HOUSE OF REPRESENTATIVES—*Tuesday, June 29, 1982*

The House met at 12 o'clock noon and was called to order by the Speaker pro tempore (Mr. ALEXANDER).

DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, D.C.,
June 25, 1982.

I hereby designate the Honorable BILL ALEXANDER to act as Speaker pro tempore on Tuesday, June 29, 1982.

THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives.

PRAYER

The Reverend Duane H. Carlson, St. Mark's Lutheran Church, Springfield, Va., offered the following prayer:

Almighty God, bless our land with honest industry, truthful education, and honorable way of life. Save us from violence, discord, and confusion; from pride and arrogance. Defend our liberties and give those whom we have entrusted with the authority of Government the spirit of wisdom that there might be justice and peace in our land. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate had passed a bill and a joint resolution of the following titles, in which the concurrence of the House is requested:

S. 2336. An act to authorize appropriations for fiscal year 1983 for certain maritime programs of the Department of Transportation, and for other purposes; and

S.J. Res. 193. Joint resolution designating the week of November 7 through November 13, 1982, as "National Respiratory Therapy Week."

ELECTION OF HON. WILLIAM NATCHER AS SPEAKER PRO TEMPORE DURING THE ABSENCE OF THE SPEAKER

Mr. BOWEN. Mr. Speaker, I offer a privileged resolution (H. Res. 517) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 517

Resolved, That Honorable William H. Natcher, a Representative from the State of Kentucky, be, and he is hereby, elected Speaker pro tempore during any absence of the Speaker, such authority to continue not later than July 2, 1982.

Resolved, That the President and the Senate be notified by the Clerk of the election of the Honorable William H. Natcher as Speaker pro tempore during the absence of the Speaker.

The resolution was agreed to.

A motion to reconsider was laid on the table.

SWEARING IN OF HON. WILLIAM H. NATCHER AS SPEAKER PRO TEMPORE DURING THE ABSENCE OF THE SPEAKER

The SPEAKER pro tempore (Mr. ALEXANDER). Will the gentleman from Kentucky (Mr. NATCHER) proceed to take the chair?

Mr. NATCHER assumed the chair and took the oath of office administered to him by the gentleman from Arkansas (Mr. ALEXANDER).

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. KILDEE) to revise and extend their remarks and include extraneous material:)

Mr. GONZALEZ, for 15 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. COELHO, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. WOLF) and to include extraneous matter:)

Mr. BAILEY of Missouri.

Mr. CONTE.

(The following Members (at the request of Mr. KILDEE) and to include extraneous matter:)

Mr. EDWARDS of California.

Mr. SUNIA.

Mr. BINGHAM.

Mr. ROSTENKOWSKI.

Mr. SWIFT.

SENATE JOINT RESOLUTION REFERRED

A joint resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S.J. Res. 193. Joint resolution designating the week of November 7 through November 13, 1982, as "National Respiratory Therapy Week"; to the Committee on Post Office and Civil Service.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

Mr. HAWKINS, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills and a joint resolution of the House of the following titles, which were thereupon signed by the Speaker pro tempore:

H.R. 4569. An act to designate the U.S. Post Office Building in Hartford, Conn., as the "William R. Cotter Federal Building";

H.R. 4903. An act granting the consent of the Congress to an interstate compact between the States of Mississippi and Louisiana establishing a commission to study the feasibility of rapid rail transit service between the two States; and

H.J. Res. 518. Joint resolution to designate the week commencing with the fourth Monday in June 1982 as "National NCO/Petty Officer Week."

BILLS AND JOINT RESOLUTIONS PRESENTED TO THE PRESIDENT

Mr. HAWKINS, from the committee on House Administration, reported that that committee did on June 25, 1982, present to the President, for his approval, bills and joint resolutions of the House of the following titles:

H.J. Res. 519. An act to provide for a temporary increase in the public debt limit;

H.R. 3863. An act to amend the Poultry Products Inspection Act to increase the number of turkeys which may be slaughtered and processed without inspection under such act, and for other purposes;

H.R. 1482. An act for the relief of Christina Boltz Sidders;

H.R. 3112. An act to amend the Voting Rights Act of 1965 to extend the effect of certain provisions, and for other purposes;

H.J. Res. 230. An act imploring the Union of Soviet Socialist Republics to allow Dr. Semyon Gluzman and his family to emigrate to Israel;

H.R. 6682. An act making urgent supplemental appropriations for the fiscal year ending September 30, 1982, and for other purposes; and

H.R. 6631. An act to authorize humanitarian assistance for the people of Lebanon.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

ADJOURNMENT

Mr. KILDEE. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 6 minutes p.m.), the House adjourned until tomorrow, Wednesday, June 30, 1982, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

4246. A letter from the Acting Assistant Secretary of the Army (Installations, Logistics and Financial Management), transmitting notice of the decision to convert to contractor performance the guard services at Fort Benning, Ga., pursuant to section 502(b) of Public Law 96-342; to the Committee on Armed Services.

4247. A letter from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting notice of the proposed conversion to contractor performance of the data transcription/data entry function at the Naval Shipyard, Charleston, S.C., pursuant to section 502(b) of Public Law 93-342; to the Committee on Armed Services.

4248. A letter from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting notice of the proposed conversion of the custodial function at the Public Works Center, San Diego, Calif., to a commercial contractor, pursuant to section 502(b) of Public Law 96-342; to the Committee on Armed Services.

4249. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-206, "Redevelopment Land Agency Disposition Review Act of 1982," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

4250. A letter from the Assistant Attorney General, Antitrust Division, Department of Justice, transmitting the 10th report of the Attorney General on the voluntary agreement and plan of action to implement the international energy program, pursuant to section 202(i) of the Energy Policy and Conservation Act; to the Committee on Energy and Commerce.

4251. A letter from the Secretary of Commerce, transmitting notice of various additional foreign policy controls being placed on exports to Libya, pursuant to section 6(e) of the Export Administration Act; to the Committee on Foreign Affairs.

4252. A letter from the Attorney-Advisor for Treaty Affairs, Department of State, transmitting copies of international agreements, other than treaties, entered into by the United States, pursuant to 1 U.S.C. 112b(a); to the Committee on Foreign Affairs.

4253. A letter from the Administrator, General Services Administration, transmitting the third and final report, covering fiscal year 1981, on the general causes and purposes of travel in agencies spending more than $5 million annually on the transportation of people, certain cost data, and inefficient travel practices, pursuant to section 3 of Public Law 96-346; to the Committee on Government Operations.

4254. A letter from the Chairman, Merit Systems Protection Board, transmitting the 1981 annual report on the Board's activities under the Government in Sunshine Act, pursuant to 5 U.S.C. 552b(j); to the Committee on Government Operations.

4255. A letter from the Director of Congressional and Public Affairs, Federal Energy Regulatory Commission, transmitting a report of the Commission's activities under the Government in Sunshine Act during the calendar year 1981, pursuant to 5 U.S.C. 552b(j); to the Committee on Government Operations.

4256. A letter from the Comptroller General of the United States, transmitting, the audit of report of the U.S. Army nonappropriated fund employee retirement plan for fiscal year 1980; to the Committee on Government Operations.

4257. A letter from the Secretary of the Interior, transmitting the annual report for fiscal year 1981 on the activities of the Guam development fund, pursuant to section 6 of Public Law 90-601; to the Committee on Interior and Insular Affairs.

