations that may be relevant to a violation of any Federal or State law.

"§ 372. Use of armed forces equipment and facilities

"The Secretary of Defense may make available any equipment, base facility, or research facility of the armed forces to any Federal, State, or local civilian law enforcement official if the making of such equipment or facility available for use by such official will not adversely affect the military preparedness of the United States.

"§ 373. Training and advising civilian law enforcement officials

"The Secretary of Defense may assign members of the armed forces to train Federal, State, and local civilian law enforcement officials in the operation of military equipment made available to such officials pursuant to section 372 and to provide expert advice relevant to the purposes of this chapter if the provision of such training or advice will not adversely affect the military preparedness of the United States.

"§ 374. Regulations

"(a) The Secretary of Defense shall issue such regulations as may be necessary to insure that the provision of any assistance, or the provision of any equipment or facility, to any Federal, State, or local civilian law enforcement official does not—

"(1) impair any training or operation necessary to the military preparedness of the United States; or

"(2) include or permit direct participation by any member of the armed forces in any search and seizure, arrest, or other similar activity unless participation in such activity by members of the armed forces is otherwise authorized by law.

"(b) The Secretary of Defense shall also issue such regulations as may be necessary to insure that reimbursement for the provision of assistance, including the provision of any equipment or facility, under this chapter to any Federal, State, or local civilian law enforcement official may be obtained whenever the Secretary of Defense determines such reimbursement to be appropriate.".

(b) The table of chapters at the beginning of such title and at the beginning of part I of subtitle A of such title are amended by adding after the item relating to chapter 17 the following new item:

"18. Military Cooperation With Civilian Law Enforcement Officials.....371.".

AMENDMENTS TO THE MILITARY SELECTIVE SERVICE ACT TO ASSIST ENFORCEMENT OF REGISTRATION REQUIREMENT

SEC. 916. (a) Section 3 of the Military Selective Service Act (50 U.S.C. App. 453) is amended by inserting after the first sentence the following new sentence: "Each person required to present himself for registration under this Act shall furnish at such time and in such manner as the Director shall prescribe the social security account number of such person.".

(b) Section 10 of such Act (50 U.S.C. App. 460) is amended by adding at the end thereof the following new subsection:

"(i) The Director shall have access, in accordance with regulations prescribed by the President, to information contained in the records of any other department or agency of the Federal Government pertaining to the names, ages, and addresses of persons required to present themselves for registration under this Act. Such information may be used by the Director only for the purpose of ensuring that all persons required to present themselves for registration under this Act comply with the registration requirements of this Act.".

RESEARCH GRANTS

SEC. 917. The second sentence of section 2358 of title 10, United States Code, relating to research projects, is amended by inserting "or by grant" after "contract" in clause (1).

ASSISTANCE TO YORKTOWN BICENTENNIAL CELEBRATION

SEC. 918. (a) Notwithstanding any other provision of law, the Secretary of Defense is authorized, in connection with the observance on October 19, 1981, of the two-hundredth anniversary of the surrender of Lord Cornwallis to General George Washington at Yorktown, Virginia, which date has been proclaimed by Public Law 96-414 (94 Stat. 1724) as a National Day of Observance of that historic event—

(1) to provide logistical support and personnel services for the national observance of such event;

(2) to lend and provide equipment to officials of the Yorktown Bicentennial Committee as requested by the Secretary of the Interior; and

(3) to provide such other services as the Secretary of the Interior may consider necessary and the Secretary of Defense may consider advisable.

(b) There is authorized to be appropriated to the Secretary of Defense an amount not to exceed $750,000 for the purpose of carrying out subsection (a).

(c) No funds may be obligated or expended for carrying out the purposes of subsection (a) unless such funds have been specifically appropriated for such purpose.

Amend the title so as to read: "A bill to authorize appropriations for fiscal year 1982 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons and for research, development, test, and evaluation for the Armed Forces, to authorize appropriations for fiscal year 1982 for operations and maintenance expenses of the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for fiscal year 1982 for civil defense, and for other purposes.".

The PRESIDING OFFICER. The Senator from Texas.

Mr. TOWER. Mr. President, I ask unanimous consent that the following members of the staff of the Senate Armed Services Committee be granted the privilege of the floor during the duration of the Senate's consideration of S. 815, the fiscal year 1982 Department of Defense authorization bill:

Rhett B. Dawson, William L. Ball III, James F. McGovern, Michael B. Donley, Richard D. Finn, Jr., Frank J. Gaffney, Jr., Alton G. Keel, Jr., Edward B. Kenney, Ronald F. Lehman, James R. Locher, Anthony J. Principi, Carl M. Smith, James C. Smith, Ann E. Sauer, Christine E. Cowart, Louis W. Arny III, Francis J. Sullivan, Paul C. Besozzi, Robert S. Dotson, E. George Riedel, George F. Travers, Ralph O. White, and Mary A. Shields.

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

Mr. TOWER. Mr. President, the Committee on Armed Services has reported a bill that would authorize $136.5 billion for national defense programs in fiscal year 1982. This measure would authorize funds for procurement, research and development, and operation and maintenance for each of the services, as well as prescribe the authorized active duty, civilian, Selected Reserve, and National Guard personnel strengths in each of the service components.

The President's DOD budget request for fiscal year 1982 is $222.2 billion. This is an increase of $25.8 billion in obligational authority above that proposed by the previous administration in January of this year. Of this total request, $136.4 billion was requested for procurement, research and development, and operation and maintenance. In addition, $132.8 million was recommended for civil defense.

The net effect of the committee's bill is to authorize funds which total $29.9 million more than the President's request for the Department of Defense. At the same time, the committee recommended changes to authorized personnel strengths which will reflect savings of $47 million. The net budgetary impact of this DOD authorization bill is, thus, $17.1 million less than the President's total request.

A comparison of this recommendation with last year's authorization bill requires an adjustment for operation and maintenance funds, which are being authorized for the first time this year. Last year, Congress authorized a total of $52.8 billion in procurement, research and development, and civil defense. This compares with $73.2 billion recommended for these purposes in the fiscal year 1982 bill reported by our committee.

It is this comparison which reflects the urgency our committee assigns to the requirement of modernizing, improving, and enhancing the readiness of our Nation's strategic and general-purpose forces. This increase of approximately $20 billion in the level of our overall defense investment will enable us to begin to strengthen our future land, sea, and air forces so as to establish a more credible deterrent to armed conflict in the decade ahead.

Our committee welcomes the priority assigned to our national security needs by the new administration as has been mandated by the American people. The percentage of our Federal budget used for national defense declined steadily with the dramatic growth in domestic spending during the late 1960's and early 1970's. Likewise, our defense expenditures as a percentage of gross national product declined from over 10 percent in the early 1950's to approximately 5 percent in the late 1970's.

Clearly, the adverse trends which have occurred over the past 20 years with respect to the world military balance can only be arrested and controlled by major revisions to our Federal budget priorities. The Senate's approval of the first concurrent budget resolution for the next fiscal year reflects the direction of this essential change.

While simple comparisons of defense expenditures cannot by themselves measure relative capabilities, they do offer insights into the level of resources committed to the attainment of defined military strengths. Today, Soviet military expenditures exceed those of the United States by approximately $70 billion annually. The Defense Intelligence Agency has estimated that from 1970 to 1980, the total cost of the Soviet defense program exceeded that of the U.S. program by $532 billion, including $350 billion in "investment" spending alone.

During this decade, and as a result of the massive Soviet defense buildup, the United States lost the superiority of its strategic nuclear forces and confronted the prospect of losing essential equivalence with its major potential adversary. The United States lost the superiority of its theater nuclear forces in Europe and ceased to be the predominant naval power on the high seas. Further, the United States permitted a marked shift to occur in the overall conventional military balance to the growing advantage of the Soviet Union.

These developments have already dramatically affected the international climate across the full spectrum of East-West relationships. They signal the emergence of the Soviet Union as a military superpower, though it remains a country beset by continuing economic and social difficulties. Viewed in the aggregate, these trends give clear evidence of the Kremlin's determination to become the predominant military power in the world.

The response of the industrialized nations of the West to this buildup of Soviet military power has so far been fractured and inconsistent. The Western democracies have been slow to recognize the global impact of Soviet designs and the nature of their involvement in world regions experiencing political instability and crises. More recent trends have shown the extent to which the Soviets are attempting to position themselves so as to exert disruptive influences on the stability upon which the Western economic order depends.

Events in Africa, Latin America, the Middle East, and Southeast and Southwest Asia bear the bold imprint of Soviet adventurism in each of these regions of political and military tension. The United States and its allies must continue to develop common diplomatic and economic strategies to confront the Soviets wherever their actions place Western security interests at risk. But we cannot avoid the conclusion that such remedies alone will not suffice for the decade ahead. The erosion in our military strength relative to that of the Soviet Union must be halted. We must embark now on a program to improve our overall military posture by upgrading the readiness of existing forces, modernizing those forces, and increasing the force structure where warranted.

STRATEGIC FORCES

With respect to our strategic forces, the bill reported by the committee reflects the work very ably undertaken by our Subcommittee on Strategic and Theater Nuclear Forces. Under the leadership of the Senator from Virginia (Mr. WARNER), the subcommittee held a series of comprehensive hearings on all aspects of our strategic posture and the programs recommended to modernize and strengthen our intercontinental and theater nuclear deterrent.

The committee has recommended approval of the administration's request for procurement funds for the air-launched cruise missile, the ground-launched cruise missile, and the Trident submarine-launched ballistic missile.

For strategic research and development, the committee has recommended approval of the $2.4 billion request to continue development of the MX intercontinental ballistic missile and its mobile basing system. The committee has consistently supported the development and deployment of this new ICBM in a survivable basing mode as necessary to preserve the integrity of our strategic Triad. This program affords us the only workable solution to the so-called window of vulnerability, in which a larger and larger portion of our existing land-based ICBM's may be vulnerable to attack by the increasingly accurate and sizable Soviet ICBM force.

In light of the ongoing review by the new administration of the MX basing plan, the committee has added a provision to the bill prohibiting the obligation or expenditure of these R. & D. funds until—

First. The President submits to Congress a specific MX basing program which provides for, among other things, a particular basing mode;

Second. The Secretary of Defense submits a justification for the President's decision, along with a comparison of alternatives; and

Third. Sixty days have elapsed in which both Houses of Congress do not adopt resolutions of disapproval.

An additional major strategic program included in the President's request is the long-range combat aircraft (LRCA) for which both procurement and R. & D. funds were approved by the committee. The need we believe is validated and we have given the same treatment to the funds authorized for the long-range combat aircraft as we have the MX missile.

The need for a new manned strategic bomber to replace the aging B-52 and to secure this most flexible leg of our strategic Triad is abundantly clear. However, obligation of these funds has been made subject to the President's notification and justification to the Congress of his decision on the type of aircraft to be built for this role. As in the case of the MX funds, this decision by the Chief Executive could be reversed by a resolution of disapproval in both Houses of Congress.

The request for the authorization of the 10th Trident submarine has been deferred by the committee because of the difficulties which have plagued this construction effort. However, additional longlead funds have been provided to prevent delays in the construction schedule of this submarine should this authorization be approved next year. Funds for the Trident missile procurement have been approved to support the Navy's ongoing program of backfitting this new missile into existing Poseidon submarines.

Another area of special concern to the committee this year is that of strategic command, control, and communications. We have included an additional $108.5 million in this bill to fund further initiatives in this extremely critical category of our strategic systems that were not contained in the DOD request.

SEA POWER AND FORCE PROJECTION

Navy ship construction and force projection programs were reviewed this year by the Sea Power and Force Projection Subcommittee chaired by the Senator from Maine (Mr. COHEN).

With the emergence of the Soviet Navy as an increasingly offensive and wide-ranging global fleet, the era of unquestioned American supremacy on the high seas has been brought, I am unhappy to say, to an end. From relatively humble beginnings as a coastal defense force, the Soviet Navy has grown dramatically to the point where its units now operate in waters far removed from Russian shores as a powerful instrument of Soviet political aims in distant regions of the world.

Moreover, the Soviet merchant marine, which also serves as a naval auxiliary force, has grown to the position of the seventh ranking merchant marine in the world in terms of deadweight tonnage. In contrast, the merchant marine of the United States, a nation absolutely dependent on seaborne commerce, ranks ninth. Comparing the number of ships over 1,000 gross tons, the Soviets rank 2d, while the United States ranks 11th.

The interdependence of the Western economies and their reliance on seaborne supplies of oil and other critical materials is in stark contrast to the relative self-sufficiency of the Soviet Union. The rebuilding of America's essential naval and maritime strength is, therefore, an undertaking we must vigorously pursue during the decade ahead.

Last year, our committee, under the leadership of the distinguished senior Senator from Mississippi, initiated a program to accelerate Navy ship construction by adding three new surface combatants, eight transport ship conversions, and advance procurement funds for several other ships in the fiscal year 1981 authorization bill.

This year, the committee has approved a shipbuilding program that includes the authorization of 22 new ships and 13 conversions, acquisitions, and reactivations.

Major elements of this $10.1 billion program include advance procurement for a nuclear-powered aircraft carrier to be authorized next year, two Los Angeles-class nuclear submarines, three Aegis cruisers, one fleet oiler, and the reactivation and modernization of the battleship *New Jersey*. The committee on its own initiative added three more guided missile frigates to the three requested in the budget submission, as well as one LSD-41 class amphibious ship not contained in the fiscal year 1982 request.

The committee deleted funds requested for the reactivation of the aircraft carrier *Oriskany*. This is consistent with action taken on the fiscal year 1981 supplemental authorization bill adopted by the Senate earlier this year.

In the case of the battleship reactivation, the committee is convinced that the modern weapons, communications equipment, radar, and electronic warfare systems to be installed on this ship will make it a prudent investment and a valuable addition to our surface fleet.

In addition to reviewing the Navy's shipbuilding program, the Sea Power and Force Projection Subcommittee held a number of hearings on specific force projection issues, including the present status of the rapid deployment joint task force. While the committee reaffirms its support for this concept, testimony taken by the subcommittee highlighted the importance of resolving command and control relationships essential to the readiness and effectiveness of the rapid deployment force. In this connection, the committee has welcomed the announcement last month by the Secretary of Defense that this force would evolve within several years into a separate, unified command with its own geographic responsibilities, service components, forces, and other support elements.

In its review of programs integral to the force projection mission, the committee deleted all but $1 million for the development of the C–X, a new Air Force transport aircraft. While recognizing the need for broad improvement in our strategic airlift capabilities, it was our judgment that the C–X program is not sufficiently defined to warrant a major investment of funds in the fashion recommended by the administration.

TACTICAL WARFARE FORCES

The Tactical Warfare Subcommittee, chaired by the distinguished Senator from Arizona (Mr. GOLDWATER) reviewed the administration's budget requests for all tactical warfare systems in each of the services.

Based on their findings, the committee strongly endorsed the administration's plans to procure aircraft, missiles, and other weapons systems at more efficient rates of production than have been permitted in the past. Past procurement of systems at inefficient rates has not only increased costs but has also adversely affected the preparedness of our defense industrial base.

With respect to tactical air forces, the committee has recommended major procurements of all front-line tactical aircraft now in production and has approved advance procurement funds for next year consistent with sustaining these production rates at reasonably efficient levels.

In the case of the Navy's F–18 fighter aircraft, we have reduced the procurement request by $147.1 million, which will allow for the purchase of 58 aircraft instead of the 63 that were requested. The committee continues to support the F–18 program; however, in our opinion, this reduction is warranted by the cost growth experienced in this program and by technical difficulties encountered in the aircraft's testing.

A procurement reduction has also been recommended for the Army's Patriot missile system. We have approved funds to allow for the limited production of this missile system but have deleted $373.4 million from the amended request which would have accelerated production. Certain reliability and maintainability difficulties have been encountered in this program which require additional testing before undertaking an increased production effort.

With respect to modernization of ground combat vehicles, the committee approved the request for $1.9 billion to procure 720 M–1 main battle tanks for the Army. However, because of difficulties encountered in the reliability and durability testing of this new tank, the committee has added a provision in the bill prohibiting the obligation of all of these funds until a report has been received from the Secretary of Defense addressing the results of continued testing and a plan for long-term evolutionary improvements to the M–1 tank.

The committee is recommending the procurement of 600 fighting vehicle systems requested for the Army and has added funds to permit the Army to prepare a competitive second-source producer for this vehicle.

For lightweight armored vehicles, to be used by rapid deployment force units, the committee has directed that these important programs be executed in an expeditious fashion. We have further assigned to the Secretary of the Navy the responsibility of managing and directing the acquisition of these systems in configurations that can be procured for use by both the Marine Corps and the Army.

Again this year, the committee found that the Department of Defense had failed to request sufficient funds for the modernization and equipping of our National Guard and Reserve Forces. After a careful review of Guard and Reserve requirements omitted from the administration's budget submission, the committee agreed to the addition of procurement funds to provide: 20 AH–1S Cobra attack helicopters to the Army Reserve; 12 A–7K trainer aircraft to the Air National Guard; 12 C–130 transport airaircraft to the Air National Guard; 12 C–9B transport aircraft to the Naval Reserve to be procured from commercial airline excess aircraft; and 2 P–3C antisubmarine warfare patrol aircraft for the Naval Reserve.

In addition, because of critical shortages of ground combat vehicles and other weapons in the Army National Guard, the committee has recommended the addition of $50 million in procurement funds for tracked carriers, artillery and tank recovery vehicles, trucks, and other equipment items essential to the effectiveness of these units.

Mr. President, we were appalled to find that much of the equipment now being used and operated by our Reserve and National Guard units was not deployable. If we have to go to war tomorrow, it will be a come-as-you-are party. The fact that we rely on these Reserve components to back us up and to provide replacements in the event of any kind of major conflagration makes it necessary, I believe, that we make sure that their equipment is deployable and usable in a war-fighting configuration.

MANPOWER AND PERSONNEL

Requirements for all categories of defense manpower, including active duty personnel, civilian personnel, and Guard and Reserve strengths, were reviewed in detail this year by the Subcommittee on Manpower and Personnel which is chaired by the Senator from Iowa (Mr. JEPSEN).

The Department of Defense has requested a total active-duty end strength for fiscal year 1982 of 2,119,900, an increase of 44,500 over the level requested by the President in his fiscal year 1981 supplemental request. The force structure for which this active-duty manpower is requested consists of 16 Army divisions, 26 Air Force wings, 3 Marine divisions, and 493 ships.

Following a review of the justification for these additional personnel, the committee has recommended a modest reduction of 5,300 active duty military authorizations from the increases proposed in the President's budget. The basis for this reduction is addressed in detail in the committee's report.

In acting on the request for a civilian end strength of 1,024,900, the committee has recommended a reduction of 700 positions in order to promote greater efficiencies in the utilization of civilian manpower in various management and operational headquarters.

With regard to military training student loads, the committee bill recommends approval of the budget request, with the exception of an additional increment for the Air National Guard and a separate authorization for the Army's one-station unit training.

The Selected Reserve manpower strengths for each of the Reserve and Guard components were approved at the levels requested by the administration.

The committee will continue to monitor closely the performance of each of the Services in recruiting and retaining the necessary personnel in order to meet the increased active-duty strengths. This will become an increasingly difficult task as the pool of service-eligible youth in the general population continues to decline during the remainder of this decade. Each of the Services will have to refine and improve its personnel management procedures in order to achieve the very ambitious goals for recruiting and retention that will accompany efforts to upgrade the readiness and strength of currently projected forces.

PREPAREDNESS

For the first time this year, the committee's bill contains an authorization for operation and maintenance funds in each of the services. The Subcommittee on Preparedness, chaired by the Senator from New Hampshire (Mr. HUMPHREY), received testimony from each service on this year's operation and maintenance request, which totals $63.3 billion, an increase of approximately $3 billion above the revised fiscal year 1981 budget.

Critical shortages in these funds, which are utilized for fuel, maintenance activities, and logistics support items,

have adversely affected the readiness of existing forces. In recognition of serious maintenance backlogs highlighted in testimony from operational commanders we have recommended the addition of $292 million for real property maintenance, depot maintenance, and support equipment items.

The Subcommittee on Preparedness will continue to maintain careful oversight with respect to operation and maintenance expenditures in each of the services. Clearly, there are many improvements needed in the method by which readiness is assessed and in the process by which funds are allocated for operation and maintenance as well as other activities governing the readiness and sustainability of our forces.

Finally, the committee will undertake next year to authorize funds requested for ammunition production and other procurement items not presently covered in this bill. This will afford us an opportunity to consider more important readiness factors that until now have been excluded from the authorization process.

GENERAL PROVISIONS

The committee has included a number of general provisions in title IX of this bill. One specific measure which I call to the attention of my colleagues relates to the issue of multiyear contracting for defense systems.

It is clear in the defense acquisition process that expanding the application of multiyear contracts could be a significant means of achieving savings in certain categories of major defense purchases. While regulatory authority for multiyear contracting for certain supplies has been in existence since 1963, the effectiveness of this provision has been limited by a ceiling of $5 million on contract cancellation charges. The committee has proposed, therefore, raising this ceiling from $5 million to $50 million to afford the Defense Department some immediate flexibility in this area.

CONCLUSION

Mr. President, I wish to draw special attention to the efforts of Secretary Weinberger and Deputy Secretary Carlucci, who are off to an excellent start in identifying areas in the defense budget where additional efficiencies can be obtained through managerial improvements. To date, no less than seven directives have been issued outlining new policies and procedures intended to improve various aspects of program management and oversight at the Pentagon. One area worthy of special mention involves substantial changes to the defense acquisition process, and a recent memorandum from Mr. Carlucci to each of the Service Secretaries and Service Chiefs would significantly streamline the complicated procedure used in making procurement decisions.

Last month, Secretary Weinberger announced the establishment of an Office of the Assistant to the Secretary of Defense for Review and Oversight. This individual will be charged with responsibility to oversee efforts to detect waste, fraud, and abuse of DOD operations. While I have long felt that the Pentagon generally does a better job than the other executive departments in scrutinizing its expenditures, I applaud the additional focus brought to this important function by the Secretary's recent initiatives.

Mr. President, I commend the diligent and I might say heroic efforts of each of our subcommittee chairmen and ranking minority members for the work that has made possible the timely reporting of this bill to the Senate.

I especially cite the invaluable contributions and cooperative leadership exhibited by our former chairman, the very distinguished Senator from Mississippi, whose experience and judgment in all national security matters is held in such high esteem by us all. We have continued the tradition set forth by Senator STENNIS many years ago in approaching our committee responsibilities in a bipartisan way. This practice has served us well in years past, and we as a committee remain dedicated to the nonpartisan execution of our duties to the Senate.

In summary, Mr. President, we bring before the Senate today a bill that would authorize a very substantial increase in our defense expenditures. This heavy cost, however, is absolutely necessary if we are to secure the future of our country in the difficult times ahead. History holds forth clear evidence that in our imperfect world, there is no substitute for military strength as a means of preserving peace and deterring hostile aggression. I am quite confident that the American people as a whole fully recognize the unacceptable jeopardy that will confront our way of life unless we act promptly and decisively to restore the capabilities of our military and naval forces.

Clearly, we must endure certain sacrifices in order to accomplish the tasks before us. But just as clearly, there is no acceptable alternative to what must now be done.

This bill represents a balanced and comprehensive program to undertake urgent and necessary improvements in each of our Armed Forces. I urge the Senate to support the recommendations of our committee and the efforts of our President and our Secretary of Defense in assigning to these tasks the priority demanded by the very real threats we now face.

Mr. President, I move the adoption of the committee amendment to S. 815.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

Mr. TOWER. Mr. President, I ask unanimous consent that the bill be considered as original text for purposes of amendment.

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

Mr. TOWER. Mr. President, I am pleased to yield now to my old friend and mentor, a man of such distinction that we have difficulty finding words to articulate it, the distinguished Senator from Mississippi.

Mr. STENNIS. Mr. President, I have a deep feeling of warm gratitude and appreciation for Chairman TOWER of Texas. We have been on this committee a long time together, and we have never had any disagreements that did not heal in a few minutes anyway. A difference of opinion was what we had. It was not disagreements.

I commend him highly for the splendid job that he has done as chairman of the committee, the volume of work that he and his staff have handled and worked on by the members of the staff that is assigned to the minority. But the volume of work that went in by Chairman TOWER himself has been outstanding, very productive, and represents here I think just as good a bill as was possible to have had under the circumstances. The adverse circumstance was time.

It has not been long since the entire force in the Pentagon came in and assumed this responsibility.

Senator TOWER has furnished a lot of the leadership that has made their achievements possible also.

Mr. President, I have a statement here by way of review and for emphasis pointing out the various parts of the bill.

But Senator TOWER has already made a good statement on the bill as a whole and I do not go into these matters that I shall mention just for repetition's sake or just to try to improve on what he has said, not within the least.

But I did think it was well to have a review of it from each of us and comments on the policies involved as well as the general subject matter problem.

Mr. President, I will not repeat the amounts of money involved here but these are truly large sums of money.

But the problem is great. The problem has been growing and expanding. The whole world has even changed since the invasion of Afghanistan for the more recent happenings. But this trend has been going on now almost since the end of World War II, and I certainly have hope that things will be better, but I am certain that we have to have this strength.

I do not like to see the program have to move so fast and think a great deal more has to be done to really get the program on the proper base and bottom.

In January of this year in his first appearance before our committee I said to—he was then the forthcoming prospective Secretary of Defense—Mr. Weinberger, that I thought he would have no trouble, and I said: "You will have no trouble getting appropriations in the 1981 appropriation bill."

Repeating my quotation of what I had said to Secretary of Defense-to-be Weinberger when he came before our committee in January, and speaking of his problem of getting this increased amount of money, my observation to him was that, "Your trouble will be in getting your appropriations, but it will come next year and in later years not this year. It will come when the reaction sets in from the so-called social programs which are being reduced this year."

I think this military program we are launching, the added one, is one where all who have responsibilities in connection therewith in the executive branch and all of us whom the Senate depends

on to look into them and make recommendations here that that thought should well be borne in mind. It is just not going to be easy, I think, in years to come, certainly not as easy as this year, to get money for these military appropriations.

I have been to bat quite a bit when there was severe competition among the other agencies of Government and the military, even though the people as a whole in America certainly do support and want to support and will continue to support any well-run and well-operated military establishment.

So I think of those things when we look at the great number of ships that are planned and could not be made more in particular now because of this lack of time. I mention it because I think these large sums of money must not be taken lightly and loosely by the military in uniform or the civilian military, and spent at random or spent in any way except in a course of frugality. There is some kind of a feeling that permeates many people that Government money does not have to be economized, that Government money—well, it is the Government dollar and we can throw it around more freely and more generously than we would our own.

There is no reason whatsoever for that. Every tax dollar is something that was once belonging to someone else, it was earned by someone else. It belonged to someone else and was exacted from that owner by the processes of law, presumably for good purposes but, nevertheless, they took it away from the owner, which is certainly another reason why it should be spent with the greatest care and with the greatest frugality, not merely as a matter of policy, even though that is one of the reasons, but I think in future years it is going to be, as a matter of necessity, that the Government is going to have to be frugal and thrifty and careful about the way it spends the money.

These demands are going to be enormous and will continue to be when we take on the cost of health, for instance, and many of the other things we are trying to do now, which are going to run into many billions of dollars, and we should just establish a ceiling and give it a popular position of there being honor and praise and recognition for those within the Government at every level, Federal, State, city, municipal, and levels of all kinds, that they are entitled to this recognition if they are frugal with the money and careful with spending it, and that they are entitled to the censure and even scorn of the others if they do fail to exercise this degree of care. That may sound old-fashioned, but I think we have sailed along and been trying down here with easy goals and have been on a downhill ride and we have been failing to meet the Government's obligations for so many years now and for so long and in such large numbers of years and we are going to have to put on these new approaches.

Now another thing that comes to my mind in this connection, there is a limit to what we can do in military security, even for ourselves. I mean a limit to the amount of money that we can reasonably make available for those purposes.

We say sometimes recklessly that we do not care what it costs, we must have a defense and we must have military security. And that is a laudable position all right, but I do not think that it can come just endlessly. We are going to have to count the things that we can do.

When I first came to the Senate, we were planning in a big way in a great effort that was worldwide that was created to let the United Nations be formed and take over a lot of the policing and try to nip wars in their inception, if they got that far, and have an international police force and many plans of that kind. It was laudable and high-minded and seemed realistic. But things did not just work out that way. So we resorted to NATO, the unification of Western Europe and then we entered into alliances almost all over the world of various kinds. I think relatively NATO has been highly successful and I shudder to think what might have happened had we not acted.

Of course I am for it and have defended it here many times for it to be continued. But at the same time there is a limit to the amount of money that we can prudently spend in that venture, particularly in view of the fact that now we are so dependent on the Persian Gulf area for such absolute essentials as oil as a part of our essential energy, our fuel, our transportation, and every other use that we have for it. We not only have to protect our own source way over there but the source of supply to our western allies. These things were unheard of or unthought of at least when we were talking about the United Nations in those years following World War II.

Now as the membership here knows and the people know, there is a tremendous extra military effort that we have to go to and we have got to provide the weaponry. We are doing that and this bill carries a great deal of it for the future to take care of that area. And it will have to continue for a good long time. The others, even though they get the benefits of what we are doing, do not do much about it. There is no other nation that has a navy that can go very far from their own shorelines to add anything, invaluable as they are. And I do not discount them, but they just do not add to help us in keeping the ceilings open from those different energy areas that we have to protect.

We have our obligations in the Pacific, of course. I am just trying to point out here what has come on us here in the last decade, the last few years.

Before I get to the Pacific area, I just want to mention that just 3 or 4 years ago we had terrific debates here about putting some fortifications in Diego Garcia; very honest but very strong difference of opinion about it. I remember we got tied up in conference on it at one time and had a tie vote. As I recall, we had to come back in here and get an additional conferee appointed so we could break the tie and get that bill passed. We got it appropriated and we made those improvements. Look where we would be now if we did not have the benefits of Diego Garcia.

So we are not wise to all of these problems that are coming, but we were able to meet it. That is the big thing.

Now before this debate is over on this bill, I want to say a few words about the Pacific area. Certainly, I am not an expert on anything, so that permits me to go into any question. I am not considered an expert on it, but I have a lot of feelings and a lot of thought about the Pacific area, including Japan, which has been a valuable ally since the end of World War II.

I agree we waited long enough for them to get on their feet now and take care of more of their own self-defense and their own security and we will have something to say about that.

Now the point could be made here that this bill is so large and has so many new ships and prospects and other items that had not been planned out full enough that we ought to have more information, the plans ought to be more definite. I wish they could have been.

Without making any excuses for the new Department of Defense, those things just have not been possible to get the kind of planning that I would ordinarily insist on as a member of the committee. It has just been 3 or 4 months since the entire civilian organization and operation of the Pentagon came into office. That is part of our system now, and it should be a change. But the real authority there is in the civilians, Mr. Weinberger and those under him. They get their authority really by being the Presidential appointees. They just have not had time to get into these matters in depth.

I have been concerned that we did not move along in something about a bomber or something of the B-1 type and more about the situation of the Triad with reference to putting it in a forward position, and we call that now the MX. But there was not time. I knew those men did not have time to make those decisions. I never did protest because they could not be rushed and they should not have been rushed. But I hope now that—and I do not mind anyone filing amendments—we can go right on and dispose of those amendments in such a way as to give a green light to the completion of the planning about the MX and any cargo plane, if we are going to have one, an additional one, on a large scale, and other related matters.

So I think we ought to discuss those here. Senator TOWER particularly, can be asked a lot of questions about it and he will be prepared to answer it and knowledge will be disseminated among our Members here and also to the press about what these developments are and what to expect.

I do not want to be skeptical, but I am satisfied the ships, the planes and other changes in this massive military program that we are going into are going to cost far more than the feelings that we attach to them now, not that anyone is trying to mislead now. But this increased

cost, even apart from inflation, is just an increased cost there. These big increases in this money, we can show here that that does not mean so much of an increase at all, in many instances, in the number of planes or the number of weaponry that is going to be available through these added sums.

Mr. President, this is the turning point. This is a new program. I am supporting it, but I do want to put up this flag of caution and hope that this will be debated some, will be questioned some, will be challenged, to a degree. Let us be careful not to weaken the bill on these matters that are so needed.

This bill will have to go on to conference with the House and then come back and stand the test again. I know the Appropriations Committees of the House and Senate and the conferences between those two groups which are rather severe, austere, and devastating, sometimes, as to parts of a program, before the real dollars will be spent.

I really look forward to the debate here and will have additional remarks at another time.

Mr. President, a good statement on the contents of this bill has already been made by Chairman TOWER. I do not wish to repeat that but only to summarize what, in my view, are the highlights of the bill and how they may relate to the future. The Department of Defense authorization bill for fiscal year 1982 is a very significant bill when viewed from almost any perspective. It is the largest Department of Defense authorization bill in history with over $136 billion in funds authorized by this bill and another $46.1 billion indirectly authorized through the manpower strength set forth in the bill. The bill is part of the largest defense budget in the history of this country, calling for appropriations of over $226 billion for fiscal year 1982. It is the first year of a $1,488 billion—$1.5 trillion—5-year program which will see defense spending go from $146 billion in 1980 to $374 billion in fiscal year 1986. In those 5 years, we will see the portion of the Federal budget devoted to national defense grow from 23 to 33 percent. By any measure, this bill represents the first step in a process that will change the role of national defense in our peacetime life, economy, and foreign policy. It is a very significant bill and deserves our careful attention. I want to make it very clear that I support the bill as reported by the committee, and I urge my colleagues to vote for it also. It is a good bill written with a recognition of the uncertainties regarding our national security we face in this world and the need for this country to be strong and prepared to deal with those uncertainties as they unfold in the years ahead.

FUTURE UNCERTAINTY AND NEEDED FRUGALITY

Before discussing some of the details of the bill, I would like to make several general observations. Thus far, there has been little information, beyond the overall dollar figures, provided as to the future defense program beyond fiscal year 1982. This makes it difficult to assess the full future impact of the programs which are fully or in part adopted in this bill. For example, while this bill authorizes some long leadtime funds for future ships, we do not have a 5-year shipbuilding program to measure it against. Despite the lack of details, one fact is clear. We must find ways to get more real military muscle out of the defense dollar.

Inflation, the ever-rising manpower costs caused by an all-volunteer policy, and the almost exploding costs of individual weapons systems are taking a heavy toll in the real strength this defense budget will produce. I have always been for a frugal, make-do, practical approach to military programs. Now, more than ever, there must be frugality. It can only come from a frame of mind of what I will call salami tactics—actively searching out and slicing away at every opportunity, any waste, extravagance, or fraud that can be found so that the military establishment is lean, trim, and in fighting shape.

Frugality is essential for another reason—the public support of the military and the military budget will evaporate quickly if our military forces do not show real improvement without damaging the health of our economy. I support the concept of trying to tighten the Government's belt, but there is uncertainty and debate about whether or not the economy will be improved by the new economic programs.

There are serious, warning flags being raised. The Senate Budget Committee has said that large reductions beyond those already identified cuts have been identified and another $27.8 billion must be found by fiscal year 1984 to balance the budget within the administration's spending and tax program and estimates of the economy. Other professionals in the Congressional Budget Office have estimated that even with these steps, the administration's economic forecasts will not prove out and the budget deficit in fiscal year 1984 could be over $50 billion—the same as it was in fiscal year 1980.

I do not know whose economic forecasts are right. I do know that if the budget deficit is still over $50 billion in the fiscal year 1984 budget—only 2 years from now—and the economy is not doing as well as expected, there will be great pressure to restrain the defense budget. Without a clear demonstration of frugality that results in real achievements and decisive actions against waste and extravagance—it will be nearly impossible to sustain this stepped-up level of defense spending in future years.

HARD DECISIONS NEEDED TO AFFORD CURRENT PROGRAMS

There is a second area of concern that merits our attention for even if a strong economy and public support sustain a large defense budget in future years, there is serious doubt that all of the new programs being discussed are affordable. Put another way, there may not be enough money even in the proposed budgets for beyond fiscal year 1982 to buy many of the new ships, tanks, missiles, and aircraft now being advocated to strengthen our defense. Under present plans, the procurement budget would almost triple between fiscal year1980 and fiscal year 1986—going from $35 billion to $97 billion. But, if the costs of the 50 ongoing major weapons systems plus costs of all other minor procurement items are added to the costs of the MX missile, a second bomber, an airlift aircraft and the ships to achieve a 600-ship Navy by 1992, then the procurement budget reported by the administration could be some $10–$20 billion short in fiscal year 1983. This allows no money for any new major weapons systems to be started—or increased numbers of aircraft, missiles, and tanks beyond those already planned. It also assumes inflation rates which have been attacked as being too low for defense procurement. If hard decisions are not made, this could mean more stretched-out programs, uneconomic productions, and further inflation in the already very high unit costs of weaponry.

OVERVIEW OF THE BILL

The fiscal 1982 defense authorization bill as reported by the committee makes a good start on improving our military strength, and I want to urge all my colleagues to vote for it. But nobody should expect a panacea for all the military problems we face.

The bill would retain approximately the current military force structure through 1982: 16 Active Army divisions, 3 Marine Corps divisions and wings, 26 Air Force and 12 Navy tactical wings, the current numbers of strategic missiles and submarines, 487 Active Navy ships, and about 2.1 million active duty military personnel. There should be a substantially improved level of readiness in these forces as a result of substantial increases in spending for operations, maintenance, training, spare parts, and the day-to-day supplies that it takes to keep any military force up to snuff. In the procurement field—weaponry to be delivered later—the fiscal year 1982 budget of $68.8 billion is almost double the fiscal year 1980 figure. However, there is not a corresponding increase in the quantities of new weapons that it buys. The major increase is in tracked vehicles—where 500 more tanks and fighting vehicles will be bought compared to fiscal year 1980—and in antitank and antiaircraft missiles. It buys about the same number of new aircraft as in 1980, but about 90 are new trainer airplanes, so there are really fewer combat aircraft. As in 1980, the recommended shipbuilding program includes 11 new combatant ships. However, there is a substantial increase in support and cargo ships, including 11 to be newly constructed and 12 older ships to be acquired and updated, along with the reactivation of a battleship.

On balance, the fiscal year 1982 budget increases will go to improve our current military forces, particularly in the readiness area. Because the dollar buys so little as compared to the past, it will not substantially expand our forces now or in the future.

STRATEGIC NUCLEAR PROGRAMS

The main deterrent to nuclear war is our strategic triad—land-based missiles, long-range bombers, and missile-firing submarines. The SALT debates last year drew attention to Russian developments

in this field and the need to move forward with new U.S. programs to maintain our relative strength. We are moving forward in this bill with the cruise missile program to improve the bomber force, the sea-based missile program, and the command and control items for all strategic forces, but there are some difficult decisions ahead. Thus far, there has been no recommendation from the executive branch on the MX missile-basing program or the bomber program and so the committee put over $4 billion in the bill for these programs but prohibited by law the spending of money until the President recommends a program for both the MX and a bomber.

The Trident submarine program is beset with cost and schedule problems—not yet settled between the Navy and the contractor—that will take some firm executive branch leadership to resolve. In the meantime, the committee recommended cutting all but $75 million of the $1.06 billion request for the 10th Trident submarine. The $75 million was described as funds for long-lead items—a common way to handle these issues. However, after the markup it became apparent that this $75 million may be enough to fund the first year of construction—in other words, incrementally funding the submarine for 1 year's building costs. I do not believe the committee intended to either cause a delay in the Trident submarine program or to abandon the full-funding principle for ships. This full-funding principle, which originated in 1951 to help avoid cost overruns and improve contract management, is important to keeping a discipline on the budget, insuring fiscal responsibility and building an orderly program.

Some departures from full funding may be beneficial. But we should not, in my judgment, depart from full funding lightly. Departures are not justified for programs which are having cost and management problems; in my judgment, this is not an effective substitute for instilling efficiency in the procurement process. Abandonment of that principle without debate and proper precaution could lead to waste and inefficiency in the shipbuilding program and could cause a practical problem for the Appropriations Committee.

NATIONAL GUARD AND RESERVES

One way to make the defense dollar go further is to rely more fully on units in the Reserve components. In this time of shortage of talented manpower, I believe we will be driven to that approach. That is why I proposed, and the committee unanimously adopted, an amendment to require every year—for the first time—a real plan and a real consideration for the equipment in the hands of the Guard and Reserve units. We need to go beyond full dependence by the Reserve components on whatever hand-me-down equipment the Active Forces had finished with. The idea is to put good equipment with the talented manpower. I also believe that good equipment in good units with good training and a real mission will do much to attract and recruit the best young people in this country. They are not looking for just pay—they want a sense of mission and duty and this is a way to provide some for them. These amendments go beyond a plan and provide real money for this purpose.

As a first step, the committee adopted a $400 million plan to equip the best-manned two divisions and eight best-manned separate brigades of the Army National Guard; $50 million was included as a down payment in this plan—to go for trucks, radios, tractors, computers, and all the day-to-day items it takes to make a modern unit run. In the past several years, Congress had added funds for Guard and Reserve aircraft—almost $800 million over the past 4 years and almost $500 million this year alone. This has been helpful and it is well known that Guard and Reserve flying units have the best manpower situation of all. Now is the time to go beyond aircraft into all the areas needed to upgrade the real capability of the Reserve units that have talented manpower. That is the purpose—to make a start this year—of these amendments.

NAVY SHIPBUILDING

The fiscal year 1982 budget request for shipbuilding and conversion is the first step in fulfilling the goal of a 600-ship, 15 aircraft carrier Navy. The Navy request is for the building, conversion, or acquisition of 33 ships at a cost of $10.3 billion. The authorization bill as recommended by the committee includes 35 ships at a cost of $10.1 billion.

The shipbuilding program contained in this bill is the largest in recent years, but includes a large number of sealift and support ships—23 ships. It contains funds for construction of only 11 new combat ships and the reactivation of a battleship. To reach and sustain a 600-ship Navy—including battle group combatant ships—will require a much higher level of funding in the near future. It is estimated that the Navy shipbuilding account will have to be more than doubled if we are to simultaneously build up our force levels and replace our aging cruiser/destroyer, amphibious ship, and ballistic missile submarine force in the next decade. It remains to be seen if even the proposed budget levels for defense can support such an ambitious shipbuilding program.

In addition to the shipbuilding program, this bill contains several important initiatives for future ships. The most significant item included in the bill is $23 million to continue design of a light carrier. Light aircraft carriers smaller and cheaper than the *Nimitz* class CVN could be an important supplement to large deck carriers. The committee will insist on the Navy providing the option to authorize a light carrier in 1983.

ARMY PROCUREMENT

Procurement for the Army in this bill shows an increase of 127 percent over the fiscal year 1980 defense budget. This increase will continue an across-the-board modernization of our ground forces that comprises the introduction of 12 major weapons into procurement in just 6 years.

We will procure the M-1 tank and its companion M-2 fighting vehicle in large numbers—over 1,300 such new systems in fiscal year 1982 alone. Three new Army air defense program systems, Patriot, Roland, and Stinger, will be procured in quantity, the divisional air defense gun will enter procurement and improvements will continue to be made on systems now in the field. The Army's combat capability will also be increased by the first procurement of the advanced attack helicopter and Hellfire missiles in the fiscal year 1982 program. Procurement of the Black Hawk helicopter will continue. The scope of the modernization effort for Army forces proposed in this bill can be characterized enormous and unprecedented.

MANPOWER

This bill authorized 2.1 million active duty military personnel, 926,400 Reserve personnel, and 1 million civilian personnel. Manpower costs in the fiscal year 1982 budget total $91.6 billion, an increase of $21 billion—over 30 percent from fiscal year 1980, the year just completed.

Despite the large amount of money devoted to manpower, our military manpower problems must be considered the most serious of our national security problems.

We must realize that there is a basic flaw in the volunteer manpower systems—we do not have the manpower needed for mobilization, for peacetime expansion or for manning modern weaponry. According to testimony before the committee, the Army is now 249,000 people short of the trained manpower they would need at mobilization. This means after considering all sources, including active duty, reserves in units, National Guard units, and the Individual Ready Reserve, we would still be unable to fill 14 percent—about one out of every seven—military positions needed in mobilization. That is the situation now. We hear of optimistic projections about the future. I do not believe that that optimism is justified based on the history to date of the All-Volunteer Force. But even if we accept these optimistic projections the Army has testified that it will still be over 100,000 personnel short of its mobilization requirement for trained personnel from all sources in 1986. Manpower remains a major obstacle to our efforts to increase readiness and enhance our military posture. Our current and future ability to provide enough manpower in a mobilization emergency is unacceptable.

Just maintaining our current active duty personnel strengths under the current volunteer system is becoming a great strain. Apart from overall numbers, there are also acute shortages in the active forces in technical skills that are absolutely essential to the operation of our current weapons systems. The committee bill includes an amendment on minimum standards with regard to the quality of personnel who are permitted to enlist in the military. But these levels should be regarded as minimum standards. Unfortunately, the services, particularly the Army, seem unable to attract sufficient numbers of highly talented persons who welcome the discipline of military life and the privilege of serving this Nation that are so needed to operate today's complex weapons sys-

tems. There are many highly dedicated and talented people both in the active duty and Reserve components but these are not sufficient in number to fill all of the requirements of the active duty forces.

This budget provides for additional ships for our Navy and the testimony is that we will move to a substantally increased Navy. I support an increased number of ships, but it is likely that we will not be able to find the manpower necessary with the skills and talent required to man these ships under the volunteer system. The Navy has testified that it may be short 24,000 personnel by fiscal year 1985 and that the shortage of experienced petty officers could be even larger—about 35,000. The target date for increasing the numbers of Navy ships is often stated as the year 1990, but the experienced petty officers that we will have to man those ships in 1990 are now in the Navy as junior enlisted personnel.

It is clear to me that we need some different additional system beyond the All-Volunteer Force to fill the manpower needs of the services. The leaders of our uniformed services need to make this message clear to the Congress and the public. This will not be possible, though, until the President makes the need known to the people and frees the military leaders to not only give their views but also advocate a better way of providing manpower for the defense of our country.

In sum, Mr. President, this bill provides for substantal increases in the money devoted to the Department of Defense and the money devoted to military manpower. But despite these increases in funding levels, the limits on our mobilizaton preparedness, the limits on our ability to expand our Army and Navy, and the limits on our ability to operate and maintain complex weapons systems are not funds. These lmits are all in personnel. If we want to go beyond these limits and enhance our military strength, then it seems clear to me that we must return to a fair and equitable Selective Service System to provide a reliable source of manpower.

OPERATIONS AND MAINTENANCE

Although much of the public interest in the authorization bill focuses on the weapons systems included in it, $63.6 billion of the $136.5 billion authorized is for operations and maintenance—the budget for the operating and training levels and the crucial maintenance activities. This is the first year that these funds have required authorization prior to appropriation actions.

The large amount of money included should provide sufficient funds to make very desirable changes in readiness including increases in flying and steaming hours for our aircraft and ships; elimination of all depot maintenance backlogs for tracked vehicles and aircraft in the Army; and elimination of the depot maintenance backlog for aircraft engines. These programs if executed in the same way as planned will enhance the readiness of our current weapons.

I am concerned that this very important area of readiness continue to receive priority attention. A plane that cannot fly or a ship that does not sail because of maintenance problems or lack of fuel does not add to our military capability. The President's budget projections now indicate that in every year from 1982 through 1986, operations and maintenance funds will get a decreasing share of the Defense budget—dropping from 33 percent to 25 percent of the total budget. Even if fuel prices and other items do not increase in cost beyond what is projected, it may be necessary to devote more of the budget to operating and maintaining the forces at accepted levels of combat readiness.

PROCUREMENT POLICY

We are unfortunately all too familiar with the skyrocketing costs of many of our major weapon systems. The rise in unit costs for many of these systems—over just a 1-year period—is disconcerting. Some weapons, such as the Marine LVT-7A1 amphibious assault vehicle and the Army Hellfire antitank missile have more than doubled in cost in 1 year. The unit cost of the Navy's Lamps helicopter rose 40 percent between the fiscal year 1982 cost projection given to us last year and the cost in the Defense budget request. The unit cost of the Army's M-1 tank rose 75 percent during the same time period, while the fighting vehicle jumped 50 percent in cost in 1 year.

There are many reasons for these extraordinary cost increases. Underestimated inflation, stretched-out acquisition programs at uneconomical production rates, raw material shortages, production bottlenecks, lack of competition in acquiring major weapon systems, and the growing technological complexity of the systems themselves all fuel these rising unit costs. Whatever the reasons, bad management—government and contractor—must not be ruled out as a cause of inflated prices, and some concrete steps must be taken to rein in these galloping costs. In an era of budget austerity, our prime procurement policy must be frugality. Our goal must be to get the most for every defense dollar we spend.

This bill contains a couple of initiatives which are aimed at helping to meet this objective. The first is the relaxation of the restrictions on the use of existing multiyear contracting authority. Multiyear contracts, by penalizing Defense for vacillating on designs or planned procurement amounts, may instill greater stability in the way programs are funded by Congress and managed by Defense. And by giving contractors assurances of greater program stability and more economical production rates, cost savings may accrue. But multiyear contracting can, and should, only be used in connection with programs with mature design configurations, solid cost histories, and for which there is a decided and continuing need. The bill sets forth specific criteria incorporating these characteristics as mandatory guidelines for Defense's use of multiyear contracting.

Another long-lived provision which will help insure broader competition for Defense purchases is the Maybank amendment, which the committee is properly recommending be placed in permanent law. I believe the Department of Defense, even with the Maybank restrictions, already does a lot for areas of high unemployment designated as labor surplus areas by the Department of Labor. In fiscal year 1980, over $25 billion in defense procurement dollars went to those areas. Billions more defense dollars went to locales also with high unemployment rates but just below the qualifying level for labor surplus areas.

These types of legislative initiatives hopefully will at least slow the growth of unit costs. Greater use of competition, even for major weapon systems acquisitions, also could help. For example, the committee has recognized that potential this year with respect to the fighting vehicle.

While the bill takes these two positive steps which will be useful in the battle against unit cost increases, there is one other issue which, as a matter of procurement policy, I feel compelled to mention.

It relates to profit limitations on defense contractors. The bill repeals the Vinson-Trammell Act, an antiquated, outmoded statute, but the last vestige of profit limitation legislation on the books. I am not here and now attempting to make a case for such limitations. The question, like our procurement process, is a complex one which should be considered closely. The Congress made a firm commitment last year to develop an alternative profit limitation system and to make recommendations to both Houses on this important question. I, for one, believe we should live up to that commitment. We are entering an era of increased defense spending much like that which generated the Vinson-Trammell Act itself. Therefore, we would do well to examine the adequacy of our safeguards against excess profits.

CONCLUSION

In conclusion, Mr. President, I think it is appropriate to pause and consider where we are going as far as national security and defense is concerned and how this fits into the broader picture of our total national intent. Unfortunately, we have little information on the defense program beyond fiscal year 1982, other than the total dollar figure. For example, we do not have a 5-year shipbuilding program to support the 600-ship Navy. Nor do we have specific recommendations on many key programs. The strategic area is of particular ambivalence as we have no decision on two of the major programs for preserving the strength of our strategic forces, a new strategic combat vehicle and the MX land-based missile, and this bill deletes the Trident submarine requested for fiscal year 1982. So, while we are encouraged by a commitment of money in general to strengthening our defense, there are several important areas of uncertainty regarding how this will actually be carried out. I am concerned about the ability of the administration and the Congress to sustain this increased commitment to national defense.

The broad public support which de-

fense now enjoys could be eroded very swiftly if we find stepped-up defense spending causes further weakening of the national economy through added inflation. If inflation does not abate, the fiscal year 1982 defense program may not be able to be executed with this budget. If the estimated inflation rate for procurement of the planes, ships, tanks, and ammunition is too low, there may not be enough money to pay for all that in this bill. This stepped-up defense program must draw from an industrial base that has shrunk in the last 10 years. Adding more money without expanding the industrial base will not give more defense, it will be the same defense at a higher price. This bill then is just a starting point. It will require careful management attention by the executive branch to bring this program—the weapons, supplies, and manpower—into reality. But we must start somewhere, and I urge all my colleagues to support and vote for this bill.

Mr. President, again I commend the distinguished Senator from Texas. He is a tremendous worker who puts in so much time. I have been thinking he would slow down, but he does not, after all these years. It is a pleasure to work with him.

I would like to thank the staff of the committee. I do not want us to go too far in trying to divide them up.

I echo what the Senator from Texas has said when he mentioned that we wanted to keep this on a bipartisan route, that military defense is for the defense of all, in all areas. There is no other justification.

I think a great deal of the influence this committee has had over the years has been due to the fact that fellow members believe that we try to keep it on that level and the the American people who are familiar with that have thought that. It has been contributed to by many, many who have passed through these Chambers, who are not with us any more.

I am proud that the Senator from Texas is carrying on in that way, and that others are joining him.

I lean with the committee system anyway. My votes on matters such as the resolution we just passed may be contrary to the way I would vote on that matter standing alone, but I was voting with the committee system. That is the only way the Senate can operate, through our system of committees. When we let that become secondary or let it run down, we destroy the Senate.

Mr. President, that will conclude my remarks for tonight, and I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mr. TOWER. Mr. President, I thank my distinguished colleague from Mississippi for his very generous remarks and his supporting statement concerning the bill now under consideration.

Needless to say, his contribution to this and his cooperation in moving the bill along expeditiously have been greatly appreciated.

I share his concern about the growing cost of defense. I think it is more incumbent on our committee now than ever before to make sure that we scrutinize very carefully the requests submitted to us to make sure that the American people, to the extent we are able to exercise oversight, get their dollar's worth on the defense expenditures that we authorize.

Mr. COHEN. Mr. President, as chairman of the Sea Power and Force Projection Subcommittee of the Armed Services Committee, I would like to present several of the committee's major recommendations.

First, I can now favorably comment on the timely decision of the committee's distinguished chairman, the Senator from Texas, to establish this mission-oriented subcommittee. The ability to review sea power and projection forces as an entity has provided valuable insights into critical defense missions of the United States.

Sea power and force projection encompass two basic missions:

Gaining and maintaining maritime superiority—the ability to control vital ocean areas of the world when and where necessary.

And projecting U.S. military power ashore—the ability to rapidly deploy fighting forces to distant world areas in defense of U.S. interests.

The combined effect of the committee's recommendations for sea power and force projection was to add $570.7 million to the President's amended authorization request for fiscal year 1982. The major portion of this increase—$430.5 million—is for sea power, primarily for additions to the shipbuilding program. This does not reflect the committee's action on the Trident submarine which is included in the strategic forces. For force prejection, $140 million has been added with the biggest addition being for the LSD-41 program, offset in part by the major reduction of R. & D. funds for the C-X program.

Mr. President, before I proceed further, I believe we have to put our defense plans in a strategic perspective. We exist today as an island-nation. That is a fact of geography and economics. We are dependent on the trading nations of the world and on the free use of the seas for the daily sustenance of our commerce and industry. Without that free use of the seas, life in this Nation, as we know it today, would be starkly different. I need only remind my colleagues of the trauma we suffered during the oil embargo in 1973—an embargo that was far from complete—and during the fuel crisis some 2 years ago.

Unfortunately, the Soviet Union, our major competitor, is not faced with the same problems. While they are experiencing severe economic difficulties, their difficulties are in many ways self-induced. Indeed, the real dependence of the Soviets on overseas sources of goods is minuscule when compared with our own or that of our allies and friends. The Soviets have the potential, if their resources were exploited properly, to be dependent on almost no one.

Why then is this Eurasian continental power in the midst of a naval expansion of unbelievable magnitude? And why, for the past few years, as one of our colleagues so aptly put it, has the U.S. Navy been the step-child of America's defense programs? The only answers I can offer are neither comforting nor hopeful. I can only say that now is time for us to begin to rebuild our own maritime capabilities.

You will note, however, that in our actions, the Armed Services Committee did not forgo our responsibilities to the Congress and to the American people. Where a program was unsubstantiated or unsupportable in terms of its cost or its effectiveness, we did not hesitate to recommend its denial. And where we encountered a proven system or one that provided tremendous advantages for its cost, we did not hesitate to approve it or, in some cases, to recommend additions. Along these lines, we have recommended:

The addition of an LSD-41 class amphibious ship in fiscal year 1982—the second in its class—and advance procurement for two ships in fiscal year 1983;

A substantial reduction of R. & D. funds for the controversial C-X aircraft and a request that the Department of Defense prepare a comprehensive acquisition strategy for additional aircraft for congressional consideration;

The full approval of the requested sealift programs and bill language that will direct expenditure of fiscal year 1981 funds for programs compatible with the request for fiscal year 1982;

And the assignment to the Secretary of the Navy of program responsibility for lightweight armored vehicles to be used by rapid deployment force units.

As the chairman has already mentioned, we also recommended:

The denial of funds to reactivate *Oriskany;*

The approval of funds to reactivate and modernize *New Jersey* and the approval of advance procurement for a second battleship reactivation;

The addition of three FFG-7 class frigates;

And deletion of advance procurement for the conversion of the cruise liner, SS *United States*, into a hospital ship and a request that the Department of Defense provide the Congress with better justification and evidence that all available alternatives have been closely examined.

The net result of all shipbuilding recommendations including the committee's actions on the Trident submarine was an increase of three new construction ships and the loss of one reactivation for an increase that brought the total shipbuilding authorization to 35 ships; 22 of which are new construction, the rest being conversions, reactivations, or acquisitions.

This is the type of program that we must sustain if we expect to revitalize America's maritime and force projection strength; a program that builds our Navy, as well as our airlift and sealift forces, while it maintains a fiscally responsible oversight of the entire process.

Mr. President. we really have no choice in this matter. Given America's dependence on overseas mineral and energy resources and the trading patterns of the Nation's industries, the necessity for a strong U.S. Navy and a viable and ca-

pable rapid deployment force is absolute. It is our responsibility to insure that that is what the Nation gets; nothing less. I believe that the defense bill you have before you helps to move us in that direction.

Mr. THURMOND. Mr. President, I rise in support of the pending defense authorization bill, S. 815, which provides recommendations of $136.5 billion for fiscal year 1982.

This bill includes, for the first time, the authorization of operations and maintenance funds for the Defense Department. This account, formerly limited to action by the Appropriations Committee, totals $63.5 billion for fiscal year 1982.

Other major categories recommended for authorization in this bill include $51.7 billion for procurement, $21.1 billion for research, development, test, and evaluation, and $126 million for civil defense.

Mr. President, the total funds recommended in this bill are within a few million of the total recommended in President Ronald Reagan's budget. However, the committee has made a number of changes from the President's request.

DEFENSE GROWTH OF 15 PERCENT

First, it should be noted that this defense bill is a part of a historic and dramatic move to rebuild our defense forces. In President Reagan's revised defense budget, he has increased the fiscal year 1981 and fiscal year 1982 requests by approximately $36 billion. This has resulted in a real growth increase of about 15 percent over the fiscal year 1981 defense budget of former President Jimmy Carter. Thus, this is a watershed year and will send a clear signal that the United States intends to rebuild its defense forces and restore its ability to protect its interests throughout the world.

PROCUREMENT HIGHLIGHTS

While this bill falls short of the spending expected by the Soviet Union over a similar period, it nevertheless represents a dramatic and highly significant initiative by the United States to enhance our national security. Some of these initiatives include:

First, higher rates of procurement which increase our inventories faster and at a lower cost.

Second, funds to procure or begin procurement of a modern manned bomber, such bomber probably to be derived from the B–1.

Third, a total of $2.4 billion in funds to move forward with an MX system necessary to modernize our increasingly vulnerable land based strategic missile force.

Fourth, funds totaling $616 million in National Guard and Reserve initiatives to modernize and strengthen these forces.

Fifth, an increase of three ships to accelerate the Navy's rebuilding program, long lead funds for a new *Nimitz* class nuclear aircraft carrier and increased funds for reactivation of the battleship *New Jersey*.

Sixth, nearly $1 billion in funds to procure air launched and ground launched cruise missiles.

Seventh, around $2 billion to procure new M–1 battle tanks and infantry fighting vehicles.

Eighth, about $7 billion for aircraft procurement.

These are some of the procurement highlights of this legislation. However, it also contains important provisions aimed at stimulating our industrial base and getting the most out of the defense dollar.

KEY LEGISLATIVE ITEMS

There is a serious question as to the capability of our Nation to respond to a national emergency from the standpoint of defense production. This bill addresses that concern by providing provisions on multiyear procurement and repeal of the outmoded Vinson-Trammell Act.

It also provides for full restoration of the Maybank amendment which prohibits defense dollars from being placed in economically troubled areas when that placement increases the cost of defense goods.

Mr. President, this bill further provides funds to accelerate the reactivation of the battleship *New Jersey*, an effort which I vigorously promoted in the last Congress.

Another important feature of S. 815 is increased civilian manpower to relieve our combat soldiers in Europe from housekeeping duties which interfere with their more important training mission.

In conclusion, this legislation is a benchmark in the return of our Nation to a position of military strength. While the neglect of the last decade cannot be overcome in 1 year, we are boldly initiating in this bill the programs which will eventually enable us to better insure our national security.

AMENDMENT NO. 49

(Purpose: To require approval by both Houses of Congress with regard to the basing mode for the MX missile)

Mr. LEVIN. Mr. President, I call up my amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will state the amendment.

The assistant legislative clerk read as follows:

The Senator from Michigan (Mr. LEVIN) for himself, Mrs. KASSEBAUM, Mr. CHAFEE, Mr. EAGLETON, Mr. CRANSTON, and Mr. BUMPERS, proposes an amendment numbered 49.

On page 24, beginning with line 22, strike out all down through line 25 on page 28 and insert in lieu thereof the following:

MX MISSILE AND BASING MODE

SEC. 206. (a) None of the funds authorized to be appropriated by this title may be obligated or expended for the engineering development of an operational basing mode for the MX missile unless and until—

(1) the President has submitted a written report to the Congress containing his decisions on the MX missile and basing development, procurement, and construction program which specifically describes the proposed basing mode for such missiles;

(2) the Secretary of Defense submits to the Committees on Armed Services of the Senate and the House of Representatives a report in writing containing (A) a justification of the proposed basing mode referred to in clause (1), and (B) a comparison and evaluation of alternative basing mode programs; and

(3) within sixty days after the day on which the President's report has been received by the Congress, the Senate and the House of Representatives have agreed to a joint resolution expressing approval of the proposed basing mode.

For the purposes of this section, the term "resolution" means only a joint resolution of the Senate or the House of Representatives, as the case may be, the matter after the resolving clause of which is as follows:

"That the Congress of the United States approves the proposed basing mode for the MX missile as reported to the Congress on ", the blank space therein being filled with the date on which the report described in subsection (a)(1) was received by the Congress.

(c) Such resolution shall be referred to the Committee on Armed Services of the House in which the resolution was introduced.

(d) If the committee to which a resolution has been referred has not reported it at the end of twenty calendar days after its introduction, such committee shall be automatically discharged from further consideration of such resolution and such resolution shall be placed on the appropriate calendar of the House concerned.

(e) When the committee has reported, or has been automatically discharged from further consideration of such resolution, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the resolution. The motion is privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(f) Debate on the resolution shall be limited to not more than thirty hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is not debatable. An amendment to, or motion to recommit, or motion to table the resolution is not in order, and it is not in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.

(g) Motions to postpone the consideration of a resolution, and motions to proceed to the consideration of other business, shall be decided without debate.

(h) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution shall be decided without debate.

(i) If, prior to the passage by one House of a resolution of that House with respect to the proposed basing mode for the MX missile, that House receives a resolution with respect to the same matter from the other House then the following procedure applies:

(1) If no resolution of the first House with respect to such matter has been referred to committee, no other resolution with respect to the same matter may be reported or (despite the provisions of subsection (e)) be made the subject of a motion to discharge.

(2) If a resolution of the first House with respect to such matter has been referred to committee—

(A) the procedure with respect to that or other resolutions of such House with respect to such matter which have been referred to committee shall be the same as if no resolution from the other House with respect to such matter had been received; but

(B) on any vote on final passage of a resolution of the first House with respect to such matter the resolution from the other House with respect to such matter shall be automatically substituted for the resolution of the first House.

(j) The vote on final passage of a resolution with respect to the President's decisions on a basing mode for the MX missile shall take place in each House not later than thirty days after that resolution is reported, or is automatically discharged from the committee.

(k) Whenever the President transmits copies of the report referred to in subsection (a)(1) to the Congress, a copy of such report shall be delivered to each House 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.

(l) Subsections (b) through (j) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they are deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of resolutions described in subsection (b), and they supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedures of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

Mr. TOWER. Mr. President, it is my understanding that the pending business is the amendment offered by the Senator from Michigan (Mr. LEVIN). Is that correct?

The PRESIDING OFFICER. The Senator is correct.

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

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

S. 1154—TAXATION OF FRINGE BENEFITS

Mr. STEVENS. Mr. President, it is with pleasure that I join the Senator from Georgia in cosponsoring Senate bill S. 1154. In recent years, we have seen a continuing attempt by the Internal Revenue Service to tax employee benefits that have never traditionally been considered income.

The purpose of this legislation is to stem the IRS's enthusiasim for taxing these benefits. Proposals by the IRS to tax these employee benefits would certainly have an adverse impact of many residents in Alaska, particularly on those who work for the State's airlines.

It is unfortunate, Mr. President, that Congress must take remedial measures every time the IRS cannot restrain itself from harassing the average citizen, as demonstrated by the proposals I have mentioned here and recent incidents concerning Alaskan taxpayers in Fairbanks. It is my hope for the future that the President's philosophy on taxation will be expressed not only in law, but also in the conduct of the Internal Revenue Service.

COMMENDATION OF THE AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS ON THE OCCASION OF ITS 50TH ANNIVERSARY

Mr. THURMOND. Mr. President, this month, the American Institute of Aeronautics and Astronautics is celebrating its 50th anniversary. It is a time to reflect on the past accomplishments of this great institution and to look toward its future.

In the 78 years since Kitty Hawk, the dream of human flight has progressed from a centuries-old myth about Daedalus and Icarus through perceptive observations by Leonardo da Vinci to a well-accepted, reliable transportation system without which modern life would be impossible. Easy and comfortable air travel, available to almost everyone, has permitted rapid personal contact between people around the globe. It has changed the way we think, feel, and deal with our international neighbors.

In the 55 years since Robert Goddard launched the first liquid-propelled rocket, space flight has progressed from Jules Verne's science fiction to a point where the man in the street benefits immensely from communication, weather, resource-mapping and other types of satellites. The Space Shuttle is opening up cis-lunar space to a variety of economical commercial and military operations. Scientific spacecraft of the Voyager class reveal more of the secrets of hitherto mysterious heavenly bodies in a week than was known in all of previous human history.

Mr. President, the American Institute of Aeronautics and Astronautics can be proud that for five decades almost every idea that has advanced aviation and space technology began with an AIAA member. Their history shines with the names of men and women who have left their marks as visionary technical leaders, researchers, inventors, educators, managers and businessmen. The Institute, with its predecessors, the American Rocket Society and the Institute of the Aeronautical Sciences, provides the intellectual leadership and the unifying force which permits aerospace progress to be truly breathtaking.

The AIAA's meetings and publications often disseminate exciting information about new and important scientific and technological advances, Mr. President, thus planting seeds and cross-fertilizing other worthwhile ideas. Their members have helped to establish the new sciences of aeronautics and astronautics and the new discipline known as system engineering. They have given new dimensions to system reliability and safety, and have laid the scientific groundwork for extensive and accurate systems simulation and testing. In short, they have made a great impact on civilization, and I commend them on their noteworthy achievements.

Mr. President, I am not alone in offering congratulations and best wishes to the American Institute of Aeronautics and Astronautics. President Reagan, Vice President BUSH, and Secretary Weinberger, among numerous others, have also extended their congratulations and best wishes. I ask unanimous consent that the texts of their letters be printed in the CONGRESSIONAL RECORD following these remarks.

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

THE WHITE HOUSE,
Washington, D.C., May 12, 1981.

I am delighted to extend congratulations and best wishes on the 50th anniversary of the American Institute of Aeronautics and Astronautics.

Throughout its history, the United States has been blessed with men and women who have made very significant conributions to the advancement of knowledge and the betterment of mankind. The members of the AIAA typify this great tradition in your commitment to the expansion of the frontiers of aeronautics and space. Your achievements have been and will continue to be an inspiration to the nation and to the entire world.

I applaud your accomplishments and, again offer my congratulations.

With warm personal regard,

Sincerely,

RONALD REAGAN.

THE VICE PRESIDENT,
Washington, D.C., April 16, 1981.

Mr. JAMES J. HARFORD,
Executive Secretary, AIAA,
Washington, D.C.

DEAR MR. HARFORD: May I extend my congratulations to the American Institute of Aeronautics and Astronautics on the occasion of your 50th Anniversary.

We are all aware of the contributions AIAA has made to our nation and to the world. Thanks to the vision and creativity of your members, we are constantly witnessing new marvels of flight.

All best wishes for your continued achievements and ideas that will, among other things, propel us into a new era of space transportation.

Sincerely,

GEORGE BUSH.

THE SECRETARY OF DEFENSE,
Washington, D.C., March 28, 1981.

Mr. JAMES J. HARFORD,
Executive Secretary, American Institute of Aeronautics and Astronautics, Washington, D.C.

DEAR MR. HARFORD: My congratulations to the American Institute of Aeronautics and Astronautics on its 50th Anniversary! The AIAA and its predecessors, the Institute of Aeronautical Sciences and the American Rocket Society, have stimulated professional competence throughout the development of aeronautics and space flight—surely among the most technically exciting, economically important and socially significant developments yet achieved by the human mind and hand.

The United States has led the world in aerospace capability during the past 50 years, and the AIAA has played a substantial role in that accomplishment. The competition will be stiffer during the next 50 years; the professional stimulation provided by the AIAA will be even more indispensable if we are to continue as the world's leader in aerospace. I hope and believe that we shall succeed, and I feel certain that the nation will have even better reason to thank the AIAA on its 100th Anniversary.

Sincerely,

CASPAR W. WEINBERGER.

THE DEATH OF FRANCIS HUGHES IN NORTHERN IRELAND

Mr. KENNEDY. Mr. President, the death of Francis Hughes is a new tragedy for Northern Ireland at a time when its people have already suffered too much tragedy.

It is also a death that might have been avoided by a more flexible approach of the British Government toward reforms in the administration of the Maze Prison.

Two hunger strikers have died already. Two others are now approaching critical phases of their own protests. Still another prisoner has begun a protest of his own.

I call upon the British Government to break this endless spiral of death, to end its posture of inflexibility, and to find a fair and humanitarian solution to the other hunger strikes before additional needless tragedies occur. Surely the leaders of Great Britain has a responsibility to seek a sensible and reasonable compromise on the practical issues in the hunger strikes, without compromising in any way on the basic principle of opposition to violence.

I condemn the killing and the destruction on all sides in Northern Ireland. I urge all those who care about the cause of peace to resist any calls for further violence after this latest tragedy.

The deaths of Bobby Sands last week and of Francis Hughes this week are sad testimony to the ongoing crisis in Northern Ireland and to the urgent need for leaders of good will in both parts of the community to come together in a common search for peace. If these senseless deaths are to have any hopeful meaning, let it now be seen in a firm renunciation of further violence, and a clear rededication by all the parties to the search for a peaceful settlement.

REMARKS BY PRESIDENT AT HOLOCAUST CEREMONY

Mr. PROXMIRE. Mr. President, Thursday, April 30, was Holocaust Memorial Day. President Reagan, at a "Day of Rememberance" ceremony for holocaust victims at the White House, spoke of the importance of remembering the holocaust as the years pass. He spoke movingly about the danger of such a tragedy occurring again. He is right. We must not forget.

Secretary of State Haig at his confirmation hearing confirmed this administration's recognition that we can do more than remember. We can ratify the Genocide Convention. What better way to prevent another incidence of genocide than to make genocide an international crime.

The President made his remarks very eloquently. I ask unanimous consent that the New York Times transcript of President Reagan's remarks, printed in the Friday, May 1 edition, be printed in the RECORD.

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

REMARKS BY PRESIDENT AT HOLOCAUST CEREMONY

I feel a little unnecessary because I don't know that anyone could say anything that would add to those words that we just heard. It is a particular pleasure for me to be here with you today. This meeting, this ceremony has meaning not only for people of the Jewish faith, those who have been persecuted, but for all who want to prevent another Holocaust.

Jeremiah wrote of the days when the Jews were carried off to Babylon and Jersusalem was destroyed. He said, "Jerusalem weeps in the night and tears run down her cheeks." Today, yes, we remember the suffering and the death of Jews and of all those others who were persecuted in World War II. We try to recapture the horror of millions sent to gas chambers and crematoria. And we commemorate the days of April in 1945 when American and Allied troops liberated the Nazi death camps. The tragedy that ended 36 years ago was still raw in our memories because it took place, as we've been told, in our life time. We share the wounds of the survivors. We recall the pain only because we must never permit it to come again. And, yet, today, in spite of that experience, as an entire generation has grown to adulthood, who never knew the days of World War II, and we remember ourselves, when we were younger, how distant history seemed, anything that came before our time—and so the signs do exist, the ugly graffiti, the act of violence, the act of terrorism here and there, scattered throughout the world and not quite large enough in dimension for us to rally as we once did in that war.

HORROR ON THEIR FACES

I'm horrified today when I know that in here, that there are actually people now trying to say that the Holocaust was invented, that it never happened, that there weren't six million people whose lives were taken cruelly and needlessly in that event, that all of this is propaganda. Well, the old cliche that a picture is worth a thousand words. In World War II, not only do we have the survivors today to tell us first-hand, but in World War II, I was in the military and assigned to a post where every week, we obtained from every branch of the service all over the world the combat film that was taken by every branch. And we edited this into a secret report for the general staff. We had access to and saw that secret report.

And I remember April '45. I remember seeing the first film that came in when the war was still on, but our troops had come upon the first camps and had entered those camps. And you saw, unretouched—and no way that it could have even been rehearsed—what they saw—the horror they saw. I felt the pride when, in one of those camps, there was a nearby town, and the people were ordered to come and look at what had been going on, and to see them. And the reaction of horror on their faces was the greatest proof that they had not been conscious of what was happening so near to them.

And that film still, I know, must exist in the military, and there it is, living motion pictures, for anyone to see, and I won't go into the horrible scenes that we saw. But, it remains with me as confirmation of our right to rekindle these memories, because we need always guard against that kind of tyranny and inhumanity. Our spirit is strengthened by remembering and our hope is in our strength. There is an American poem that says humanity, with all its fears and all its hopes, depends on us.

RESPONSIBILITY AS FREE PEOPLE

As a matter of fact, it was the Pope at the end of World War II when the world was so devastated, and yet, we alone remained so strong, who said, "America has a genius for great and unselfish deeds, and into the hands of America, God has placed an afflicted mankind." I think that that was a trust given to us that we should never betray. It is this responsibility as free people that we face today. It's this commitment among free people that we celebrate.

The hope of a ceremony such as this is that even a tortured past holds promise if we learn its lesson. According to Isaiah, there will be a new haven and a new earth and the voice of weeping will be heard no more. Together, with the help of God, we can bear the burden of our nightmare. It is up to us to ensure that we never live it again.

Theodore Roosevelt said that the Presidency was a bully pulpit. Well, I for one, intend that this bully pulpit shall be used on every occasion, where it is appropriate, to point a finger of shame at even the ugliness of graffiti, and certainly wherever it takes place in the world, the act of violence or terrorism, and that even at the negotiating table, never shall it be forgotten for a moment that wherever it is taking place in the world, the persecution of people, for whatever reason—persecution of people for their religious belief—that is a matter to be on that negotiating table or the United States does not belong at that table.

ALASKA IS COLD COMFORT TO JOB-SEEKING OUTSIDERS

Mr. STEVENS. Mr. President, there was a brief article in the Wall Street Journal last week that I want to bring to the attention of my colleagues, who may be getting questions on the subject.

The article is entitled "Alaska Is Cold Comfort to Job-Seeking Outsiders," and tells of the recent warning from my State to Americans in the lower 48 not to come north to Alaska this summer looking for work.

Many people do not realize that Alaska's unemployment rate is higher than the national average. There are not enough jobs for Alaskans, much less for non-Alaskans looking for summer work.

I ask unanimous consent that the Wall Street Journal article and the news release from the State of Alaska be printed at this point in the RECORD.

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

ALASKA IS COLD COMFORT TO JOB-SEEKING OUTSIDERS

Alaska is turning a cold shoulder to outsiders looking for work in the state.

In a statement released by the Alaska Department of Labor, officials warned job seekers to stay away this summer. "There are few jobs available in the state," says Labor Commissioner Edmund N. Orbeck, noting that construction of the Alaska Highway Gas Pipeline Project hasn't begun yet and that hiring for that project won't occur before 1983.

To back up their warning, officials add that the state's unemployment rate averaged 10% last year and note that "an excessive pool of unskilled labor" already exists in the state. "Job seekers shouldn't venture to Alaska looking for work unless they have a minimum of $2,000 and a return ticket home," says the labor agency.

JOBS ARE SCARCE IN ALASKA—JOB SEEKERS URGED TO STAY HOME

JUNEAU.—The Alaska Department of Labor has issued a warning urging job seekers not to look to Alaska for work this summer season. Commissioner of Labor, Edmund N. Orbeck, says "there are few jobs available in Alaska. The Alaska Highway Gas Pipeline Project has not begun construction in the state. Based on the most recent information from the project sponsor and governmental

agencies, no significant Gas Line hiring will take place until at least 1983."

Alaska's unemployment rate averaged 10 percent for the year which is higher than the national average of 7 percent, according to Orbeck. Alaska continues to have a high cost of living.

"This year the federal hiring situation, the cuts in public service jobs and high interest rates continue to impact Alaska jobs to a greater degree than nationally due to Alaska's limited employment base," the Commissioner said.

There remains an excessive pool of unskilled labor throughout the state. Semi-skilled and skilled workers are available for the foreseeable future from those workers now residing in Alaska.

Job seekers should be warned of bogus advertisements offering high paying jobs or selling Alaska Job Kits for a certain dollar amount. This information is available for the cost of a postage stamp from the State of Alaska. Job seekers should not venture to Alaska looking for work unless they have a minimum of $2,000 and a return ticket home. Seek additional information before leaving home.

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 Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations and a withdrawal which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

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-1127. A communication from the Secretary of Agriculture, transmitting a draft of proposed legislation to amend Title V of the Housing Act of 1949; to the Committee on Agriculture, Nutrition, and Forestry.

EC-1128. A communication from the Secretary of the Navy, transmitting a draft of proposed legislation to amend title 10 of the United States Code by repealing the provision limiting compensation for members of the Naval Research Advisory Committee to $50 per day; to the Committee on Armed Services.

EC-1129. A communication from the General Counsel of the Department of Defense, transmitting a draft of proposed legislation to amend title 10, United States Code, to permit the Army and Air Force to appoint physicians with at least four years of service credit to the Medical Corps Reserve in the initial pay grade of 0-3; to the Committee on Armed Services.

EC-1130. A communication from the Secretary of Transportation, transmitting, a revision to a previously submitted draft of proposed legislation relating to assistance to mass transportation systems; to the Committee on Banking, Housing, and Urban Affairs.

EC-1131. A communication from the Chairwoman of the Board of Directors of the Export-Import Bank of the United States, transmitting, pursuant to law, a report on loan, guarantee and insurance transactions supported by the Bank during March 1981 to communist countries; to the Committee on Banking, Housing, and Urban Affairs.

EC-1132. A communication from the Secretary of Housing and Urban Development, transmitting, pursuant to law, a summary of the study of the feasibility of collecting delinquency data for all home mortgages; to the Committee on Banking, Housing, and Urban Affairs.

EC-1133. A communication from the Secretary of Transportation, transmitting, pursuant to law, a report on certain actions taken under section 1434 of Public Law 85-804 during calendar year 1980; to the Committee on Commerce, Science, and Transportation.

EC-1134. A communication from the Secretary of Transportation, transmitting, pursuant to law, the eleventh annual report of operations under the Airport and Airway Development Act of 1970; to the Committee on Commerce, Science, and Transportation.