4258. A letter from the Special Prosecutor, Department of Justice, transmitting a report on the prosecutor's investigation of the allegations made against Secretary of Labor Raymond J. Donovan, pursuant to 28 U.S.C. 595(a); to the Committee on the Judiciary.

4259. A letter from the Secretary of the Interior, transmitting a report on the Department's activities under the Government in Sunshine Act, pursuant to 5 U.S.C. 552b(j); to the Committee on Post Office and Civil Service.

4260. A letter from the Fiscal Assistant Secretary, Department of the Treasury, transmitting the first annual report on the financial condition and results of the operations of the Inland Waterways Trust Fund, pursuant to section 203(c) of Public Law 95-502; to the Committee on Ways and Means.

4261: A letter from the Secretary of Health and Human Services, transmitting annual reports covering fiscal year 1981 on actions taken to recruit and train Indians to qualify for positions subject to preference under Indian preference laws, and on actions taken by non-Indian employees of the Indian Health Service in other Federal positions, pursuant to section 2 (d) and (e)(2), respectively, of Public Law 96-135; jointly, to the Committees, on Interior and Insular Affairs and Post Office and Civil Service.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII,

Mr. VOLKMER introduced a bill (H.R. 6726) to establish the plea of guilty but insane; which was referred to the Committee on the Judiciary.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

424. By the SPEAKER: Memorial of the Legislature of the State of New York, relative to the chairman of the Private Sector Survey on Cost Control; to the Committee on Interior and Insular Affairs.

425. Also, memorial of the Legislature of the State of South Carolina, relative to House Resolution 367; to the Committee on Post Office and Civil Service.

426. Also, memorial of the Senate Legislature of the State of Michigan, relative to imposing iron ore and copper import limitations; to the Committee on Ways and Means.

427. Also, memorial of the Legislature of the State of California, relative to marital property; jointly, to the Committees on Armed Services, Post Office and Civil Service, and Ways and Means.

428. Also, memorial of the Legislature of the State of California, relative to the cleanup of Three Mile Island; jointly, to the Committees on Energy and Commerce and Interior and Insular Affairs.

429. Also, memorial of the Senate Legislature of the State of Michigan, relative to the fuel import limitation provision contained in the Nuclear Regulatory Commission authorization bill, H.R. 2330; jointly, to the Committees on Energy and Commerce and Interior and Insular Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII,

Mr. McCLORY introduced a bill (H.R. 6727) for the relief of Shu-Ah-tsai Wei, her husband, Yen Wei, and their sons, Teh-fu Wei and Teh-huei Wei; which was referred to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 6073: Mr. RAILSBACK.

H.R. 6347: Mr. ZABLOCKI, Mrs. KENNELLY, Mr. EDGAR, Mr. HERTEL, and Mr. DOUGHERTY.

PETITIONS, ETC.

Under clause 1 of rule XXII,

503. The SPEAKER presented a petition of the Pima County Board of Supervisors, Tucson, Ariz., relative to the Southern Arizona Water Rights Settlement Act; which was referred to the Committee on Interior and Insular Affairs.

SENATE—*Tuesday, June 29, 1982*

(Legislative day of Tuesday, June 8, 1982)

The Senate met at 11 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

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

Let us pray.

Our Father who art in Heaven, we worry so much and pray so little. Someone has said facetiously, "Why pray when you can worry?" But in our hearts we know that is not funny. The Bible is filled with encouragement to pray: Abraham, Moses, Joshua, Gideon, and David prayed. The prophets of Israel prayed. Jesus prayed often and taught his disciples to pray. Forgive us Lord for our prayerlessness, which really indicates that we take neither Thee nor the Bible seriously.

We are reminded by the practical and pragmatic Apostle, James, "You have not because you ask not." Help us, Lord, to realize the terrible poverty we impose upon ourselves by failing to pray. Help us to understand that nothing in our lives is too small or unimportant to Thee, that the God who "knows when a sparrow falls" knows all about each of us. Help us to acknowledge our need of Thee, dear Lord. Teach us to pray. In Jesus' name. Amen

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

Mr. BAKER. I thank the Chair.

THE JOURNAL

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

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

REMEMBERING

Mr. BAKER. Mr. President, weeks will turn into months, and months will turn into years, but one never forgets another. This week's poem, "Remembering," is by Rainer Maria Rilke, and was translated by Richard S. Jones. I ask unanimous consent that the poem be printed in the CONGRESSIONAL RECORD.

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

REMEMBERING

And you wait, expecting the one
who can make your life infinite, grow—;
the mighty, the uncommon,
the awakening of stone,
the depths to be fathomed below.

Now dusk descends on the bookcase,
on the volumes in brown and gold;
you remember the lands you have travelled through,
the pictures, the garments of women
that were lost a long time ago.

And you suddenly know: I was here!
You jump up and before you stands clear—
the anguish, the form, and the prayer
of a lost and irrevocable year.

—By Rainer Maria Rilke.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I believe there is a messenger at the door seeking admission with a message from the House of Representatives. I yield for that purpose.

MESSAGE FROM THE HOUSE

At 11:02 a.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House has passed the following bill and joint resolution in which it requests the concurrence of the Senate:

H.R. 6685. An act making urgent supplemental appropriations for the fiscal year ending September 30, 1982, and for other purposes; and

H.J Res. 526. Joint resolution authorizing and requesting the President to issue a proclamation designating the week of August 1, 1982, through August 7, 1982, as "National Purple Heart Week".

THE SENATE SCHEDULE

Mr. BAKER. Mr. President, I might say for the benefit of Senators that there is quite a schedule of business that must be transacted by the Senate before we adopt an adjournment resolution and go out for the Fourth of July recess at the end of this week.

To begin with, the message just received from the House of Representatives is the supplemental appropriations bill. I hope to have something further to say about that measure in the next little while. But Senators should be on notice that it is the intention of the leadership to proceed to the consideration of the supplemental appropriations bill some time today.

Mr. President, in addition to that, there are a number of other items that it is hoped can be reached beginning today:

The reclamation bill, the flexitime bill, together with two House messages which are here, one on S. 881, dealing with a small business matter, and H.R. 3816, the House message on fisheries.

In addition, it is hoped that a time agreement can be reached on military construction, S. 2586, perhaps for consideration on tomorrow, Wednesday, and the Bankruptcy Reform Act, S. 2000, on which it is also hoped that a time limitation can be reached.

There are a number of other matters, for instance, the Bahai community resolution, Senate Concurrent Resolution 73, which it is anticipated will not take more than a few moments and which will probably be taken up, schedule permitting, some time between 12 and 2 p.m. on tomorrow; an intelligence bill, S. 2487, which I wish to take up on Wednesday, June 30, which also should not take more than 10 minutes or thereabouts and which might be taken up shortly before noon on Wednesday, June 30; a shipping act, S. 1593, on which it is hoped that we can gain a time agreement and it is anticipated that the consideration of that measure should take less than an hour and if we can get that time agreement we will take it up some time Wednesday afternoon.

On Thursday there are other matters, including the crime package which has been reported by the Judiciary Committee and perhaps other measures that I have not yet mentioned.