EC-1135. A communication from the Secretary of Commerce, transmitting a draft of proposed legislation to extend the appropriation authorization for reporting of weather modification activities, and for other purposes; to the Committee on Commerce, Science, and Transportation.

EC-1136. A communication from the Chairman of the Civil Aeronautics Board, transmitting a draft of proposed legislation to terminate functions of the Civil Aeronautics Board and to transfer certain functions of the Board to the Secretary of Transportation, and for other purposes; to the Committee on Commerce, Science, and Transportation.

EC-1137. A communication from the Secretary of Commerce, transmitting a draft of proposed legislation to authorize the Secretary of Commerce to plan and provide for the management and operation of a civil land remote sensing satellite system, and for other purposes; to the Committee on Commerce, Science, and Transportation.

EC-1138. A communication from the Secretary of Energy, transmitting, pursuant to law, the Motor Vehicle Alcohol Usage Study Report; to the Committee on Energy and Natural Resources.

EC-1139. A communication from the Secretary of the Interior, transmitting, pursuant to law, a report on the receipt of project proposals under the provisions of the Small Reclamation Projects Act; to the Committee on Energy and Natural Resources.

EC-1140. A communication from the Secretary of Energy, transmitting, pursuant to law, a report on the receipt of project proposals under the Small Reclamation Project Act; to the Committee on Energy and Natural Resources.

EC-1141. A communication from the Acting Administrator of the General Services Administration, transmitting, pursuant to law, a list of proposed prospectuses previously submitted to the Committee on Environment and Public Works; to the Committee on Environment and Public Works.

EC-1142. A communication from the Secretary of the Treasury, transmitting, pursuant to law, the eighth annual report on the operation and effect of the Domestic International Sales Corporation legislation; to the Committee on Finance.

EC-1143. A communication from the Assistant Secretary of the Treasury (Legislative Affairs), transmitting, pursuant to law, project performance reports prepared by the International Bank for Reconstruction and Development, special studies prepared by the External Review and Evaluation Office of the Inter-American Development Bank and project performance audit reports or project completion reports prepared by the Asian Development Bank; to the Committee on Foreign Relations.

EC-1144. A communication from the Acting Assistant Legal Advise 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 sixty day period prior to May 7, 1981; to the Committee on Foreign Relations.

EC-1145. A communication from the Secretary of State, transmitting, a proposed change to previously submitted proposed legislation entitled the "International Security and Development Cooperation Act"; to the Committee on Foreign Relations.

EC-1146. A communication from the Assistant Secretary of State for Congressional Relations, transmitting, pursuant to law, a report on the United States Munitions List; to the Committee on Foreign Relations.

EC-1147. A communication from the Secretary of Education, transmitting, pursuant to law, a report on administrative arrangements necessary to transfer the overseas dependents schools from the Department of Defense to the Department of Education; to the Committee on Governmental Affairs.

EC-1148. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Fraud in Government Programs: How Extensive Is It? How Can It Be Controlled?"; to the Committee on Governmental Affairs.

EC-1149. A communication from the Mayor of the District of Columbia, transmitting, pursuant to law, the annual report on the administration of the District of Columbia Unemployment Compensation Act for calendar year 1980; to the Committee on Governmental Affairs.

EC-1150. A communication from the Deputy Assistant Secretary of Defense (Administration), transmitting, pursuant to law, a report on a new system of records for the Department of Defense for implementing the Privacy Act; to the Committee on Governmental Affairs.

EC-1151. A communication from the Chairwoman of the Merit Systems Protection Board, transmitting, for the information of the Senate, a report entitled "Sexual Harassment In The Federal Workplace, Is It A Problem?"; to the Committee on Governmental Affairs.

EC-1152. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, legislation adopted by the Council on April 28, 1981; to the Committee on Governmental Affairs.

EC-1153. A communication from the Acting Deputy Assistant Secretary of the Interior for Indian Affairs, transmitting, pursuant to law, a report on the plan for the use of certain judgment funds of the Mississippi and Lake Superior Bands of Chippewa Indians; to the Select Committee on Indian Affairs.

EC-1154. A communication from the Attorney General of the United States, transmitting, pursuant to law, a report stating that the Department of Justice will not defend the constitutionality of a certain section of the Social Security Act on the case Connely v. Schweiker (D., Mass., Civil No. 80-2735-MC); to the Committee on the Judiciary.

EC-1155. A communication from the Executive Director of the Civil Air Patrol, transmitting, pursuant to law, the annual report of the Civil Air Patrol for calendar year 1980; to the Committee on the Judiciary.

EC-1156. A communication from the Chairperson of the National Advisory Council on Bilingual Education, transmitting, pursuant to law, the report of the Council; to the Committee on Labor and Human Resources.

EC-1157. A communication from the Acting Administrator of the Veterans Administration, transmitting a draft of proposed legislation to amend chapter 19 of title 38, United States Code, to permit the unrestricted assignment of a beneficiary's interest in the proceeds of a Government Life Insurance policy in cases involving contested claims, and to increase the amounts an attorney may receive for representing a claimant in such cases, and for other purposes; to the Committee on Veterans' Affairs.

EC-1158. A communication from the Acting Administrator of the Veterans Administration, transmitting a draft of proposed legislation to amend title 38, United States Code, to provide additional flexibility within the Veterans' Administration's existing medical personnel management system; to the Committee on Veterans' Affairs.

EC-1159. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmitting, pursuant to law, a cumulative report on budget rescissions and deferrals for May 1981; pursuant to the order of January 30, 1975, referred jointly to the Committee on Appropriations and the Committeee on the Budget.

EC-1160. A communication from the Chairman of the National Advisory Council on International Monetary and Financial Policies, transmitting, pursuant to law, the special report of the Council on the General Capital Increase of the International Bank for Reconstruction and Development; by unanimous consent, referred jointly to the Committee on Foreign Relations and the Committee on Banking, Housing, and Urban Affairs.

EC-1161. A communication from the Secretary of Health and Human Services, transmitting a draft of proposed legislation to consolidate Federal grants to States for social services, to eliminate unnecessary restrictions on those programs and increase flexibility in a State's exercise of its responsibility for program administration, and for other purposes, by unanimous consent, referred jointly to the Committee on Finance, and the Committee on Labor and Human Resources.

JOINT REFERRAL OF CERTAIN COMMUNICATIONS

EC-1160

Mr. BAKER. Mr. President, I ask unanimous consent that a communication from the Chairman of the National Advisory Council on International Monetary and Financial Policies transmitting a report from the National Advisory Council on International Monetary and Financial Policies be jointly referred to the Committee on Foreign Relations and the Committee on Banking, Housing, and Urban Affairs.

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

EC-1161

Mr. BAKER. Mr. President, I ask unanimous consent that a communication from the Secretary of Health and Human Services and a draft bill from the secretary concerning the Social Services Block Grant Act be jointly referred to the Committee on Labor and Human Resources and the Committee on Finance.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM-99. A resolution adopted by the House of Representatives of the Legislature of the State of Hawaii; to the Committee on Appropriations;

"HOUSE RESOLUTION

"Whereas, unemployment is a major problem which has confronted the State of Hawaii together with the rest of the nation in recent years; and

"Whereas, high unemployment not only undermines the economy but also drains the State's resources in terms of increased unemployment benefits paid out, decreased tax revenues, and increased payments of public assistance benefits; and

"Whereas, while some improvements in the unemployment rate have been made in Hawaii in recent months, the number of unemployed citizens is expected to rise again because of the imminent adverse state of the economy; and

"Whereas, both the federal and state governments have addressed the problem of unemployment over the years by providing public service employment programs (the Comprehensive Employment and Training Act (CETA) and the State Comprehensive Employment and Training (SCET) program, respectively) offering temporary work to unemployed persons; and

"Whereas, in Hawaii, it is evident that the public service programs have been quite effective training and helping those in need of employment; and

"Whereas, however, in recent months the Federal Government has announced its intention to completely phase out the funding for the federal CETA public service employment program by September 30, 1981; and

"Whereas, the curtailment of the CETA program will result in over 800 layoffs statewide in the coming months; and

"Whereas, at least fifty per cent of those laid off are welfare eligibles who will return to public assistance if they fail to find employment; and

"Whereas, the individuals currently participating in the CETA program are not only providing invaluable public service throughout the State but are also receiving excellent training, experience, and preparation for future permanent employment in the public as well as the private sectors; and

"Whereas, the role of government in creating and stimulating employment is crucial since possibly only government has the necessary resources and authority to effectively deal with the problem; and

"Whereas, the most effective method to create more jobs and to boost the nation's economy during this period of high nationwide unemployment is the direct funding by Congress of public employment programs; and

"Whereas, by continuing the CETA funds thousands of individuals nationwide who are quite willing to work but are unable to find jobs can be aided and saved from the stigma of the welfare rolls and possibly from engaging in criminal activities to make ends meet; now, therefore,

"*Be it resolved* by the House of Representatives of the Eleventh Legislature of the State of Hawaii, Regular Session of 1981, that the President of the United States and the United States Congress are respectfully requested to reconsider the decision to phase out the CETA public service employment program and to extend and continue to fund the program until such time that the nationwide unemployment rate is improved; and

"*Be it further resolved* That certified copies of this Resolution be transmitted to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and to each member of the Hawaii Delegation to the United States Congress."

POM-100. A petition from a citizen of Miami, Florida, favoring congressional cooperation with the efforts of the Reagan Administration to strengthen the military power of the United States; to the Committee on Armed Services.

POM-101. A resolution adopted by the Senate of the Legislature of the State of New Hampshire, to the Committee on Labor and Human Resources:

"SENATE RESOLUTION No. 4

"Whereas, Public Law 93-641 of the 93d Congress of the United States, known as the 'National Health Planning and Resources Development Act of 1974' mandates the establishment of a health systems agency for each health service area; and

"Whereas, Public Law 93-641 also mandates the designation of a state agency to coordinate the plans and activities of all state health systems agencies and to administer and carry out the state's health planning and development functions; and

"Whereas, the New Hampshire department of health and welfare has been designated the state agency and the office of health planning and development has been established in the department to carry out the functions of Public Law 93-641; and

"Whereas, Public Law 93-641 does not clearly delineate different responsibilities for the office of health planning and development and the health system agency in states where there is only one health systems agency; and

"Whereas, the New Hampshire health systems agency duplicates the activities and functions of the office of health planning and development; and

"Whereas, the health and welfare committee has recommended to the New Hampshire House of Representatives based on the sunset report that the health systems agency be terminated; and

"Whereas, the Congress of the United States has the power to amend P.L. 93-641 to promote savings and efficiency; Now, Therefore, Be It

"*Resolved by the Senate*, That the Congress of the United States is hereby urged to enact legislation terminating the requirement of a health systems agency for the state of New Hampshire; and

"That copies of this resolution be forwarded to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, the Administrator of General Services of the United States, and members of the New Hampshire Congressional delegation."

POM-102. A resolution of the Private Industry Councils from the State of Texas, expressing their opinions on employment and training programs; to the Committee on Labor and Human Resources.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

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

S. Res. 119. A resolution commending Peter Salmon for his long, faithful, and exemplary service to the cause of the blind.

ORDER FOR SEQUENTIAL REFERRAL

Mr. BAKER. Mr. President, I ask unanimous consent that an original bill, the "Union Station Depletion Act for 1981," when reported by the Committee

on Commerce, Science, and Transportation be then referred to the Committee on Environment and Public Works.

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

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. McCLURE, from the Committee on Energy and Natural Resources:

William Stewart Heffelfinger, of Virginia, to be an Assistant Secretary of Energy (Management and Administration).

Robert C. Odle, Jr., of Virginia, to be an Assistant Secretary of Energy (Congressional, Intergovernmental, and Public Affairs).

R. Tenny Johnson, of Maryland, to be General Counsel of the Department of Energy.

(The above nominations reported from the Committee on Energy and Natural Resources, with the recommendation that they 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. ROTH, from the Committee on Governmental Affairs:

Louis O. Giuffrida, of California, to be Director of the Federal Emergency Management Agency.

(The above nomination, reported from the Committee on Governmental Affairs, 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.)

THE NOMINATION OF LOUIS O. GIUFFRIDA

SUBMISSION OF NOMINATION

The Senate formally received the nomination of Mr. Louis O. Giuffrida, of San Luis Obispo, California, to be Director of the Federal Emergency Management Agency on April 3, 1981. The nomination was subsequently referred to the Committee on Governmental Affairs.

TRAINING, EDUCATION, AND EXPERIENCE OF LOUIS O. GIUFFRIDA

Mr. Giuffrida graduated in 1947 from the University of Connecticut with a B.A. in English. He received an M.A. in International Relations from Boston University's graduate school in 1966.

Mr. Giuffrida was a career military officer. After teaching at Admiral Farragut Academy in Pine Beach, New Jersey in 1947 and Valley Forge Academy in Wayne, Pennsylvania in 1947 and 1948, he joined the Army. Mr. Giuffrida served as a platoon leader and company commander in various locations from 1948 to 1955; he was a captain and major, stationed in Europe from 1955–1959; he was then stationed in the United States from 1959–1963. In 1963, Mr. Giuffrida was promoted to Lieutenant Colonel and stationed in Europe until 1966. He returned to the United States from Europe in 1968, was promoted to Colonel, and retired from the active military in 1971.

In 1971, in cooperation with the Office of Governor Reagan, Mr. Giuffrida was selected as the Director of the California Specialized Training Institute—a position which he has held until this year. The Institute was designed to improve the capacity of state and local officials to respond to the intensified demands placed on them in civil emergency situations, including floods, earthquakes and disorders.

In 1978, the nominee created a company called "Specialized Services Management Company" based in San Luis Obispo. This company did consulting work in areas relating to emergency preparedness.

Mr. Giuffrida received the following honors and awards from his military service: Legion of Merit medal; Bronze Star medal; Meritorious Service medal; Army Commendation medal with metal pendant with cluster; Joint Chiefs of Staff badge; and Presidential Unit Citation.

The nominee has written several articles and papers on emergency preparedness and crisis management situations. These include: MIPSEF—A Partial Answer to Rear Area Security, 1960; The Fail Safe Decisions—A Study in Problem Solving at the Presidential Level, 1966; The Language of Terrorism, 1980; and Planning for Special Management Emergency—A Continuing Requirement, 1978.

Mr. Giuffrida is a member of the International Association of Chiefs of Police, the California Peace Officers Association and the Criminal Justice Administrators Association. Since 1974, he has been a member of San Luis Obispo City Human Relations Commission. And, in 1980 he was a co-editor of a book entitled Help Me, I'm Hurt, a child victim handbook.

COMMITTEE ACTION

Under procedures established by the Committee for considering nominations, a detailed biographical and financial information questionnaire was submitted to Mr. Giuffrida. The Committee also requested that the nominee respond to prehearing questions in writing. These questions concerned both substantive policy matters relating to the mission of the Federal Emergency Management Agency and specific actions Mr. Giuffrida intends to take as Director of that Agency. Both the biographical and financial information, and the responses to the prehearing questions are appendices to this report. It is the policy of the committee that a nominee's financial disclosure statement is not reproduced or published as a part of the hearing record. However, this information is retained in the Committee offices for inspection by the public.

Committee procedures call for an independent review of a nominee's background. This includes a review of any investigative reports compiled concerning the nominee, including the Federal Bureau of Investigation's summary report on the background of the nominee and an interview with the nominee. All of these requirements were met during the committee's investigation, and a confidential staff report, which concluded that no further investigation is necessary, was filed with the Chairman and the Ranking Minority Member and made available to all other Members of the Committee.

On May 5, 1981, Mr. Giuffrida appeared before the Committee on Governmental Affairs to testify on his appointment to be Director of the Federal Emergency Management Agency. Mr. Giuffrida was introduced to the Committee by the Representative from the 14th Congressional District of California, Congressman Shumway.

COMMITTEE RECOMMENDATION

On May 12 the Committee on Governmental Affairs met to consider the nomination of Mr. Louis O. Giuffrida to be Director of the Federal Emergency Management Agency. Based on its review of the nominee's responses to the biographical and financial questionnaire, the FBI investigative report, the responses to the prehearing questions, personal interview with the nominee, and the testimony and responses to questions at the hearing itself, the Committee believes that Mr. Giuffrida is well qualified by reason of training, education, experience and integrity to be the Director of the Federal Emergency Management Agency.

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. LONG (for himself, Mr. BAUCUS, Mr. BENTSEN, Mr. BOREN, Mr. BURDICK, Mr. CANNON, Mr. CRANSTON, Mr. DANFORTH, Mr. DECONCINI, Mr. DIXON, Mr. DURENBERGER, Mr. EAGLETON, Mr. HATFIELD, Mr. HEFLIN, Mr. INOUYE, Mr. JOHNSTON, Mr. KASTEN, Mr. LEVIN, Mr. MATHIAS, Mr. MATSUNAGA, Mr. MITCHELL, Mr. NUNN, Mr. PELL, Mr. PRYOR, Mr. RANDOLPH, Mr. RIEGLE, Mr. ROTH, Mr. SARBANES, Mr. TOWER, Mr. TSONGAS, and Mr. ZORINSKY):

S. 1162. A bill to amend the Internal Revenue Code of 1954 to increase the allowable contributions to employee stock ownership plans, to provide a credit against tax for contributions to an employee stock ownership plan based upon payroll as an alternative to that based on investment in equipment and for other purposes; to the Committee on Finance.

By Mr. NUNN (for himself, Mr. RUDMAN, Mr. CHILES, and Mr. NICKLES):

S. 1163. A bill to increase the penalties for violations of the Taft-Hartley Act, to prohibit persons, upon their convictions of certain crimes, from holding offices in or certain positions related to labor organizations and employee benefit plans, and to clarify certain responsibilities of the Department of Labor; to the Committee on Labor and Human Resources.

By Mr. KASTEN:

S. 1164. A bill to amend title 38, United States Code, to expand the eligibility of former prisoners of war for certain health-care benefits provided by the Veterans' Administration, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. WEICKER (for himself, Mr. STAFFORD, Mr. EAGLETON, and Mr. KENNEDY):

S. 1165. A bill to reauthorize the low-income energy assistance program, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. WEICKER (for himself, Mr. HATFIELD, Mr. HEINZ, Mr. WALLOP, Mr. BUMPERS, Mr. METZENBAUM, and Mr. MATSUNAGA):

S. 1166. A bill to provide weatherization assistance to States in the form of energy grants; to the Committee on Energy and Natural Resources.

By Mr. CHILES:

S. 1167. To amend title 5 of the United States Code to provide death benefits to survivors of Federal law enforcement officers and firefighters, and for other purposes; to the Committee on Governmental Affairs.

By Mr. DECONCINI:

S. 1168. A bill to amend the Omnibus Crime Control and Safe Streets Act of 1968 to require as a condition of assistance under such Act that law enforcement agencies have in effect a binding law enforcement officers' bill of rights; to the Committee on the Judiciary.

By Mr. LAXALT (for himself and Mr. CANNON):

S. 1169. A bill to authorize the recreational use of Ruby Lake National Wildlife Refuge in the State of Nevada; to the Committee on Energy and Natural Resources.

By Mr. PELL:

S. 1170. A bill to authorize appropriations for the energy conservation program for schools and hospitals and for the energy conservation program for buildings owned by units of local government and public care institutions, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. COCHRAN:

S. 1171. A bill to repeal the residential conservation service program and the commercial and apartment conservation service program; to the Committee on Energy and Natural Resources.

By Mr. JEPSEN:

S. 1172. A bill to amend the Internal Revenue Code of 1954 to eliminate the holding period requirements for capital gains treatment; to the Committee on Finance.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. LONG (for himself, Mr. BAUCUS, Mr. BENTSEN, Mr. BOREN, Mr. BURDICK, Mr. CANNON, Mr. CRANSTON, Mr. DANFORTH, Mr. DECONCINI, Mr. DIXON, Mr. DURENBERGER, Mr. EAGLETON, Mr. HATFIELD, Mr. HEFLIN, Mr. INOUYE, Mr. JOHNSTON, Mr. KASTEN, Mr. LEVIN, Mr. MATHIAS, Mr. MATSUNAGA, Mr. MITCHELL, Mr. NUNN, Mr. PELL, Mr. PRYOR, Mr. RANDOLPH, Mr. RIEGLE, Mr. ROTH, Mr. SARBANES, Mr. TOWER, Mr. TSONGAS, and Mr. ZORINSKY):

S. 1162. A bill to amend the Internal Revenue Code of 1954 to increase the allowable contributions to employee stock ownership plans, to provide a credit against tax for contributions to an employee stock ownership plan based upon payroll as an alternative to that based on investment in equipment, and for other purposes; to the Committee on Finance.

The remarks of Mr. LONG on this legislation and the text of the bill appear earlier in today's RECORD.

By Mr. NUNN (for himself, Mr. RUDMAN, Mr. CHILES, and Mr. NICKLES):

S. 1163. A bill to increase the penalties for violations of the Taft-Hartley Act, to prohibit persons, upon their convictions of certain crimes, from holding offices in or certain positions related to labor organizations and employee benefit plans, and to clarify certain responsibilities of the Department of Labor; to the Committee on Labor and Human Resources.

LABOR RACKETEERING ACT OF 1981

● Mr. NUNN. Mr. President, on behalf of myself and Senators RUDMAN, CHILES, and NICKLES, I am today introducing a bill which is designed to help ease the problems of corruption on the Nation's waterfronts. The bill increases criminal penalties for violations of the Taft-Hartley Act and provides for the immediate suspension of convicted persons from union offices.

Designated the "Labor Racketeering Act of 1981" the bill is a direct outgrowth of public hearings on waterfront corruption before the permanent Subcommittee on Investigations in February of this year. As ranking minority member and former chairman of the subcommittee, I had the opportunity to direct an extensive staff investigation of criminal activity within both the International Longshoremen's Association—ILA—and the American shipping industry.

Spurred by the success of the Department of Justice's UNIRAC investigation, the subcommittee staff interviewed numerous witnesses and reviewed countless other items of evidence in order to convey to the American public an accurate portrait of the American waterfront in the 1980's. That portrait, as presented in 2 weeks of hearings in February of this year, is, unfortunately, a dismal one.

Witness after witness described the struggle for economic survival in some ports which are riddled with a pervasive pattern of kickbacks and illegal payoffs to union officials.

My colleagues and I heard of payoffs to insure the award of work contracts, payoffs to maintain contracts already awarded, payoffs to insure labor peace, payoffs to allow management circumvention of labor strikes, payoffs to prevent the filing of fraudulent workmen's compensation claims, payoffs to expand business activity into new ports, and payoffs to accord certain companies the freedom to circumvent ILA contract requirements with impunity.

Especially distrusting is the fact that the evidence clearly suggests that, through that system of payoffs, recognized leaders of the traditional organized crime families influence and effectively dominate the International Longshoremen's Association and large segments of the American shipping industry.

Moreover, we were told that a payoff is commonly treated as a mere cost of doing business which can be, and is, routinely passed on as an added cost to the consumer. Our traditional and cherished notions of free enterprise have become nearly nonexistent in the ports of this country.

These payoffs, though illegal under current law, are punishable only as a misdemeanor.

The bill which I am introducing today makes any such violation involving an amount of money greater than $1,000 a felony, punishable by up to 5 years imprisonment or a fine of up to $15,000, or both.

The bill also attempts to rid labor organizations and employee benefit plans of the influence of persons convicted of criminal offenses. Current disbarment provisions (29 U.S.C. 504 and 29 U.S.C. 1111) are expanded in several significant ways: Enlarging the criminal offenses resulting in disbarment; enlarging the categories of persons affected by the disbarment provisions: increasing the duration of time barred from office or position from 5 to 10 years; and providing for disbarment immediately upon conviction, rather than after appeal.

The bill does provide that any salary otherwise payable shall be placed in escrow pending final disposition of any appeal.

Finally, the bill clearly delineates the responsibility and authority of the Department of Labor to actively and effectively investigate and refer for prosecution criminal activities on the waterfront.

Our hearings strongly indicated that corruption within the leadership of the ILA, as documented by the convictions of numerous ILA officers, is depriving the average longshoreman of the full benefits of his union membership.

Not only has the ILA itself failed to act to remove those officials and prevent further corruption, but ILA President Teddy Gleason himself testified, with apparent lack of concern, that the ILA may have to operate a rehabilitation center.

In light of those facts and that kind of indifference, it is imperative that Congress itself act swiftly to halt the growing corruption on our waterfronts. The Labor Racketeering Act of 1981 is one significant step in that direction. It should serve as a signal to organized crime and corrupt union leaders that the American public will no longer tolerate their manipulation of our waterfront economy for criminal ends.

Mr. President, 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. 1163

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this act may be referred to as the "Labor Racketeering Act of 1981".

SEC. 2. Subsection (d) of section 186 of Title 29, United States Code, as amended, is amended to read as follows:

"(d)(1) Any person who willfully violates any of the provisions of subsection (a) or (b) of this section shall, upon conviction thereof, be guilty of a felony and be subject to a fine of not more than $15,000, or imprisoned for not more than five years, or both; but if the value of the amount of money or thing of value involved in violation(s) of the provisions of this section does not exceed $1,000, he shall be guilty of a misdemeanor and be subject to a fine of not more than $10,000, or imprisoned for not more than one year, or both."

SEC. 3. Subsection (a) of section 1111 of Title 29, United States Code, as amended, is amended to read as follows:

"(a) No person who has been convicted of any felony in any State or Federal court, or any violation of any Federal or State criminal statute which involved the use or misuse of such person's labor organization or employee benefit plan affiliation (including misdemeanors), or conspiracy to commit any such crimes or attempt to commit any such crimes, or a crime in which any of the foregoing crimes is an element, shall serve or be permitted to serve—

(1) As an administrator, fiduciary, officer, trustee, custodian, counsel, agent, employee or representative in any capacity of any employee benefit plan or,

(2) As a consultant or advisor to any labor organization or employee benefit plan,

(3) As an officer, director, trustee, member of any executive board or similar governing body, business agent, manager, organizer, employee or representative in any capacity of any labor organization,

(4) As a labor relations consultant or advisor to a person engaged in an industry or activity affecting commerce, or as an officer, director, agent or employee of any group or

association of employees dealing with any labor organization,

(5) As an individual who is able to use, sell, transfer, disburse, receive, pledge, divert, convert or influence in any manner directly or indirectly the monies, funds, assets and property of any labor organization or employee benefit plan,

(6) As an individual who is able to receive directly or indirectly the benefits, salary or other thing of value of any labor organization or employee benefit plan,

(7) As a provider of services or goods to any labor organization or employee benefit plan,

(8) As an individual who participates directly or indirectly in the selection of administrators, fiduciaries, officers, trustees, custodians, counsel, agents, employees, consultants, business agent, manager, members of governing bodies, organizers or service providers to a labor organization or an employee benefit plan,

(9) As a person who deals with any labor organization or employee benefit plan either directly or indirectly,

during or for ten years after such conviction or after the end of such imprisonment, whichever is the later, unless prior to the end of such ten-year period, in the case of a person so convicted or imprisoned, (A) his citizenship rights, having been revoked as a result of such conviction, have been fully restored, or (B) the Board of Parole of the United States Department of Justice determines that such person's service in any capacity referred to in paragraph (1) through (9) would not be contrary to the purposes of this subchapter. Prior to making any such determination the Board shall hold an administrative hearing and shall give notice to such proceeding by certified mail to the State, county, and Federal prosecuting officials in the jurisdiction or jurisdictions in which such person was convicted. The Board's determination in any such proceeding shall be final. No person shall knowingly permit any other person to serve in any capacity in violation of this section."

SEC. 4. Subsection (b) of section 1111 of Title 29, United States Code, as amended, is amended as follows:

"(b) Any person who intentionally violates this section shall be fined not more than $10,000 or imprisoned not more than 5 years or both."

SEC. 5. Subsection (c) of section 1111 of Title 29, United States Code, as amended, is amended to read as follows:

"(c) For the purpose of this section:

(1) A person shall be deemed to have been "convicted" and under the disability of "conviction" from the date of the judgment of the trial court, regardless of whether that judgment remains under appeal.

(2) The term "consultant" means any person who, for compensation, advises, or represents a labor organization or an employee benefit plan or who provides other assistance to such organization or plan, concerning the establishment or operation of such organization or plan.

"(3) A period of parole shall not be considered as part of a period of imprisonment."

SEC. 6. Section 1111 of Title 29, United States Code, as amended, is amended by adding at the end thereof the following:

"(d) Where any person, by operation of this section, has been barred from office or other position in a labor organization or employee benefit plan as a result of a conviction, upon the filing of an appeal of that conviction, any salary which would be otherwise due him by virtue of said office or position, shall be placed in escrow by the individual or organization responsible for payment of said salary. Payment of said salary into escrow shall continue for the duration of the appeal or for the period of time during which said salary would be otherwise due, whichever period is shorter. Upon the final reversal of said person's conviction on appeal, the amounts in escrow shall be paid to him. Upon the final sustaining of that person's conviction on appeal, the amounts in escrow shall be returned to the individual or organization who was responsible for payments of those amounts. Upon final reversal of said person's conviction, and person shall no longer be barred by this statute from assuming any position said person was previously barred from."

SEC. 7. Subsection (a) of section 504 of Title 29, United States Code, as amended, is amended to read as follows:

"(a) No person who is or has been a member of the Communist Party or who has been convicted of any felony in any State or Federal Court, or any violation of any Federal or State criminal statute which involved the use or misuse of such person's labor organization or employee benefit plan affiliation (including misdemeanors) or conspiracy to commit any such crimes or attempt to commit any such crimes, or a crime in which any of the foregoing crimes is an element, shall serve or be permitted to serve—

"(1) As an administrator, fiduciary, officer, trustee, custodian, counsel, agent, employee or representative in any capacity of any employee benefit plan or,

"(2) As a consultant or advisor to any labor organization or employee benefit plan,

"(3 As an officer, director, trustee, member of any executive board or similar governing body, business agent, manager, organizer, employee or representative in any capacity of any labor organization,

"(4) As a labor relations consultant or advisor to a person engaged in an industry or activity affecting commerce, or as an officer, director, agent or employee of any group or association of employees dealing with any labor organization.

"(5) As an individual who is able to use, sell, transfer, disburse, receive, pledge, divert, convert or influence in any manner directly or indirectly the moneys, funds, assets and property of any labor organization or employee benefit plan,

"(6) As an individual who is able to receive directly or indirectly the benefits, salary or other thing of value of any labor organization or employee benefit plan,

"(7) As a provider of services or goods to any labor organization or employee benefit plan,

"(8) As an individual who participates directly or indirectly in the selection of administrators, fiduciaries, officers, trustees, custodians, counsel, agents, employees, consultants, business agent, manager, members of governing bodies, organizers, or service providers to a labor organization or an employee benefit plan,

"(9) As a person who deals with any labor organization or employee benefit plan either directly or indirectly,

during or for ten years after the termination of his membership in the Communist Party, or for ten years after such conviction or after the end of such imprisonment, whichever is later, unless prior to the end of such ten-year period, in the case of a person so convicted or imprisoned, (A) his citizenship rights, having been revoked as a result of such conviction, have been fully restored, or (b) the Board of Parole of the United States Department of Justice determines that such person's service in any capacity referred to in clause (1) through (9) would not be contrary to the purposes of this chapter. Prior to making any such determination the Board shall hold an administrative hearing and shall give notice of such proceeding by certified mail to the State, county, and Federal prosecuting officials in the jurisdiction or jurisdictions in which such person was convicted. The Board's determination in any such proceeding shall be final. No person shall knowingly permit any other person to serve in any capacity in violation of this section."

SEC. 8. Subsection (b) of section 504 of Title 29, United States Code, as amended, is amended to read as follows:

"(b) Any person who willfully violates this section shall be fined not more than $10,000 or imprisoned for not more than five years, or both."

SEC. 9. Subsection (c) of section 504 of Title 29, United States Code, as amended, is amended to read as follows:

"(c) For the purpose of this section:

"(1) Any person shall be deemed to have been 'convicted' and under the disability of 'conviction' from the date of the judgment of the trial court, regardless of whether that judgment remains under appeal.

"(2) The term 'consultant' means any person who, for compensation, advises or represents a labor organization or employee benefit plan or who provides other assistance to such organization or plan, concerning the establishment or operation of such organization or plan.

"(3) A period of parole shall not be considered as part of a period of imprisonment."

SEC. 10. Section 504 of Title 29, United States Code, as amended, is amended by adding at the end thereof the following:

"(d) Where any person, by operation of this section, has been barred from office or other position in a labor organization or employee benefit plan as a result of a conviction, upon the filing of an appeal of that conviction, any salary which would be otherwise due him by virtue of said office or position, shall be placed in escrow by the individual employer or organization responsible for payment of said salary. Payment of said salary into escrow shall continue for the duration of the appeal or for the period of time during which said salary would be otherwise due, whichever period is shorter. Upon the final reversal of said person's conviction on appeal the amounts in escrow shall be paid to him. Upon the final sustaining of that person's conviction on appeal, the amounts in escrow shall be returned to the individual employer or organization who was responsible for payments of those amounts. Upon final reversal of said person's conviction, said person shall no longer be barred by this statute from assuming any position said person was previously barred from."

SEC. 11. The title of section 1136 of title 29, United States Code, is amended to read as follows:

"Coordination and Responsibility of Agencies Enforcing E.R.I.S.A. and Related Federal Laws."

SEC. 12. The first full paragraph of section 1136 of title 29, United States Code, is amended by adding the following at the beginning of said paragraph:

"(a) Coordination with other agencies and departments."

SEC. 13. Section 1136 of title 29, United States Code, is amended by adding the following subsection after subsection (a):

"(b) Responsibility for detecting and investigating civil and criminal violations of E.R.I.S.A. and related Federal laws. The Secretary shall have the responsibility and authority to detect and investigate civil and criminal violations related to the provisions of this subchapter and other related Federal laws, including but not limited to the detection, investigation and appropriate referrals of related violations of Title 18 of the United States Code.

"(1) Nothing in this subsection shall be construed to preclude other appropriate Federal agencies from detecting and investigating civil and criminal violations of this subchapter and other related Federal laws." ●

79-059 O - 84 - 67 Pt. 7

By Mr. KASTEN:

S. 1164. A bill to amend title 38, United States Code, to expand the eligibility of former prisoners of war for certain health care benefits provided by the Veterans' Administration, and for other purposes; to the Committee on Veterans' Affairs.

OMNIBUS PRISONER OF WAR ACT OF 1981

● Mr. KASTEN. Mr. President, I rise today to introduce a bill which would expand the care provided to former prisoners of war in the Veterans' Administration health care facilities with the introduction of the Omnibus Prisoner of War Act of 1981. I ask unanimous consent that at the conclusion of my remarks, the text of the bill be printed in the RECORD.

Mr. President, the problems of our former POW's are immense and current legislation is woefully inadequate. These problems have been evident for the last 30 years. Two years ago, the Congress mandated a study by the Veterans' Administration in cooperation with the Secretary of Defense, to determine and then recommend those requirements necessary which would adequately attend to the needs of our former prisoners of war. This excellent study provided the framework to determine compensation and health care benefits for those veterans who suffered as a result of their captivity.

The time has come to restore benefits to our ex-POW's, whose individual freedoms were abridged as they defended the honor of America. Their period of internment was, as everybody knows, harsh, cruel, and demoralizing. Many contracted sicknesses or began to develop mental disorders, all in addition to wounds or injuries suffered prior to captivity. With these problems in mind, our ex-POW's need additional attention to help remedy their disabilities. Treatment by the Veterans' Administration should be furnished to our POW's on a priority system, based on actual need. Currently, our Nation's ex-POW's are not furnished priority treatment nor do they receive additional consideration by our VA health care system. It is time they did.

Mr. President, the Omnibus Prisoner of War Act of 1981 seeks to address the needs of approximately 90,000 former POW's by amending certain sections of title 38 of the United States Code.

First, the bill gives the Administrator of the Veterans' Administration the authority to establish an advisory committee to provide timely information on ex-POW needs. The membership will be composed of recognized medical authorities, former prisoners of war and other members who would assess medical technology and other information.

Second, the bill eliminates the 6-month duration requirement for prisoner-of-war status. This requirement determines compensation for suffering as a result of dietary deficiencies, forced labor or inhumane treatment.

Third, the list of presumptive clauses will be expanded to include chronic respiratory ailments, frozen feet, and gastro-intestinal disorders.

Fourth, the bill eliminates the 2-year reporting period for psychosis and includes psychoneurotic disorders and psychophysiologic disorders.

Fifth, this legislation will provide for and include former prisoners of war priority with respect to inpatient and outpatient health care at VA facilities.

Mr. President, I would like to thank and commend the American ex-prisoners of war organization, their national commander, Mr. Stan Sommers, and those other groups representing the veterans community for their diligent efforts in focusing the attention of the Congress on the plight of our former prisoners of war. I have worked with the American ex-POW's organization in drafting this legislation and believe it incorporates the goals the former POW's have sought. Additionally, I believe this legislation, if enacted into law, will truly reflect the needs of our former prisoners of war. As the previous Congress set the pace by formulating the groundwork for this legislation, we must concern ourselves with the passage of legislation which will finally resolve this long-standing issue of need.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the text of the bill was ordered to be printed in the RECORD, as folows:

S. 1164

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 "Omnibus Prisoner of War Act of 1981".

SEC. 2. (a) Subchapter II of chapter 3 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 221. Authority to establish advisory committee on former prisoners of war

"(a) The Administrator may establish an advisory committee to assess medical and other information concerning former prisoners of war and to advise the Administrator on appropriate policies and procedures of the Veterans' Administration with respect to former prisoners of war.

"(b) The Administrator shall, to the extent possible, include in the membership of any advisory committee established pursuant to this section individuals who were prisoners of war during World War I, World War II, the Korean conflict, and the Vietnam era and individuals who are recognized authorities in fields such as psychiatry, psychology, internal medicine, nutrition, epidemiology, and geriatrics. The Administrator may include as members of any such advisory committee officers or employees of other executive departments and agencies.

"(c) The Administrator shall determine the number of and terms of service for members of any advisory committee established pursuant to this section. Members of any such committee shall be compensated in accordance with the guidelines established under section 7 of the Federal Advisory Commitee Act.

"(d) Any advisory committee established pursuant to this section shall meet on a regular basis, as prescribed by the Administrator, and shall submit a report on its activities to the Administrator at least once every two years.".

(b) The table of sections for such chapter is amended by inserting after the item relating to section 220 the following new item:

"221. Authority to establish advisory committee on former prisoners of war.".

SEC. 3. (a) Section 312 of title 38, United States Code, is amended—

(1) by striking out "for not less than six months" in subsection (b); and

(2) by inserting after the item relating to chronic dysentery in clause (1) of subsection (c) the following new items: "Chronic respiratory ailment, "Frozen feet, "Gastro-intestinal disorder,".

(b) Clause (2) of section 312(c) of such title is amended to read as follows:

"(2) Psychosis, psychoneurotic disorder, or psychophysiologic disorder which became manifest to a degree of 10 per centum or more after such service;".

SEC. 4. Section 610(a)(3) of title 38, United States Code, is amended—

(1) by striking out "and" at the end of clause (3);

(2) by striking out the period at the end of clause (4) and inserting in lieu thereof a semicolon and "and"; and

(3) by adding at the end thereof the following new clause:

"(5) a veteran who, while serving in the active military, naval, or air service, was held as a prisoner of war by an enemy government or its agents during World War I, World War II, the Korean conflict, or the Vietnam era.".

SEC. 5. (a) Subsection (f) of section 612 of title 38, United States Code, is amended—

(1) by striking out "and" at the end of clause (1);

(2) by striking out the period at the end of clause (2) and inserting in lieu thereof a semicolon and "and": and

(3) by inserting after clause (2) the following new clause:

"(3) to any veteran who, while serving in the active military, naval, or air service, was held as a prisoner of war by an enemy government or its agents during World War I, World War II, the Korean conflict, or the Vietnam era.".

(b) Subsection (i)(2) of such section is amended by striking out "subsection (f)(2)" and inserting in lieu thereof "clause (2) or (3) of subsection (f)".●

By Mr. WEICKER (for himself, Mr. STAFFORD, Mr. EAGLETON, and Mr. KENNEDY):

S. 1165. A bill to reauthorize the low-income energy assistance program, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. WEICKER (for himself, Mr. HATFIELD, Mr. HEINZ, Mr. WALLOP, Mr. BUMPERS, Mr. METZENBAUM, and Mr. MATSUNAGA):

S. 1166. A bill to provide weatherization assistance to States in the form of energy grants; to the Committee on Energy and Natural Resources.

CHANGES IN CERTAIN STATE-ADMINISTERED CONSERVATION PROGRAMS

● Mr. WEICKER. Mr. President, I am introducing today two bills designed to reauthorize the low-income energy assistance program, the low-income weatherization program, and four other State-administered conservation programs. Each of these programs will expire at the end of the current fiscal year unless prompt action is taken by the Congress.

Let me say at the outset of my remarks that I had hoped to introduce one bill which would coordinate and consolidate these two extremely important programs. Due to the May 15 reporting deadline and the complexities

associated with merging the existing HHS and DOE programs, it has become necessary to offer separate reauthorization bills at this time. It is my hope however to continue to work to develop a comprehensive and coordinated energy assistance policy.

Mr. President, as a direct result of our Federal energy deregulation policy, dramatic increases have occurred in the cost of home heating fuels and the cost of home energy in general. From January 1972 through February 1980, the average retail price of natural gas rose 248 percent; the average retail price for fuel oil rose 396 percent; and the average retail price for electricity rose 162 percent. These massive increases have occurred during a period when the Consumer Price Index rose only 92 percent. In addition, reliable data projections show that the cost of home energy will continue to rise at excessive rates.

We all recognize that the cost of essential home energy imposes a disproportionately larger burden on fixed income, lower income- and lower middle-income households. In some cases the cost associated with essential home energy needs can reach 50 percent of a low-income family's total income.

Based on estimates compiled by the Northeast-Midwest congressional coalition, the average 1980 household energy bill in New England was $1,325, a more than threefold increase over the average bill of $386 in 1970. Midwest residents paid the second highest amount at $1,150. In the Mid-Atlantic States, the average was $1,100. The average for the South was $896 and the average for the West was $676. As these costs climb many low- and fixed-income Americans are forced to pay a greater and greater share of their income on energy-related expenses.

Historically, Mr. President, the Congress has recognized the need to provide assistance to low-income households. Beginning in 1973, Congress established a crisis intervention program within the Community Services Administration to help eligible households meet rising energy costs and deal with unexpected energy emergencies. This effort culminated with the enactment of the Home Energy Assistance Act, title III of the Windfall Profit Tax Act, which explicitly committed 25 percent of the basic net revenues to assist low-income households to meet rising energy costs.

In summary, Mr. President, my bills attempt to continue the Federal commitment to low-income households by providing the needed assistance required to offset rising home energy costs.

Briefly, my first bill, the Low-Income Energy Assistance Act of 1981:

First, authorizes the Secretary of Health and Human Services to make grants available to eligible households to meet rising energy costs;

Second, authorizes appropriations of $2.5 billion in fiscal year 1982 and such sums as may be necessary in the 2 succeeding fiscal years;

Third, defines an eligible household: First a household eligible for AFDC, SSI, food stamps, and certain income tested veterans pensions, second, a household with an income equal to or less than 125 percent of the poverty level;

Fourth, requires the Secretary of Health and Human Services to allot 90 percent of the funds according to the fiscal year 1981 Continuing Resolution Formula;

Fifth, requires the Secretary to set aside: first, $2,500,000 to the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, second, $200,000,000 to CSA for crisis intervention activities, and third, $3,000,000 for outreach activities designed to assure that eligible households with elderly members or handicapped members are made aware of the assistance under this Act;

Sixth, requires that each State desiring to receive assistance must submit a State plan for approval by the Secretary of Health and Human Services;

Seventh, provides that any State may reserve up to 10 percent of its allotment for weather related and supply shortage emergencies.

Mr. President, my second bill, the National Home Weatherization Act of 1981, maintains the low-income weatherization within the Department of Energy, but within a consolidated grant program which would incorporate four other existing State administered energy conservation programs.

Under my proposed program, a State would be required to use 65 percent of its funding for low-income weatherization. The balance of its funding could be allocated for needed conservation programs, such as weatherization of schools and hospitals, at the discretion of the State. In addition, the State would be required to match its Federal funding on an escalating schedule of 15 percent in fiscal year 1982, 25 percent in fiscal year 1983, and 35 percent in fiscal year 1984.

The case for energy conservation, and particularly the case for providing conservation assistance to the less fortunate, is brief and compelling. It is a case and condition to which Congress must respond. We must respond not only out of a sense of compassion, but also out of a need to ensure a balanced budget—a balanced budget which will recognize that whatever we do may still leave us vulnerable to the economic threat from OPEC.

Mr. President, the simple fact is that whatever we do to balance the budget may well still leave us vulnerable to OPEC's ability to unbalance the budget. Consider this: On a month to month comparative basis our January 1980 imports of oil were 32.2 percent below our January 1980 imports, but the cost of the January 1981 imports rose from $6.5 billion to $8 billion. That, Mr. President, is the real threat to a balanced budget.

Equally, domestic energy production does not offer an overnight panacea. Today, we have more than 3,500 rigs drilling for oil—1,000 more than we had drilling this time last year—yet, we are producing 200,000 barrels a day less than last year.

Mr. President, that does not represent the entire case for energy efficiency, nor do I maintain that energy conservation is the only means of effectively confronting and resolving our energy problems. I do say, though, that energy conservation is our best near term, clean and least expensive alternative. Further, it is critical that we create a sound energy conservation program to assist those who are least able to deal with constantly rising energy costs themselves. That is the objective of this bill, and, I believe that it is the goal of Congress.

Mr. President, I refer my colleagues to three documents which describe the need for and utility of the national home weatherization bill. The first document is a legislative summary of the bill outlining its principal provisions.

The second document is a fact sheet on State energy programs which are entered in testimony before the Energy Conservation and Supply Subcommittee during DOE authorization hearings on April 6, 1981. This fact sheet indicated that the weatherization program has improved over 860,000 homes, is presently weatherizing some 30,000 low-income homes per month and has avoided energy costs of $64.5 million.

Finally, the third document is an April 1, 1981, abstract of the Price Waterhouse & Co. survey for DOE which estimates that existing State energy conservation programs have saved over 32 million barrels of oil equivalent and will accrue savings of nearly $13 billion over the life of the programs.

Mr. President, I believe that these documents support and sustain the economic importance and effectiveness of the programs now incorporated in the national home weatherization bill.

Mr. President, I ask unanimous consent that the text of the bills and supporting materials be printed at this point in the RECORD.

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

S. 1165

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 "Low Income Energy Assistance Act of 1981".

STATEMENT OF FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that—

(1) as a direct result of Federal energy deregulation policy, dramatic increases have occurred in the cost of home heating fuels and have caused corresponding sharp increases in the cost of home energy:

(2) from January 1972 through February 1980, the average retail price for natural gas rose 248 per centum; the average retail price for fuel oil rose 396 per centum; the average retail price for electricity rose 162 per centum, while the Consumer Price Index for the same period rose 92 per centum;

(3) reliable data projections show that the cost of home energy will continue to climb at excessive rates;

(4) the cost of essential home energy imposes a disproportionately larger burden on fixed-income, lower income, and lower-middle-income households and the rising cost of such energy is beyond the control of such households;

(5) adequate home heating is a necessary aspect of shelter and the lack of home heating poses a threat to life, health, or safety;

(6) adequate home cooling is necessary for certain individuals to avoid a threat to life, health, or safety;

(7) low-income households often lack access to energy supplies because of the structure of home energy distribution systems and prevailing credit practices; and

(8) enactment of the Crude Oil Windfall Profit Tax Act of 1980 explicitly committed 25 per centum of the basic net revenues from the windfall profit tax to assist low-income households in meeting rising energy costs.

(b) It is the purpose of this Act to make grants to States to provide assistance to households in meeting rising costs of home energy that are excessive in relation to household income.

DEFINITIONS

SEC. 3. As used in this Act—

(1) "household" means any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent;

(2) "home energy" means a source of heating or cooling residential dwellings;

(3) "lower living standard income level" means the income level, adjusted for (A) family size, and (B) regional, metropolitan, and nonmetropolitan differences (or as the State at its option may select, a single level from among the levels adjusted under this clause (B) as applicable to such State), determined annually by the Secretary of Labor based upon the most recent "lower living standard family budget" issued by the Secretary of Labor;

(4) "Secretary" means the Secretary of Health and Human Services; and

(5) "State" means each of the several States and the District of Columbia.

HOME ENERGY GRANTS AUTHORIZED

SEC. 4. (a) The Secretary is authorized to make grants, in accordance with the provisions of this Act, to States on behalf of eligible households to assist such households to meet the rising costs of home energy.

(b) There are authorized to be appropriated $2,500,000,000 for the fiscal year 1982, and such sums as may be necessary for each of the next 4 succeeding fiscal years to carry out the provisions of this Act.

(c) For the purpose of affording adequate notice of assistance available under this Act, appropriations under this Act are authorized to be included in an appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation. Funds appropriated under subsection (b) of this section shall remain available until expended.

ELIGIBLE HOUSEHOLDS

SEC. 5. (a) "Eligible household" means any household which the State determines is—

(1) a household in which one or more individuals are eligible for (A) aid to families with dependent children under the State's plan approved under part A of title IV of the Social Security Act (other than such aid in the form of foster care in accordance with section 408 of such Act), (B) supplemental security income payments under title XVI of the Social Security Act, (C) food stamps under the Food Stamp Act of 1977, or (D) payments under section 415, 521, 541, or 542 of title 38, United States Code (relating to certain veterans' benefits); and

(2) any other household with an income equal to or less than the lower living standard income level as determined pursuant to subsection (c) of this section or, in the case of a one person household, with an income equal to or less than 125 percent of poverty.

(b) Notwithstanding clause (1) of subsection (a), a household which is eligible for supplemental security income payments under title XVI of the Social Security Act, but not eligible under subsection (a)(1)(A), (C), or (D) of this section, shall not be considered eligible for home energy assistance under this title if the eligibility of a household is dependent upon—

(1) an individual whose annual supplemental security income benefit rate is reduced pursuant to section 1611(e)(1) of the Social Security Act by reason of being in an institution receiving payments (under title XIX of that Act) with respect to that individual,

(2) an individual to whom the reduction specified in section 1612(a)(2)(A)(i) of that Act applies, or

(3) a child described in section 1614(f)(2) of that Act (who is living together with a parent or the spouse of a parent).

(c) In verifying income eligibility for the purpose of clause (2) of subsection (a), the State shall apply procedures and policies consistent with procedures and policies used by the State agency administering programs under part A of title IV of the Social Security Act.

STATE ALLOCATIONS

SEC. 6. (a)(1) The Secretary shall, from 90 per centum of the sums appropriated pursuant to section 4(b) for any fiscal year, allot to each State an amount equal to such 90 per centum multiplied by the State's allotment percentage.

(2)(A) For purposes of paragraph (1), a State's allotment percentage is the percentage which the amount the State was eligible to receive under the allotment formulas of the Home Energy Assistance Act of 1980 bears to the total amount available for allotment under such formulas.

(B) For purposes of subparagraph (A), the allotment formulas of the Home Energy Assistance Act of 1980 shall be treated as including the rules provided by, and the rules referred to in, section 101(j) of Public Law 96-536.

(3) If the sums appropriated for any fiscal year for making block grants under this Act are not sufficient to pay in full the total amount allocated to a State under paragraph (1) of this subsection for each fiscal year, the amount which all States will receive under this Act for such year shall be ratably reduced.

(b)(1) From the remainder of the sums appropriated pursuant to section 4(b) for each fiscal year, the Secretary shall—

(A) first reserve $2,500,000 to be apportioned on the basis of need between the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, and

(B) then transfer to the Director of the Community Services Administration $200,000,000, subject to the provisions of the second sentence of this paragraph for carrying out energy crisis related activities authorized under section 222(a)(5) of the Economic Opportunity Act of 1964, or if there are no such activities then the Secretary shall reserve, subject to the provisions of the second sentence of this paragraph, $200,000,000 for an energy crisis intervention program.

The percentage of the amount transferred under subparagraph (B) of this paragraph and available for use in each State shall be the same percentage as the percentage allotted to such State under this section for the total amounts available for allotment to States under subsection (a) of this section. Twenty per centum of the total amount transferred under subparagraph (B) may be utilized without regard to the requirements of the preceding sentence.

(2) Each jurisdiction to which paragraph (1)(A) applies may receive grants under this Act upon an application submitted to the Secretary containing provisions which describe the programs for which assistance is sought under this Act, and which are consistent with the requirements of section 8(b) of this Act.

(3)(A) From the sums appropriated pursuant to section 4(b) and made available under paragraph (1)(B) of this subsection, the Director or the Secretary, as the case may be, shall reserve a sum not to exceed $3,000,000 in each fiscal year for outreach activities designed to assure that eligible households with elderly members or handicapped members, or both, are made aware of the assistance available under this Act. The Director, or the Secretary, as the case may be, shall enter into agreements with national organizations representing the elderly or national organizations representing the handicapped to carry out the provisions of this subparagraph.

(B) No payment may be made under this paragraph to any national aging or handicapped organization unless the Director, or the Secretary, as the case may be, determines that such outreach activities will be coordinated with State outreach activities required under section 8(b)(12).

(c) The portion of any State's allotment under subsection (a) for a fiscal year, which the Secretary determines will not be required for the period such allotment is available for carrying out the purposes of this Act, shall be available for reallotment from time to time, on such dates during such period as the Secretary may fix, to other States based on need and ability to expend the funds consistent with the provisions of this Act and taking into account the proportion of the original allotments made available to such States under subsection (a) for such year, but with such proportionate amount for any of such other States being reduced to the extent it exceeds the sum which the Secretary estimates such State needs and will be able to use for such period for carrying out such portion of its State application approved under this Act, and the total reduction shall be similarly reallotted among the States whose proportionate amounts are not so reduced. In carrying out the requirements of this subsection the Secretary shall take into account the climatic conditions and such other relevant factors as may be necessary to assure that no State loses funds necessary to carry out the purposes of this Act. Any amount reallotted to a State under this subsection during a year shall be deemed part of its allotment under subsection (a) for such year.

(d)(1) Any allocations to a State may be reallocated only if the Secretary has provided thirty days advance notice to the chief executive and to the general public. During such period comments may be submitted to the Secretary.

(2) After considering any comments submitted during such period, the Secretary shall notify the chief executive of any decision to reallocate funds, and shall publish such decision in the Federal Register.

(e) The aggregate residential energy expenditure for each State and for all States shall be determined by the Secretary after consulting with the Secretary of Energy.

(f) The allotments made under this section shall be made on the basis of the latest reliable data available to the Secretary.

(g)(1) If, with respect to any State, the Secretary—

(A) receives a request from the governing body of an Indian tribe or tribal organization within the State that assistance under this title be made directly to such tribe or organization, and

(B) determines that the members of such tribe or tribal organization would be better served by means of grants made directly to provide benefits under this Act,

the Secretary shall reserve from amounts which would otherwise be allotted to such State under this Act for the fiscal year the amount determined under paragraph (2).

(2) The Secretary shall reserve for the purpose of paragraph (1) from sums that would otherwise be allotted to such State not less than 100 per centum of an amount which bears the same ratio to the State's allotment for the fiscal year involved as the population of all eligible Indians for whom a determination under this paragraph has been made bears to the population of all eligible households in such State.

(3) The sums reserved by the Secretary on the basis of a determination under this sub-

section shall be granted to the Indian tribe or tribal organization serving the individuals for whom such a determination has been made.

(4) In order for an Indian tribe or tribal organization to be eligible for an award for a fiscal year under this subsection, it shall submit to the Secretary a plan for such fiscal year which meets such criteria as the Secretary may prescribe by regulation.

(5) The terms "Indian tribe" and "tribal organization" have the same meaning given such terms in section 4(b) and section 4(c) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

USES OF HOME ENERGY GRANTS

SEC. 7. Grants made under this Act may be used for home energy assistance in accordance with plans approved under section 8.

STATE PLANS

SEC. 8. (a) Each State desiring to receive a home energy grant under this Act shall submit a State plan to the Secretary, at such time, in such manner, and containing or accompanied by such information as the Secretary deems necessary.

(b) Each such State plan shall—

(1)(A) designate an agency of the State to be determined by the chief executive to administer the program authorized by this Act, (B) describe local administrative arrangements, (C) establish State procedures designed to assure the coordination of low-income weatherization assistance authorized under any other provisions of Federal law and the assistance provided under this Act, and (D) provide assurances that such procedures will be carried out;

(2) provide for a State program for furnishing home energy assistance to eligible households through payments made in accordance with the provisions of the plan, to—

(A) home energy suppliers,

(B) eligible households whenever the chief executive determines such payments to be feasible, or when the eligible household is making undesignated payments for rising energy costs in the form of rent increases, or

(C) any combination of home energy supplier and eligible household whenever the chief executive determines such payments to be feasible;

(3) describe the procedures by which eligible households in the State are identified and certified as participants;

(4) describe the amount of assistance to be provided to or on behalf of participating households assuring (A) that priority is given to households with lowest incomes and to eligible households having at least one elderly or handicapped individual, and (B) that the highest level of assistance is provided to households with lowest incomes and the highest energy costs in relation to income, taking into account—

(i) the average home energy expenditure,

(ii) the proportional burden of energy costs in relation to ranges of income,

(iii) the variation in degree days in regions of the State in any State where appropriate, and

(iv) any other relevant consideration selected by the chief executive including provisions for payment levels for households making undesignated payments in the form of rent;

(5) provide, in accordance with clause (2)(A), for agreements with home energy suppliers under which—

(A) the State will pay on a timely basis by way of regular installments, as reimbursements or a line of credit, to the supplier designated by each participating household the amount of assistance determined in accordance with clause (4) and shall notify each participating household of the amount of assistance paid on its behalf;

(B) the home energy supplier will charge the household specified in subclause (A), in the normal billing process, the difference between the actual cost of the home energy and the amount of the payment made by the State under this Act; and

(C) the home energy supplier, subject to subsection (f) of this section, will provide assurances that any agreement entered into with a home energy supplier under this clause will contain provisions to assure that no household receiving assistance under this Act will be treated any differently because of such assistance under applicable provisions of State law or public regulatory requirements;

(6) provide for the direct payment to households to which subclauses (B) and (C) of clause (2) applies;

(7) provide for public participation in the development of the plan;

(8) provide assurances that the State will treat owners and renters equitably under the program assisted under this Act;

(9) provide that—

(A) in each fiscal year, the State may use for planning and administering the plan an amount not to exceed 10 per centum of its allotment under this Act for such year, except that—

(i) no less than 1½ per centum of the total amount allocated to the State for such year (together with an equal amount of State or local funds) shall be used to carry out paragraph (12), and

(ii) in no case may the Federal share of the cost of planning and administering the plan exceed 50 per centum of such cost, and

(B) the State will pay from non-Federal sources the remaining costs of planning and administering the plan and will not use Federal funds for such remaining costs;

(10) provide that, of the funds the State receives for each fiscal year, the State may reserve not more than 10 per centum of the funds to be available for weather related and supply shortage emergencies;

(11) provide for outreach activities designed to assure that all eligible households, particularly households with elderly or handicapped individuals, households with working poor individuals, are aware of the assistance available under this Act;

(12) provide that fiscal control and fund accounting procedures will be established as may be necessary to assure the proper dispersal of and accounting for Federal funds paid to the State under this Act, including procedures for monitoring the assistance provided under the plan; and

(13) provide assurances that the State will not reduce regular benefit levels, from the levels of such benefits as of February 26, 1980, in existing federally assisted cash assistance programs, except that in a State which increases such programs solely for the purpose of energy assistance, such increase shall not be considered a part of the regular program for the purposes of this clause.

(c) The State is authorized to make grants to eligible households to meet the rising costs of cooling whenever the State establishes that such cooling is necessary.

(d)(1) The Secretary shall approve any State plan, or modification thereof, that meets the requirements of subsections (b) and (c) and shall not finally disapprove, in whole or in part, any plan, or any notification thereof, for assistance under this Act without first affording the State reasonable notice and opportunity for a hearing within the State. Whenever the Secretary disapproves a plan the Secretary shall, on a timely basis, assist the State to overcome the deficiencies in the plan.

(2) Where the Secretary determines that a waiver is likely to assist in promoting the objectives of this Act, the Secretary may waive compliance with any of the requirements of subsection (b) (other than paragraph (9)) to the extent and for the period the Secretary finds necessary to enable any such State to carry out the program assisted under this Act.

(e) Any State which makes advances available for activities relating to the development of a State plan and for other activities under this Act in substantial compliance with an approved State plan may be reimbursed for such advances from the allocation made to that State under section 6(a) when funds are appropriated to carry out the provisions of this Act.

PAYMENTS

SEC. 9. (a) From the amount allotted to each State pursuant to section 6, the Secretary shall pay to the State which has an application approved under section 8 an amount equal to the amount needed for the purposes set forth in the State plan.

(b) Payments under this Act may be made in installments in advance or by way of reimbursement, with necessary adjustments on account of overpayments and underpayments.

WITHHOLDING

SEC. 10. Whenever the Secretary, after reasonable notice and opportunity for hearing within the State to any State, finds that there has been a substantial failure to comply with any provision set forth in the State plan of that State approved under section 8, the Secretary shall notify the State that further payments will not be made under this Act until the Secretary is satisfied that there is no longer any such failure to comply. Until the Secretary is so satisfied, no further payments shall be made under this Act.

CRIMINAL PENALTIES

SEC. 11. Whoever violates provisions of this Act or who knowingly provides false information in any report required under this Act shall be fined not more than $10,000 or imprisoned not more than five years or both.

ADMINISTRATION

SEC. 12. (a)(1) The Secretary may delegate any functions under this Act, except the making of regulations, to any officer or employee of the Department of Health and Human Services.

(2) The Secretary shall issue regulations under this Act, within sixty days after the date of enactment of this Act.

(b) In administering the provisions of this Act, the Secretary is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public agency or institution, to the extent such services and facilities are otherwise authorized to be made available for such purpose, in accordance with appropriate agreements, and to pay for such services either in advance or by way of reimbursement as may be agreed upon.

(c) Notwithstanding any other provision of law, the amount of any home energy assistance payments or allowances provided to an eligible household under this Act shall not be considered income or resources of such household (or any member thereof) for any purpose under any Federal or State law, including any law relating to taxation, public assistance or welfare program.

(d) The Secretary shall coordinate the administration of the program established under this Act with appropriate programs authorized by the Economic Opportunity Act of 1964 and any other existing Federal energy programs administered by the Secretary of Energy.

(e) The Secretary, after consultation with the Secretary of Energy, the Director of the Community Services Administration, the Secretary of Housing and Urban Development, and the Secretary of Agriculture, shall establish procedures for referrals for participation in Federal weatherization programs under section 8(b)(1).

(f)(1) The Secretary, in cooperation with such other agencies as may be appropriate,

shall develop and implement the capacity for estimating total annual energy expenditures of low-income households in each State. The Secretary shall submit to the Congress his estimates pursuant to this subsection together with a description of the manner in which they were determined prior to the beginning of each calendar year starting with 1981.

(2) The Secretary, after consultation with the Secretary of Energy, shall provide for the collection of data, including—

(A) information concerning home energy consumption,

(B) the cost and type of fuels used,

(C) the type of fuel used by various income groups,

(D) the number and income levels of households assisted by this Act, and

(E) any other information which the Secretary determines to be reasonably necessary to carry out the provisions of this Act.

REPEALER

SEC. 13. Effective October 1, 1981, the Home Energy Assistance Act of 1980 is repealed.

S. 1166

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SEC. 101. This Act may be cited as the "National Home Weatherization Act of 1981".

FINDINGS AND PURPOSE

SEC. 102. (a) The Congress finds and declares that—

(1) the health of this Nation's economy, the welfare of its citizens and the maintenance of national security are dependent on the deployment of domestic energy resources;

(2) the application of energy efficient processes, technologies and activities are this Nation's most abundant and economic source of energy;

(3) to supplement private sector conservation initiatives, States are in a unique position to implement energy planning and essential human services of low-income citizens; and

(4) existing State grant programs include a myriad of unnecessary, costly and redundant Federal requirements which constitute an inefficient use of scarce Federal financial resources.

(b) The purpose of this Act is to eliminate unnecessary Federal requirements by consolidating existing categorical grant programs into a single energy grant for States to provide essential planning and energy assistance to low-income households.

DEFINITIONS

SEC. 103. As used in this Act the term—

(1) "Secretary" means the Secretary of Energy;

(2) "Governor" means the chief executive officer of a State, whether elected or appointed, or his designee;

(3) "State" means a State, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Government of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands;

(4) "State energy plan" means a plan, including the State energy programs identified in the plan, that a State has developed or will develop and which has been or will be submitted for approval under this Act;

(5) "State energy program" means any Department of Energy program that provides financial assistance to States under an allocation formula established under Federal law, including programs authorized under parts D and G of title III of the Energy Policy and Conservation Act (42 U.S.C. 5201), the National Energy Extension Service Act (42 U.S.C. 7001), part A of title IV of the Energy Conservation in Existing Buildings Act (42 U.S.C. 6851), and part A of title II of the Emergency Energy Conservation Act (42 U.S.C. 8501);

(6) "unit of local government" means any city, county, town, municipality, or any other political subdivision that is a unit of general purpose local government of a State:

(7) "regional council" means any multijurisdictional unit established under State law, interstate compact, or interlocal agreement, to formulate policies and plans for the orderly development of a substate region or interstate region which, in the absence of a State law to the contrary, has a majority of local elected officials on its governing body;

(8) "conservation" means a reduction of energy consumption or an increase in the efficiency of energy use, including the application of solar, geothermal, wind, low-head hydroelectric, biomass and ocean energy systems; and

(9) "Act" means the National Home Weatherization Act of 1981.

GRANT APPLICATIONS

SEC. 104. (a) Notwithstanding any other provision of law, a State may submit an annual grant application requesting financial assistance under this Act—

(1) for programs authorized under part A of title IV of the Energy Conservation in Existing Buildings Act (42 U.S.C. 6851);

(2) for programs authorized under part A of title II of the Emergency Conservation Act (42 U.S.C. 8501);

(3) for programs authorized under parts T and G of title III of the Energy Policy and Conservation Act (42 U.S.C. 6201);

(4) for programs authorized under the National Energy Extension Service Act (42 U.S.C. 7001); and

(5) for any other State energy conservation program authorized by Federal law.

Not less than 65 percent of such assistance shall be utilized for programs authorized under part A of title IV of the Energy Conservation in Existing Buildings Act, except that the Secretary may waive such requirement if the Governor, after public hearings, determines that an insufficient or limited need exists for low-income weatherization services in such State.

(b) That portion of the application for each program shall be approved by the State or local official or agency officially authorized to implement that program under State law.

(c) The Secretary shall within 90 days after the date of the enactment of this Act prescribe rules providing financial assistance for weatherization grant applications described in subsection (a). To enable a State to submit a grant application for a uniform time period, the Secretary and the appropriate State official or agency, by mutual agreement, may amend the program time period and any other administrative provision associated with financial assistance awarded before the approval of the grant application, and may agree that the unexpended balance of any funds made available under such programs may continue to be available for the purposes for which those funds were appropriated.

(d) The Secretary shall review and approve, in whole or in part, an application submitted under this section unless the Secretary determines that—

(1) the application fails to meet the requirements of the regulations issued under subsection (c);

(2) the proposals for assistance are inconsistent with Federal law; and

(3) when financial assistance has been provided previously to a State under this Act, either—

(A) the State has failed to submit, in good faith, a State energy plan within the time period required by section 106(a); or

(B) the State has failed to receive an extension under section 106(c).

(e) Notwithstanding any other law, the Secretary shall approve a weatherization grant application under subsection (a) to use financial assistance for expenditure under any other State energy program covered by the same application described in subsection (a).

FINANCIAL ASSISTANCE

SEC. 105. (a) The Secretary, subject to the availability of funds, shall provide financial assistance to States to implement State energy programs covered by an application approved under section 104 of this Act.

(b) The Secretary, subject to the availability of funds, may provide—

(1) financial assistance to States to fund State energy programs and costs covered by an application submitted under section 104;

(2) financial and technical assistance to States to develop, implement, and modify State energy plans submitted under section 106; and

(3) financial and technical assistance to Indian tribes for the purposes described in section 108 (c) of this title.

REQUIREMENTS FOR STATE ENERGY PLANS

SEC. 106. (a) In order to receive assistance under this Act a State shall submit its first State energy plan not later than 9 months after the date the Secretary issues regulations under subsection (b). A State energy plan may be modified and resubmitted at any time and shall be modified and resubmitted biennially from the date of approval of the first State energy plan.

(b) The Secretary shall not later than ninety days after the date of enactment of this Act prescribe regulations for State energy plans, which plans shall contain—

(1) a management plan for, and a description of procedures to coordinate and apportion the responsibilities for development, implementation and administration of such plan with appropriate units of local government and regional councils;

(2) a management plan for implementing a low-income weatherization assistance program as authorized under part A of title IV of the Energy Conservation in Existing Buildings Act (42 U.S.C. 6851) or a waiver of such requirement pursuant to section 104 of this Act;

(3) a management plan for, and a description of, State procedures to coordinate the administration of low-income weatherization assistance and low-income energy assistance authorized under title III of Public Law 96-223, together with other low-income energy assistance programs authorized by the Economic Opportunity Act of 1964, and any other energy assistance program authorized by Federal law;

(4) a management plan for, and a description of the proposed uses of funds provided under this Act for the purpose of implementing the State energy plan. In addition, such management plan shall include—

(A) a description of the number of low-income households, their fuel source and characteristics of such dwellings to be provided weatherization assistance by such State;

(B) an identification of those major energy consumption sectors in which the State has the greatest opportunity to affect significant additional energy conservation, and a description of the State goals and objectives for energy conservation in such sectors;

(C) a description of the programs the State and units of local government will carry out to achieve their energy conservation goals and objectives; and

(D) program objectives by which the State and units of local government will periodically monitor and assess their success in implementing the State energy plan;

(5) a description of State energy supply and demand and of its energy conservation goals and policies, including a description of any data systems the State and units of lo-

cal government will use in the development, modification, or implementation of a State energy plan; and

(6) a description of how the State and units of a local government plan to implement the State energy programs established under other law, including programs covered by an application under section 101.

(c) Upon written request of the Governor, the Secretary, for good cause, may extend the time for compliance with subsection (a).

(d) The Secretary shall approve, in whole or in part, a State energy plan or modification thereto unless the Secretary determines that—

(1) the plan or modification fails to comply with the requirements of this Act; and

(2) the State energy plan, or the plan as modified, is inconsistent with Federal law.

(e) If a State so requests, each department, agency or instrumentality of the executive branch of the Federal Government that either produces or consumes significant quantities of energy within that State shall, consistent with applicable law, provide such available energy-related information as is necessary and practicable to assist the State in the development of its State energy plan.

(f) A State shall hold public hearings on the development of its first State energy plan, and on any modification thereof. Any such public hearing shall follow adequate notice, which shall be directed toward—

(1) units of local government;

(2) regional councils;

(3) Indian tribes within the State; and

(4) the public.

(g) A State shall give priority to the needs of the poor, the handicapped, and the elderly in developing and implementing a State energy plan, particularly with regard to the coordination of federally funded low-income energy assistance programs.

DISAPPROVAL

SEC. 107. (a) If the Secretary, in whole or in part—

(1) disapproves an application for assistance under this Act;

(2) disapproves a request for a waiver under this Act;

(3) disapproves a State energy plan or modification thereto; or

(4) finds that a recipient of assistance has failed to comply with—

(A) the provisions of this Act or the regulations promulgated hereunder; or

(B) the provisions of any law governing a program covered by an application submitted under section 101,

the Secretary shall provide written notice of such disapproval or finding and provide a statement of the reasons therefor.

(b) Unless corrective action has been taken, the Secretary, after providing written notice and affording an opportunity to present views, shall make a final determination in writing stating the reasons for the determination.

(c) Upon issuance of the notice referred to in subsection (a), the Secretary may suspend payments of financial assistance. If the Secretary makes a final determination in accordance with subsection (b), no financial assistance shall be provided for any part of a State energy plan or other activities determined not to comply with appropriate requirements until the Secretary is satisfied there is no longer a failure to comply.

ALLOCATION OF FUNDS

SEC. 108. (a) For the purposes of this Act—

(1) 65 percent of amounts made available shall be allocated with respect to the several States in accordance with a formula to be prescribed, by rule, by the Secretary, taking into account the relative number of low-income households in such State, the amount and availability of fuel or other energy used by such households in such States, and other such factors as the Secretary deems appropriate;

(2) 25 percent of amounts made available shall be allocated with respect to the several States in accordance with a formula to be prescribed, by rule, by the Secretary, taking into account population and climate of each State, and other factors as the Secretary deems appropriate; and

(3) 10 percent of amounts made available shall be allocated equally among the States.

(b) Notwithstanding subsection (a), the Secretary shall reserve annually for the benefit of Indian tribes some portion of the sums available for financial assistance under this Act and shall within 90 days after the date of the enactment of this title prescribe requirements for the allocation and use of the reserved portion as the Secretary, after affording reasonable opportunity for State comments, deems appropriate.

(c) Notwithstanding subsection (a), the Secretary may prescribe a maximum allocation for the Virgin Islands, Guam, American Samoa, the Government of the Northern Mariana Islands; and the Trust Territory of the Pacific Islands.

(d) No recipient shall expend funds provided under this title—

(1) to pay the costs of any construction or the purchase of real property;

(2) to pay all or any portion of the purchase price of equipment, other than office equipment, except to the extent authorized by other law;

(3) to subsidize fares for public transportation; or

(4) for such other purposes as the Secretary may prescribe.

(e) The total amount allocated for any State under subsection (a) in any year for section 101 or for section 102 shall not exceed 10 percent of the total amount allocated for all the States in such year under subsection (a) for that section.

(f) The Secretary shall prescribe rules limiting the amount of funds committed or granted to an applicant which may be expended for administrative expenses.

(g) Funds allocated under this section for a fiscal year but not obligated in such fiscal year shall be available for reallocation under subsection (a) of this section in the subsequent fiscal year.

STATE MATCHING REQUIREMENT

SEC. 109. In order to receive assistance under this Act a State shall provide funds equal to 15 percent in fiscal year 1982, 25 percent in fiscal year 1983, and 35 percent in fiscal year 1984 of the amount of funds allocated to such State under section 108 of this Act.

ASSISTANCE TO LOCAL GOVERNMENTS AND REGIONAL COUNCILS

SEC. 110. (a) A State receiving financial assistance under this Act shall provide units of local government and regional councils a portion of such financial assistance commensurate with the relative responsibilities described in the State energy plan as required in section 106 of this Act.

(b) A State may participate in interstate or multistate regional organizations that provide for the coordination of its State energy plan with the State energy plans of other participating States. Each State may make available directly to such organizations a portion of the financial assistance provided under this Act for any use consistent with the purposes of this Act.

TRANSITION TO GRANTS

SEC. 111. (a) To enable a State to submit a grant application the Secretary and the appropriate State official or State agency shall, by mutual agreement, amend existing agreements according to the provisions of section 104(c) of this Act.

(b) Nothing in this Act shall be construed to affect any financial arrangement made or entered into by the Secretary prior to the date of the enactment of this Act.

(c) Nothing in this Act supersedes any provision of existing law except to the extent that this Act is inconsistent with such provisions.

AUTHORIZATION OF APPROPRIATIONS

SEC. 112. There is authorized to be appropriated for the purposes of carrying out State energy grant programs described in section 104(a), $400,000,000 in each fiscal year 1982, 1983, and 1984, which shall remain available until expended.

NATIONAL HOME WEATHERIZATION ACT OF 1981

LEGISLATIVE SUMMARY

The National Home Weatherization Act of 1981 would retain the low-income weatherization program in the Department of Energy and would authorize the consolidation of five major energy conservation programs to be administered by states. Those activities covered by the Act include:

Low-Income Weatherization assistance as authorized under Part A of Title IV of the Energy Conservation in Existing Buildings Act (P.L. 94–385)

State Emergency Planning as authorized under Part A of Title II of the Emergency Energy Conservation Act (P.L. 96–102)

Low-Income Weatherization assistance as authorized under Part D of Title III of the Energy Policy and Conservation Act (P.L. 94–163)

Energy Audit and retrofits for schools and hospitals as authorized under Title III of the Energy Policy and Conservation Act (P.L. 94–163) and,

Technical information assistance as authorized under the Energy Extension Service Act (P.L. 95–39).

While costly and redundant federal requirements are eliminated under the National Home Weatherization Act, several important provisions are included to maintain a consistent and responsible federal assistance program. These provisions include:

A prerequisite that states utilize at least 65% of their assistance for low-income weatherization

A prerequisite that states develop a plan to coordinate the administration of low-income weatherization services with other energy assistance programs for low-income families, and

A prerequisite that states develop a management plan which includes units of local government and apportions financial assistance commensurate with those shared responsibilities

In addition, the National Home Weatherization Act of 1981 includes provisions to:

Limit authorized spending levels to an amount less than is presently appropriated for these programs, and

Require a state match of 15 per centum in fiscal year 1982, 25 per centum in fiscal year 1983 and 35 per centum in fiscal year 1984.

FACT SHEET ON STATE ENERGY PROGRAMS

Since the Oil Embargo of 1973, states have become increasingly involved in creating and undertaking programs to help deal with our nation's oil dependency. The states and localities have also become the primary delivery system for national energy conservation and emergency programs. Despite the effectiveness and pressing need for these programs, all but one of the state energy grant programs are being proposed for elimination in FY 82. Following are reasons why these programs should be maintained during this period of severe economic problems and a suggested approach to consolidating the programs, thereby eliminating some unnecessary administrative costs.

These programs are inflation-restraining. There will be a significant benefit to the economy if these programs are retained.

These programs are cost-effective. The collective energy cost avoidances for 1976–80 amounted to $22 billion with a benefit-to-cost ratio of 30 to 1.

These programs will ensure that the nation will be better prepared to cope with the dramatic impact of a major oil supply disruption.

These programs address the needs of the low-income individuals who will feel more intensely the burden of rapidly rising energy costs.

These programs will directly offset the continuing need for direct fuel assistance payments to the poor.

These programs are helping to reduce our nation's overall rate of energy consumption without sacrificing quality of life while sending signals to our allies of our commitment to reducing our oil dependency.

These programs will help cushion the impact of decontrolled oil prices on the average American homeowner and businessman. If there is one concern equal to the concern with inflation to the American citizen, it is the rising price of fuel.

THE PROGRAMS

State energy conservation program (SECP) ($47.8 million appropriated in FY 81).

SECP has established the states as the primary delivery mechanism for energy conservation programs and has provided the basic stimulus for the development of state energy policy and programs. SECP requires states to undertake certain mandatory conservation measures while developing additional conservation measures appropriate for the state. In addition, SECP has been drawn on to carry out additional national programs such as residential conservation programs and energy emergency activities.

Conservation estimates of four major SECP measures indicate that for every dollar of federal funds spent, $5.40 worth of energy was saved with a cost-benefit ratio of 1 to 5 for 1979.

Energy extension service (EES) ($20 million appropriated in FY 81).

EES provides small-scale energy users with personalized information and technical assistance on energy conservation and the use of renewable resources. Services such as energy audits and self-help workshops are tailored to the needs of homeowners, small businesses, local governments, and other public institutions. The program began as a pilot project with 10 states and, based on favorable results, was expanded nationwide. EES clients in the ten pilot states saved the equivalent of 6,400 barrels of oil per day beyond what would have been saved without the program. The cost of achieving these additional energy savings averaged $8.50 per barrel of oil equivalent. Compared to the cost of buying a barrel of imported oil ($30–$35), the EES is clearly cost-effective. For 1980 it is estimated that 6.9 million barrels of oil equivalent was saved beyond what would have been saved without the program.

Institutional buildings grant program ($181 million appropriated in FY 81).

This program administered by the states provides support in the form of matching grants to financially strapped institutions that would not otherwise have the front-end finances to pay for cost-effective efficiency measures. In FY 80 eligible institutions submitted nearly 21,000 applications for technical assistance and energy conservation measure grants. DOE made nearly 8,300 grant awards to individual institutions, totaling over $220 million and supporting approximately 21,000 institutional buildings.