Mr. President, clearly the most important item to deal with is the supplemental appropriations bill which is now before the Senate once more in the form of a bill from the House of Representatives just received, and I repeat I will have a further announcement to make on how we will proceed and at what point a little later, but it is anticipated that we will turn to that measure reasonably soon and in any event during the day today.

Mr. President, I will begin once again to negotiate with Senators on the reclamation bill. It is my hope that we can lay it before the Senate some time today.

There is another matter that may be dealt with under a time agreement and that is the flexitime bill, but I will reserve judgment on when we find time for that measure.

At the moment Senators should be on notice that after the expiration of time for the two leaders under the standing order and a brief period for

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

the transaction of routine morning business, which I will provide, I will try to go to the reclamation bill and find time during the day today to go to flexitime if possible.

ORDER RESERVING LEADERSHIP TIME

Mr. BAKER. Mr. President, I ask unanimous consent that the time remaining to the two leaders under the standing order be reserved for their use at any time during this calendar day.

The PRESIDING OFFICER (Mr. COCHRAN). Without objection, it is so ordered.

ORDER FOR PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there be a brief period for the transaction of routine morning business now to extend not past the hour of 12 noon in which Senators may speak for not more than 5 minutes each.

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

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. There is now a period for the transaction of routine morning business.

The Senator from South Carolina is recognized.

REPORT OF THE SPECIAL PROSECUTOR IN THE MATTER OF RAYMOND J. DONOVAN

Mr. THURMOND. Mr. President, I rise today to comment briefly on the report of the Special Prosecutor concerning the various allegations of wrongdoing which have been leveled against Secretary of Labor Raymond J. Donovan.

After an exhaustive investigation, spanning almost 6 months, the Special Prosecutor, Leon Silverman, released the report of his findings in this matter yesterday. This report, covering more than 700 pages not including appendices, concludes that "there was insufficient credible evidence to warrant a prosecution of Secreatary Donovan on any charge." The report goes on to note that the grand jury, which had heard the vast bulk of the testimony and other evidence presented in support of the allegations, declined to indict the Secretary on any of the charges it considered.

I have not yet had sufficient opportunity to study the report in detail, and it is my intention to review it carefully. It is apparent, however, that Special Prosecutor Silverman has been especially diligent in the discharge of his duties, and I believe he should be commended on the manner in which he and his assistants conducted this investigation. From a quick review of his report, I was impressed that no allegation of impropriety appeared to have escaped his scrutiny, and that all were thoroughly investigated.

In light of this, I am pleased by his findings and particularly his conclusion that no prosecution is warranted or could successfully be maintained against Secretary Donovan under the evidence presented. With the submission of this report, I would hope that the long ordeal of personal tribulation Mr. Donovan has suffered will be at an end. At the very least, the report suggests that it is time for those in Congress and the media who have led the vehement attack on the Secretary to discontinue their agitation on this matter.

Mr. President, I ask unanimous consent that the general summary of the results of the investigation by the Special Prosecutor be printed in the RECORD immediately following my remarks.

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

PART TWO: RESULTS OF INVESTIGATION

GENERAL SUMMARY

In accordance with the December 29 Order, the Special Prosecutor's investigation (the "investigation") initially focused on the Prudenti's allegation. Exhaustive efforts were undertaken in the search for any corroboration, testimonial or documentary, for the assertion of the source of the allegation, Mario Montuoro. As Section IV of this Report reflects, no such corroboration was forthcoming from any source. It is the conclusion of the Special Prosecutor that there is insufficient credible evidence upon which to base a prosecution of Secretary Donovan with respect to the Prudenti's allegation. The grand jury so concluded on June 8, 1982, when it unanimously returned a no true bill with respect to that allegation.

In addition to the Prudenti's allegation, other allegations were presented by Montuoro and others. Pursuant to decretal paragraph 3 of the December 29 Order, the Special Prosecutor investigated all such allegations. Each of the additional allegations made by Montuoro, however, related to alleged wrongdoing which, Montuoro acknowledged, did not necessarily involve Secretary Donovan. Montuoro presented no facts implicating the Secretary. The Special Prosecutor's investigation of those additional Montuoro allegations led to the conclusion that there was no evidence linking Secretary Donovan to any of the alleged wrongdoing. The grand jury declined on June 18, 1982, to indict the Secretary for any offense with respect to his testimony before the grand jury concerning the additional Montuoro allegations.

However, the investigation revealed evidence corroborating one of the Montuoro allegations—that there were so-called "no-show" employees on one of Schiavone Construction Company's New York City construction projects. Moreover, in the view of the Special Prosecutor, there is evidence that perjury was committed before the Special Prosecutor's grand jury with respect to the no-show allegation. However, because that perjury was not committed by Secretary Donovan, and because it did not involve or implicate the Secretary or any other person covered by the Ethics in Government Act, the Special Prosecutor determined to refer that matter to the Department of Justice for further action.

Aside from Montuoro, a number of other sources, many of them anonymous, alleged that Secretary Donovan was in one fashion or another connected to reputed organized crime figures. More than two dozen organized crime ties were alleged, many of them by more than one source. Extensive investigation produced insufficient credible evidence upon which to base any prosecution that the Secretary was untruthful in his denials, either before the Senate Labor Committee or the grand jury, of any and all such associations. The Special Prosecutor concluded that, despite the disturbing number of such allegations, a prosecution would not be warranted. On June 18 and 22, 1982, the grand jury unanimously returned a no true bill with respect to all organized crime allegations put before it.

Shortly after the Special Prosecutor's appointment, there surfaced in the media an allegation that Secretary Donovan had in 1978 made an illegal payoff to a union leader in connection with the Trib, a short-lived New York City newspaper. Some months later, an anonymous source made a similar allegation. The Special Prosecutor's investigation disclosed that the anonymous source's charge was unsupported. The investigation also produced no evidence that any illegal payoff had in fact been made. In the absence of sufficient credible evidence that Secretary Donovan testified falsely before the grand jury concerning the Trib, the Special Prosecutor concluded that no prosecution was warranted. The grand jury unanimously voted not to indict the Secretary with respect to that allegation on June 18, 1982.

As a result of information that came to the Special Prosecutor during the investigation, the Special Prosecutor also investigated to determine whether Secretary Donovan had committed any violations of the Federal Elections Campaign Act of 1971 in connection with the Secretary's campaign efforts on behalf of Ronald Reagan during the Presidential campaign of 1979-1980. A detailed investigation into the Secretary's, and Schiavone Construction Company's, campaign activities produced no evidence of violations sufficient under the established guidelines of the Department of Justice to warrant the recommendation of a criminal prosecution. In conformance with DOJ policy, the matter is being referred to the Federal Election Commission to determine whether any action within its jurisdiction is appropriate.

Three other allegations of Taft-Hartley Act violations were also investigated by the Special Prosecutor. In two of the three cases, there was no evidence that any such violation had occurred. The third case did not involve the payment of money to any union officials but, rather, the entertainment of union officials at Fiddler's Elbow Country Club, a Schiavone Construction Company subsidiary. Although an arguable, technical violation may have been committed, the Special Prosecutor determined that no prosecution was appropriate under settled Department of Justice prosecutive guidelines.