Low-income weatherization ($182 million appropriated in FY 81).

The Weatherization Assistance Program is targeted toward weatherizing housing of low-income families to help them cope with rising energy costs. The need for a strong, effective, low-income weatherization program will be especially pressing given the decontrol of energy prices. Although there were significant problems in the earlier years, especially in the use of CETA labor, substantial changes have been made and the program over the past year is proving itself quite effective.

The program has weatherized 265,182 homes in FY 1980 with expenditures of $182,082,673. This compares to FY 1979 figures of 118,200 homes weatherized and expenditures of $39,937,746. Production increased by 224 percent over FY 1979. The savings per dwelling are permanent savings. The equivalent of over 2 million barrels of oil will be conserved each year in the 860,000 homes weatherized so far through the DOE program, avoiding costs of $54.5 million.

Emergency energy conservation program ($10 million appropriated in FY 81).

The Emergency Energy Conservation Act of 1979 is the major legislative authority enabling the nation to deal with energy shortages and relies heavily on states to provide the first line of defense in a supply disruption. State actions are needed to help cope with the dramatic economic impact of any future energy shortages.

RECOMMENDED APPROACH

Recognizing the need for reducing the overall budget, states are willing to take cuts in the programs but not total elimination.

FY 82 APPROPRIATIONS

Some funding cuts could be made from the combined FY 81 appropriations level of $77.8 for SECP, EES, and EECA as we move toward a more flexible block grant approach.

Separate funding for low-income weatherization should be restored to $200 million—the original proposed level for FY 81. The program will essentially be lost if it is included in the Community Development Block Grant Program without separate additional funding. In addition, under the low-income assistance program, Governors should be allowed to use some of these funds to supplement weatherization efforts, offsetting the need for future direct fuel payments.

ENERGY BLOCK GRANT

The state and local governments have supported an energy block grant which would combine the programs described above. The block grant would allow the state to target funds to the most needed and cost-effective programs for the individual state. Conservation, renewable and conventional resource development and emergency programs could all be carried out under the grant. In addition, coordinated audit and weatherization activities would be targeted to low-income groups. The block grant could be funded at approximately $300 million, representing a 33% reduction from the combined FY 81 appropriation level, and would include a 20% match requirement.

STUDY OF STATE ENERGY CONSERVATION PROGRAM 1980 ENERGY SAVINGS INDICATORS

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ABSTRACT

State energy conservation program SECP 1980 energy savings indicators

This project was designed to provide (1) a review of the amount of energy savings reported by the states attributable to SECP activities for the calendar year 1980, and (2) a more reasonable national estimate of such savings and their dollar value in 1980. The scope of the project did not include an audit or validation of energy savings reported by states. Instead it was based on analysis of state data on the type and amount of services. The general approach involved:

Reviewing evaluation methodologies for individual SECP program measures as reported in 1980 energy savings reports submitted by states:

For as many measures as possible, identifying valid and/or exemplary evaluation approaches that permit calculation of energy savings attributable to the program measure rather than to price or other factors;

Using these evaluation approaches, developing a ratio or "index" of Btu's saved per unit of service provided (e.g., audit performed, audit workbook distributed) for these measures;

Applying this index to units of service data provided by other states, thereby deriving a total savings estimate for individual program measures; and

Cumulating savings estimates by program measure to a national total.

The results of this analysis by major category are as follows:

Category	Estimated 1980 energy savings attributable [1]	BOE (millions)	Dollar value of savings over estimated life of measures [2]
Industrial	26.3	4.5	$1,694,004,000
Residential	2.6	.4	152,614,000
Thermal efficiency standards	131.3	22.3	10,084,934,000
Lighting efficiency standards	14.0	2.4	770,338,000
Transportation	16.3	2.8	151,590,000
Commercial and institutional	1.6	.3	88,012,000
Total	192.1	32.7	12,941,492,000

[1] In Btu's times 10^{12}.

[2] Discounted at 10 percent. Assumptions associated with the life of program measures and the weighted average cost of energy by sector are contained in individual sections of the report.

The 1980 energy savings attributable to SECP (i.e., that occurred above and beyond savings that would have occurred without the program) are 192.1 trillion Btu's. The total life-time dollar value of these savings was about $13 billion. This can be compared to the cumulative Federal cost of the SECP in terms of dollars appropriated from Fiscal Years 1976 through 1980 of $217 million, yielding a benefit to Federal cost ratio of 60. Not included in the comparison, however, are the costs incurred by the private sector in implementing the conservation actions promoted by the SECP. Nor does the comparison include the value of energy saved in previous years.

The following factors had a conservative impact on the energy savings estimates, and hence the dollar value of energy saved over the life of the measures:

Where units of service data were not reported by states or were not available, it was assumed that no energy conservation took place;

The measures considered in this study represent approximately seventy percent of the energy savings reported by the states; in the interests of time, the energy savings impact of miscellaneous program measures (small

compared to major energy saving measures) was not considered; and

In many cases states reported savings resulting only from conservation actions taken during 1980, and did not take credit for 1980 savings resulting from conservation actions in previous years.●

● Mr. HATFIELD. Mr. President, pending budget cuts are expected to significantly reduce Federal assistance programs, including those which support low-income weatherization services and which provide States financial assistance to undertake emergency energy planning.

In an effort to comply with the President's austere budget proposals and at the same time maintain these essential services, Senator WEICKER and I along with Senators HEINZ, WALLOP, MATSUNAGA, and BUMPERS have introduced the National Home Weatherization Act of 1981, which will: First, retain the low-income weatherization program in the Department of Energy; second, consolidate five State-administered energy programs into a single grant, and third, restrict authorization levels to an amount which is less than is presently appropriated for these programs.

In addition, the National Home Weatherization Act will: First, require States to utilize at least 65 percent of their funding for weatherization, but allow States to use the remainder of their funding according to their own priorities, and second, establish an escalating State matching requirement of 15 percent in fiscal year 1982, 25 percent in fiscal year 1983 and 35 percent in fiscal year 1984.

Mr. President, the importance of weatherization and conservation cannot be underestimated. With continuing unrest in international oil markets, and ever-increasing prices for domestically produced energy, this Nation can ill afford to abandon programs which protect the disadvantaged and which are our first line of defense in the event of an energy emergency. Particularly, in energy sectors where the private market is unable or unwilling to undertake emergency or essential human services, a strong argument can be made for a joint Federal and State role in support of these activities. The National Home Weatherization Act establishes this shared responsibility for these important programs, and at the same time satisfies our objectives of controlling Federal spending.

I ask my colleagues to support this bill which balances the economic and energy concerns of the Congress.●

● Mr. HEINZ. Mr. President, I am delighted to join so many of my colleagues on the Energy and Natural Resources Committee in sponsoring this legislation introduced by the distinguished chairman of the Conservation Subcommittee on which I serve. It is crucial that we give States and localities the resources to plan for and respond to the energy-efficiency incentives now offered by high market prices. Most important, we must provide for energy efficiency improvements in the homes of the poor and the elderly who do not have the income to make such improvements themselves.

The Department of Energy has estimated that 12 million low-income houses remain in need of weatherization in spite of the dramatic successes of the CSA and DOE weatherization effort, which have made improvements in over 800,000 homes to date. Over 20 percent of home energy consumption, and thus home energy bills, can be conserved.

Yet, these households lack the $800 to $1,200 in cash or credit which better-off families can use in order to take advantage of existing tax credits or loans. Since these households are eligible for Federal energy assistance, it is imperative that we save both Federal payments and scarce energy resources by making their residences more efficient.

This legislation contains provisions we have worked out for assuring coordination of weatherization and fuel assistance. Failure to do so in the past has been one notable shortcoming of the present DOE weatherization program.

Indeed, in hearings on energy and the aged held on April 9 by the Senate Special Committee on Aging, of which I am chairman, every witness from the public, including State officials, energy suppliers and consumer groups, urged us to insure reauthorization of the weatherization program and to mandate that its services be delivered at the local level in direct conjunction with low-income energy assistance.

Clearly it would be penny-wise and pound-foolish to continue to pour out money for energy bills of the poor and yet deny them the means to reduce their energy consumption. By contrast, this bill, especially taken together with legislation I shall be proposing for improvements in the energy assistance program, will assure an integrated approach to the acute energy problems of the past.

Mr. President, this legislation is far from perfect. It reauthorizes six conservation programs which the administration has proposed for elimination without addressing some of the imperfections we have identified in them. For example, in the weatherization program run by DOE there should be greater flexibility for States in setting maximum expenditures per residential unit, in deciding which conservation measures, including renewable resources and furnace improvements, can be used, and in conforming eligibility for weatherization to eligibility for energy assistance payments. Further, I believe Congress should set a State-by-State distribution formula which includes energy usage and cost, rather than leaving this matter to the Secretary of Energy. But I believe these details can be handled during committee consideration, and that the overall principle of the legislation, which is the preservation of critical and timely energy conservation activities, is of overriding importance to our national efforts to increase our energy productivity.●

By Mr. CHILES:

S. 1167. A bill to amend title 5 of the United States Code to provide death benefits to survivors of Federal law enforcement officers and firefighters, and for other purposes; to the Committee on Governmental Affairs.

DEATH BENEFITS FOR FEDERAL LAW OFFICERS AND FIREFIGHTERS

● Mr. CHILES. Mr. President, I am introducing legislation today to provide lump sum death benefits for Federal law enforcement officers and firefighters who are killed in the line of duty. This bill is a companion measure to H.R. 757, introduced by Congressman KILDEE. Last year, similar legislation passed the House and Senate but was vetoed by President Carter.

This proposal will resolve inequities in the law that preclude Federal public safety officers from receiving death benefits paid under the Public Safety Officers' Benefit Act of 1976. Because of the high risk of their professions, these officers often cannot acquire sufficient life insurance protection. Under the Federal Employees Compensation Act, though, the survivors of a Federal officer who is killed in the performance of his job receive only a minimal death benefit from the Government. This legislation will give Federal officers the same protection that is afforded to their counterparts on the State and local levels, whose survivors are eligible for a lump sum payment of $50,000.

In all, about 10 Federal public safety officers are killed on duty each year. One tragic case occurred 2 years ago in my home State of Florida, where a Federal security guard, Robert L. Timberlake, was shot to death while on watch in the Tampa Federal building. Since 1976, when the families of State and local law enforcement officers and firefighters were made eligible for a death benefit payment, three Federal protective officers have died while guarding a Government building and its occupants.

The bill I am introducing today is similar to S. 491, Senator GLENN's proposal, with one major difference: It is retroactive to January 1976, in order to give fair treatment to the survivors of Federal public safety officers who have been killed in action, such as Robert Timberlake.

This bill will redress an obviously inequitable situation, without costing much money. The Congressional Budget Office estimates that it will require authorizations of $500,000 a year. This is not much to spend to provide Federal law enforcement officers and firefighters with a fair assurance of the financial security of their families, should they die in service to their country. I hope this bill will receive prompt consideration and approval by the Senate.

Mr. President, 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. 1167

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a)(1) subchapter I of chapter 81 of title 5, United States Code, is amended by inserting after section 8147 the following new section:

"§ 8148. Death benefits for law enforcement officers and firefighters

"(a) For the purpose of this section—

"(1) 'law enforcement officer' means an employee—

"(A) the duties of whose position include performing work directly connected with—

"(i) the control of crime or juvenile delinquency;

"(ii) the enforcement of the criminal laws; or

"(iii) the protection of Federal officials, public buildings or property, or foreign diplomatic missions; and

"(B) who, at the time the personal injury referred to in subsection (b) of this section is sustained is—

"(i) engaged in the detection of crime;

"(ii) engaged in the apprehension of an alleged criminal offender;

"(iii) engaged in the keeping in physical custody of an alleged or convicted criminal offender; or

"(iv) assaulted or subjected to the conduct of criminal activity in the line of duty;

"(2) 'firefighter' means an employee the duties of whose position include performing work directly connected with the control and extinguishment of fires and who, at the time the personal injury referred to in subsection (b) of this section is sustained, is engaged in such work in the control or extinguishment of a fire or other emergency operation;

"(3) 'child' means any natural or adopted child or stepchild, including any illegitimate or posthumous child, of a deceased law enforcement officer or firefighter who, at the time of such law enforcement officer or firefighter's death is—

"(A) 18 years of age or under;

"(B) over 18 years of age and a student; or

"(C) over 18 years of age and incapable of self-support because of physical or mental disability;

"(4) 'dependent' means substantially reliant for support upon the income of the deceased law enforcement officer or firefighter;

"(5) 'intoxication' means a disturbance of mental or physical faculties resulting from the introduction of alcohol, drugs, or other substances into the body; and

"(6) 'detection of crime' means the physical pursuit, investigation, or interviewing of any individual at a crime scene, but shall not include laboratory investigation, studies, or other similar acts of a nondangerous nature.

"(b)(1) In any case in which the Secretary of Labor determines, under regulations prescribed pursuant to this section, that a law enforcement officer or firefighter has died as the direct and proximate result of a personal injury inflicted by an outside force and in the line of duty, the Secretary shall pay a benefit of $50,000 as follows:

"(A) if there is no surviving child of such law enforcement officer or firefighter, to the surviving spouse of such law enforcement officer or firefighter;

"(B) if there are one or more surviving children and a surviving spouse, one-half to the surviving children in equal shares and one-half to the surviving spouse;

"(C) if there is no surviving spouse, to the surviving children of such law enforcement officer or firefighter in equal shares; or

"(D) if none of the above, to the dependent parent or parents of such law enforcement officer or firefighter in equal shares.

"(2) In any case in which the Secretary determines, upon a showing of need and prior to taking final action, that the death of a law enforcement officer or firefighter is one with respect to which a benefit will probably be paid, the Secretary may make an interim benefit payment not exceeding $3,000 to the individual entitled to receive a benefit under paragraph (1) of this subsection.

"(3) The amount of an interim payment to any individual under paragraph (2) of this subsection shall be deducted from the amount of any final benefit paid to such individual.

"(4) In any case in which there is no final benefit paid, the recipient of any interim payment under paragraph (2) of this subsection shall be liable for repayment of such amount. The Secretary may waive all or part of such repayment, considering for this purpose the hardship which would result from such repayment.

"(5) The benefit payable under this section shall be in addition to any compensation or other benefit that may be due under this subchapter or from any other source, but shall be reduced by payments authorized by section 12(k) of the Act of September 1, 1916, as amended (39 Stat. 718; D.C. Code, sec. 4-531(1)).

"(6) Benefits paid under this section are exempt from claims of creditors.

"(7) No benefit shall be paid under this section—

"(A) if the law enforcement officer or firefighter's death was caused by the intentional misconduct of the law enforcement officer or firefighter or by any act engaged in by such law enforcement officer or firefighting with the intention to bring about such death;

"(B) if voluntary intoxication of the law enforcement officer or firefighter was the proximate cause of death; or

"(C) to any individual who would otherwise be entitled to a benefit under this section if such individual's actions were a substantial contributing factor to the law enforcement officer or firefighter's death.

"(c) The Secretary may prescribe rules, regulations, and procedures to carry out the purpose of this section. Such rules, regulations, and procedures will be determinative of conflict of laws and issues arising under this section. Rules, regulations, and procedures prescribed under this section may include regulations governing the recognition of agents or other persons representing claimants under this section before the Secretary. The Secretary may prescribe the maximum fees which may be charged for services performed in connection with any claim under this section before the Secretary, and any agreement in violation of such rules and regulations shall be void.".

(2) The table of sections for chapter 81 of title 5, United States Code, is amended by inserting after the item relating to section 8147 the following new item:

"8148. Death benefits for law enforcement officers and firefighters.".

(b)(1) Section 8101(9) of title 5, United States Code, relating to definition of "child", is amended by inserting after "means" a comma and "except as provided in section 8148 of this title,".

(2) Section 8101(12) of such title, relating to definition of "compensation", is amended by striking out "but this does not in any way reduce the amount of the monthly compensation payable for disability or death;" and inserting in lieu thereof "except that—

"(A) this does not in any way reduce the amount of the monthly compensation payable for disability or death; and

"(B) such term does not include benefits paid under section 8148 of this title;".

SEC. 2. The authority to make payments under section 8148 of title 5, United States Code (as added by the first section of this Act), shall be effective only to the extent provided for in advance by appropriation Acts.

SEC. 3. The amendments made by this Act shall apply with respect to injuries sustained on or after September 29, 1976.●

By Mr. DECONCINI:

S. 1168. A bill to amend the Omnibus Crime Control and Safe Streets Act of 1968 to require as a condition of assistance under such act that law enforcement agencies have in effect a binding law enforcement officers' bill of rights; to the Committee on the Judiciary.

LAW ENFORCEMENT OFFICERS' BILL OF RIGHTS

Mr. DECONCINI. Mr. President, today I am introducing the Law Enforcement Officers' Bill of Rights. This bill would require that State and local governments, and public agencies enact a law enforcement officers' bill of rights in order to be eligible to receive funds from the Law Enforcement Assistance Administration. It is similar to S. 2301, introduced last year by Senator KENNDY and identical to a bill being introduced in the House by Congressman BIAGGI.

Our law enforcement personnel should be entitled to the same civil and procedural rights enjoyed by all other Americans. Unfortunately, this is not the case. My experience as a law enforcement official in the State of Arizona has allowed me great insight into the problems faced by law enforcement officials regarding violations of their civil rights. This bill would provide a guarantee that law enforcement personnel will be extended the civil and procedural rights to which they are entitled by compelling State and local governments, and public agencies to include a law enforcement officers' bill of rights in their plans.

In order to facilitate establishing an effective, uniform statute the following guidelines are set forth in this bill:

First, law enforcement personnel would have the right to participate in political activities while off duty and out of uniform.

Second, officers under investigation would be notified of the nature of the complaint, all complainants, including those to be present during interrogation, and their legal rights, including the right to counsel.

Third, all interrogations would be conducted in a reasonable manner and the complete proceedings would be recorded. Any threat of disciplinary action during the interrogation would be prohibited.

Fourth, a law enforcement officer would be notified and given explanation for any punitive action taken against him prior to the effective date of such action.

Fifth, no law enforcement officer would be required to disclose information regarding personal finances to be used as a basis for promotion.

Sixth, adequate representation of law enforcement personnel would be required whenever a police complaint review board is established.

Seventh, law enforcement officers would have the right to bring civil suits against all those who violate their rights under the bill of rights.

Although the concept of a law enforcement officers' bill of rights is gaining momentum throughout the Nation, few State, local, or public entities have initiated any concrete action toward this goal. It is our responsibility to insure that the rights of all Americans are protected. Let us not ignore the rights of those who are dedicated to serving this Nation as law enforcement officials. With the passage of the Law Enforcement Officers' Bill of Rights Congress can lead in demonstrating appreciation and

support of the law enforcement community.

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

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

S. 1168

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Omnibus Crime Control and Safe Streets Act of 1968 is amended by redesignating parts G, H, I, and J as parts H, I, J, and K, respectively, and by inserting immediately after part E the following new part:

"PART F—LAW ENFORCEMENT OFFICERS' BILL OF RIGHTS

"SEC. 471. Beginning with the first fiscal year commencing not less than two years after the date of the enactment of this part, no grant under part B, C, or E of this title shall be made, directly or indirectly, to any State, unit of general local government, or public agency, unless there is in effect with respect to such State, unit of general local government, or public agency, a law enforcement officer's bill of rights which substantially provides as a minimum the following rights for the law enforcement officers of such State, unit of general local government, or public agency:

"'BILL OF RIGHTS "'POLITICAL ACTIVITY OF LAW ENFORCEMENT OFFICE

"'SECTION 1. Except when on duty or acting in his official capacity, no law enforcement officer shall be prohibited from engaging in political activity or be denied the right to refrain from engaging in such activity.

"'RIGHTS OF LAW ENFORCEMENT OFFICERS WHILE UNDER INVESTIGATION

"'SEC. 2. Whenever a law enforcement officer is under investigation for alleged malfeasance, misfeasance, or nonfeasance of official duty, with a view to possible disciplinary action, demotion, dismissal, or criminal charges, the following minimum standards shall apply:

"'(1) No adverse inference shall be drawn and no punitive action taken from a refusal of the law enforcement officer being investigated to participate in such investigation or be interrogated other than when such law enforcement officer is on duty, or when exigent circumstances otherwise require.

"'(2) Any interrogation of a law enforcement officer shall take place at the offices of those conducting the investigation, the place where such law enforcement officer reports for duty, or such other reasonable place as the investigator may determine.

"'(3) The law enforcement officer being investigated shall be informed, at the commencement of any interrogation, of the nature of the investigation, the names of any complainants, and the identity and authority of the person conducting such investigation, and at the commencement of any interrogation of such officer in connection with any such investigation shall be informed of all persons present during such interrogation. All questions asked in any such interrogation shall be asked by or through a single interrogator.

"'(4) No formal proceeding which has authority to penalize a law enforcement officer may be brought except upon charges signed by the persons making those charges.

"'(5) Any interrogation of a law enforcement officer in connection with an investigation shall be for a reasonable period of time, and shall allow for reasonable periods for the rest and personal necessities of such law enforcement officer.

"'(6) No threat, harassment, promise, or reward shall be made to any law officer in connection with an investigation in order to induce the answering of any question, but immunity from prosecution may be offered to induce such answering.

"'(7) All interrogations of any law enforcement officer in connection with the investigation shall be recorded in full.

"'(8) The law enforcement officer shall be entitled to the presence of his counsel or any other one person of his choice at any interrogation in connection with the investigation.

"'REPRESENTATION ON COMPLAINT REVIEW BOARDS

"'SEC. 3. Whenever a police complaint review board has been established which includes in its membership persons other than law enforcement officers of the agencies under the jurisdiction of such board, such board shall also include a fair representation of such officers.

"'CIVIL SUITS OF LAW ENFORCEMENT OFFICERS

"'SEC. 4. Any law enforcement officer shall have the right, and shall receive public legal assistance when requested, to recover pecuniary and other damages from persons violating any of the rights established under the law enforcement officers' bill of rights.

"'DISCLOSURE OF FINANCES

"'SEC. 5. No law enforcement officer shall be required to disclose, for the purposes of promotion or assignment, any item of his property, income, assets, debts, or expenditures or those of any member of such officer's household.

"'NOTICE OF DISCIPLINARY ACTION

"'SEC. 6. Whenever a personnel action which will result in any loss of pay or benefits, or is otherwise punitive is taken against a law enforcement officer, such law enforcement officer shall be notified of such action and the reasons therefor a reasonable time before such action takes effect.

"'RETALIATION FOR EXERCISING RIGHTS

"'SEC. 7. There shall be no penalty nor threat of any penalty for the exercise by a law enforcement officer of his rights under this bill of rights.

"'OTHER REMEDIES NOT DISPARAGED

"'SEC. 8. Nothing in this bill of rights shall disparage or impair any other legal remedy any law enforcement officer shall have with respect to any rights under this bill of rights.'

"SEC. 472. As used in this part—

"(1) 'law enforcement officer' means any officer or employee of a public agency, if the principal official function of such officer or employee is to investigate crimes, or to apprehend or hold in custody persons charged or convicted of crimes, and include police, sheriffs, bailiffs, and corrections guards;

"(2) 'complainant' means the person whose information was the basis for the initiation of an investigation;

"(3) 'complaint review board' means any public body with specific lawful authority to investigate and take public action, including making reports, on charges of improper conduct by law enforcement officers, but is not a law enforcement agency, a grand jury, or other entity similar to a grand jury; and

"(4) 'law enforcement agency' means any public agency charged by law with the duty to investigate crimes, apprehend and hold in custody persons charged with crimes."

By Mr. LAXALT (for himself and Mr. CANNON):

S. 1169. A bill to authorize the recreational use of Ruby Lake National Wildlife Refuge in the State of Nevada; to the Committee on Energy and Natural Resources.

RUBY LAKE NATIONAL WILDLIFE REFUGE

● Mr. LAXALT. Mr. President, I am today introducing along with my colleague from Nevada, Senator CANNON, legislation that would authorize the recreational use of the Ruby Lake National Wildlife Refuge in Nevada and direct the Secretary of Interior to seek to balance the recreational use of the refuge with the wildlife conservation management.

Mr. President, the Ruby Lake National Wildlife Refuge, commonly known as the Ruby Marshes, covers 37,600 acres and straddles the boundaries of Elko and White Pine Counties in Nevada. The area is managed by the U.S. Fish and Wildlife Service.

The original purpose of the refuge was to provide a breeding ground for waterfowl and wildlife, and was established in 1938. However, recreational usage has increased significantly over the past decade as has the number of visitors to the area.

Several years ago the Fish and Wildlife Service completed an environmental impact assessment on boating at the refuge. The EIA maintained the boating was adversely affecting nesting canvasback and redhead ducks. The basis for this finding has been disputed by many people with knowledge of the situation.

As a result of a lawsuit filed in the District of Columbia, the Interior Department issued regulations that effectively prohibited recreational power boating and fishing on the Ruby lake. Unfortunately, both the Fish and Wildlife Service and the courts failed to consider information provided by the refuge manager, which clearly established that waterfowl production had not been adversely impacted by the increased recreational usage as claimed.

Mr. President, I believe all Nevadans agree that the wildlife at the marshes should be protected. As a matter of fact, prior to the lawsuit which I have mentioned, the Fish and Wildlife Service, after listening to State and local concerns, had drawn up regulations that would have protected the wildlife at the marshes and still allowed some recreational opportunities for northern Nevada sportsmen.

Frankly, I find it unconscionable that the desires of Nevadans to pursue a multiple use policy at the Ruby Lake were usurped by a group of out-of-State environmentalists who presented their case to an eastern judge, rather than coming to Nevada and arguing face-to-face with Nevadans.

The legislation Senator CANNON and I are introducing today would simply provide a mechanism whereby the Department of the Interior could issue new regulations that would allow reasonable recreational use as well as wildlife management. We feel that recreational boating and the maintenance of wildlife habitats are not mutually exclusive. I have high hopes that the administration will be supportive of this approach, and that Congress will permit the citizens of Nevada to once again enjoy this wonderful recreational area.

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. 1169

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) notwithstanding any other provision of law, including the National Conservation Recreational Areas Act (76 Stat. 653, 16 U.S.C. § 460K), the Secretary of the Interior may allow for the recreational use of Ruby Lake National Wildlife Refuge in the State of Nevada, including use of powered watercraft.

(b) In the management of Ruby Lake National Wildlife Refuge, the Secretary of the Interior shall seek to balance the recreational use of the refuge with the wildlife conservation objectives of the Refuge.●

● Mr. CANNON. Mr. President, I join with my distinguished colleague, Senator LAXALT, in introducing a bill to provide for management of Ruby Lake Refuge to provide both wildlife protection and appropriate recreation opportunities.

This is a modest proposal. Basically, it will allow the use of powered watercraft at times and in areas consistent with the primary use of the lake as a breeding ground for waterfowl. Such use has been common in the past without any demonstrable impact on the breeding habits of the waterfowl which use the refuge. Studies conducted by the Fish and Wildlife Service have found such recreational use compatible with the basic purpose of the refuge when regulated and controlled.

This lake is one of the very few spots in the great basin area of our country where water sports are available. Unfortunately, the District Court for the District of Columbia has determined, contrary to the Fish and Wildlife Service's own evidence, that this recreational resource must be placed off limits to such recreation. This decision was taken despite this evidence and despite years of such public use without adverse impact.

The refuge can and should be managed to accommodate both goals. The bill is careful to stress the wildlife objectives of the refuge but restores a carefully regulated water recreation benefit to the public.●

By Mr. PELL:

S. 1170. A bill to authorize appropriations for the energy conservation program for schools and hospitals and for the energy conservation program for buildings owned by units of local government and public care institutions, and for other purposes; to the Committee on Energy and Natural Resources.

ENERGY CONSERVATION ASSISTANCE AMENDMENTS OF 1981

● Mr. PELL. Mr. President, I am today introducing legislation to reauthorize title III of Public Law 95-619, the National Energy Conservation Policy Act, through fiscal year 1984. Funding for the proposed legislation would be authorized at a level of $200 million each year for the 3-year period or a reduction of $100 million or one-third from the previous authorization level.

The National Energy Conservation Policy Act which I introduced as S. 701 and was enacted as title III of the National Energy Act in 1978, provides technical and matching grant assistance to States for renewable energy and conservation improvements in public buildings, including local government facilities, schools, hospitals, colleges and universities, and other public and private nonprofit health care or nursing institutions.

The legislation I am proposing today, while essentially the same as S. 701, is also similar to H.R. 8207 introduced last year in the House by Congressman DINGELL. This measure incorporates several recommendations prepared by the Department of Energy and private groups for improving title III program implementation. The proposed measure also permits local government facilities, in addition to public schools, to be eligible for matching energy conservation grant assistance.

Mr. President, when I first introduced S. 701, the Emergency Energy Assistance Act in 1977 to assist institutions, particularly schools, hospitals, colleges, and universities, I was most concerned over the escalating percentage of the budgets of these institutions that is used for energy costs rather than the human services they are designed to provide.

Traditionally, for example, local school districts spend between 12.5 and 15 percent of their discretionary funds for fuel. This year, the Department of Energy estimates they are now committing between 25 and 35 percent of their discretionary funds for this purpose. Often, these funds must come from other areas of local school district budgets which obviously has a direct impact on the quality of teaching and learning.

Furthermore, since local school expenditures are usually the largest item in every locality's budget, this means that every taxpayer in the country is paying more for the increased cost of fuel in the schools and for the presently inefficient manner in which schools are consuming fuel.

During the first year of implementation, the impact of title III programs has been significant and most encouraging. Under the first two cycles of funding for title III in 1980, the Department of Energy has obligated over $260 million in more than 8,000 grants for the installation of energy conservation measures or the extension of technical assistance and energy audit services for public buildings. The Department of Energy has estimated that approximately 50,000 buildings were audited under the program during the first year and 20,000 assisted through some form of technical assistance or energy conservation retrofit measures.

This assistance has included a variety of energy conservation grants ranging in size from the $637 grant to insulate the attic of a rural Idaho school up to an award of $975,000 to install a sophisticated heat pump and waste heat recovery system in a Virginia hospital. There have also been grants to install woodstoves in Maine, adapt solar technology in schools in California, develop geothermal resources in Idaho, and utilize hydropower in Alaska.

Although precise energy savings data is not available in this brief period of time, the Department of Energy has estimated that for every $1 million invested, 39,000 barrels of oil will be saved every year. In the first two cycles of funding, the Department of Energy estimates that the energy conservation efforts under title III should result in savings of more than 9 million barrels of oil annually. These estimates will mean a reduction in direct expenditures for energy in public buildings, schools, and hospitals during the first year of $315 million. These savings represent dollars that for the most part will not go to OPEC countries, but stay in the United States, providing jobs and easing the taxpayers' burden as well as health care costs.

Mr. President, in regard to the initial funding for the schools and hospitals program, I am particularly pleased by the enthusiastic response of many communities and institutions in Rhode Island. Under the first cycle of funding, five institutions in our State, the John E. Fogarty Memorial Hospital, St. Joseph's Hospital, Rhode Island Hospital, Brown University, and Providence College were awarded grants totaling $855,000 to institute energy conservation measures.

In the most recent round of funding, 24 grants for energy conservation measures were awarded to the State totaling more than $778,000. This cycle of funding is providing conservation and technical assistance to many communities, including Barrington, Pawtucket, Providence, Warwick, Woonsocket, Cranston, Newport, East Providence, Portsmouth, and West Warwick. Assistance under title III has also been awarded to Roger Williams, Miriam, and Womens and Infants Hopsitals.

Mr. President, while the response to title III in Rhode Island has been most encouraging, I believe my colleagues will also be interested to know that of 55 States and territories eligible to participate in the program, 54 have developed, submitted and had approved State plans for program implementation. The program has also received strong support from eligible institutions. In a recent survey, State offices reported that on the average, they received three times as many program applicants as could be supported in this last application cycle.

In addition to the enthusiasm for title III by the States, most comments and evaluations of the program have also been encouraging.

Mr. President, title III, in my view, has been remarkably effective in its first year. It has, unfortunately, barely scratched the surface of the need by States. At the full $900 million funding level authorized in 1978, it was estimated that the program would not reach more than 26 percent of the eligible buildings—and that estimate was based on 1978 dollars. At the more modest funding levels actually obligated of $260 million, it is unlikely that the program has impacted more than 5 percent of the eligible buildings.

In view of this progress, I regret that the administration has requested only $81.3 million for title III in fiscal year 1981 and $100 million in fiscal year 1982. I fully understand this decision however, because of overriding national concerns, and I am pleased that OMB and the Department of Energy have strongly supported retention of the schools and hospitals conservation program.

According to early reports from the Office of Management and Budget, title III in its first year yielded measurable benefits. Furthermore, OMB noted that local governments and hospitals would have a difficult time financing necessary energy conservation investments without the Federal-State matching grants program. Based upon these early evaluations, the initial favorable conservation results, and the enthusiastic participation by States, I hope that Federal funding will gradually be increased by the administration.

Mr. President, during this period of great economic uncertainty in our country, many worthwhile programs must face reductions in Federal assistance in order to balance the budget and strengthen our economy. That goal is absolutely essential and one I strongly support. At a time of such uncertainty, however, I also believe that there are programs which are important to maintain in terms of our national interest, cost-effectiveness, and the help they provide in easing the burden on taxpayers. The schools and hospitals program falls into this category. I hope my colleagues will recognize the immense value of this program to States and local governments as well, as well as toward our national conservation effort and support this 3-year reauthorization.

Mr. President, I ask unanimous consent that the text of mv legislation, along with the newspaper articles and comments regarding the schools and hospitals conservation program, be printed in the RECORD.

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

S. 1170

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 "Energy Conservation Assistance Amendments of 1981".

AMENDMENTS TO THE ENERGY CONSERVATION PROGRAM FOR SCHOOLS AND HOSPITALS

SEC. 2. (a) Section 391 of the National Energy Conservation Policy Act is amended by—

(1) striking out paragraphs (11) and (12) and by redesignating paragraphs (13) through (21) as (11) through (19) respectively;

(2) striking out "(17)" in paragraph (14) as so redesignated and substituting "(15)"; and

(3) adding the following new sentence at the end of paragraph (5): "For purposes of this paragraph, an institution leased from any person for a period in excess of 12 years by an entity referred to in subparagraph (A) or (B) shall be treated as owned by such entity and not by the person from whom such institution is leased.".

(b) Section 394 of such Act is amended by striking out ", State school facilities agency, and State hospital facilities agency," in subsection (c)(1) thereof.

(c)(1) Section 395 of such Act is amended by striking out subsection (c) thereof and redesignating subsections (d) and (e) as (c) and (d), respectively.

(2) Subsection (c), as so redesignated, of such section 395 is amended by striking out "at any time" and substituting "in a timely fashion as determined by the Secretary".

(3) The last sentence of subsection (d), as so redesignated, of such section 395 is amended to read as follows: "If, after a reasonable time following such notification, the Secretary finds that any State, school, or hospital has not corrected such failure, the Secretary may terminate financial assistance under this part to such State, school, or hospital and recover the unexpended balance of any assistance previously provided to the State, school, or hospital under this part.".

(d) Section 396(d) is amended by inserting the following before the period at the end thereof: ", except that if there are insufficient applications in any State to permit the expenditures of 30 percent of such funds for schools or for hospitals, the Secretary may, at the request of the State, allocate less than 30 percent of such funds for schools, or for hospitals, as the case may be".

(e)(1) Section 397(b) of such Act is amended to read as follows:

"(b) For the purpose of making energy conservation project grants (including technical assistance) pursuant to section 396, there is authorized to be appropriated not to exceed $200,000,000 for the fiscal year ending September 30, 1982, $200,000,000 for the fiscal year ending September 30, 1983, and $200,000,000 for the fiscal year ending September 30, 1984, such sums to remain available until expended.".

(2) Section 397(c) of such Act is amended by striking out "1980" and substituting "1984".

(f)(1) Section 398 of such Act is amended in subsection (a)(1) by striking out "Ten" in subparagraph (B) thereof and substituting "Nine" and by adding the following new subparagraph at the end thereof:

"(C) One percent of amounts made available under section 397(b) shall be allocated to States, at the discretion of the Secretary, for the alleviation of any inequities caused by the strict adherence to the priority or percentage requirements of this part as the Secretary, in his discretion, may provide. Any funds not allocated under this subsection in a fiscal year shall be available for reallocation under subparagraphs (A) and (B) of this paragraph in the subsequent fiscal year.".

(2) Section 398(b) of such Act is amended by striking out "the District of Columbia".

(3) Section 398(e) of such Act is amended by inserting the following at the end thereof: "No State shall be eligible under this subsection in any fiscal year for the reallocation of funds from a prior fiscal year unless 100 percent of the funds allocated to that State in such prior fiscal year were obligated in that fiscal year.".

AMENDMENTS TO THE ENERGY CONSERVATION PROGRAM FOR BUILDINGS OWNED BY UNITS OF LOCAL GOVERNMENT AND PUBLIC CARE INSTITUTIONS

SEC. 3. (a) Section 400A of the Energy Conservation and Policy Act (42 U.S.C. 6201) is amended by—

(1) striking out paragraphs (5), (6), and (7) thereof;

(2) inserting before "and Secretary" in paragraph (1), the following: "public or nonprofit institution,"; and

(3) adding the following new paragraph at the end thereof:

"(5) The term 'energy conservation project' means—

"(A) an undertaking to acquire and install one or more energy conservation measures in buildings owned by units of local government or public care institutions; and

"(B) technical assistance in connection with any such undertaking and technical assistance, under rules promulgated by the Secretary, to States, units of local government, and public care institutions—

"(i) to conduct specialized studies identifying and specifying energy savings and related cost savings that are likely to be realized as a result of (I) modification or maintenance and operating procedures in a building, (II) the acquisition and installation of one or more specified energy conservation measures in such building, or (III) both, or

"(ii) the planning or administration of such specialized studies.".

(b) Section 400B of such Act is amended in subsection (b) thereof by—

(1) striking out "enactment of this part" and substituting "enactment of the Energy Conservation Assistance Amendments of 1981";

(2) striking out "technical assistance programs" each place it appears and substituting "energy conservation projects";

(3) striking out "undertake technical assistance work" and substituting "implement energy conservation projects"; and

(4) adding the following new subsection at the end thereof:

"(d) The Secretary shall, by rule prescribe criteria for determining units of local government and public care institutions which are in a class of severe hardship. Such criteria shall take into account climate, fuel costs, fuel availability, ability to provide the non-Federal share of the costs, and such other factors that he deems appropriate.".

(c) Section 400D of such Act is amended by—

(1) inserting before "or such longer period" the following: "(as amended by the Energy Conservation Assistance Amendments of 1981),";

(2) striking out "technical assistance programs" in each place it appears and substituting "energy conservation projects";

(3) striking out "such programs" in paragraph (2) and substituting "such projects";

(4) striking out "applicants for technical assistance" in paragraph (5) and substituting "applicants for energy conservation projects"; and

(5) striking out "grants for technical assistance" in paragraph (6) and substituting "grants for energy conservation projects".

(d) Section 400E of such Act is amended by—

(1) striking out "GRANTS FOR TECHNICAL ASSISTANCE" in the heading thereof and substituting "FINANCIAL ASSISTANCE";

(2) striking out "grants for technical assistance under this part" in subsection (a) and in subsection (b) and substituting in each such subsection "financial assistance under this part for energy conservation projects";

(3) striking out "technical assistance proposed" in subsection (b) and substituting "energy conservation projects proposed"; and

(4) striking out the last sentence in subsection (d) and substituting: "If, after a reasonable time following such notification, the Secretary finds that any unit of local government or public care institution has not corrected such failure, the Secretary may terminate financial assistance under this part to such unit or institution and recover the unexpended balance of any assistance previously provided to the unit or institution under this part.".

(e) Section 400F of such Act is amended by—

(1) striking out "TECHNICAL ASSISTANCE" in the heading thereof and substituting "ENERGY CONSERVATION PROJECT COSTS";

(2) striking out "in payment of technical assistance program costs" in subsection (a) and substituting "for carrying out energy conservation projects";

(3) striking out "technical assistance program costs" in subsection (b) and substituting "the costs of any energy conservation project";

(4) striking out "Amounts" in subsection (b) and substituting "(1) Except as provided in paragraph (2), amounts"; and

(5) adding the following new paragraph at the end of subsection (b):

"(2) Amounts made available for the purposes of this section (together with any

amounts made available for such purposes from other Federal sources) may be used to pay not to exceed 90 per cent of the costs of an energy conservation project if the Secretary determines that a project meets the hardship criteria of section 402B(d). Grants made under this paragraph shall be from the funds provided under section 400H (a)(2).".

(f) Section 400G of such Act is amended by—

(1) striking out "preliminary energy audits and" in subsection (a);

(2) striking out "not to exceed" and all that follows in subsection (a) down through "1979" and substituting "not to exceed $30,000,000 for each of the fiscal years 1982, 1983, and 1984";

(3) striking out "technical assistance grants" in subsection (b) and substituting "energy conservation project grants";

(4) striking out "not to exceed" and all that follows in subsection (b) down through "1979" and substituting "not to exceed $100,000,000 for each of the fiscal years 1982, 1983, and 1984"; and

(5) striking out "1979" in subsection (c) and substituting "1984".

(g) Section 400H of such Act is amended to read as follows:

"SEC. 400H. (a) (1) Except as otherwise provided in subsection (b), the Secretary shall allocate 90 percent of the amounts made available under section 400G(b) in any year for purposes of making energy conservation project grants pursuant to section 400F as follows:

"(A) Eighty percent of amounts made available under section 400G(b) shall be allocated among the States in accordance with a formula to be prescribed, by rule, by the Secretary, taking into account population and climate of each State, and such other factors as the Secretary may deem appropriate.

"(B) Nine percent of amounts made available under section 400G(b) shall be allocated among the States in such manner as the Secretary determines by rule after taking into account the availability and cost of fuel or other energy used in, and the amount of fuel or other energy consumed by, units of local government and public care institutions in the States, and such other factors as he deems appropriate.

"(C) One percent of amounts made available under section 400G(b) shall be allocated to States, at the discretion of the Secretary, for the alleviation of any inequities caused by the strict adherence to the priority or percentage requirements of this part as the Secretary, in his discretion, may provide. Any funds not allocated under this subsection in a fiscal year shall be available for reallocation under subparagraphs (A) and (B) of this paragraph in the subsequent fiscal year.

"(2) The Secretary shall allocate 10 percent of the amounts made available under section 400G(b) in any year for purposes of making grants as provided under section 400F(b)(2) in excess of the 50-percent limitation contained in section 400F(b)(1).

"(b) The total amount allocated to any State under subsection (a) in any year shall not exceed 10 percent of the total amount allocated to all the States in such year under such subsection (a). Except for Puerto Rico, Guam, American Samoa, and the Virgin Islands, not less than 0.5 percent of such total allocation to all States for that year shall be allocated in such year for the total of grants to units of local government and public care institutions in each State which has an approved State plan under this part.

"(c) The Secretary shall prescribe rules limiting the amount of funds allocated to a State which may be expended for administrative expenses by such State.

"(d) Funds allocated for projects in any States for a fiscal year under this section but not obligated in such fiscal year shall be available for reallocation under subsection (a) of this section in the subsequent fiscal year.".

(h) Section 400I(b) of such Act is amended by striking out "on the technical assistance carried out" and substituting "the types of energy conservation measures implemented".

CONFORMING AMENDMENTS

SEC. 4. (a) The item relating to section 400E in the table of contents for part H of title III of the Energy Policy and Conservation Act is amended by striking out "grants for technical assistance" and substituting "grants for energy conservation projects".

(b) The item relating to section 400F in the table of contents for part H of title III of the Energy Policy and Conservation Act is amended by striking out "technical assistance" and substituting "energy conservation project costs".

THE INSTITUTIONAL BUILDING GRANTS PROGRAM: AN OVERVIEW

By Dennis R. Landsberg, Ph.D., P.E.

The National Energy Conservation and Policy Act (NEPA) of 1978 authorizes nearly $1 billion for the program. It is administered by the U.S. Department of Energy in cooperation with the energy offices of each of the fifty states, Puerto Rico, the Virgin Islands, the District of Columbia, Guam and American Samoa. At this time 54 of the 55 eligible energy offices are actually participating in the program.

Key features include:

Provide matching grants to eligible institutions for the identification and implementation of energy conservation activities in building structures owned and occupied by the institutions, prior to 20 April 1977.

The program is "state-specific." Institutions must be located in a state having an approved state plan in order to be eligible.

Grants may be awarded to schools, hospitals and public care institutions, both public and private non-profit, as well as local governments and states.

Funding can be used for four building activities: preliminary energy audits, energy audits, technical assistance analyses, and energy conservation measures.

PRELIMINARY ENERGY AUDITS

These gather data on numbers of buildings, size, type, ownership, rate of energy use, fuel sources, etc. These are usually conducted by the states to provide information for planning purposes.

ENERGY AUDITS

An energy audit is an on-site visit to gather data and to examine hours of operation, operating practices, maintenance procedures and physical characteristics to determine if there are maintenance and operating procedure changes which will lower energy use. The audit will also provide baseline information to determine which buildings have the highest priority to receive technical assistance. Financial assistance for energy audits is limited, generally the federal share will range between $150 and $300 per building.

TECHNICAL ASSISTANCE ANALYSES

These are detailed professional studies which reports the specific costs, energy savings and payback periods obtainable from installation of equipment, such as time clocks or more energy-efficient light fixtures, or physical changes to the building structure, such as additional insulation or double glazing.

ENERGY CONSERVATION MEASURES

Assistance is available to design, purchase and install equipment or make changes to the building structure which will save energy. Schools and hospitals only are eligible for financial assistance for energy conservation measures. ECM's must have simple payback periods of between one and fifteen years.

Institutions receiving funding must provide 50 percent matching, using funds or in-kind services which are not derived from other federal grants or contracts. No more than 70 percent of the funds available for schools or hospitals in a given state can be allocated to either. Funding levels in excess of 50 percent are available to qualified institutions by reason of hardship.

Participation by individual institutions is voluntary. The award of a grant necessitates the fulfilling of federal assurances and reporting requirements.

States must set up criteria to rank applications for funding in accordance with federal guidelines.

To date, $286.25 million has been appropriated for the programs, with $200 million requested for fiscal year 1981. Any funds appropriated but not expended will probably be reallocated in subsequent program cycles by state according to a pre-determined formula.

Rules governing the programs were published as 10 CFR Part 455 in the Federal Register of 2 April 1979, 17 April 1979 and 24 October 1979. However, it must be stressed that since the program is state-specific, prospective applicants should contact their state energy offices for pertinent program details.

RESULTS

The decision by DOE to make the programs state-specific should prove to have been a good one as it has enabled the states to tailor the programs to their needs. There was some confusion and disorganization in the first program cycle, but this was to be expected. The program was a new one, over 50 state plans had to be kept informed. All in all, the first cycle went better than could have been expected, and the second cycle was relatively smooth in most states.

The program is already having some definite impacts nationwide, even though implementation of energy conservation measures is only in the initial stages.

The program is aimed at the buildings of two institutions, which occupy unique positions in their communities. Both schools and hospitals are highly visible and vital to their communities' well being. For innumerable reasons, many of our nation's hospitals are not fiscally sound. Similarly, half our schools were built in an era of high enrollment and cheap energy, and are simply not designed to meet today's needs. Most of these institutions were not focusing on energy conservation prior to the program's inception, yet they were becoming financial burdens to the very people they were designed to service.

As such, the Institutional Building Grants Program is proving to be successful on three levels:

Federal funds are being used for projects whose direct result is to save energy and lower the cost of health care and education—all high national priorities.

Even those institutions which were not funded now view energy as an area where operating costs can be successfully reduced.

The concept that investment in energy conservation makes good economic sense is being demonstrated to the public.

The last factor is the most important. Most of us take it for granted. Yet without the incentive of capital funding, participation is greatly reduced despite the fact that funds are only available for a fraction of the applicants. The local government and public care sectors were added by Congress, with funding limited to technical assistance. This made sense for the initial cycles since less was known about these buildings than those in the schools and hospitals sectors. Widespread participation in the program could have resulted in the accumulation of data necessary to justify capital expenditures in future cycles. However, lack of capital funds resulted in lower participation levels (only

21 percent of available funds were awarded in Cycle 1), and this facet of the program will probably not be continued. This is an unfortunate situation, since potential savings exist which are worth investing in even without federal subsidy.

The Schools and Hospitals portion of the program has created great interest because of the possibilty of federal funding. It made the program more saleable by the states and permitted strong support by associations. Gilliat Burnham of the New York State Hospital Association reports participation by over 40 percent of member hospitals. Paul E. Mehl of the American Hospital Association has co-sponsored national briefings with DOE. Many other associations have been active as well, most notably the American Institute of Industrial Engineers, the National Society of Professional Engineers, the Association of Energy Engineers, and of course ASHRAE.

The program is funding a wide variety of projects in many different types of building. Nearly $113 million was awarded in Cycle 1 encompassing 4229 grants covering 10,087 buildings. The average payback period in the first program cycle was four (4) to five (5) years. Because simple payback is, by law, the most important ranking criterion for capital funding, indications are that the average payback period for capital projects will be shorter in the second program cycle. This criterion makes it difficult for institutions when there are several good projects in a given building with varying payback periods. If too many projects are applied for, the longer payback periods may disqualify the building from funding. However, this is in keeping with the federal goal of maximizing energy saved per dollar spent. Deterrents to participation in this sector have been the assurances, which are not well defined and the odds against getting a grant.

The one year minimum on payback period is a logical choice as well. If an institution can recoup its entire investment in the same year that it is spent, a federal subsidy should be unnecessary. There is strong argument in some sectors that the minimum payback period should be increased, since many of the projects being funded should be done anyway. However, this would be contrary to DOE goals of saving the maximum amount of energy per dollar spent.

Some program changes will be announced for the third cycle. Harry Lane of DOE reports that the most notable of these will probably be a scheduling change to permit annual funding cycles. In addition, DOE will be checking on project implementation, to determine how much energy is actually being saved. A national building data base is also a distinct possibility. Eric Hirst of Oak Ridge National Laboratory is exploring the possibility of collecting nationwide preliminary energy audit data.

Program participants have suggested some changes which would improve it. William Wasserstrom of the New York State Energy Office would like to see increased funding for technical assistance studies. Capital funds are limited and the studies reach many times more buildings. Several program participants suggested a low interest loan program to assist with the many good projects which simply cannot be funded. There is concern for two time losers who will probably not apply in Cycle 3. Of course these decisions are in the hands of Congress.

The biggest challenge facing DOE in the conduct of this program will be to administer the performance of energy conservation measures. Under present regulations, all changes must be approved by DOE. This will probably slow down the program unless limited authority is given to the states.

It will also be interesting to see how estimated energy savings and installed capital costs compare with projected values. This information will have a strong bearing on whether programs such as this are instituted in other sectors.

In conclusion, the first two cycles of the Institutional Building Grants Program have shown it to be a viable means of energy conservation. Results of projects now under construction will demonstrate the full value of the capital program. The operational and maintenance savings achieved through the technical assistance studies are already documented. While some operational improvements can be made in the program, many of these are already in the works. Provisions should be made however, to extend capital funding to other building sectors. For further information concerning the Institutional Building Grants Program, contact the energy office in your state or write to: Institutional Conservation Programs, Office of State and Local Assistance Programs, CS, U.S. Department of Energy, Room 2H027, 1000 Independence Avenue, S.W., Washington, DC 20585.

[From Energy User News, Feb. 9, 1981]

DOE'S SCHOOL, HOSPITAL GRANTS PROGRAM PRAISED

(By Mitch Betts)

WASHINGTON.—School and hospital administrators recently praised the Energy Department for "fine-tuning" the federal matching grants program for energy conservation measures in schools, hospitals and other public buildings.

The praise came after DOE proposed rules that reduce the paperwork burden of applicants for grants and permit states more flexibility in allocating grant funds.

Typical of the comments at the public hearings last month was that of Charlotte Friedman, of the American Association of School Administrators. She said, "The revisions proposed are the department's concrete response to problems experienced by applicants and grantees during the energy program's first years. Drawn according to state and local needs, they seem destined to make the program more successful.

"DOE is to be commended for fine-tuning the program to actual circumstances, an effort too often lacking in the regulatory process," Friedman said.

But the school and hospital representatives asked DOE not to institute the program revisions until after the current third cycle of energy grants is completed this summer.

Christopher E. Crittenden, director of an energy task force for the Association of Physical Plant Administrators of Universities and Hospitals, said his group supports making the revisions effective with the fourth grant cycle "since DOE and the applicants have insufficient time to adjust to the final rule" during the third grant cycle, which is already in progress.

DOE will respond to the comments and issue a final rule instituting the program revisions in March or April, sources said.

While praising DOE's Office of Institutional Conservation Programs for proposing improvements to the program that would eliminate some paperwork, the school and hospital administrators suggested DOE continue to look for ways to reduce the paperwork burdens of the program.

The technical program changes which were commended by program participants include:

Deletion of several certification forms and reports;

Allowing funds to be used for certain pregrant costs incurred after the grant application is submitted;

Requiring state energy offices to explain why rejected applicants were turned down;

Allowing certain "integral parts" of an energy conservation measure, such as metering devices, to qualify for grant money even if they do not directly save energy;

And giving states more flexibility in allocating "hardship" and unobligated funds.

The program provides federal grants to match state funds for technical assistance to schools, hospitals and some other public buildings, and for energy conservation measures for schools and hospitals.

[From Energy User News, Feb. 2, 1981]

GRANTS PROGRAM EXTENSION URGED

WASHINGTON.—The Energy Department's energy conservation grants programs for schools, hospitals and institutional buildings is a useful program that should be continued about three more years, according to a report by the Environmental Protection Agency.

Participants in an EPA critique of DOE conservation efforts said the federal matching grants program "has achieved a fair measure of success, though the program was plagued by serious problems in its first two years."

Authorized by Congress to spend $900 million in its first three years, the program provides matching federal grants to schools, hospitals and units of local government for energy audits and conservation retrofits.

The program was generally praised by participants in a series of public hearings on DOE programs held by EPA, but some improvements were suggested.

According to John McMillan, energy coordinator for Hennepin County, Minn., one of the program's major weaknesses is the lack of assured funding for future years. The grants program is now funded on an annual basis, which is causing problems for local governments that need to budget their matching funds well in advance of the fiscal year they will be spent.

McMillan recommended that Congress fund the program on a multi-year basis.

McMillan and Robert Pauls, energy coordinator for Carbondale, Ill., also said the grant application procedures are too complex and expensive, especially for small units of government seeking small grants.

They suggested DOE streamline the applications process, and that forms be simplified for small grant applications.

Overall, the program is a good incentive for small government and institutions which probably would not be conducting energy audits and keeping energy consumption records without federal funds, according to EPA.

[From Energy User News, Feb. 2, 1981]

PPG WILL INSTALL NEW PLANT FURNACE TO CUT ENERGY USE

PITTSBURGH.—PPG Industries Inc. plans to install a new glass melting furnace at its Shelby, N.C., fiberglass plant which, by incorporating heat recovery techniques, should reduce energy requirements per pound of glass by more than 30 percent, according to a company representative.

The furnace is being installed as part of a more than $20 million expansion expected to increase production capacity at the Shelby plant by more than 10 percent—to 275 million pounds a year of continuous-filament fiberglass, the company said. The material is used in plastics, rubber reinforcements and textile yarns.

In addition, the project is expected to control and recycle pollutants.

PPG revealed neither its current energy consumption at the plant nor the expected payback on the furnace, the spokesman said. Since it is designing the system, and using proprietary technology, the company refuses to provide greater detail for competitive reasons, the spokesman added. Total savings will depend on production levels, he said.

The firm's staff is expected to install the majority of the project, which includes new forming and fabricating equipment as well as the single, large glass melting furnace, the spokesman said.

PPG expects to use both a scrubber and a dry, baghouse pollution control system so that emission particulates in the hot flue

gases can be reused as makeup air in the production process.

Construction work on the expansion is scheduled to begin this month with completion expected in spring 1982.

STATE OF FLORIDA,
OFFICE OF THE GOVERNOR,
Tallahassee, February 9, 1981.

Mr. TEDDY DESHAZO,
Walton County School Superintendent, Walton County Courthouse, De Funiak Springs, Fla.

DEAR TEDDY: Enclosed are several copies of the "Paxton High Success Story". As I mentioned to you in our telephone conversation yesterday, we plan to place this story in several education publications in the State. The publications targeted so far include those of the School Administrators Association, the School Board Association and the Association of School Plant Managers. The story has already been released at a statewide conference of education resource managers in Orlando. You are welcome to release the story to your local media, or we can make a release from the Governor's Office in Tallahassee. Please let me know if you would like it released by us.

It certainly was a pleasure to write the Paxton success story. The energy savings achieved in that one building should serve as an example of what other school systems in the state could achieve. Congratulations on your current 15 percent savings. I wish you success on the additional energy projects you have planned.

If you have any thoughts or suggestions about other ways to publicize your savings, please let me know. I think Paxton's story will be an important tool for publicizing the Schools and Hospitals Grants Program.

Again, good luck with the program. If you need any additional assistance, please don't hesitate to let us know.

Sincerely,

RON COSSMAN,
Governmental Analyst,
Governor's Energy Office.

SCHOOL SYSTEM REALIZES FIFTEEN PERCENT SAVINGS

What do you do with the extra money when you cut your operating expenses by more than 15 percent? The Walton County School System may face this "problem" because of their participation in the Schools and Hospitals Program administered by the Governor's Energy Office.

One example of the success of the program is the Paxton High School, a collection of buildings, some dating back to 1934. The structure is typical of buildings built in north Florida during that era, high ceilings, elevated wood floors and an entire wall of leaky double-hung wood windows. Infiltration of cold air in the wintertime was so bad the "windows were chinked (plugged) with newspapers" to keep the classrooms warm, according to Paxton Principal Zane Sunday.

Heating for the 492-student high school, an important portion of energy budgets in north Florida, was provided by an oil-burning, water radiator system. During extended periods of cold weather, below 20 degrees, the buildings had to be closed, and the pupils and staff sent home. "It (the closings) did happen occasionally", said Walton County School Superintendent Teddy DeShazo. "The buildings were not well insulated, and during any extended period of cold weather, we couldn't ask the students, or staff to freeze to death. It certainly was not a good environment for learning."

The 3,680 pupil school district was faced with the twin problems of spiraling energy costs and a not-so-spiraling operating budget. "We're no different from any other entity, such as business or government. It's difficult to cope with rising prices. It's a constant struggle in the budgetary process. Your energy usage may drop, but prices continue to go up. Without energy conservation measures and maintenance, you can't even hold your own," said DeShazo.

"One of the problems is that energy conservation wasn't addressed when these buildings were built 20 or 30 years ago. We've got to utilize the existing buildings as best we can, because we're not going to build any new ones; the demand just is not there," DeShazo continued.

In the fall of 1979, the school district began participation in the National Energy Conservation Policy Act (NECPA) Schools and Hospitals Grants Program.

Paxton High, like other schools in the district, underwent energy audits to determine energy use in the building.

After low-cost and no-cost conservation measures were identified and implemented, a technical assistance analysis (an in-depth engineering study of the buildings) was performed to determine the applicability of retrofit projects. In the case of Paxton, four specific measures were recommended by the detailed analysis of the structure.

Installation of two of the recommended measures has already produced an estimated 15.8 percent reduction in energy consumption in the building. The leaky wood windows were replaced with single-hung thermopane windows made with bronze glass, reducing air infiltration and adding a new look to the school.

Insulation was added, and a drop-ceiling was installed, reducing ceiling height from 12 feet to 9 feet and helping conserve energy in the building. Other energy-saving measures included switching to fluorescent lights; caulking and weatherstripping existing doors and windows, and adding carpeting to the suspended wood floors.

The School and Hospitals Grants Program makes 50 percent federal matching grants available to eligible participants for energy conservation measures and equipment. This program, in effect, offers to schools the opportunity to purchase costly energy equipment at "half price," with the federal government funding 50 percent of the equipment. Schools are eligible for hardship funding of up to 90 percent of total project cost.

And what has this 15 percent reduction meant for the Walton school system? "The reduction will allow us to maintain our operating budget better. At the present time, the (School) Board has approved some additional energy conservation measures for other school facilities. Later on, I'd like to think we could take that extra money, and apply it to the instructional field in the schools," said Superintendent DeShazo.

The Schools and Hospitals Program has some other intrinsic benefits—benefits that can't be tied down in an operating budget, or cut by inflation. One of the companion benefits of the program, according to DeShazo, "is a better facility. The school is more attractive and more functional for community use. It has also given the youngsters, and the citizens, more pride in their community. And it certainly has enhanced learning in the school."

Isn't that what schools are all about?●

By Mr. COCHRAN:

S. 1171. A bill to repeal the Residential Conservation Service program and the Commercial and Apartment Conservation Service program; to the Committee on Energy and Natural Resources.

REPEAL OF RESIDENTIAL CONSERVATION SERVICE PROGRAM AND APARTMENT CONSERVATION SERVICE PROGRAM

● Mr. COCHRAN. Mr. President, I am today introducing legislation to repeal the Residential Conservation Service program and the Commercial and Apartment Conservation Service program of the National Energy Conservation Policy Act (Public Law 95-619).

The administration has recommended rescission of fiscal year 1981 funding and elimination of fiscal year 1982 funding for these programs. Recent action in the Interior Subcommittee of the Appropriations Committee here in the Senate supports this action.

The legislation which mandates these programs would remain in force, however, unless we act to repeal it. The statutory requirements that the States enforce the provisions of their State plans and the requirements that utilities notify their customers and offer to audit residential and commercial dwellings and provide supportive services to those customers whose homes are audited will continue unless these programs are repealed.

The real losers in this whole affair, however, would be the American consumers. In the vast majority of the States, most if not all of the costs of this program—which would run somewhere around $7.1 billion according to DOE—are going to be passed directly to consumers. They are the ones who will have to foot the bill for State regulations, training of auditors, customer notification, and other requirements of these programs.

DOE estimates that only 7 percent of eligible customers will respond to the program. Even this presents problems, however, since the consumers most likely to benefit are the ones who can most afford to purchase and install the measures recommended by program auditors. However, the utility implementation costs and State implementation costs will, in most instances, be borne by all, including those who cannot afford to participate. Thus, it is likely that nonparticipating low-income people will subsidize the audit costs of higher income individuals who do participate.

In many States, consumers already get audits and utility assistance if they so desire. Residential and consumer programs are present in Massachusetts, Oregon, the District of Columbia, and 170 different utilities currently participate in the Edison Electric Institute conservation program. TVA utilities have insulated around 200,000 homes under its voluntary program. The key here, though, is that only those who participate pay.

Mr. President, these programs should be repealed for a number of reasons. But we need to act now in order to head off unjustified additions to what are already record high utility bills. By this fall, unless we act, 47 States and their utilities will be required to carry out these programs, even though the Federal Government will have ceased its own involvement. We should not saddle the American consumer with something the Federal Government is no longer willing to support.●

By Mr. JEPSEN:

S. 1172. A bill to amend the Internal Revenue Code of 1954 to eliminate the holding-period requirements for capital gains treatment; to the Committee on Finance.

ELIMINATION OF HOLDING-PERIOD REQUIREMENTS FOR CAPITAL GAINS TREATMENT

● Mr. JEPSEN. Mr. President, today I am introducing legislation to repeal the 12-month holding period required for capital gains treatment. There are several reasons the proposal merits serious consideration.

First, elimination of the holding period will increase Treasury receipts. Steven Seiden, in a recent Barron's article, examined the quantitative evidence and found on a random sample of blue chip stocks that current law has effectively prevented any profit taking since 1979. Consequently, the Government has lost enormous capital gains reflows as a direct result of present policy.

Second, the reverse side of this, of course, is that American investors also lose out. The Seiden article demonstrated conclusively that, in the absence of a holding period, substantial profits could have been realized on the same sample over the same period. Furthermore, Seiden points out that if such profits are reinvested in capital markets and additional gains are realized, the Treasury reaps an additional bonus. Clearly, the elimination of the holding period serves the interests of fiscal responsibility. More significantly, it serves the American people.

Third, the proposal encourages more efficient and hence less expensive capital markets. Liquidity is critical to investment efficiency. Because this bill provides for exactly that, it will facilitate capital formation in the United States.

Fourth, historical analogy lends credibilty to this measure. Just as the 1978 reduction in capital gains brackets led to an enormous increase in capital gains reflows, the repeal of the holding period will undoubtedly do the same.

Finally, the United States is almost unique in the western industrialized world in having a tax on capital, let alone a holding period. A recent monograph by Arthur Andersen and Co. underlines this fact. The Japanese, for example, have neither a holding period nor a capital tax. It is not surprising that they lead the world in rates of aggregate savings, growth, and general economic health.

The repeal of the 12-month holding period has no down side. The Treasury will receive increased revenues at a time when the Federal budget is particularly lean. The American people will be given the opportunity to realize profits on their investments when they occur; artificial delays will no longer dissipate potential gain. Capital markets and capital formation will become more efficient and less costly. Finally, the legislation will bring the United States into step with much of the rest of the world.

As simple as the legislation appears, it requires an enormous number of technical or conforming amendments to title 26.

The Congressional Research Service and the Joint Committee on Taxation are currently studying all references in the code. Should unforeseen problems come out of this research, I will offer a star print at a later date.

At a time when the United States trails every major industrialized power in capital formation, Congress must attend to all obstacles to investment presently in the code. Some should be retained. Others should not. The capital gains holding period is a case in point. I strongly urge its repeal.●

ADDITIONAL COSPONSORS

S. 47

At the request of Mr. SCHMITT, the Senator from Idaho (Mr. SYMMS) was added as a cosponsor of S. 47, a bill to amend the Immigration and Nationality Act to establish a temporary worker's visa program between the United States and Mexico.

S. 155

At the request of Mr. SCHMITT, the Senator from South Carolina (Mr. THURMOND) was added as a cosponsor of S. 155, a bill to amend the Internal Revenue Code of 1954 to make additional interest from savings eligible for exclusion.

S. 441

At the request of Mr. NUNN, the Senator from Alabama (Mr. DENTON) was added as a cosponsor of S. 441, a bill to provide limited assistance by the armed services to civilian drug enforcement agencies.

S. 482

At the request of Mr. BUMPERS, the Senator from South Carolina (Mr. HOLLINGS) and the Senator from North Dakota (Mr. BURDICK) were added as cosponsors of S. 482, a bill to reform the Bail Reform Act of 1966 to require the judicial officer making the bail determination to detain those persons who cannot be released without endangering the safety of other persons or the community.

S. 494

At the request of Mr. BUMPERS, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 494, a bill to amend chapter 44 of title 18, United States Code, to strengthen the mandatory penalty for the use of a firearm in the commission of a felony.

S. 517

At the request of Mr. BENTSEN, the Senator from Pennsylvania (Mr. HEINZ) was added as a cosponsor of S. 517, a bill to amend the Clean Air Act to provide for further assessment of the validity of the theory concerning depletion of ozone in the stratosphere by halocarbon compounds before proceeding with any further regulation of such compounds, to provide for periodic review of the status of the theory of ozone depletion, and for other purposes.

S. 814

At the request of Mr. NUNN, the Senator from Nevada (Mr. CANNON) was added as a cosponsor of S. 814, a bill to improve the administration of criminal justice with respect to organized crime and the use of violence.

S. 861

At the request of Mr. PACKWOOD, the Senator from South Dakota (Mr. PRESSLER) was added as a cosponsor of S. 861, a bill to amend the Social Security Act to provide for a 6-year demonstration program of comprehensive community-based noninstitutional acute and long-term care services for the elderly and disabled.

S. 895

At the request of Mr. MATHIAS, the Senator from New Jersey (Mr. BRADLEY) was added as a cosponsor of S. 895, a bill to amend the Voting Rights Act of 1965 to extend certain provisions for an additional 10 years, to extend certain other provisions for an additional 7 years, and for other purposes.

S. 962

At the request of Mr. BENTSEN, the Senator from Iowa (Mr. JEPSEN) was added as a cosponsor of S. 962, a bill to amend the Federal Meat Inspection Act to allow the interstate movement of all meat food products which are processed by federally inspected establishments and which are derived from meat which has been slaughtered or processed at certain State-inspected establishments.

S. 1016

At the request of Mr. DOLE, the Senator from North Dakota (Mr. BURDICK) was added as a cosponsor of S. 1016, a bill to amend the Food Stamp Act of 1977 to reduce the fraud and abuse, strengthen enforcement actions, and increase recovery of overpayments.

S. 1072

At the request of Mr. NUNN, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 1072, a bill to amend the Internal Revenue Code of 1954 to provide an exclusion from gross income of interest earned on qualified housing savings certificates.

S. 1131

At the request of Mr. DANFORTH, the Senator from Arkansas (Mr. PRYOR) was added as a cosponsor of S. 1131, a bill to require the Federal Government to pay interest on overdue payments and to take early payment discounts only when payment is timely made, and for other purposes.

S. 1159

At the request of Mr. THURMOND, the Senator from Nevada (Mr. LAXALT) was added as a cosponsor of S. 1159, a bill to amend section 10 of the Clayton Act to insure effective application of antitrust principles to prevent anticompetitive action by monopoly common carriers.

SENATE JOINT RESOLUTION 46

At the request of Mr. BUMPERS, his name was added as a cosponsor of Senate Joint Resolution 46, a joint resolution declaring "U.S. Tennis Association Day."

SENATE JOINT RESOLUTION 62

At the request of Mr. DOLE, the Senator from South Carolina (Mr. HOLLINGS), the Senator from Massachusetts (Mr. TSONGAS), and the Senator from Arkansas (Mr. BUMPERS) were added as cosponsors of Senate Joint Resolution 62, a joint resolution to authorize and request the President to designate the week of September 20 through 26, 1981 as "National Cystic Fibrosis Week."

SENATE JOINT RESOLUTION 74

At the request of Mr. MATHIAS, the Senator from New Mexico (Mr. SCHMITT), the Senator from Oregon (Mr. HATFIELD), the Senator from Minnesota

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(Mr. DURENBERGER), and the Senator from South Carolina (Mr. HOLLINGS) were added as cosponsors of Senate Joint Resolution 74, a joint resolution designating the week of October 4 through October 10, 1981, as "National Diabetes Week."

AMENDMENT NO. 50

At the request of Mr. MITCHELL, his name was added as a cosponsor of amendment No. 50 proposed to Senate Concurrent Resolution 19, an original concurrent resolution setting forth the recommended congressional budget for the U.S. Government for the fiscal years 1982, 1983, and 1984, and revising the congressional budget for the U.S. Government for the fiscal year 1981.

AMENDMENTS SUBMITTED FOR PRINTING

DEPARTMENT OF THE INTERIOR APPROPRIATIONS, 1982

AMENDMENT NO. 51

(Ordered to be printed and referred to the Committee on Appropriations.)

Mr. DOMENICI submitted an amendment intended to be proposed by him to the bill (H.R. 3400) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes.

DEPARTMENT OF DEFENSE AUTHORIZATION, 1982

AMENDMENT NO. 52

(Ordered to be printed and to lie on the table.)

Mr. SCHMITT (for himself and Mr. ROTH) submitted an amendment intended to be proposed by them to the bill (S. 815) to authorize appropriations for fiscal year 1982, for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons, for research, development, test, and evaluation, and for operation and maintenance for the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, and for other purposes.

NOTICES OF HEARINGS

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. GARN. Mr. President, on behalf of the Committee on Banking, Housing, and Urban Affairs, I am announcing that the Subcommittee on International Finance and Monetary Policy and the Subcommittee on Securities will hold joint hearings on May 20 and 21, 1981 on S. 708, the "Business Accounting and Foreign Trade Simplification Act."

S. 708 was introduced on March 12, 1981, by Senator JOHN CHAFEE; it would amend the Foreign Corrupt Practices Act of 1977 by clarifying the act's meaning and modifying some of its provisions.

The hearings are expected to explore the possibility that ambiguities, interpretive problems and administrative difficulties associated with the act have created substantial compliance problems for American business, interfered with legitimate export opportunities, and created unnecessary financial recordkeeping and reporting requirements for publicly-held companies.

Those scheduled to testify at the hearings include U.S. Trade Representative William Brock, representatives of the Securities and Exchange Commission, and the General Accounting Office, and representatives of U.S. businesses engaged in exporting.

For additional information, interested persons should contact Paul Freedenberg of the staff, Subcommittee on International Finance and Monetary Policy at 224-0891, or John Daniels, counsel to the Securities Subcommittee, at 224-1561.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Commerce, Science, and Transportation be authorized to meet during the session of the Senate Tuesday, May 12, for the purpose of marking up S. 1100, the Northeast Rail Service Act of 1981, and S. 1155, the Consumer Product Safety Act amendments.

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

SUBCOMMITTEE ON FEDERAL EXPENDITURES, RESEARCH, AND RULES

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Federal Expenditures, Research, and Rules of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Wednesday, May 13, to hold hearings on S. 30, Late Payment Act of 1981, and S. 1131, Delinquent Payment Act of 1981.

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

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Federal Expenditures, Research, and Rules of the Committee on Governmental Affairs also be authorized to meet during the session of the Senate on Friday, May 15 to hold an oversight hearing on the Federal procurement system.

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

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the Session of the Senate today to hold a markup on the strategic petroleum reserve bill and other pending business.

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

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on tomorrow, Wednesday, May 13, to consider pending calendar business.

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

COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Governmental Affairs be authorized to meet during the session of the Senate today to hold hearings on S. 1080, the Regulatory Reform Act.

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

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Agriculture, Nutrition, and Forestry be authorized to meet during the session of the Senate on Tuesday, May 12, through Friday, May 15, for the purpose of marking up the farm bill.

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

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs be authorized to hold oversight hearings on fiscal disparities during the session of the Senate on Wednesday, May 13.

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

ADDITIONAL STATEMENTS

FRANKLIN DELANO ROOSEVELT COMMEMORATIVE RESOLUTION INTRODUCED BY SENATOR RANDOLPH

● Mr. RANDOLPH. Mr. President, on April 29, I introduced Senate Joint Resolution 76, a joint resolution providing for the commemoration of the 100th anniversary of the birth of Franklin Delano Roosevelt, January 30, 1982.

In the 96th Congress on October 16, 1979, I introduced Senate Joint Resolution 116, a similar resolution. On that day, Representative JIM WRIGHT, of Texas, introduced House Joint Resolution 423 in the House of Representatives which was a companion resolution to Senate Joint Resolution 116.

Senate Joint Resolution 116 was considered by the Senate Committee on Rules at a public hearing on December 12, 1979. I joined Pare Lorentz, F. D. R.'s noted documentary film maker and the author of "The Days of Franklin D. Roosevelt: A Chronicle," and Dr. William R. Emerson, director of the Franklin Delano Roosevelt Library at Hyde Park, N.Y., in testifying before the Rules Committee.

Following that hearing, the committee engaged Prof. Elmer E. Cornwell, Jr., professor of Political Science at Brown University, to evaluate the Lorentz manuscript. Dr. Cornwell submitted a detailed report on May 29, 1980.

Neither Senate Joint Resolution 116 or House Joint Resolution 423 passed during the 96th Congress.

On March 26 of this year, Representative WRIGHT, with the cosponsorship of 122 of his colleagues, introduced a revised Roosevelt centennial resolution in the

House of Representatives. This resolution, House Joint Resolution 221, provides for the acquisition of the Lorentz manuscript and its deposit in the Roosevelt Library. It also provides for a joint committee to oversee and coordinate activities relating to the proper observance of the centennial of Franklin Roosevelt's birth. My resolution is identical to Representative WRIGHTS'. These resolutions do not provide for printing the Roosevelt Chronicle due to the costs. But the fact that the Senate has just seen fit to print and issue as a Senate document (S. Doc. No. 96-63, 96th Cong. 2d sess.) a 518 page volume "Herbert Hoover Reassessed" encourages me to hope that a way will be found to print the Roosevelt Chronicle.

Mr. President, Sir Winston Churchill wrote of F. D. R.—

His life must . . . be regarded as one of the commanding events in human destiny.

Those of us who were privileged to know and work with Franklin Delano Roosevelt during his Presidency were well aware that we were in the company of one of the most extraordinary leaders our Nation has ever had. The great humanistic approach he brought to Washington were expressed superbly in his acceptance speech for renomination to the Presidency on June 27, 1936. F. D. R. said:

Governments can err, Presidents do make mistakes, but the immortal Dante tells us that divine justice weighs the sins of the cold-blooded and the sins of the warm-hearted in different scales. Better the occasional faults of a Government that lives in a spirit of charity than the consistent omissions of a Government frozen in the ice of its own indifference.

The Roosevelt administrations had heart and compassion and cared about people.

Another distinguished English historian, Sir Isiah Berlin, in his recent book Personal Impressions said:

Roosevelt's greatest service to mankind (after ensuring the victory against the enemies of freedom) consists in the fact that he showed that it is possible to be politically effective and yet benevolent and human. . . . Roosevelt's example strengthened democracy everywhere, that is to say the view that the promotion of social justice and individual liberty does not necessarily mean the end of all efficient government; that power and order are not identical with a straitjacket of doctrine, whether economic or political; that it is possible to reconcile individual liberty—a loose texture of society—with the indispensable minimum of organising and authorty; and in this belief lies what Roosevelt's greatest predecessor once described as "the last, best hope of earth."

A distinguished Republican elder statesman, Henry L. Stimson, wrote of F. D. R.—

He was an ideal war commander in chief. His vision of the broad problems of the strategy of the war was sound and accurate, and his relations to his military advisers and commanders were admirable correct. In the execution of their duties he gave them freedom, backed them up, and held them responsible. In all these particulars he seems to me to have been our greatest war President. . . . Lastly and most important, his vision and interpretations of the mission of our country to help establish a rule of freedom and justice in this world raised a standard which put the United States in the unique position of world leadership . . .

Mr. President, we do honor to our country when we honor Franklin Delano Roosevelt. I urge Senators to join in sponsoring Senate Joint Resolution 76, an appropriate tribute to Franklin Roosevelt on the 100th anniversary of his birth.●

SENATE VOTES TO POSTPONE "WAR ON WASTE" UNTIL AFTER FISCAL YEAR 1982

● Mr. DECONCINI. Mr. President, on Friday, the Senate rejected my amendment to the first budget resolution for fiscal year 1982, that would have saved $3.9 billion in travel ($750 million); consultant services ($1 billion); public affairs and public relations ($120 million); advertising ($30 million); audiovisual/filmmaking ($250 million); and debt collection ($1.750 billion). The vote was 42 to 49.

As I mentioned in my statement last Friday, this vote by the Senate tells this Senator one thing: That it is willing to postpone our war against waste, fraud, and abuse until 1983 and 1984. The budget resolution does not address waste, fraud, and abuse savings in fiscal year 1982. In fact, on page 10 of the Budget Committee report accompanying Senate Concurrent Resolution 19, the committee says:

Congress, however lacks at this time a legislative framework for cooperative action with the Administration on the problem of waste, fraud, and abuse.

My amendment would have told the administration to make cuts in specific targeted areas which have been bulging with waste for years. Although I was unsuccessful on Friday, I intend to take my case to the Appropriations Committee, on which I am proud to serve, to try to effect these savings in fiscal year 1982.

Mr. President, one of the most thorough jobs of investigating waste, fraud, abuse, and frivolous expenditures by Government agencies was done by former U.P.I. investigative reporter, Donald Lambro. His book "Fat City" highlights hundreds of examples of wasteful Government spending, many of which are addressed in a bill I introduced in February, S. 421—the General Government Expenditure Control and Efficiencies Act of 1981. Mr. Lambro has written another article in the May issue of the Washingtonian magazine which I believe merits the close review of my colleagues in the Senate.

I ask that the article be printed in the RECORD in its entirety at this point.

The article follows:

THE BEST AND WORST GOVERNMENT AGENCIES

(By Donald Lambro)

Anyone who has spent any time watching Washington spend our money knows that tens of billions of dollars are squandered every year on frivolous, extravagant, ineffective, outdated, abuse-ridden, inefficient, duplicative, and otherwise needless agencies, programs, and expenditures.

Right?