The Special Prosecutor also investigated an allegation that the Secretary was involved in certain improprieties on New Jersey Turnpike Authority projects. The al-

legation included a charge that Mr. Donovan received inside information from the Turnpike Authority's Executive Director. The investigation revealed no evidence of any bid-rigging, provision or receipt of inside information or any other wrongdoing on the part of Secretary Donovan, and the Special Prosecutor determined that no prosecution was warranted. On June 18, 1982, the grand jury voted unanimously not to indict Secretary Donovan on that charge.

In sum there was insufficient credible evidence to warrant a prosecution of Secretary Donovan on any charge. The grand jury declined to indict the Secretary with respect to every allegation it considered. The Special Prosecutor concludes that no prosecution of the Secretary, on any of the allegations investigated, is warranted or could successfully be maintained.

CRIME CONTROL ACT OF 1982

Mr. CHILES. Mr. President, for over a month now, I have come to the floor of the Senate every day to speak out on crime, and on the need for the Senate to act promptly on anticrime legislation. We need to act soon in order to put the weight of the Federal Government behind efforts to stop the flow of drugs into the United States, and to make our communities safe once again. We have the opportunity to act on either one of two crime-fighting bills which are on the Senate Calendar. The first one, S. 2543, is a bill that Senator NUNN and I introduced back on May 19. The second one, S. 2572, is a bill that Senator THURMOND and Senator BIDEN, the chairman and ranking minority member of the Senate Judiciary Committee, introduced just before Memorial Day. Each one of these bills has broad support. S. 2543 has 17 additional cosponsors, and S. 2572 has over 50 cosponsors, including Senator NUNN and myself. The support for both of these measures indicates that there is a consensus in the Senate for action on crime-fighting bills. We have the opportunity make the promise of anticrime legislation a reality if we move quickly to pass these proposals.

One essential step that we must take if we are to fight crime effectively is to do something about the traffic in illegal drugs. We have come to see the link between drugs and crime, especially violent crime, and to understand that fighting crime means stopping the illegal drug traffic. It is no secret that my home State of Florida has become the gateway for an invasion of foreign drugs, and that Miami has become an international center for narcotics financing. But what may be less well known is that my home State of Florida has also become a center for domestically grown marihuana, and the size and scope of Florida's domestic marihuana industry is staggering. Mr. President, I am not talking about the college student who grows a marihuana plant in his backyard. I am talking about large-scale, well-organized growing operations which produce multi-million-dollar crops every year.

The bulk of this year's domestic marihuana crop is already in the ground in Florida, with harvest expected sometime later this summer. According to estimates made by law enforcement officials, this year's crop could yield as much as $400 million worth of marihuana. This figure, if accurate, would make marihuana cultivation Florida's second largest agricultural industry, behind only the citrus crop. The area around Gainesville seems to be the center of the illegal marihuana growing industry. One Gainesville attorney, a man who was formerly a narcotics agent with the local police force, estimates that there are 50 to 60 major growers within an easy drive of Gainesville, in rural areas in Dixie, Levy and Gilcrest Counties. The size of these operations can be understood by the fact that in one bust this year, 1,400 plants, with a value of a quarter million dollars, were seized. All of the marihuana is high potency quality that sells for upwards of $100 an ounce, and it is carefully cultivated and guarded. In Florida last year, more than 51,000 marihuana plants were seized, with a value placed at $43 million, in law enforcement operations. Those operations resulted in the discovery of 155 marihuana fields and the arrest of 68 persons. Yet, despite this record, Florida law enforcement officials feel that they are only scratching the surface. According to Jim Sewell of Florida's Department of Law Enforcement, "we probably, if we were lucky, got 10 percent of the plants. I think that is indicative that we are talking about the tip of the iceberg."

Mr. President, I believe that we in the Senate can do something to stop this drug trafficking situation, and eliminate the cultivation of marihuana. Last year, the Senate passed a bill that removed the restriction which prevented the United States from using foreign assistance funds for crop eradication programs overseas. The State of Florida is now considering using crop eradication programs to wipe out domestically grown marihuana, a move which I fully support. However, we cannot and should not expect one State, acting by itself, to be able to curb the illegal cultivation of marihuana. The Federal Government must get involved as well. As far as I am concerned, one major reason for the growth in the domestic drug cultivation is the fact that the Federal Government has shown little inclination to get involved in the war against drug trafficking. Federal penalties for large-scale marihuana trafficking were no more than a slap on the hand until 2 years ago, when they were tripled. And today, the Federal penalty for smuggling marihuana is only 5 years. Moreover, drug arrests all too frequently result in the capture of the middleman, and not of the money men who are at the top of the operation. That has certainly been the case for marihuana growing arrests in Florida, according to State law enforcement officials. Our lack of action has created an atmosphere in which people believe that they can get away with drug trafficking:

> The Federal Government is not involved, and even if you are caught and convicted, you end up serving only a short time in jail.

We can change that attitude, Mr. President, but only if we are willing to pass these anticrime proposals. By doing that, we can increase penalties for drug smugglers, and we can use improved forfeiture provisions to seize the assets of persons arrested on drug charges, thereby immobilizing drug trafficking rings. Most importantly, we can set an example for our State legislatures, and send a message to the American people that Congress is committed to fighting illegal drug trafficking. We can do all of this, Mr. President, but only if we act promptly. There are as few as 45 days left in this session of Congress, however, and unless we move quickly we will lose the opportunity and the momentum. Drug trafficking, and the crime that it creates, is a problem we can do something about. But unless we act promptly, we will lose this opportunity.

Mr. President, I understand the distinguished majority leader mentioned on the floor in his time this morning the possibility of scheduling the omnibus crime bill on Thursday and seeing about the possibility of working out a time agreement. I want to say that that is certainly good news to the Senator from Florida and I know it will be to the Senator from Georgia as well. It is something that we have been urging over these last 4 weeks and now beginning the fifth week.

I think nothing would be better than if we could take up this package before we adjourn for the July recess. So I congratulate the majority leader and urge him to continue his move in this regard. I hope that we will be able to see this legislation scheduled this week.

TITLE II—BAIL REFORM

● Mr. NUNN. Mr. President, on June 16, 1982, a 24-year-old Washington, D.C., area man was arrested on charges of selling heroin after an incident in which he allegedly used a 3-year-old girl to hold his drugs.

According to police, Michael Eugene Harley was arrested in Southeast Washington following a drug transaction with an undercover agent. Police said the child was outside an apartment building when the agent approached. Police said the transaction concluded when Harley allegedly re-

trieved a quantity of heroin from the child's pants pocket.

Police said tests showed the child had more than $400 in heroin in her pocket at the time of the arrest.

Authorities reported that the suspect, Michael Eugene Harley, allegedly had been involved in other criminal violations. At the time of this offense, Harley was on bail in connection with a second degree murder charge and a narcotics charge.

The Harley case demonstrates the need for legislation to effect bail reform in our criminal justice system. Under the present bail system, it is too easy for violators to gain freedom while their cases progress. All too often suspects are released from custody and allowed to engage in criminal pursuits. Too frequently these suspects on bail constitute a danger to their communities.

The eighth amendment to the Constitution forbids the imposition of excessive bail. Conversely, the Constitution makes no explicit reference to a "right to bail."

There is no absolute entitlement to freedom from incarceration pending trial. But there is an overriding limitation of conditions deemed necessary to insure a defendant's appearance for trial and sentencing.

Over the years, the practice of imposing money bail developed. This practice became established firmly in legal tradition. The theory was that a financial deterrent to flight would assure the defendant's presence in judicial proceedings.