Of course. So I felt among kindred souls as I testified recently before the House Budget Committee. Government waste has been my beat for half a dozen years, and I gladly told these professional budget-cutters of the outrages I had found. I suggested that Congress set an example by getting rid of its own extravagant perks, including the subsidies that keep prices down in the House and Senate restaurants.

A tremor ran through the committee.

What subsidies?

The question came not from an innocent freshman, but from Representative Delbert Latta, an Ohio Republican who has been working, and presumably lunching, in Congress for 22 years. I suggested respectfully that food costs a lot more elsewhere.

"I don't know about the price being higher," grumped Latta, who makes do on $60,000 a year. "I can't stand more than $2.95 for a hamburger at lunch time."

Aww.

It occurred to me that if our lawmakers had no idea that taxpayers were subsidizing the very meals they ate, what else didn't they know? Furthermore, why was I, a newspaper columnist, telling these august men how they were misspending our money?

What does it take to get the point across? You don't have to be a Price-Waterhouse accountant or the world's greatest living expert on the federal bureaucracy and budget to recognize the shameful reality of federal extravagance. Even a member of Congress could do it. You could wallpaper the Washington Monument inside and out ten times over—and still have enough left over for the Capitol—with the voluminous evidence that has been uncovered in countless General Accounting Office reports, internal agency audits, and congressional investigations.

While Washington's waste and wantonness are hardly a secret, there has been an alarming degree of paralysis and impotence on the part of our national leaders to do anything about it. Last year we heard the campaign shrieks of horror at the suggestion that anyone could possibly cut the budget by a substantial amount without destroying the fabric of our society. Others argued that past budgets had been trimmed "to the bare bones" when in fact they had grown significantly.

The vision is forever imbedded in my memory of former Budget Director James McIntyre telling reporters at a budget briefing in January 1980, "I've looked through here again and again to find something we could cut without suffering adverse consequences and I can't find it." Why the assembled reporters didn't burst out laughing I will never understand.

Still, a number of notable daredevils have aspired to the presidency by promising to slay the federal behemoth and tame the bureaucracy, only to fail miserably.

Richard Nixon and Gerald Ford both talked a good game, but the growth of government skyrocketed under their administrations. For all their cost-cutting bravado, the budget more than doubled during the eight years of their combined administrations, rising from $196.5 billion in fiscal 1970 to $402.7 billion in fiscal 1977. Together they racked up cumulative deficits totaling over $238 billion, with Ford chalking up the biggest ever—$66.4 billion in fiscal 1976. May his record forever stand.

Jimmy Carter crept onto the fiscal tightrope with great expectations, promising to reduce nearly 2,000 swollen, overlapping agencies down to 200 easy-to-use concentrates. Carter's consolidations would do eevrything the Great Two Thousand Model did, he told us, but more cheaply and more efficiently. "It's a goal that I've set for myself that I think is achievable," he bravely declared in a Face the Nation interview.

He never achieved it. In the attempt, he succeeded only in placing the problem in charge of the solution. The padded payrolls, irrelevant agencies, and frivolous expenditures accompanied the mergers. The result? Bureaucratic pulp.

Ronald Reagan is pulling the budget tighter than ever before in our history. His proposals to carve $48 billion out of the budget represent the most ambitious attempt ever undertaken to retard significantly the growth of government. He brings to the task a mandate of almost historic proportions from the voters, who clearly want to cleanse the bureaucracy of unnecessary and wasteful programs and agencies.

Reagan deserves a lot of credit, and in future budgets I hope he will go further. But in too many cases so far, he is merely proposing that program budgets be trimmed, although there are excellent cases for doing away with them altogether. And the President, I suspect, knows this.

Just before he officially kicked off his general election campaign last Labor Day weekend, Reagan held a reception for the press at his rented Virginia estate near Middleburg, where we chatted briefly. I knew that the former California governor had read my book, Fat City: How Washington Wastes Your Taxes, which concludes that the government is needlessly spending at least $100 billion a year.

After a brief exchange of pleasantries, Reagan leaned closer. "Tell me," he said. "Do you still believe we're wasting $100 billion?"

I replied that it was a conservative estimate, "I think it is very likely much more," I said. Reagan nodded in agreement and said, "I do, too. From all I've seen and read and heard from the people who know, there is more waste, fraud, and just foolish and unnecessary expenditures than anyone in Washington realizes. Well, we're going to do something about it."

Whether Reagan succeeds in curbing the bureaucracy that he has spent much of his life criticizing remains to be seen. The pruning process has moved from David Stockman's list of cuts to the ponderous budget-setting, authorizing, and appropriations committees of Congress.

Unfortunately, most members of Congress know very little about the broad range of agencies, programs, and benefits for which they vote year in and year out. Like Congressman Latta, who was unaware that his meals are being subsidized by taxpayers—most of whom rarely eat as well, or as cheaply—our lawmakers have rarely taken the time to scrutinize all that they have wrought.

For one thing, the vast bureaucracy that they have created over several decades has gotten so big that even an institution the size of Congress can't keep track of it.

For another, members of Congress, with few exceptions, have no appetite for oversight. It is usually tedious, time-consuming, and politically unrewarding. Better to sponsor a new program—and then, to get it passed, bloat it so that every congressional district in the country gets something out of it.

That may change. Called upon by the administration to make nearly $50 billion in spending cuts for the coming fiscal year, Congress soon must make some painful but very necessary evaluations about where the money goes.

With the help of congressional committee aides, General Accounting Office auditors, and knowledgeable federal workers throughout the bureaucracy, I have compiled a list of what are regarded as the very worst as well as some of the very best federal agencies.

BUREAUCRATIC BASKET CASES

(1) The Immigration and Naturalization Service: "It is no secret that the Immigration and Naturalization Service is generally thought to be mismanaged and a bureaucratic mess." That's what President Reagan's transition team told the new President in a confidential report. Experts within the Justice Department, where INS is ensconced, consider that evaluation mild.

Among other things, the INS badly botched the influx of some 130,000 Cubans and thousands of Haitians into the United States. Moreover, the worsening problem of illegal aliens from Mexico seeking work in the U.S. has become a "bureaucratic nightmare," according to one INS worker. The INS has become so impotent that when the agency was called on to register and adjust the status of Iranian students, Acting Commissioner David Crosland admitted that the schools Iranian students were attending did not take the INS's requests seriously.

Justice Department sources say Attorney General William French Smith wants to overhaul the INS, but the agency's problems have been made even worse by the fact that it has been without a commissioner since October 1, 1979.

Solution: Put a tough administrator in charge and get control of the illegal-alien problem.

(2) U.S. Savings Bond Division: Most Americans are unaware that the government pays about 200 "salesmen" to travel the country promoting U.S. Savings Bonds. Their assignment: buttonhole corporate executive officers to sell companies on the payroll savings plan, and put the arm on radio and television station managers for free spots.

Employees of this obscure $16 million Treasury Department agency, a vestige of the World War II era, complain that pushing bonds "is like selling candles in an electronic age." Increasingly, people are turning instead to money-market funds and other investments that yield around 15 percent.

Savings bonds pay only 8 percent, and you get that much only if you keep the instrument for nine years. Few savers do; disenchantment is so great that 36 percent of the bonds are cashed in when they're six months old, and nearly 50 percent are redeemed within a year. To Treasury's immense embarrassment, the Federal Trade Commission told the Savings Bond Division last August that it could no longer get away with advertising its bonds as a good investment, because they are not.

All this selling and redeeming generate so much employment and paperwork that the government's overall cost of borrowing money via savings bonds runs as high as 38 percent, making savings bonds no more a bargain for the government than for the savers.

Moreover, the agency has a serious scandal brewing in its field offices. In the aftermath of a story that I broke, employees admitted under oath that they had frequently lied on their sales-performance reports—a byzantine system of make-work record-keeping—in order to meet unrealistic work quotas. Division officials insist that the investigation is continuing, but so far only two workers have been charged and dismissed. Department sources say the case has in fact been "effectively closed."

Solution: Close the Savings Bond Division as a mismanaged anachronism.

(3) General Services Administration: Knowledgeable GSA officials, auditors, and investigators say that little has been done to cleanse continuing abuses, mismanagement, and waste from this $7-billion-a-year agency. Widespread complaints persist that top officials too often have shelved audits uncovering millions of dollars in overcharges by contractors, abuses by employees, and general program mismanagement.

This inertia is particularly disheartening because the GSA scandals were widely publicized when they came to light several years ago. They involved widespread abuse of authority, circumvention of the law, mismanagement of tax dollars, and flagrant waste and extravagance. There was bribery of GSA officials, and payments to contractors for work never done or goods never delivered. The GSA paid millions of dollars for shoddily built furniture that did not meet minimum government specifications. Officials publicly estimated that at least $266 million a year was being lost through waste and fraud, but privately, auditors told me that the true total was closer to half a billion dollars.

In the last year, few cases of any consequence have been prosecuted by the Justice Department's GSA task force, and to this day no high-level GSA official has been charged in the scandal.

Old abuses, once thought to be cured, have returned. Supplies such as film, tools, and gift items, removed from GSA supply stores because of theft, have been put back on the shelves. One audit revealed that the GSA is still paying more for computers than commercial firms, in some cases nearly twice as much as retail prices.

"Our audits are usually ignored," complains a top GSA auditor. He says the agency is recouping only 26 percent of the unjustified claims that are bilked out of GSA's Federal Supply Service by unscrupulous businesses. And as if all of this weren't enough, the administration's transition team has declared in a confidential report on GSA that the agency is "bankrupt," having seriously overspent its budget during the last two years.

Solution: Another tough administrator.

WASHINGTON'S WORST SUBSIDY

HUD's Urban Development Action Grants: HUD's $675 million UDAG program represents a classic example of an idea sold as helping the poor when it is in fact an unnecessary subsidy to big corporations.

Congress enacted the UDAG program in 1977 to help redevelop severely distressed urban areas. In true bureaucratic style, HUD administrators broadened the program to satisfy the greed factor among potential urban recipients. This so distorted the original formula that 52 percent of the nation's big cities became eligible for UDAG grants—including cities like Cleveland Heights, Ohio, with only 3.2 percent unemployment and 5.9 percent poverty.

My investigation of UDAG grants over the past several years shows that they have been subsidizing the development of luxury hotels and upper-income housing around the country. The grants include $8 million for a Hilton Hotel in Chicago; $6.5 million for a Hyatt-Regency Hotel in Flint, Michigan; $6 million for a Howard Johnson's Hotel in New Brunswick, New Jersey; and $4.7 million to help develop a Marriott Hotel in Worcester, Massachusetts.

GAO auditors say that in many cases these projects would have been built without the UDAG grants. In fact, House Appropriations Committee investigators recently reported that real estate developers looked on UDAG grants "as the 'gravy' in the deal."

MOST FRIVOLOUS RESEARCH

National Institute of Education: NIE is little more than a public jobs program for academic researchers. Several years ago the Senate Appropriations Committee zero-funded it, charging that the agency's research contributed nothing to the improvement of American education. But the House refused to go along and this $80 million program continues to waste tax dollars on some of the most nebulous subjects in the field of federal research grants.

Typical of NIE's misplaced educational priorities: $80,000 to write a legal history of American colleges and universities; $34,000 to publish a catalog of eighteenth- and nineteenth-century textbooks; and $99,000 to study the political attitudes of college professors.

It is no wonder, then, that when President Reagan's transition team examined this agency, they called for its elimination. Unfortunately, Reagan didn't go along with the idea, but he has proposed cutting NIE's budget to $61 million.

MOST OVERRATED AGENCY

Federal Trade Commission: Over the years a lot of deceptive claims have been made on

behalf of this $73 million agency. It is important that consumers be given some truth-in-advertising about the FTC's own rather dismal record.

A long, hard examination I made into the FTC's claims and activities suggests that instead of "reducing prices to consumers and limiting the effects of inflation," as the agency claims, its regulatory actions have increased business costs and thus added to inflation. Rather than "fostering and preserving competition," as its rhetoric boasts, the FTC has in fact gone after highly competitive businesses such as funeral parlors, health spas, used-car dealers, and toymakers.

Economists and other scholars have studied the FTC's regulatory efforts for years, and most have found the agency wanting in virtually every regard. Former FTC attorney Alan Stone concluded after years of study that the agency "devotes considerable effort to restricting competition . . . in intensely competitive industries."

But in the field of consumer protection and education, the FTC's value is even more questionable. Indeed, a detailed examination of the FTC's surveys and research grants reveals some of the most wasteful consultant spending in Washington. A few choice examples include $8,000 to videotape children playing with toys featured in TV ads; $100,000 to examine the Japanese and European auto industries (as if we didn't know why their small and efficient cars have been so successful); $3,500 for a study of children's perception of TV ads; and $19,000 to study the snacks children eat.

The rank paternalism that permeates the FTC's consumer program was recently illustrated when the FTC ordered an aspirin maker to stop saying its product was better than other aspirin products. Said an FTC official critical of the program, "Not only does the product pose no threat to health and safety, but it is a decision consumers can, and should, make themselves." The agency has also challenged claims for mouthwashes, margarine, breakfast cereals, and other harmless products.

CONGRESS' WORST PERKS

(1) Congressional masseurs: The House and Senate gymnasiums are operated by eleven employees whose salaries total $200,000 a year. Five of them are experts in the art of massage. They regularly rub the aching backs of our lawmakers, who frequently flee to the massage tables, steambaths, and swimming pools to avoid dreary floor debates or boring committee hearings.

(2) House and Senate restaurant subsidies: This is nothing more than a subtle form of food stamps for members of Congress, who are paid $60,662.50 a year, and their employees. The subsidy in the Senate is expected to hit $1 million this fiscal year; in the House it will approach a quarter of a million dollars.

(3) Congressional florist service: Cut flowers, ferns, lush ivies, and other tropical plants from the Botanical Garden are regularly delivered to congressional offices. Their cost comes out of each member's office allowance, so this is nothing more than a taxpayer-supported florist service in the Capitol.

MOST CORRUPT DEPARTMENT

Department of Labor: In an unofficial survey I made of congressional investigators, the Labor Department won hands-down as the most corrupt of the Cabinet-level departments. For years, New Jersey Senator Harrison "Pete" Williams, former chairman of the Labor and Human Resources Committee, treated the department with velvet gloves and thus maintained the adulation and political support of organized labor.

The department's Comprehensive Employment and Training Act (CETA) jobs program has been fleeced from one end of the country to the other. Many CETA jobs have gone not to the hard-core unemployed for whom they were intended, but to the political cronies of local politicians or to pay the salaries of sheriffs' deputies and other workers providing day-to-day services that the cities used to fund themselves.

"The CETA program is without a doubt the most corrupt expenditure of public funds in the government today," said a veteran congressional investigator who has been probing the CETA program in preparation for Senate hearings this spring. Reagan, to his credit, has proposed CETA's abolition.

Moreover, Labor Department files are filled with investigative reports and audits on corruption in labor unions, their pension funds, and their relation to organized crime—problems on which high department officials refused to act in previous administrations, according to congressional investigators.

"It is a cesspool of corruption," says another Senate investigator, "and CETA and the involvement of criminal elements in the unions is only part of the story." Utah Senator Orrin Hatch, chairman of the Labor and Human Resources Committee, is expected to hold extensive hearings on the department later this year.

BUREAUCRATIC JOKES

(1) U.S. Travel Service: The Carter administration begged Congress to abolish this $10 million agency, saying it was "a waste of money," but to no avail. There isn't a scintilla of evidence that its meager promotional activities increase tourism to America. Airlines, ships, and other segments of the travel industry spend hundreds of millions of dollars annually to encourage travel to the U.S. The result: Foreign travel to the states was up nearly 15 percent last year.

(2) Federal Information Center: This $4 million creature of the General Services Administration is the Yellow Pages of the bureaucracy. Located in 38 centers nationwide and employing 157 people, it gives out phone numbers of federal agencies. Less than 3 percent of the population uses it. Where do the others go for information? The telephone book or their nearest federal office building.

(3) Consumer Information Center: Somewhere out in Pueblo, Colorado, this $1.2 million agency mails out government literature on everything from growing your own bonsai tree to selecting luggage for a trip to Europe. In fact, it is nothing more than a middleman promoter between consumers and the agencies that produce hundreds of millions of dollars in useless literature each year. Most of the stuff shouldn't be printed at all, and the few worthwhile items could be distributed by the agencies that produce them.

(4) National Board for the Promotion of Rifle Practice: This board amounts to nothing more than a subsidy of the National Rifle Association. It was created in 1903 to help train civilians to shoot straight in the event a foreign enemy invaded our borders. In reality, however, this $800,000 program provides gun enthusiasts, members of the NRA all, with many happy hours of weekend recreation on the target range.

(5) President's Council on Physical Fitness: With virtually every community in America awash with soccer, baseball, football, and any other sport you can name, this $800,000 program is superfluous at best. Its awards, badges, and promotional ads on the value of physical fitness represent nothing more than a PR program for the White House.

(6) Mexican-United States Defense Commission: Established under FDR during the war years to coordinate the defense of the southern hemisphere against a possible invasion, this agency still lives. Yet Pentagon officials admit it does little to justify its existence.

(7) Overseas Private Investment Corporation: This government-run insurance company primarily benefits the Fortune 500 and the nation's 50 biggest banks. The insurance policies guard investments abroad against the risks of war and expropriation of property, something the private insurance sector can and does provide. In the event of war or some other international calamity, the U.S. taxpayers could be liable for billions of dollars in claims.

(8) Law Enforcement Assistance Administration: LEAA has not only become a perennial joke in the halls of Congress, but more to the point, it has failed to curb crime. Congress has gradually trimmed this once-half-billion-dollar agency down to about $200 million a year, but its enormous bureaucracy remains largely intact. "If it disappeared tomorrow, no one would notice," says a Senate Appropriations Committee official.

MOST SUPERFLUOUS AGENCIES AND EXPENDITURES

(1) Beekeeper Indemnity Program: The government pays for dead bees that purportedly die from federally approved pesticides.

(2) Highway beautification.

(3) Human operators for automatic elevators.

(4) Private chefs for Cabinet Secretaries and top Pentagon brass.

(5) Rural Electrification Administration: Created in 1935 to make loans to provide electric and telephone service to rural areas, a goal long since accomplished. More than 99 percent of all farms now have electricity.

(6) Congress's Office of Technology Assessment: This is another agency paying consultants to produce reports for members of Congress who do not read them. It duplicates the work of the Congressional Research Service, the General Accounting Office, and the Congressional Budget Office, among other agencies capable of similar studies.

(7) National Institute of Building Sciences: Established in 1974 to promote new building technologies, something the private sector is eminently qualified to do.

(8) Corporation for Public Broadcasting: CPB produces no programming of its own. It is an unnecessary layer of bureaucracy whose primary purpose is to distribute federal funds to public television and radio stations, a job that another existing agency of government could handle.

(9) Council on Wage and Price Stability: A failure at dealing with inflation. Reagan ended its wage- and price-guideline function. Now Congress must formally abolish it.

(10) Civil Aeronautics Board: This agency is due to be phased out of existence by 1985 because Congress deregulated the airline industry. Why wait until then?

(11) Regional Development Commissions: Formed to conduct regional efforts to improve area economies. Jimmy Carter said they were "a waste of time and money."

(12) Military commissaries: Cut-rate groceries for the middle and upper classes who have retired from the military and are in second-career jobs, or are still on active duty.

SUBSIDIES FOR THE MIDDLE AND UPPER CLASSES

(1) School lunch program: $800 million.

(2) Impact Aid to Education: $300 million.

(3) National Endowment for the Arts and Humanities: $300 million.

(4) National Public Radio and public television stations: $167.6 million.

(5) Small Business Administration: $3.1 billion.

WORST CABINET DEPARTMENT

Department of Housing and Urban Development: No agency has a more disastrous record than HUD, a department that most members of Congress don't enjoy discussing. Housing costs have skyrocketed, the building industry is anemic, and Uncle Sam is the nation's biggest slumlord. Housing experts in and out of Congress are asking themselves how it is possible that millions of Americans remain severely ill-housed despite the expenditure of more than $80 billion.

"Of all the departments, I would have to say HUD is without a doubt the worst," says a knowledgeable HUD expert on the Senate Appropriations Committee. "Their subsidy programs are often benfiting middle-class clients, loan defaults are high, and a few people plus a lot of banks are getting

wealthy from its housing [loan guarantee] programs."

Since 1965, HUD has financed the construction of more than one million housing units, in addition to bankrolling an extravaganza of other community-assistance schemes and urban-development grants. Yet had HUD spent its funds solely to buy decent housing for the poor, it could have purchased more than 1.6 million new $50,000 single-family homes instead of the public-housing slums we now have in every major city.

In the last six years, HUD has paid out more than $8 billion to banks and other lenders for defaulted loans. Billions more have been lost on massive housing fiascoes such as Model Cities, New Communities, and other HUD boondoggles that Congress would like to forget. Meanwhile, the poor in the South Bronx, Harlem, and elsewhere exist in severely substandard public housing. One GAO auditor calls HUD "a national disgrace."

MOST INCOMPETENT

(1) US Postal Service.
(2) Federal Election Commission.
(3) Consumer Product Safety Commission.
(4) Community Services Administration.
(5) Interstate Commerce Commission.

MOST DISPENSABLE

Department of Energy.

MOST RESPECTED AGENCY

National Aeronautics and Space Administration: Congressional committee staffers select NASA more than any other agency as one that has performed well under hard circumstances.

"There isn't another agency of government that we have asked to perform technical feats that have never been done before, at least not of the magnitude of the space program," says a House staffer. "It did exactly what we asked it to do, and often under severe criticisms when delays, mishaps, and the inevitable cost overruns occurred."

Tom van der Voort, a veteran Senate Appropriations Committee official who is intimately familiar with the NASA program, says that while the agency "underestimated the costs of the space shuttle," and gave "terribly optimistic schedules on a delivery date," overall he rates it "the best—not only in terms of what it has done, but for all the technological achievements and benefits that have resulted from the space program."

Says another Senate committee official, "We tend to take the Apollo mission for granted now, but it was a truly historic achievement and one that paid rich dividends for this country and the advancement of technology."

MOST UNDERRATED AGENCIES

(1) Federal Bureau of Investigation: Under the directorship of William Webster, the FBI is regaining its former prestige and reputation as the government's premier investigative agency. While past abuses earned the agency a black eye, its history is also filed with stunning successes in criminal investigation and undercover work.

Webster, a highly respected federal judge, has brought renewed credibility and respect to this $655 million agency that helps to enforce our nation's laws.

(2) National Transportation Safety Board: Operating on a very modest $18 million budget which, unlike that of most agencies, has grown very little over the years, the NTSB deserves high marks for performing a highly technical and difficult assignment. Created by Congress in 1966 as an independent agency, the NTSB investigates and determines the causes of airline, rail, highway, and marine accidents. The board responds quickly and professionally when accidents occur, and its investigations and reports are scrupulously thorough.

MERITORIOUS SERVICE

These agencies are given high marks for maintaining scandal-free administrations as well as conducting themselves with a high degree of professionalism and competence.

(1) Securities and Exchange Commission.
(2) Internal Revenue Service.
(3) Environmental Protection Agency.

General Accounting Office: "Their work is absolutely top-notch," says a chief auditor

MOST UNHEEDED AGENCY

for a major federal agency. Unfortunately, many of the recommendations the GAO has sent to Congress have fallen on deaf ears. Long before the GSA scandal broke, this watchdog agency had submitted more than 200 reports on the scandal-ridden agency, detailing many of the abuses Congress was to read about in the press.

"If Congress were to legislate their recommendations over the last few years, we could cut the budget deficit in half," says a House staffer.

Reagan is betting that his quick-strike approach to budget cutting will get his program through Congress before special interests can plead their favorite programs back into the spending stream. That makes it sound as though the decision to cut or not to cut is a close call. In many cases, it is not; rather, it is a choice between common sense and responsibility, and inertia and special pleading. In that kind of contest, Congress has too often chosen the latter.●

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

● Mr. NUNN. Mr. President, the International Brotherhood of Teamsters soon will choose a new president to succeed the late Frank Fitzsimmons. The membership must give their new leader a strong mandate to clean up their large and influential union.

The Senate Permanent Subcommittee on Investigations has conducted a number of inquiries into the Teamsters Union and its various pension and health and welfare funds. As recently as 1977 we uncovered a major insurance fraud scheme involving the central States health and welfare fund.

Just last August and September we held extensive hearings which showed that the Labor Department's 5-year investigation of the central States pension fund left much to be desired. We plan to file a report soon on this latest investigation, and I expect the subcommittee to be very critical of both the Labor Department and certain Teamsters officials, especially those who refused to cooperate with us in our investigation.

The Teamsters leadership has had a deplorable record in managing the assets of the central States funds. These assets belong to the rank-and-file membership, which relies on them for their present and future pensions and health and welfare benefits. They must be managed prudently and honestly, yet there have been questions raised about the soundness and wisdom of these assets being invested in risky real estate ventures and in gambling enterprises in Nevada.

There have been charges of conflicts of interests on the part of individual trustees involving borrowers seeking loans from the central States funds. There have been allegations that millions of dollars of these assets were invested in businesses controlled by organized crime, and that large loans were given freely to associates of known organized criminals.

I sincerely hope that the Teamsters will elect leaders who are above reproach and who will protect the members' assets from unscrupulous manipulators, corrupt union officials and trustees, organized criminals, and plain old bad management.

The members of this union have a golden opportunity to set their house in order. I hope that they will do so.●

SALE OF AWACS TO SAUDI ARABIA

● Mr. CHILES. Mr. President, I feel compelled to state again my opposition to the decision by the Reagan administration to sell sophisticated offensive weaponry to Saudi Arabia. The decision to go ahead with the sale of equipment to upgrade the F-15's, and to sell the AWACS—airborne warning and control systems aircraft—is, simply put, a bad decision.

I voted against the original sale of the 62 F-15's to Saudi Arabia back in 1978. My concern was that one day they might be used for offensive purposes against Israel, rather than for defensive purposes. The U.S. Government is now proposing to help the Saudis do just that. Assurance had been given the Congress by then-Secretary of Defense Harold Brown that "Saudi Arabia has not requested nor do we intend to sell any other systems or armaments that would increase the range or enhance the ground attack capability of the F-15." The Reagan administration has matter-of-factly set aside this assurance. It seems that my concerns in 1978 and the concerns of many others in the Senate, were well founded.

We now have the even more ominous threat to peace in the Middle East with the proposed sale of AWACS to Saudi Arabia. AWACS are basically flying radar stations and command posts. From an altitude of about 30,000 feet, they look across borders, scan horizons out to 250 miles and spot enemy aircraft. The AWACS planes are the most sophisticated air surveillance planes in the world. For that reason, I oppose their sale to any country.

There is no doubt that the gulf region must be protected against the weapons deployed by Russian forces to the north, and by Warsaw Pact and Cuban forces to the south. The entire region is threatened by enormous stockpiles of Russian equipment in Libya and in Syria.

But the sale of AWACS to Saudi Arabia is not the proper response to meeting the Saudi's security needs. In fact, the introduction of AWACS to the region will more likely trigger new tensions, and result in a spiraling arms race, developments which would not be in the best interests of Saudi Arabia or the United States.

The AWACS sale also represents a serious threat to the security of Israel. With the capability of monitoring Israeli defenses, the strategy of preemptive strikes is effectively eliminated. Further, by placing the AWACS into the hands of a government which has recently

called on Moslem states for a holy war against Israel, is to place in direct contradiction our commitment to the protection of Israel.

I do not believe that U.S. national security interests are served for either the short or the long run by a policy that seeks to promote peace and stability in the Middle East by reversing previous commitments and escalating the capabilities for war.●

FIFTH ANNIVERSARY OF MOSCOW HELSINKI GROUP

● Mr. DOLE. Mr. President, today the Moscow Helsinki Group celebrates its fifth anniversary: On May 12, 1976, 11 Soviet citizens, led by physicist Yuri Orlov, founded a group dedicated to advocacy of implementation of the human rights provisions of the 1975 Helsinki Final Act. As many of the Group's founding members were imprisoned or forced to emigrate, 10 other people joined the Moscow Helsinki Group.

Working under conditions of repression which are difficult for Americans to imagine—including the forced emigration of six group members and the imprisonment of eight others—the Moscow Helsinki Group continues its noble public activity.

In fact, the Group's example has proven infectious: similar citizens' groups were formed in Ukraine, Lithuania, Armenia, and Georgia and affiliated groups were formed to monitor religious and health issues. The activity of these groups, in turn, lead to the further spreading of the KGB dragnet: today, 43 members of the Soviet Helsinki Group and their affiliates are serving a total of 278 years of imprisonment.

HELSINKI GROUP RAISE PUBLIC AWARENESS OF HUMAN RIGHTS

What has the Soviet Helsinki Group done to incur such official wrath? They have produced hundreds of objective, well-researched reports on human rights problems in the U.S.S.R.: on official restrictions on all religious believers; the difficulties of people seeking to rejoin or visit relatives abroad; official policy of incarcerating people in psychiatric "hospitals" for political attitudes; deplorable conditions in Soviet forced labor camps and prisons; governmental discrimination against ethnic minorities seeking cultural and political rights in the Soviet Union; censorship control over all official publications in the U.S.S.R.; meager health and pension benefits for many Soviet citizens, and the lack of any unemployment compensation—although there is unemployment.

All monitoring activity is conducted in a peaceful and public manner by Soviet citizens who brave arrest to conduct their civic duty.

Not only in the Soviet Union has the Moscow Helsinki Group had a powerful impact in mobilizing public awareness about governmental obligations to their own citizens under the Helsinki Final Act. As a result of such awareness, charter '77 was organized in Czechoslovakia, KOR in Poland and our own Helsinki Watch in the United States.

OVER 242 ARRESTS IN 1980

Despite occasional press reports that Soviet dissent has been "crushed," the Moscow Helsinki Group continues to produce informative and objective reports. Sadly, of late the most frequent Moscow Helsinki Group topic has been arrests, imprisonments, convictions, and psychiatric imprisonments. Indeed, there is evidence to suggest that there were more arrests—242—in the Soviet Union in 1980 than in any other year in the past 15 years.

I would like to take this opportunity, then, to commend once again the courage and contributions to genuine international peace and understanding made by the peaceful and public monitoring work of the Moscow Helsinki Group. As cochairman of the Commission on Security and Cooperation in Europe, I would like—yet again—to express the desire of the American people that the Soviet Government release all 43 imprisoned members of the Soviet Helsinki Group.●

U.S. TREATMENT OF SALVADORAN REFUGEES

● Mr. KENNEDY. Mr. President, I have been concerned for many weeks over the growing problem of refugees fleeing the escalating conflict in El Salvador—those in and around El Salvador as well as those Salvadorans in the United States or reaching our borders.

Through the United Nations High Commissioner for Refugees, we are joining others in the international community in providing humanitarian assistance to Salvadorans in Honduras and other countries.

But for those Salvadorans in the United States, or reaching our shores, we have closed our doors to those who do not want to return to their country at this time because of the violence. Regrettably, this is being done by the administration contrary to past practice.

During the worst days of the Lebanese or Nicaraguan conflicts, we adopted for a temporary period of time a number of special immigration measures to deal with nationals from those countries who were in the United States or those seeking safe haven.

Basically, these measures involved the granting of stays of voluntary departure for Lebanese and Nicaraguans—with permission to work, if that was necessary—and adopting more flexible visa guidelines for the admission of those who had family or other ties in the United States.

It also meant we did not deport such nationals whose life might be endangered upon return to their countries because of civil strife.

At a hearing of the Subcommittee on Immigration and Refugee Policy on April 1, and in subsequent letters to Secretary of State Alexander Haig and Acting Immigration Commissioner David Crosland, I raised the issue of our treatment of Salvadoran refugees.

I deeply regret that the responses I have received are negative, and that the administration has rejected granting stays of voluntary departure to Salvadorans who do not want to seek permanent asylum, but simply temporary safe haven from the violence in El Salvador.

I hope that the administration will reconsider its decision, proceed on the basis of past precedents, and deal more flexibly and humanely with Salvadorans in the United States.

Mr. President, I ask that my exchange of correspondence with the Department of State and the Immigration and Naturalization Service be printed at this point in the RECORD.

The correspondence follows:

COMMITTEE ON THE JUDICIARY,
Washington, D.C., April 6, 1981.

Hon. ALEXANDER M. HAIG, Jr.,
Secretary of State,
Washington, D.C.

DEAR AL: As you know, during the worst days of the Lebanese and Nicaraguan conflicts, the United States temporarily adopted a number of special immigration measures to deal with nationals from those countries who were in the United States on non-immigrant visas or outside seeking to visit or find temporary safe-haven here.

Basically, these measures involved the granting of stays of voluntary departure for Lebanese or Nicaraguans—with permission for them to work, if that was necessary under the circumstances—and adopting more flexible visa guidelines for those who had family or other ties in the United States. These special immigration measures helped countless hundreds of families, giving them safe-haven from the violence and conflict within their own countries.

At a hearing of the Subcommittee on Immigration and Refugee Policy last week, I raised this issue with the Acting Commissioner of the Immigration and Naturalization Service relative to El Salvadorans. I was particularly concerned over reports of large-scale deportations of Salvadorans. Given the escalating violence in El Salvador, I believe we must be vigilant that we are not unnecessarily endangering the lives of Salvadorans who understandably do not want to return to their country at this time.

Considering we adopted special immigration measures for the Lebanese in 1975–76, and for Nicaraguans two years ago, why has the Department of State failed to propose such action now relative to Salvadorans? Clearly, the Immigration Service must await a formal recommendation from the Department of State prior to initiating a policy of automatically granting stays of voluntary departure.

I have asked the Immigration and Naturalization Service to provide the Subcommittee with detailed information on the processing and deportation of Salvadorans, especially since January. In the meantime, I would appreciate receiving your views on this issue, and whether the Department is prepared to recommend to INS special immigration measures for Salvadorans in the United States or at our borders.

Sincerely,

EDWARD M. KENNEDY,
Ranking Minority Member, Subcommittee on Immigration and Refugee Policy.

DEPARTMENT OF STATE,
Washington, D.C., April 17, 1981.

Hon. EDWARD M. KENNEDY,
U.S. Senate

DEAR SENATOR KENNEDY: I am replying to your letter of April 6, to the Secretary requesting that the Department of State recommend to the Immigration and Naturalization Service (INS) that Salvadorans in the United States be granted voluntary departure status in lieu of forcible repatriation to El Salvador and work authorization and a more flexible visa policy for those who have relatives in the United States.

Under the United Nations Protocol Relating to the Status of Refugees, the United

States is prohibited from undertaking the forced expulsion movement of a refugee to a country or frontier where persecution is likely to occur. In addition, the Refugee Act of 1980 obliges the granting of asylum status to those who establish a well-founded fear of persecution upon return to their country of nationality for reason of race, religion, nationality, membership of a particular social group, or political opinion. The responsibility for establishing a well-founded fear of persecution rests with each applicant. The INS does not classify Salvadorans in the United States as refugees unless they individually establish that their fear of being persecuted is a well-founded one.

While questions regarding exclusion or deportation proceedings are, of course, under the jurisdiction of the INS, the Immigration Service has informed us that no Salvadoran asylum seeker is sent back until a determination has been made that the claimant has not established a well-founded fear of persecution. It is not necessary for Salvadorans to "formally" request asylum. If a positive indication of unwillingness to return to El Salvador is made, and if the unwillingness is based on a fear of being persecuted, that is sufficient to have the case processed through asylum procedures.

Due to the so-called "final offensive" last January by the Farabundo Marti National Liberation Front, the Department believed it prudent to ask the INS to suspend action for 90 days on Salvadoran asylum requests. This 90-day period lapses April 15 at which time the Department intends to resume review of Salvadoran asylum requests. For those who establish a well-founded fear of persecution upon return to El Salvador the Department, in its advisory opinion, will so inform the appropriate INS District Office.

While civil strife and violence in El Salvador continue at distressing levels, conditions there do not, at present, warrant the granting of blanket voluntary departure to Salvadorans in the United States.

While fighting in some areas has been severe, El Salvador has not suffered the same level of wide-spread fighting, destruction and breakdown of public services and order as did for example, Nicaragua, Lebanon or Uganda at the time when voluntary departure was recommended by the Department and granted by INS for nationals of those countries.

Public order and public services, while under a serious attack, are still maintained, especially in San Salvador and the larger cities.

Moreover, Salvadorans now present in the U.S., whose number may be as high as 500,000, who were not involved in political or military activities before their departure, would not face, upon return, any more danger than is faced by their compatriots who never left the country.

We believe that the majority of Salvadorans in the United States did not depart their country solely to seek safehaven in this country.

Most traveled through third countries before entering the United States and many of them entered quite some time ago. Other countries closer to El Salvador, Honduras for example, have been generous in offering safehaven to Salvadorans who have fled.

Thus, it is not true that only the United States is a possible refuge. The Department, therefore, at this time, is not in a position to recommend to the INS the blanket granting of voluntary departure status or work authorization for Salvadorans presently in the U.S.

Similar considerations apply to the question of non-immigrant visas for Salvadorans outside our borders. As you know, the Immigration and Nationality Act provides that visa applicants must be considered to be intended immigrants until they establish that they qualify for one of the non-immigrant classifications.

Visitors establish eligibility by demonstrating economic, family, or social ties to their homelands which would induce them to depart voluntarily after a visit to the United States.

The extraordinary circumstances existing in such nations as Lebanon and Nicarauga, to which visa applicants would obviously not wish to return until circumstances returned to normal, would prevent persons who would otherwise be well qualified, from obtaining visas.

In these circumstances, we advised consular officers to take a "long-term view" of the applicants' ties to their homelands, those attachments which would induce them to return abroad when circumstances returned to normal. This policy obviously cannot assist an applicant who would not qualify for a visitor's visa under any circumstances.

As previously noted, we do not believe that the circumstances in El Salvador reach the same levels as existed in Lebanon or Nicaragua. Furthermore, we are not aware that there are Salvadoran visa applicants who in normal times could expect to receive visas who are now being denied because the current situation created questions about their intentions as tourists.

We will, of course, continue to assess Salvadoran developments closely and will inform the INS should these developments dictate a change in our position regarding voluntary departure status for Salvadorans.

Sincerely,

ALVIN PAUL DRISCHLER,
Acting Assistant Secretary for Congressional Relations.

COMMITTEE ON THE JUDICIARY,
Washington, D.C., April 6, 1981.

Hon. DAVID CROSLAND
Acting Commissioner, Immigration and Naturalization Service, Department of Justice, Washington, D.C.

DEAR MR. CROSLAND: To follow-up our discussion at last week's hearing of the Subcommittee on Immigration and Refugee Policy relative to special immigration measures for El Salvadorans in the United States, I have written the attached letter to Secretary of State Alexander Haig.

I appreciate that INS must receive a recommendation from the Department of State prior to establishing a policy of granting stays of voluntary departure for Salvadorans who do not wish to return to their country at this time because of the escalating civil strife. However, I am hopeful the Department will soon make such a recommendation, for I believe it is clearly warranted.

Again, I appreciated your testimony before the Subcommittee and I look forward to receiving whatever INS statistics you have on the recent processing and/or deportation of El Salvadoran nationals.

Many thanks for your consideration, and best wishes.

Sincerely,

EDWARD M. KENNEDY,
Ranking Minority Member, Subcommittee on Immigration and Refugee Policy.

U.S. DEPARTMENT OF JUSTICE,
IMMIGRATION AND NATURALIZATION SERVICE,
Washington, D.C., May 1, 1981.

Hon. EDWARD M. KENNEDY,
Ranking Minority Member, Subcommittee on Immigration and Refugee Policy, Washington, D.C.

DEAR SENATOR KENNEDY: In response to your letter of April 6, 1981, requesting whatever statistics we have on recent deportation of El Salvadoran nationals, the following information is available at this time: For the year October 1979 through September 1980, 8,868 Salvadorans were expelled. Since October 1980 the following expulsions have taken place, including voluntary repatriation and deportation: October 1980, 825, November 1980, 776, December 1980, 721, January 1981, 894. The statistics are not yet available for February and March.

During your questioning in the hearing you referred to previous instances in which blanket periods of voluntary departure were granted. I have enclosed, for your information, a summary of those instances, beginning with Ethiopia in May 1977.

We have received word from the Department of State that it is not in a position to recommend a blanket granting of voluntary departure for illegal Salvadorans presently in the United States. However, on April 15, 1981, the Department resumed a case by case review of Salvadoran political asylum requests. For those who can establish a well founded fear of persecution upon return to El Salvador, State will inform the appropriate Immigration and Naturalization Service district office.

I appreciate your interest in this matter Let me know if you wish additional information.

Sincerely,

DAVID CROSLAND,
Acting Commissioner.

ENCLOSURES

Aliens from the following countries have been granted blanket periods of voluntary departure.

Ethiopia—May 1977 to present.
Uganda—April 1978 to present.
Iran—April 1979 to November 1980.
Nicaragua—June 1979 to September 1980.

Similarities:

1. All grants were based upon Department of State recommendations.

2. Department of State was not recommending that any of the involved nationalities be considered as a refugee within the meaning of 203(a)(7). Ugandan and Nicaraguan aliens were ineligible for consideration under 203(a)(7), as stated by Ms. P. Derian in a letter to Commissioner Castillo concerning Ethiopians and Ugandans dated April 7, 1978. "Since Refugees from many countries, including Uganda, are ineligible for refugee status under the proviso to Section 203(a)(7) of the Immigration and Nationality Act (INA) due to geographic criteria imposed by that section, many refugees in the U.S. can only be placed in voluntary departure status." The Iranian and Ethiopians were apparently found ineligible by Department of State for reasons other than the geographic criteria.

3. All initial recommendations were made by the Department of State prior to the Refugee Act of 1980.

Differences: Ethiopians and Ugandans were granted voluntary departure in one year increments.

Nicaraguans and Iranians were granted voluntary departure to specified dates as recommended by Department of State.

LEBANON

Based upon Department of State opinions a policy wire dated July 1, 1976 (attached) was issued stating that Lebanese nationals' requests for extensions of voluntary departure should be viewed sympathetically on a case by case basis (not a blanket grant of voluntary departure).

ETHIOPIA

Per request of Patricia M. Derian, Assistant Secretary of State for Human Rights and Humanitarian Affairs (letter dated May 1977), a policy wire, dated July 12, 1977 (attached) was issued stating that voluntary departure would be granted to Ethiopian nationals in one year increments.

On July 18, 1980, Victor H. Palmieri, United States Coordinator for Refugee Affairs wrote to Commissioner Crosland and requested that INS continue to defer deportation of Ethiopians. There has been no change in policy.

UGANDA

Per request contained in Ms. Derian's letter of April 7, 1978 concerning both Ugandans and Ethiopians, a policy memorandum, dated June 8, 1978 (attached) was issued stating that Ugandan Nationals would be granted voluntary departure in one year increments.

In a letter dated June 22, 1979, Ms. Derian advised INS that conditions were too unsettled in Uganda to warrant a change of policy.

IRAN

In a letter to Mr. Michael Egan, Associate Attorney General, dated March 19, 1979, Mr. David Newsom, Under Secretary for Political Affairs, Department of State, requested that Iranians not be forced to return to Iran.

Mr. Egan responded to Mr. Newsom on April 11, 1979 and stated that departure would not be enforced until September 1, 1979.

On April 16, 1979, a policy wire (attached) was issued stating that Iranians would be granted voluntary departure until September 1, 1979. July 20, 1979 a policy wire (attached) was issued clarifying the policy regarding employment authorization. On July 28, 1979, Mr. Newsom wrote to Mr. Egan requesting an extension of the voluntary departure period to March 1, 1980.

Mr. Egan responded to Mr. Newsom on August 2, 1979 advising him that Iranians would be extended until June 1, 1980.

On August 9, 1979, a policy wire (attached) was issued extending the date to June 1, 1980. Clarification wires (attached) were issued on August 10, 1979 and September 20, 1979. On November 23, 1979, a policy wire (attached) was issued concerning the revocation of the voluntary departure period previously granted.

NICARAGUA

In a letter to Commissioner Castillo dated June 26, 1979, Mr. Warren Christopher, Acting Secretary, Department of State, requested that INS place Nicaraguan nationals in a voluntary departure status until December 31, 1979.

A policy wire (attached) dated July 3, 1979 stated that, for Nicaraguans in the U.S. as of June 27, 1979, voluntary departure should be granted until December 31, 1979.

Mr. Christopher requested, in a letter to the Commissioner dated August 17, 1979, that the policy not be limited to Nicaraguans who were in the U.S. as of June 27, 1979. A policy wire (attached) to this effect was issued on August 29, 1979. Mr. Christopher wrote again on January 4, 1980 and on June 27, 1980 requesting extensions of voluntary departure to June 30, 1980 and September 28, 1980, respectively. Policy wires (attached) were issued to that effect on January 4, 1980; January 8, 1980; and July 1, 1980. Mr. Christopher wrote on October 1, 1980 that further extensions of voluntary departure was not necessary.

A policy wire (attached) was issued on October 16, 1980 stating that Nicaraguan requests for voluntary departure would be handled on a case by case basis (no longer a blanket grant of voluntary departure).●

OIL SUPPLY REALITIES

● Mr. PELL. Mr. President, today's Washington Post has reprinted an excellent article from the National Journal written by Robert J. Samuelson on the realities of the world oil supply situation.

I believe the article is a most thoughtful and cogent explanation of our present domestic energy situation which should not go unnoticed by my colleagues and the public.

In the last 6 months, Mr. President, I believe we have become far too lax and complacent regarding our domestic energy situation or, more specifically, our domestic energy vulnerability. If we note the current uncertainty in the Mideast, our deep concern over the Libyan terrorist activities—10 percent of U.S. imported oil comes from Libya—and the fact that approximately 70 percent of our imported oil is from OPEC countries, we might do well to pause a moment and reflect on our vulnerable domestic oil situation. In this regard, we should further consider the importance of a vigorous conservation effort and review most carefully the several recommendations discussed by Mr. Samuelson in relation to the domestic oil supply and possible future interruptions.

Mr. President, the article from Mr. Samuelson is indeed timely and an excellent contribution to our current debate on energy in the Congress. His comments illustrate our urgent need not to terminate essential conservation programs and the need for standby petroleum emergency programs.

Mr. President, I submit the article by Mr. Samuelson from the Washington Post to be printed in the RECORD.

The article is as follows:

[From the Washington Post, May 12, 1981]

OIL SUPPLY DELUSION; 'GLUT' IGNORES REALITIES

(By Robert J. Samuelson)

Probably the most important nonevent of the past eight months is this: Iran and Iraq went to war, and the world didn't gasp for oil. Indeed, there's so much oil that petroleum experts and the news media have taken to describing the situation as an "oil glut."

What a dreadful choice of words.

"Glut" means "excessive supply," and that surely doesn't apply to oil. Nothing in the past year has altered the two basic realities of oil. First, it's a wasting resource that now provides nearly half the world's energy. And second, perhaps three-fourths of the known reserves are located in countries whose stability cannot be taken for granted.

To think otherwise is a delusion. But the balance of power between consuming and producing countries is shifting—just a bit. A "glut" exists in the sense that production exceeds consumption; the excess provides a buffer against large price increases and supply disruptions from political upheavals.

Our interests lie in increasing this buffer, not in yearning for a big break in oil prices. That's what the normal mechanics of supply and demand would dictate: Prices would drop until production capacity and consumption nearly matched. But a big price decline simply would ordain another ride up the roller coaster. Once demand tightened or a revolution knocked out a key supplier, prices would jump sharply again.

The history of oil since the end of World War II is that when surplus capacity doesn't exist, the world is vulnerable to such shocks. The following table is as good a way to view this history as any. Two columns list known oil reserve and annual world consumption (both in billions of barrels). The last column shows how many years reserves would last at prevailing rates of use.

	Reserves	Oil use	Exhaustion period
1950	76.5	3.4	23
1960	290.0	7.8	37
1970	530.5	16.7	32
1973	664.2	20.4	33
1979	642.0	23.8	27
1980	642.0	[1] 23.0	28

[1] Estimate.

Reserve figures are notoriously inexact, but they give a general sense of direction. Between the early 1950s and the late 1960s, discoveries generally outpaced consumption. The big international oil companies dominated the producing countries. The companies decided where production would increase and which countries would receive higher revenues.

But fast economic growth, ambitious selling by oil companies (between 1960 and 1970, oil displaced coal as the world's major fuel) and low priced doomed that. A large price increase was inevitable by the mid 1970s. Demand was simply increasing too fast in relation to known supplies.

Another source of stability vanished simultaneously: The United States lost its ability to act as supplier of last resort. It quickly shifted from a small importer—but one with the capacity to increase production during emergencies—to the world's largest importer.

Now the picture is changing modestly. High prices have slowed demand, and discoveries roughly match consumption.

In some respects, the outlook is quite favorable. Although Saudi Arabia is pumping nearly 2 million barrels daily more than its official ceiling (8½ million barrels daily), Iran and Iraq are hardly producing at all (2.5 million barrels daily against a prewar rate of about 6.7 million). If they someday restore production, even Saudi cutbacks would not jeopardize current consumption levels.

And those are still headed down. In the United States, oil consumption is running about a million barrels a day less than a year ago, although the economy has recovered the ground lost in the 1980 recession. In addition, oil companies are maintaining much higher inventories than before the Iran-Iraq war. That's an extra safety cushion.

But none of this will eliminate oil as the world's most precarious political commodity.

What changed in the 1970s was psychology. A psychology of abundance, reinforced by huge discoveries, gave way to a psychology of scarcity. A sense of stability, buttressed by the availability of U.S. oil, gave way to pervasive insecurity. And the power relationships between consuming countries (represented loosely by the giant oil companies) and producers changed accordingly.

As recently as the early 1970s the major oil companies controlled oil from the well to the pump. Now, according to the Washington newsletter Geopolitics of Energy, the oil-producing countries themselves sell about two-thirds of their oil. Developing countries receive half their oil through "direct government-to-government dealings."

The connection between oil and the Arab-Israeli conflict simply reinforces the potential for political mischance and mischief. Only two things could change today's oil psychology and politics fundamentally: either large discoveries, spread among different countries, that would redefine the earth's resource base; or the emergence of an inexpensive oil substitute. Otherwise, we are stuck with uncertainty.

The Reagan administration ought to be lunging at every opportunity to minimize that uncertainty, but it isn't.

It has squelched (possibly for good) a proposal from the World Bank to promote additional energy exploration and development in poorer nations; the more that can be done in these countries, the less pressure on world oil markets. And the same penny-pinching mentality has produced a senseless congressional squabble over how to finance additions to the strategic petroleum reserve: an emergency supply to be drawn down in crisis.

It's being filled now, but Congress and the administration are looking for ways to sidetrack spending for the reserve into an obscure off-budget account. If this causes delay, it will be a case of criminal negligence. The simple way to fill the reserve without increasing the government deficit would to be

impose a modest (say, 2 cents a gallon) tax on oil. That's a small price for a bit of sanity and safety.●

CLEARING THE AIR—KANSAS CITY'S AIR QUALITY

● Mr. EAGLETON. Mr. President, I would like to "clear the air" about Kansas City's air reputation. In the 11th annual report of the Council on Environmental Quality, Kansas City, Mo. was cited as one of the few American urban areas with deteriorating air quality. Last week, the Council on Environmental Quality vindicated Kansas City.

Upon completion of the CEQ investigation, CEQ found that an error had been made, and that the report contained an incorrect report on Kansas City's air quality.

In fact, Kansas City is among the top 40 American urban areas with clean air. Kansas Citians take pride in the air quality of the town, and I am pleased that the city has been vindicated.

On April 29, 1981, in a letter to Joanne Collins, cochairman of the Air Quality Forum of Kansas City, CEQ Acting Chairman Malcolm Baldwin wrote:

I regret that our report misrepresented the Kansas City air quality. The small number of unhealthful days in the Kansas City region places it among the best of the 40 areas reported by the CEQ. The data also represent a substantial reduction from the number of unhealthful days reported in the previous year.

The CEQ investigation found that there had been a series of mistakes on miscalibrated measurements of the ozone beginning at the local level in 1978 through the EPA National Air Data Bank. In 1979, the incorrect data was discovered, but never removed from the national air data bank. Using that erroneous data, CEQ used Kansas City as an illustration of a deteriorating city. Had CEQ taken the time to verify this charge, CEQ would have discovered that Kansas City was a city of improving air quality. Malcolm Baldwin points out in his report that "a most important lesson from this episode is that the Federal Government still needs to improve its quality assurance, data handling, and checking procedures."

I could not agree more. I hope that CEQ and EPA will indeed learn from this lesson, before other cities are victimized from bad publicity.

Kansas City is a fine and clean city, and deserves to have its reputation cleared.

Mr. President, I submit the text of Mr. Baldwin's letter to be printed in full in the RECORD.

The letter follows:

EXECUTIVE OFFICE
OF THE PRESIDENT,
COUNCIL ON ENVIRONMENTAL QUALITY,
Washington, D.C., April 29, 1981.

MS. JOANNE COLLINS,
Cochairman Air Quality Forum, Mid-America Regional Council, Kansas City, Mo.

DEAR MS. COLLINS: Since Mrs. Katherine Gillman's note to you on April 16, the CEQ staff has investigated further the series of errors and oversights that led to our incorrect report of air quality for Kansas City for 1978 in our Eleventh (1980) Annual Environmental Quality Report, as you pointed out in your March 20 letter to Alan Hill.

CEQ staff has found that the error in our report resulted from a series of mistakes that began when a local organization, the Air Quality Control Program of the City of Kansas City, reported miscalibrated measurements of ozone levels to the State of Missouri Air Pollution Control Program and to EPA Region VII. Measurement results then were routinely entered in the EPA National Air Data Bank in Research Triangle Park, North Carolina. An audit of the high ozone levels done by the EPA Region later found the calibration errors, and the state and local governments were notified. The state then proceeded to delete part of the bad data (the 1979 data) from the EPA computerized data bank, and incorrectly assumed that EPA would delete the rest. CEQ used the data assuming that quality control and correction measures had been applied. We have recently confirmed, however, that the incorrect 1978 data have not yet been removed by the state, but probably will be deleted in the next several weeks.

CEQ, of course, is partly at fault for using data that showed unusual patterns without detailed verification that the data were valid. Occasionally, we have made such verification checks as, for example, when we went back to a source agency to check water quality data that showed unusual levels of pollution. In that case, when the source agency found that the measurements of high pollution levels could not be corroborated, the agency and CEQ concluded that the measurements were in error and references to the measurements were deleted from the CEQ report. The small size of our staff has made it impossible to oversee the accuracy of local, state, and EPA pollution data on a regular basis.

I regret that our report misrepresented the Kansas City air quality. The small number of unhealthful days in the Kansas City region places it among the best of the 40 areas reported by CEQ. The data also represent a substantial reduction from the number of unhealthful days reported in the previous year.

I believe that the most important lesson from this episode is that the federal government still needs to improve its quality assurance, data handling, and checking procedures affecting environmental data collected from all the local, state, and federal organizations.

Sincerely,

MALCOLM F. BALDWIN,
Acting Chairman.●

CONFERENCE ON NUCLEAR WAR IN EUROPE

● Mr. KENNEDY. Mr. President, one of the most difficult, but one of the most necessary, tasks for all citizens is to become aware of the reality of nuclear weapons, to think about the unthinkable. The human tragedy of loss of life and injury, of the enormity of the destruction of civilization and culture, which nuclear war would represent is truly awesome. As Under Secretary of Defense Fred Ikle has rightly pointed out, the difficulty of comprehending these terrible consequences is compounded by the fact that the uncertainties involved in any use of nuclear weapons may be even greater than the certainties of predictable death, injury, and destruction. But a sober appreciation of both the realities and the unknowns is a required beginning before seeking ways to prevent the terrible possibility from ever being visited upon mankind.

It is, therefore, welcome that the Center for Defense Information and the Polemological Institute of the State University of Groningen of the Netherlands sponsored a conference on nuclear war in Europe held in Groningen from April 22 to 24: how it could start, how it would be fought, what its effects would be, and what can be done to avoid it. Such a conference is especially timely because of the urgency of beginning negotiations to control and limit longer range tactical nuclear weapons based in Europe.

This conference is the most recent of a number of efforts to focus attention on the consequences of the use of nuclear weapons as well as the means to avoid such use. These include a similar conference on nuclear war sponsored by the Center for Defense Information and held in Washington in 1978, and the Airlie House Conference this past March sponsored by the International Physicians for the Prevention of Nuclear War. In June of last year, I sponsored hearings on the short- and long-term effects of nuclear war on the surviving population. And in May 1979 the Congress Office of Technology Assessment published a detailed analysis of the effects of nuclear war on the United States and the Soviet Union.

A thoughtful description of both the known and unknown factors consequent on the use of nuclear weapons in Europe was presented at the Groningen Conference by Prof. Henry Kendall, a physicist at the Massachusetts Institute of Technology and chairman of the Union of Concerned Scientists. The Union of Concerned Scientists is an organization with more than 100,000 members concerned with technological problems confronting society, especially the safety of nuclear power reactors and the threat posed by the nuclear arms race. Professor Kendall cogently demonstrates the utter devastation that even a relatively "small" use of nuclear weapons in Europe would cause, and the damaging long-term effects such an attack could have even outside the immediate localities where nuclear weapons were used.

I ask that Professor Kendall's statement, "Nuclear War in Europe," be printed in the RECORD, together with an article from the New York Times of April 28 reporting on the Conference.

The texts of the statement and article follows:

NUCLEAR WAR IN EUROPE

INTRODUCTION

The possibility of nuclear war remains one of the grim features of modern life. Like the air pollution we breathe, noxious substances that we cannot always see, the threat of nuclear war is a subtle but everpresent element in the atmosphere in which we live. Naturally, we prefer not to dwell on this unpleasant threat, but it will not go away merely because we feign indifference to it. Indeed, the possibility of a nuclear war seems to be growing, especially one that would involve—or take place in—Europe. The nations of the continent, by political alliance, are tied to the United States or to the Soviet Union. The two superpowers, in turn, are wedded to military policies that have resulted in an awesome nuclear arms race. Both sides have deployed thousands of nuclear weapons in Europe, and it appears probable that World War III—like World Wars I and II—would very likely be fought, at least in part, on European soil.

A few U.S. nuclear strategists, some of them with close associations with the present Reagan Administration, even believe that "limited" nuclear wars can be fought—and, in terms of American political objectives, "won." Europeans, no doubt, living as they do on one of the primary potential battlefields, must find this opinion rather unsettling. The following summary explains what the consequences might be of a major nuclear war in Europe, and it forms a basis for what I hope will be a broad public review of nuclear policies in Europe.

THE EFFECTS OF SINGLE NUCLEAR EXPLOSIONS

The nuclear bomb that destroyed Hiroshima in 1945 had an explosive yield of about 13 KT (kiloton) TNT equivalent. Today weapon yields may range to well in excess of 10 MT (megaton), with battlefield, or tactical, weapons down to as small as 1 T (ton) or less.

The explosion of a 1 MT weapon in the lower atmosphere will create a fireball some 7,000 feet in diameter: a million tons of air will be heated above 2000° C. Detonated at or near the ground, the weapon will dig a crater nearly ⅙ mile in diameter and 300 feet deep. If such an explosion occurs in an urban area, some 50 square miles will be totally destroyed by the blast effects and much of the wreckage burned out from fires started by the heat. The thermal radiation can set fires over a 150 sq. mile area and will cause 2nd degree burns, or worse, over 250 sq. miles. A ground burst will loft a large quantity of radioactive debris into the air, which will be borne by the wind to settle out minutes, hours, and days later, depositing a radioactive burden on the land and waters. Table 1 summarizes the consequences of such fallout for a typical situation.

TABLE 1.—*Radioactive fallout effects/1 MT ground burst*

[In square miles]

Lethal to unprotected persons	600
Evacuations required 1 to 3 years	200–300
Substantial risk, death or incapacitation	2,000
Contaminated past safe use (additional)	2,000
Conifers killed	250–500
Contamination of agricultural products	1,000
Contamination of milk	4,000

Of the many millions of tons of rock and soil displaced by the explosion, some 2,000 tons are injected as fine particulate matter into the upper atmosphere where it may contribute to global weather modification. The high temperatures in the fireball produce about 5,000 tons of nitrogen oxides from the combustion of atmospheric nitrogen. Some portion of these materials is injected into the upper atmosphere. There these gases can partially destroy the naturally occurring ozone which absorbs, and so protects the biosphere from, especially damaging ultraviolet rays present in sunlight.

A large weapon detonated over an urban area will result in large numbers of persons killed or injured from the combined effects of blast, thermal radiation, and, especially for lower weapon yields, prompt nuclear radiations. Estimates, based on studies of U.S. cities, of the number of fatalities and total casualties, fatal and non-fatal, from the burst of a single weapon over typical metropolitan areas are given in Table 2. Injury from radioactive fallout is excluded.

ABLE 2.CASUA IES FROM SINGLE BURST OVER URBAN AREA

	Yield (MT)		
	0.2	1.0	5.0
Area population:			
4,000,000:			
Fatalities	160,000	800,000	1,700,000
Casualties	700,000	1,700,000	2,800,000
1,000,000:			
Falities	140,000	420,000	750,000
Casualties	400,000	750,000	930,000
250,000:			
Fatalities	80,000	170,000	230,000
Casualties	160,000	220,000	250,000

Note: These numbers could vary in consequence of variations in targeting and in population densities and distributions.

INVENTORIES OF NUCLEAR WEAPONS

The numbers of nuclear warheads in the European theater nuclear forces (TNF) and in the strategic arsenals of the NATO nations and the Warsaw Pact nations are shown in Table 3. There is some uncertainty in these numbers, especially for Warsaw Pact inventories, in consequence of secrecy that is enforced. For our purposes these uncertainties are unimportant, as we shall see.

TABLE 3.—NUCLEAR WARHEAD INVENTORIES, 1980

	NATO	Warsaw Patc
Tactical nuclear warheads (Europe)	8–9,000	4–5,000
Strategic nuclear warheads	10,000	7,000

A wide variety of systems is available for the delivery of these warheads to their intended targets. A breakdown of Warsaw Pact tactical forces is given in Table 4. These systems include fighter bombers, medium bombers, carrier-based aircraft, intercontinental bombers, nuclear capable artillery, medium-, intermediate-, and intercontinental-range ground-based ballistic missiles, surface-to-air and air-to-surface missiles, nuclear and conventionally powered submarines, and, proposed for introduction into the NATO forces, unmanned air-breathing nuclear-tipped cruise missiles. Among the many types of nuclear warheads are atomic demolition munitions (ADM), which, with delayed fusing, may be set in harbors, rivers, or underground so as to destroy ports, roads, bridges, dams, and other facilities and to close passes and destroy tunnels. Nuclear depth bombs are available as well. These are air-to-surface penetrators for use where ADM placement is difficult or impossible.

TABLE 4.—WARSAW PACT TACTICAL NUCLEAR FORCES

Type	Number	Range (miles)	Yield	Warheads	Total MT
Short range land-based missiles.	1,300	10–500	10 KT, 0.5 MT.	1,300	65
Medium-long range land-based missiles.	600	to 4,000	150 KT, 1 MT.	1,450	590
Sea launched missiles.	500	to 750	20 KT, 2 MT.	500	100
Nuclear capable aircraft[1].	500	to 2,000	To MT range.	1,000	860
Total				4,250	1,615

[1] Medium range bombers. Other short range aircraft omitted.

Note: Nuclear capable artillery and atomic demolition munitions omitted.

CONSEQUENCES OF NUCLEAR WAR—EUROPEAN THEATER

Let us consider first the consequences to the NATO countries of the detonation of 1,000 Warsaw Pact nuclear weapons over military, industrial, and transport facilities in or near major urban areas, half of these being ground bursts. If these averaged 1 MT each, simple arithmetic, based on the known effects of the blasts, gives us the aggregate consequences. We assume for simplicity that the effects are additive, that is, there is no overlapping of blast or fallout. The results are shown in Table 5.

TABLE 5.—1,000 1-MT WEAPONS

Total destruction, fire and blast	50,000 mi.²
Major destruction, fire and blast	40,000 mi.² (additional).
Damaged, fire and blast	150–250,000 mi.²
Fatalities, direct effects of attack	In excess of 200,000,000.
Fallout, lethal to unprotected persons	300,000 mi.²
Fallout, significant contamination	Several million square miles.

There are about 150 urban centers in western Europe with populations above 200,000 and they contain roughly one third of the region's 350 million persons. Our example attack would include these and other centers with populations to well below 100,000.

The top ten cities in West Germany range from West Berlin (population 1.9 million) to Duisberg (population 0.57 million). The total urban area in these cities is 1250 sq. miles. Their total population of 9.5 million is 15% of that nation's 61 million persons. Twenty five 1 MT weapons will totally destroy these ten cities and nearly all their inhabitants. If half of these were ground burst the resulting fallout would be lethal to unprotected people over some 7500 sq. miles and there would be substantial risk of death or incapacitation over 25,000 sq. miles, or the equivalent of 26% of the 95,815 sq. miles area of the country. This would represent only about one sixth of the total attack on West Germany. About 150 weapons would be targetted on that nation. It would be utterly destroyed.

The top ten cities in the United Kingdom range from London (population 7.03 million) to Bristol (population 0.42 million). They contain 12 million persons, nearly one quarter of the total population, and occupy 1130 sq. miles. Twenty three 1 MT weapons are required to destroy them. Our hypothetical attack sees 140 bombs allocated to the United Kingdom.

The Warsaw Pact nations' nuclear weapons have a wide variety of yields and a major attack would in fact employ a complex mix of bombs drawn both from strategic and tactical arsenals (see Table 4). The relationship between weapon yield and area destroyed by blast, for example, tells us that five 0.1 MT bombs are about equal in respect to total blast effects to a single 1 MT. For the smaller urban targets smaller weapons are relatively much more effective than the larger ones (see Table 2). An attack with a carefully selected mix of weapons and more carefully adjusted targetting could effect the same level of urban destruction as our example 1,000 MT attack, but employing no more than 500 MT total. Less than 1,500 to 2,000 weapons would be required.

The attack we consider, or an equivalent one, is easily within the capacity of the Soviet Union to carry out. It could kill nearly all the persons in the urban centers of western Europe and subject those areas to near total destruction. Indeed one might say the attack runs out of victims and targets. The area of lethal fallout would not be, as a practical matter, large enough to put at risk all of those people outside the centers untouched by the direct effects of the attack but some fraction of them, perhaps as many as ⅓ to ⅔, might be affected, depending on the circumstances of the attack. Given the prevailing winds, western Warsaw Pact nations would very likely be seriously contaminated from radioactivity derived from

their own attack on the NATO nations, in addition to whatever damage was inflicted by NATO weapons. In all of this we have not considered the thousands of smaller, tactical nuclear weapons which might be exploded by the participating nations outside of urban areas in the course of the military operations of the war.

No single nation has ever suffered the intense, pervasive destruction that would be visited on those countries struck in such an attack. With the industrial infrastructure essentially eliminated, perhaps on a continent-wide basis, the urban centers largely gone, with transport, fuel, and key industries wholly disrupted, with much agricultural land contaminated, and with no nearby regions undamaged which could provide aid and help initiate recovery, it seems likely that the survivors would face an appalling, very hopeless, task of reconstruction. Surely the target nations could no longer function as modern industrial states, or even miniature versions of them. With their physical and cultural heritages destroyed, the national identities would be obliterated.

The survivors would include many injured. They would face a ravaged environment. They would have to compete among themselves for the remaining stores of food, fuels, medicines, and other necessities vital to their survival. As these supplies dwindled the plight of the survivors would worsen markedly. They would be in a grim race to reestablish the means of producing the foods and other materials they would need, an adequate industrial capacity along with means of transport, before critical supplies became exhausted.

Carrying out these crucial tasks would be further complicated by the immense psychological trauma visited on the survivors by the unprecedented destruction about them, by the loss of all of the familiar landmarks and easy circumstances of their preconflict life, and by the appalling prospects they would face. The extent to which this might hinder or halt recovery efforts and reduce the survivors to apathetic beings unable to do more than await death is not known with confidence. However, studies of the survivors of Hiroshima and Nagasaki and of other natural or war-induced catastrophes suggest that the trauma would be a very major complicating factor in the recovery.

It is crucially important to recognize that a smaller attack along the general lines we have set forth would still inflict on the struck nations an utterly unprecedented level of destruction. An attack in the range of 2-300 MT could produce well over 100,000,000 casualties, along with extensive long term damage to the regional environment and biota. Such an attack could still result in nearly complete destruction of the important key industrial sectors and the most important of the energy systems and links in the transportation and food sectors on which a successful recovery effort would have to depend.

CONSEQUENCES OF GLOBAL NUCLEAR WAR

There is a not inconsiderable chance that nuclear war in Europe would be accompanied by large scale nuclear conflict between the Soviet Union and the United States of America, perhaps including China. If this were so, wholly new kinds of acute damage could be done to the global environment and to the global biosphere. Following such a general nuclear war there would then arise the strong possibility that mankind, and indeed all life, could no longer continue as it always has. The specific problems of the European survivors would dissolve into the much larger calamity facing everyone.

A general nuclear war could involve the detonation of perhaps 30,000 to 50,000 nuclear bombs with an aggregate of 12,000 to 15,000 MT of nuclear yield. The principal target nations would be obliterated.

The detonations would produce some 75 million tons of nitrogen oxides which, as we have noted, would cause biologically injurious ultraviolet light to reach the ground at hazardous levels, increasing perhaps by factors of 6 to over 100 above normal. Animals and insects could be blinded, burned, or killed and crops and other plants and trees scorched or killed. Marine life would be affected. Lethal levels of sunburn in humans might occur in as short a period as 2 hours, and people could not go into the sun without being swathed and goggled. The damage would involve the entire Northern Hemisphere and to a less but still important extent the Southern one as well. It could persist for years after the attacks.

In addition to intense radioactive fallout over the target nations and some adjacent areas, globally dispersed radioactivity would increase the rates of lethal cancer worldwide.

Both the increased levels of ultraviolet radiation and the radioactivity could cause genetic damage, mutations, and some death in most species of living things. Mutation of some pathogens would possibly lead to novel virulent strains that could cause disease epidemics both of crops and animals on a global scale. Moreover in the target countries where fallout would be most intense, widespread destruction of plant and animal life could lead to major ecological imbalance, because some species are far more radiosensitive than others. The changes would very likely be unfavorable to agriculture and animal husbandry. Many trees and some plants are no more resistant to radiation than humans. Extensive forest kill would, after a year or so, allow widespread forest fires to develop, setting the stage for serious erosion.

Ground-burst nuclear explosions throw great quantities of gravel and debris into the atmosphere, as we noted earlier. In a large nuclear exchange this would involve several cubic miles of material, more than from the world's largest natural explosion, the volcano Krakatoa in 1883.

Some of the material is so fine it would remain in the atmosphere for years. Additional smoke and dust would come from huge fires, some set by the explosions themselves, others in killed forests, which in some periods of the year could encompass hundreds or thousands of square miles. Because these dusts reflect or absorb small amounts of sunlight which would otherwise warm the Earth's surface they can lead to global cooling and to changes in the distribution and amount of rainfall.

The effects of the suspended particulates as well as consequences of ozone depletion might lead to global cooling with an average temperature drop as great as several degrees centigrade, although it might be smaller or even negligible. As a result the possibility of climatic changes of a very dramatic nature can by no means be ruled out. And only one degree of cooling would, according to a National Academy of Sciences report, eliminate wheat growing in Canada. The normal ranges of crops could everywhere be altered and normally consistent weather patterns upset. For example, the monsoon in the Indian subcontinent could be altered, affecting half a billion people. Climatic alteration would directly affect the growing of food in virtually every nation on earth. With the halting of U.S. and Canadian grain exports, two-thirds of the international commerce in these critical foods would disappear, causing widespread famine in both the developing and industrial countries.

All of these consequences of a general nuclear war could thus be the cause of drastic degradation in the global circumstances in which life flourishes. Whether some especially unfortunate combination of biological or physical events would ultimately make human survival impossible is not yet known. The uncertainties are large and present knowledge is inadequate to say. It cannot now be ruled out.

If there were biological survival of the human species, the war would still have seriously prejudiced the prospects for humanity and blighted in the most abrupt and grave manner the hopes of continued betterment for the race. The scars would last for centuries or longer, and perhaps might never be erased.

[From the New York Times, Apr. 28, 1981]

SPECIALISTS ENVISION ATOM WAR IN EUROPE

(By Frank J. Prial)

GRONINGEN, THE NETHERLANDS, April 24.—The threat of a nuclear war has increased dangerously recently, and the site for that war, if it comes, probably will be Europe. This was the major theme that emerged from a two-day conference here on nuclear war.

"There is a growing feeling that we are moving inexorably toward a nuclear war in Europe," said Gene R. LaRocque, a retired American rear admiral and the keynote speaker at the conference. "It seems unfair that nuclear war will be fought over and in the nations which have nothing to say about whether nuclear weapons are to be used."

Admiral LaRocque, who is director of the Center for Defense Information in Washington, a private group, was expressing the sentiments of many of the participants here, particularly the Dutch, who are resisting the emplacement of new NATO missiles on their soil.

The meeting at the University of Groningen, called the Conference on Nuclear War in Europe, comes at a time when the more vigorous military stance in Washington is clashing with the increased reluctance on the part of some European members of the North Atlantic Treaty Organization to participate fully in modernizing the alliance's military strength on the Continent.

WHERE THE ARMIES ARE

The next war, presumably a nuclear war, according to speakers here, is likely to occur in Europe for a variety of reasons, not the least being the fact that Europe is where the armies are. "For 35 years, two enormous armies have stood breathing into each other's faces, as it were," said Michael Harbottle, a retired British Army brigadier. "It is unique in the history of the world."

Even though neither the East nor the West has pursued any new territorial goals in the area for two decades, the confrontation persists and the tension increases, Mr. Harbottle and other military specialists said. "The war could start somewhere in the third world," said one, "but it would soon develop into conflict here in Europe."

The conference is being held under the auspices of the Center for Defense Information, which is basically opposed to the spread of nuclear weapons, and by the university. It is taking place barely a month before Dutch elections that could influence the country's decision to accept or reject the new NATO missiles.

Panel groups explored the ways in which nuclear war could start and how it could be fought. While "conscious decision by a major power" and "escalation of a conventional war" were among the reasons given for an outbreak of nuclear war, so were malfunction of a weapons system, computer error in a firing system, irrational behavior by controllers, possession of nuclear weapons by irresponsible governments and/or terrorists.

As more nuclear weapons are deployed, speakers noted, chances of any of these events causing a war increase also.

MILITARY CALLED DOMINANT IN U.S.

Admiral LaRocque posed another problem. "We are moving away from political solutions," he said. "We are being driven by the military. The military in the United States is the dominant force in our society. We criticize our clergy, our judges, even our wives—but never the Joint Chiefs of Staff."

The military, he asserted, see crises in terms of military solutions, and they are having their way now. "The NATO Nuclear

Planning Group, which has the responsibility for charting the course of NATO nations on matters of nuclear war, has urged the European nations to rapidly acquire more accurate, more destructive nuclear weapons," the admiral said, "but the group offers no supporting evidence that these new weapons will make us more secure, or victory in a nuclear war more likely."

Some analysts said the Western world had been lulled by years of belief in an on-going détente. "The Russians backed down in Cuba in 1961," said one speaker. "They swore then that they would never have to do it again, and I suspect that they do not."

There is a catch phrase in England these days, Brigadier Harbottle said. "We have had 35 years of peace thanks to Polaris," he said. "We will have 30 more thanks to Trident and cruise. It's just not true. Deterrence is only a prophylactic—not a cure. It creates a false sense of security and only encourages the continued arms race."

THE NATIONAL TOURISM POLICY ACT

● Mr. PRESSLER. Mr. President, I view today's action on the National Tourism Policy Act by the House Energy and Commerce Committee with positive feelings.

The proposal of the House Energy and Commerce Committee is certainly an improvement over the course suggested by the Carter administration last year and by the Commerce Department this year. I am pleased that the House agrees with the Senate's position that operation of the Federal Government's tourism effort should not be turned over to the International Trade Administration. I would anticipate general agreement on the notion that even a renamed U.S. Travel Service is better than a program controlled by those Federal officials charged with promoting the export of manufactured goods.

With today's action the way has been cleared to finish the job started by the Senate in January. I look forward to beginning discussions with my colleagues in the House on a final version of this legislation. I am confident we can build a solid package which will improve the status and treatment of travel and tourism within the Federal Establishment.●

PROGRAM

Mr. TOWER. Mr. President, under the order previously entered, the Senate comes in at 9:30. Is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. TOWER. Are there any special orders?

The PRESIDING OFFICER. There are no special orders.

Mr. TOWER. At what time do we proceed to the consideration of S. 815?

The PRESIDING OFFICER. At 9:45 a.m.

Mr. TOWER. And then the amendment of the Senator from Michigan (Mr. LEVIN) will be in the pending business?

The PRESIDING OFFICER. The Senator is correct.

Mr. TOWER. I thank the Chair.

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.

RECESS UNTIL 9:30 A.M. TOMORROW

Mr. BAKER. Mr. President, I know of no further business to come before the Senate on this side. I ask the distinguished minority leader if he knows of anything.

Mr. ROBERT C. BYRD. Mr. President, the distinguished majority leader is most gentlemanly to ask. I know of nothing.

Mr. BAKER. Mr. President, in that event, I move, in accordance with the previous order, that the Senate stand in recess until the hour of 9:30 a.m. tomorrow.

The motion was agreed to and, at 9:32 p.m., the Senate recessed until tomorrow, Wednesday, May 13, 1981, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate May 12, 1981:

DEPARTMENT OF STATE

Thomas O. Enders, of Connecticut, a Foreign Service officer of the class of Career Minister, to be an Assistant Secretary of State, vice William Garton Bowdler, resigned.

Daniel J. Terra, of Illinois, to be Ambassador at Large for Cultural Affairs.

ACTION AGENCY

Lawrence F. Devenport, of California, to be an Associate Director of the ACTION Agency, vice John Robert Lewis, resigned.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Fred Joseph Villella, of California, to be an Associate Director of the Federal Emergency Management Agency, vice Frank A. Camm, resigned.

SMALL BUSINESS ADMINISTRATION

Paul Robert Boucher, of Virginia, to be Inspector General, Small Business Administration (reappointment).

FEDERAL PROCUREMENT POLICY

Donald E. Sowle, of Virginia, to be Administrator for Federal Procurement Policy, vice Karen Hastie Williams, resigned.

DEPARTMENT OF DEFENSE

Tidal W. McCoy, of Virginia, to be an Assistant Secretary of the Air Force, vice Joseph Charles Zengerle III, resigned.

DEPARTMENT OF ENERGY

Shelby Templeton Brewer, of Maryland, to be an Assistant Secretary of Energy (Nuclear Energy), vice George W. Cunningham, resigned.

FEDERAL ENERGY REGULATORY COMMISSION

Charles M. Butler III, of Maryland, to be a Member of the Federal Energy Regulatory Commission for the remainder of the term expiring October 20, 1983, vice Charles B. Curtis, resigned.

COMMODITY FUTURES TRADING COMMISSION

Philip F. Johnson, of Illinois, to be a Commissioner of the Commodity Futures Trading Commission for the term expiring April 13, 1984, vice Gary Leonard Seevers, resigned.

Philip F. Johnson, of Illinois, to be chairman of the Commodity Futures Trading Commission, vice James M. Stone, resigned.

FEDERAL COMMUNICATIONS COMMISSION

Mary Ann Weyforth Dawson, of the District of Columbia, to be a Member of the Federal Communications Commission for a term of 7 years from July 1, 1981, vice Robert E. Lee, resigned.

CONFIRMATION

Executive nomination confirmed by the Senate May 12, 1981:

GENERAL SERVICES ADMINISTRATION

Gerald P. Carmen, of New Hampshire, to be Administrator of General Services, vice Rowland G. Freeman III, resigned.

The above nomination was approved subjection to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

WITHDRAWAL

Executive nomination withdrawn from the Senate May 1, 1981:

FEDERAL EMERGENCY MANAGEMENT AGENCY

The withdrawal of the nomination of Fred Joseph Villella, of California, to be Deputy Director of the Federal Emergency Management Agency (new position), which was sent to the Senate on May 1, 1981.