But the law does not take into account the possibility—or, indeed, the likelihood—that the defendant on bail might be associated with another alleged violation. Accordingly, there is no provision specifically authorizing denial bail for noncapital offenses. Nor is there a provision which specifically authorizes "danger to the community" as a consideration in the determination of whether or not a suspect should be released on bail.

In certain instances, the only effective method of insuring that the community's safety be protected is no bail. Title II of the Crime Control Act of 1982, which Senator CHILES and I introduced, recognizes that fact by providing for the denial of bail in cases in which, in the judgment of the court, the defendant is likely to engage in criminal behavior.

The American criminal justice system is based on the premise that a suspect is innocent until proven guilty. I support that premise. However, we must also take into account the rights of the community. Society has a right to expect that law enforcement will detain persons suspected of wrongdoing, and that they will be set free only when there is a reasonable assurance that they will not be involved in future crimes. The principle of bail must be maintained. That is why it is important that we take steps to assure this principle is not violated. There should be limits on bail. Our courts should have the right—they should be obliged—to deny bail to persons who are deemed to pose a threat to the community. Commonsense dictates that the bail reform provisions of title II of the Crime Control Act of 1982 be passed into law.●

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

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

HIGHER INTEREST RATES POSSIBLE BECAUSE OF SOARING DEFICITS

Mr. PROXMIRE. Mr. President, all of us are aware that one of the most serious problems that confronts our economy is high interest rates. If ever we have had a recession caused by one factor, it is this one, and that one factor is high interest rates. In spite of the fact that we have a big need for housing, automobiles, and many other things, people simply cannot put it together because you cannot buy a house with the cash which most people have in their hands and with the income they receive. They have to finance it on credit. They cannot get the credit because interest rates are too high to make it possible.

The same thing is true of automobiles as it is for homes and many other areas.

On Sunday, the New York Times published an article entitled "The Coming Flood of Treasury Debt." That is one of the most alarming articles I have read in a long time, because our capital markets centered in Wall Street are the best in the world and the most sensitive, and also I think often the most thoughtful and intelligent in response to Government policies.

This article in the New York Times reports:

And Wall Street is bracing for even tougher times ahead. Come July, the onslaught begins when the United States Government starts to flood the market with record new borrowings, prompted in large measure by the need to finance the growing Federal deficits. The Treasury says it plans $15.5 billion in new borrowings during the July-September quarter and declines to project further. But on Wall Street, it is taken for granted that there will be more—much more. By conservative estimates, Uncle Sam will be borrowing some $60 billion before the year is out, and some estimates run to $100 billion or more.

Borrowings of that magnitude would be the largest money-raising the Federal Government has ever attempted in a six-month period, and Wall Street sees this coming tide as the wave that almost certainly will keep interest rates at their present painful levels, if not push them even higher.

No less an oracle than Henry Kaufman, the Salomon Brothers' economist who has sent the credit markets into a skid on the strength of his dire interest rate predictions, frets that the huge Government borrowing will push rates up to the highs of last year, when 30-year Government bonds reached nearly 16 percent and AAA corporate utility bonds changed hands at 18 percent. Today, those same Government bonds are trading near 15 percent, and corporates are around 16.5 percent.

Such awesome Federal borrowings cannot help but keep interest rates at sky-high levels and further damage the economy. Henry Kaufman is quoted as saying, "The financial markets will make room for the large volume of Government financing at the expense of draining the vitality from the economy." Some Wall Streeters are even discussing the possibility of a financial crisis.

Mr. President, less than a week has passed since Congress agreed to the first budget resolution, which was supposed to have convinced the Nation's money markets that Congress was serious about controlling the deficit. But those markets are plainly more impressed by the impending flood of debt than they are by paper cuts in the budget 2 or 3 years from now. The first budget resolution has not done the job. Interest rates will remain high as will unemployment. Congress must do more to reduce Federal spending and borrowing.

Mr. President, I ask unanimous consent that the New York Times article be printed in the RECORD.

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

THE COMING FLOOD OF TREASURY DEBT

(By Leslie Wayne)

These past weeks have rattled the nation's credit markets, where the United States Government and American industry turn for money. Bond prices have skidded to yearly lows, and interest rates remain stubbornly high. The number of bids at the most recent Treasury auction shrank by a fourth, a disquieting sign of things out of joint. High interest rates have long since driven corporate borrowers from the long-term bond market, and the highly publicized collapse of Drysdale Government Securities, a small, over-ambitious player in Government bonds, has caused nervous investors to become even more skittish.

And Wall Street is bracing for even tougher times ahead. Come July, the onslaught begins when the United States Government starts to flood the market with record new borrowings, prompted in large measure by the need to finance the growing Federal deficits. The Treasury says it plans $15.5 billion in new borrowings during the July-September quarter and declines to project further. But on Wall Street, it is taken for granted that there will be more—much more. By conservative estimates, Uncle Sam will be borrowing some $60 billion before

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"In the financial markets," Mr. Kaufman said in a recent speech, "it's become a matter of how high interest rates will then be driven. In the economy, the question becomes, 'how serious will be the casualties?'

"The financial markets will make room for the large volume of Government financing," he added in an interview, although in his view this will come "at the expense of draining the vitality from the economy."

Such talk is enough to keep even the most hardened bond traders on edge.

"You've got a market which is questioning almost everything; it's a plain nervous atmosphere," said Edwin S. Myers Jr., who heads corporate bond trading for Merrill Lynch & Company. "This isn't a time for panic, but it is for caution and prudence. The markets are controlled by emotions as much as anything else. We're aware it will be difficult for the market to absorb all that borrowing."

The events of the past few weeks have done little to spare these emotions. The collapse of Drysdale Securities, a relatively tiny firm that became overextended and could not meet certain payments, touched off a new concern over credit risks. As a result, many of the smaller bond dealers have found it more difficult to finance their holdings. They have stopped buying Government issues, further contracting demand and forcing the Treasury to offer more attractive yields to sell its offerings. Inasmuch as all rates are tied to what the Government, the safest credit risk, is paying, the entire market has been affected.

Some signs of Drysdale's impact came at the most recent auction of two-year Treasury notes, when bids totaling only $9 billion were submitted. A similar auction last May drew bids totaling $13.3 billion. Not only did the scant number of bidders shake the markets, but also the day after the notes were issued, at an attractive yield of 14.43 percent, they sank in value by $8 for each $1,000 note.

"There's already been tremendous losses from those notes," said Maria Florini Ramirez, senior money market economist at Merrill Lynch. "You've got a thin, volatile market and a psychology that's basically negative."

While there are many explanations for why interest rates remain so high, at some point the credit markets are reducible to relatively simple concepts of supply and demand. When the markets are crowded with borrowers trying to raise money, sellers must drop their prices (and thereby offer higher yields) in order to sell their bonds. As a result, the debt securities that people already own also drop in value, because anyone selling such bonds would have to match the new, more attractive yields available on new issues.

Thus when there are fewer buyers of bonds, prices naturally fall. One effect of the Drysdale episode was to reduce the buyers' ranks. But Drysdale is by no means the entire story. Buyers for all types of securities have been disappearing. Institutional investors, which provided the bulk of the buying, have sustained heavy losses in their bond portfolios and are investing only in short-term securities, if at all.

"The amount of money available is shrinking; certainly the cash flow going into longterm bonds has shrunk significantly," said Eric P. Sheinberg, a partner at Goldman, Sachs & Company. "With the losses that institutional investors have had with long-term bonds, the question is whether there is really money available for long-term debt that could be issued in the future."

Similarly, Joseph Bench, fixed income economist with Shearson/American Express, explained that "the reason there aren't more people willing to put money out at those yields is because they've already made a bet at a lower yield and seen that virtually everything in their portfolio is at a loss." In 1970, he said, a 9 percent yield looked attractive; in 1974, it was 12 percent. "We've seen a constant ratcheting up of interest rates over time that has left these portfolios far under water," he said.

There are many perverse elements to this situation. Oddly, the high interest rates come as inflation is easing, and as the nation tries to pull out of the recession that began last year.

Traditional economics states that recessions are a way of bringing down interest rates, because corporate borrowings generally decrease when the economy is poor. But that has not happened. Despite the recession—indeed in part because of the recession, which has sapped profits—the demand for money remains high, and the nation is plagued by the twin troubles of high interest rates and a recession.

Even the promising economic statistics released last week indicating that the recession may be ending, hasn't lessened Wall Street's fears of worse times ahead.

"We can't worry about last year's problem of inflation. We have much bigger problems right now," Mr. Bench of Shearson said. In his view, unless interest rates are brought down quickly, the entire financial system is at risk. "The problem is very serious and we can't ignore it," he said. "Given that many companies are into the banks for lots and lots of money, they'll have to get some interest rate relief soon or they will have a tough time making it."

Some have not made it. Last week, more businesses failed than in any single week since the Depression, exceeding the mark set just the week before. What happens on Wall Street is inexorably tied to what happens in the offices of corporate America. The high long-term rates have all but closed long-term borrowings as a way for business to raise cash, preventing them from fixing their interest costs at a set rate over a long-time period. Instead, businesses are being forced to borrow short term—less than a year—leaving them vulnerable if rates shoot up again when they need to refinance.

Short-term borrowings are being used by many companies just to stay alive—to pay taxes, to finance working capital and to repay past borrowings. But this is self-defeating: As the recession eats into revenues, businesses are forced to borrow more, which increases their costs and makes them even weaker.

"Businesses have tigthened their belt to the point that they barely exist," said David Jones, an economist at Aubrey G. Lanston & Company, a Government securities dealer. "Businesses can't borrow in the disorderly and high-cost bond market. They are being crowded out by the Government. The only AAA-rated credit that is borrowing is the Federal Government. Business has been forced out of the bond market and has to rely on short term. The trouble is that if you borrow short, you have to run just to stay in place."

In the first six months of 1982, businesses borrowed about $21 billion in short-term loans from commercial banks and issued about $6 billion in commercial paper, promissory notes that must be paid back within nine months. And this is costly borrowing. Bank borrowings are generally pegged to the prime rate, now 16.5 percent, with many businesses paying rates several points above prime.

As most recessions near an end, rates typically drop and business "locks in" these low rates by issuing corporate bonds to finance its recovery—spending the money on such things as hiring employees, expanding operations and building inventories.

This recession, however, is different. Business entered the 1981 recession last summer only a few months after emerging from the previous one. Inflation was high and corporate balance sheets had large amounts of debts. Many businesses were geared to operating in an inflationary environment and had borrowed heavily to expand on the assumption that this debt would be paid off with cheaper dollars. They bet on inflation continuing high. And the Federal tax system favored such borrowing because the tax deductibility of interest payments cut borrowing costs in half.

But the rules of the game have changed. Inflation has fallen sharply—so the bet has turned sour. The Reagan Administration has lightened the tax burden on corporations, making the tax break on interest payments less potent. Debt has become less desirable.

Economists question whether any economic recovery can survive in the face of the huge Government demand for money. They theorize that the combination of Treasury borrowings and any recovery-induced business borrowings could push rates to even higher levels, causing the economic recovery to falter.

"We see the economy going into a sluggish setting next year," said Mr. Kaufman. "High interest rates will choke off an economic recovery and force corporations to cut back even more in their capital outlays. We won't have the boom from capital outlays by business that all of us would prefer. This kind of environment is a sputter-and-spurt economy."

"We just don't see the recovery being sustained," said Charles Lieberman, an economist at Morgan Stanley. "Some companies are so highly leveraged, whether they can pay enough debt to survive the difficult period ahead is highly uncertain."

Indeed, there are those who see no way out of the dilemma without a financial crisis. "We're not in a recession, we're in the early stages of a depression," said Raymond T. Dalio, president of Bridgewater Associates, an economic consulting firm. "A depression is a self-feeding liquidity crisis—it's a cash-flow squeeze that occurs when the

economy turns down, inventories are being sold, borrowings increased and liquidity reduced."

There are many who blame the predicament on President Reagan, whose stimulative tax cuts, they say, forced the Federal Reserve into a toughter stance on monetary policy to curtail inflation. But others say the problem has much deeper roots.

The deregulation of the rates banks may pay for funds has lead to a general upward drift in what banks pay and charge for money. They pass their higher costs along to borrowers. In addition, the 1979 decision by the Federal Reserve Board to focus principally on managing the growth of the nation's money supply—cash and demand deposits at banks—rather than monitoring interest rates has resulted in much greater fluctuation in those rates. As a result, investors now demand higher returns to compensate for the risk of this volatility.

"Like cheap energy, the days of cheap money are over," said James Toffey, a managing director and head of the taxable fixed-income department at the First Boston Corporation. "Before the saver was taken advantage of, and the borrower had a license to steal. With deregulation of interest rates, money is a commodity and its price is set by the laws of supply and demand, not by artifical restraints."

In past recessions, the Federal Reserve Board has eased the supply of money to lower interest rates and get the economy moving. But the Fed has firmly rejected that course. It believes that limiting the growth in the money supply is the only way to bring down inflation and, in the long run, interest rates: But economists say that this restrictive policy and the large deficit-induced borrowings means that business will bear the brunt.

There is, indeed, little consensus among economists on the way out of this dilemma. Some call for the Fed to be less monetarist, others call for a reduction in the Federal deficit. Some say it is too late, others call on business to pay off its short-term debt the moment it can. Some say Congress should exert more control over the Fed; others that relief will come only through the suffering of business. But, in all cases, there is little optimism over the days ahead.

SALT NEGOTIATION VETERANS PLUMB THE POTENTIAL "START" MEMORIES AND EXPECTATIONS OF GENEVA

Mr. PROXMIRE. Mr. President, today the United States begins the strategic arms reduction talks in Geneva. These talks, which carry the acronym START, are the beginning of a hopeful new round of discussions with the Soviet Union which have one very significant difference from the SALT talks of the past decade. The emphasis should remain unalterably on this difference—arms reductions rather than limitations.

An article by Leslie H. Gelb in the New York Times of Sunday, June 27, offers some interesting perspectives on the talks. This article, "SALT Negotiation Veterans Plumb the Potential 'START', Memories and Expectations of Geneva," collects the advice of the four men who were the principal representatives of the United States at the SALT talks along with that of Malcolm Toon, a former U.S. Ambassador to the Soviet Union. The article offers the collection of advice from these distinguished, experienced negotiators to Edward L. Rowny, our chief START negotiator.

Mr. President, rather than to quote the entire article, I offer the following salient pieces of wisdom from these experienced advisers.

Each of the five put a strong emphasis on the same observation—that these negotiations are being sincerely entered into by both sides because of their own self-interests. Either side has much to gain from their success.

Another point was common in the recommendations of all but one of these experts. Only Paul Warnke suggested that success is not far off. All others suggested that President Reagan, Mr. Rowny and the American public be patient—very patient. The reasons for this expectation were varied, but the consensus was overwhelming.

Gerald C. Smith, our first SALT negotiator (1969-72) suggested that the U.S. poor history of failing to ratify the SALT II and two nuclear testing limitation treaties was a definite deterrent to immediate success. It would take time for the Soviets to become convinced of our sincerity so that we could come out with a ratified treaty.

Our second chief negotiator, U. Alexis Johnson (1972-77) added that the United States must make it clear that these negotiations are considered so important that they would be totally independent of all other aspects of our relations with the Soviets. Mr. Johnson believes that the SALT negotiations were tainted by overtones of their effect on and by other aspects of the two nations' relations. The negotiations must continue not only at the level of the negotiators but also at those of the Secretary of State/Foreign Minister as well as the Presidents of the two nations.

Paul Warnke, our chief negotiator from 1977 to 1979 breaks rank with the other advisers on the patience issue by stating, "The American public ought to expect very prompt results. The fact of the matter is that the elements of a further agreement are now quite visible and unless progress is made, it'll demonstrate that one or the other side is not trying." The remainder of his advice stresses that the United States should build upon past negotiations' achievements rather than trying to "reinvent the wheel." He advises that the United States should try to negotiate directly and avoid trying to involve the press. Progress cannot be made if the talks appear to be a media blitz.

Our last SALT negotiator, Ralph Earle II (1978-80), recommends that the U.S. negotiation team be prepared to be involved in great detail, especially on definitions and verification procedures. Above all, the resulting agreement must be verifiable.

Finally, former Ambassador Toon (1976-79) encourages Mr. Rowny to expect compromise. It is the only way the Soviets negotiate. He also recommends that Mr. Rowny use a staff which is thoroughly familiar with the Soviets, their likes and dislikes, and some knowledge of their language. It is vitally important that they can get along with each other.

Mr. President, my conslusion from the compilation of all this wisdom and expertise is that we have good things to look forward to—if we constantly keep in mind the importance and need for our objective of arms reductions and are aware of what is necessary to attain it. However, we must still be aware, as Ambassador Toon admonished, these negotiations are going to be much more complex than SALT II. We should all handle our expectations accordingly.

Mr. President, I ask unanimous consent that the article by Leslie Gelb be printed in the RECORD in its entirety.

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

SALT NEGOTIATION VETERANS PLUMB THE POTENTIAL "START" MEMORIES AND EXPECTATIONS OF GENEVA

The process that used to be called the Strategic Arms Limitation Talks began in 1969 and will resume Tuesday under the acronym START, for strategic arms reduction talks. The chief American negotiator in Geneva will be Edward L. Rowny, a retired Army lieutenant general who represented the Joint Chiefs of Staff at the SALT talks from 1973 to 1979 but resigned as representative because he believed the SALT II treaty would leave the United States strategically inferior to the Soviet Union.

Mr. Rowny is presumably more at home with Ronald Reagan's position on strategic arms, which the President put forward in May in a speech at Eureka College. He proposed deep reductions in American and Soviet forces to a ceiling of 5,000 warheads on no more than 850 missiles. Of the warheads, no more than half could be deployed on land-based missiles.

Mr. Reagan's speech did not take the steam out of the antinuclear movement. The House Foreign Affairs Committee last week called for a "mutual and verifiable freeze" on the production and deployment of nuclear weapons by the Soviet Union and the United States.

Mr. Rowny calls such freeze proposals "just a bummer from a negotiator's point of view." He said, "It hurts to have someone looking over my shoulder, believing this will have an impact." He also argued that freezing forces now would lock "inequalities into position."

Edward M. Kennedy, Democrat of Massachusetts and sponsor of a freeze resolution in the Senate, has called Mr. Reagan's deep-cut plan "voodo arms control," contending that it is really aimed at a large buildup of American forces.

The Russians have rejected the Reagan plan, arguing that it would restrict the land-based forces in which they excel but not the

submarine-based warheads in which the United States has the edge. At the United Nations session on disarmament last week, Soviet Foreign Minister Andrei A. Gromyko reiterated the rejection but offered no counterposition, saying, "We will wait and see how the talks progress." Mr. Rowny said he was convinced the Russians sincerely wanted an arms agreement and an overall reduction in tensions with the West.

In advance of the talks, Leslie H. Gelb, the national security correspondent of The New York Times, spoke separately with all of the previous chief strategic arms negotiators—Gerard C. Smith, chief negotiator from 1969 to 1972; U. Alexis Johnson, 1973-77; Paul C. Warnke, 1977-78; and Ralph Earle 2d, 1978-80. He also spoke with Malcolm Toon, a participant in much of the negotiating as Ambassador to Moscow from 1976 to 1979. Each discussed what he would tell President Reagan, General Rowny and the American public about the opportunities for and obstacles to progress.

GERARD C. SMITH

President Reagan should try to keep mentally as flexible as possible and in the first part of the negotiation, at least, not insist too much on the opening position that he announced at Eureka College.

General Rowny should realize that he's doing business with human begins, not demons, and that the Soviets have as much of an interest in preserving the existence of this planet as he and the Administration.

I would expect them (the American public) to keep their expectations quite moderate, because the United States has not proved to be a very reliable negotiating partner.

We have three agreements (SALT II and two agreements limiting nuclear testing) we have negotiated with the Soviet Union in the field of arms control which have not been ratified.

So I think a period of time has to pass where it will be seen that we are seriously engaged in a negotiation that we plan to convert into an agreement of which we plan to get Congressional endorsement. This process will take a great deal of time.

U. ALEXIS JOHNSON

My suggestion would be to divorce the Start negotiations from other aspects of our relations with the Soviets.

In the past, the SALT talks were prejudiced and also were given a false posture by tying them to other aspects of our relations.

To my mind, our strategic negotiations with the Soviets need not and should not be tied to détente, to whether you trust the Soviets or don't trust the Soviets, whether you like Soviets or don't. These talks have to be based upon the hard-headed self-interest of both countries.

I would tell General Rowny to be very, very patient; not to issue ultimata but to explore all possibilities; not to concede points too readily; not to be put off by Soviet ultimata or demands, but to slowly go at it in a methodical and patient way, seeking to find areas in which agreement can be achieved.

The important decisions, of course, are not made at the negotiators' level. The negotiators have to act as the mouthpieces for their two governments.

Three stages of negotiations

There are going to have to be three stages at these negotiations. The first is the chiefs of states, the Brezhnev-Reagan level. The next is the Secretary of State and Foreign Minister level. And the next are the negotiators in Geneva.

It's the job of the negotiators to translate into the language of international agreement the agreements in principle that have been arrived at at the higher level and, in the course of that, to clarify and identify those areas of differences which have not been decided, to decide them at their level or, if they can't kick them on the next level.

I do not feel it's possible to achieve an agreement between the two countries which will cause this problem of nuclear weapons to go away. The best that can be done is to continue to discuss it. When opportunities arise for agreements, then make those agreements as more or less routine, rather than trying to treat them as being of transcendental importance. Because I do not think that we are going to achieve any agreements of transcendental importance.

We're dealing with a fast-moving situation with regard to the forces of the two countries, and we cannot freeze this at any single point. But we can help reduce the danger of the accidental nuclear war, and we can reduce the danger of nuclear blackmail from the other side.

PAUL C. WARNKE

I would advise President Reagan to recognize that he has to build on what has already been accomplished; otherwise there is no chance that he can get where he wants to go. Unless he can preserve the elements that have already been agreed to and put in place, he'll be trying to reinvent the wheel. And as a consequence, technology, proliferation of warheads and so forth will get so far ahead of him that he can't get to his proposed reductions.

I would also try not to conduct the negotiations in speeches or the press; neither side is going to be able to make progress if they try to conduct the talks as a media blitz.

One thing General Rowny clearly has to do is to establish his credibility with the Soviets. If he just flexes his muscles, he's going to find that they are very obdurate and it'll be a self-fulfilling prophecy that both sides will flex their muscles and nothing will get done.

The American public ought to expect very prompt results. The fact of the matter is that the elements of a further agreement are now quite visible and unless progress is made, it'll demonstrate that one or the other side is not trying.

I'm quite convinced that the Soviets are serious about wanting to have nuclear arms control for their own selfish purposes.

It is as yet to be determined whether or not the Reagan Administration is similarly serious.

RALPH EARLE II

The President's got to take into account Soviet perceptions of our approach. The fact that we consider the land-based missiles the most destabilizing may be well justified, but from the Soviet point of view they are the systems with which the Soviets do their best and have their greatest concentrations. We've got to keep that in mind when we talk about deep cuts, particularly in land-based ICBM's.

Of course, Rowny has been there so I'm sure he has his own views on the actual conduct of the talks in Geneva.

But the principal thing I counsel is patience and firmness—the realization that the Soviet bureaucracy is slow-moving and you're not going to accomplish an awful lot in a hurry. They are thorough, they're not going to have the wool pulled over their eyes.

In order to have a good agreement, you've got to have a lot of what Lloyd Cutler (counsel to President Carter) calls boilerplate in terms of definitions and verification procedures. These have to be done by people who are working full-time on the negotiations and who can get into the minutiae of the subject matter.

The question of sincerity

Summits, or mini-summits, between the foreign ministers are (also) helpful because there's slightly greater flexibility, and also an opportunity to sound out the other side on what may be forthcoming in the future.

Based on what I understand the Administration position to be, I don't think the American people ought to expect very much very soon. We've staked out an ingoing position which, at least publicly, the Soviets have already rejected. Undoubtedly they will have their own positions and it'll take a long time for those positions to be fully articulated and made clear to the other side.

I've always said you can trust the Soviets to the extent that they will follow their own self-interest, as any nation-state should. Therefore, we ought to treat them as being sincere in their efforts to get an agreement, at the same time making sure, at least from our point of view, that whatever agreement we get is adequately verifiable.

MALCOLM TOON

Mr. Reagan should understand that whether it's on arms control matters or anything else of any substance, the nature of a negotiation with the Soviet Union is basically one of compromise. Therefore, while Mr. Reagan may feel that his position may be ideal, it's not going to be acceptable to the Soviets.

I would give General Rowny the same sort of advice. You cannot stick to a maximal position and then hope to have a successful outcome.

Secondly, I would hope—I hope that he's already done this sort of thing—that he would staff his delegation with people that are not only knowledgeable in arms control matters, but also have a good feel for the Soviets, have some knowledge of the language, have an ability to get along with these people. I think that's terribly important.

You ought to know precisely where you can give way and where you must stand firm. This requires, of course, a very sound understanding of our position and what's required in order to maintain the health of our defense posture.

This is going to be a much more complex negotiation than SALT II. We should be prepared to sit at the negotiating table for at least two or three years. Nonetheless, if we show the necessary perseverance, understanding of the problems involved, we can wind up with an agreement which we can live with and which will be acceptable to the other side.

I say that primarily because I think both sides have a real genuine interest in arriving at a successful outcome.

DISCRIMINATION AT HOME AND ABROAD

Mr. PROXMIRE. Mr. President, on June 19 and 20, the National Anti-Klan Network sponsored its third annual conference in Atlanta entitled "Strategies To Counter the KKK." The conference focused on local responses to Klan activities. As horrifying and distant as Klan activities may

seem to us, they still occur with startling frequency. During the last several months, Klan activities, ranging from roadblocks to cross burnings, were reported in at least 21 States.

Our Government has made great efforts to minimize and abolish such discriminatory activities through civil rights legislation. The Senate has consistently worked toward stopping the inequities and terror imposed on many southern blacks. Although we have not eliminated prejudice and discrimination completely, domestic laws since the 1960's have worked toward this end on a symbolic as well as on a practical level.

Mr. President, it is an embarrassment that the United States has not extended its domestic concerns for minorities to the international sphere by ratifying the Genocide Convention. It is one of the most fundamental and humane treaties of our times. It would make criminal the systematic destruction in whole or in part of a national, ethnical, racial, or religious group. This treaty should not be controversial, because it simply condemns those individuals or governments who practice the heinous crime of genocide.

Like the activities of the Klan, genocide is still practiced in some parts of the world. We must join the 86 other countries who have ratified the Genocide Convention to symbolize and express our mutual disgust and condemnation for those persons practicing genocide.

Although the Klan has not been completely abolished, their activities have diminished, in part because of domestic civil rights legislation. By ratifying the Genocide Convention, the United States could participate in the international effort to diminish genocidal activities in the world. The United States has always been a leader in protecting the rights of minorities and should continue to be leaders by ratifying the Genocide Convention. The Anti-Klan Conference serves as an example of U.S. ingenuity and support for checking and curbing discrimination against minorities.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from North Carolina is recognized.

Mr. HELMS. I thank the Chair.

THE FLAT RATE TAX ACT OF 1982

Mr. HELMS. Mr. President, on March 15, I introduced S. 2200 to provide for a 10-percent flat-rate tax on income. I did so after reaching a conclusion contrary to what appears to be the accepted economic wisdom among politicians and economists in this city.

I am convinced that the solution to our current economic problems—and most of the economic problems around the world—lies in the adoption of policies that will foster growth and prosperity. I do not believe that burdening the American worker with higher taxes will promote more output or production; nor do I believe that debasing the currency or arbitrarily manipulating its quantity will create the type of confidence that is necessary to encourage citizens to increase savings and investment, or to engage in long-term financial commitments.

Furthermore, Mr. President, I believe that the free market remains the most productive and efficient economic system. To allow that system to function as it should and to provide for tax equity and income prosperity, I propose that Congress adopt a 10-percent flat-rate income tax.

Such a new tax system would dramatically lower marginal tax rates and, by abolishing all loopholes and preferential tax treatment, allow the free market to allocate our resources to their most productive and profitable uses.

A 10-percent flat-rate tax will accomplish the following goals: First, it will promote growth by increasing incentive for work, investment, and production through lower marginal rates. Second, it will lead to a more efficient allocation of resources by providing neutrality with respect to the markets' allocation of resources. Third, it is calculated to raise the same level of revenue as our present tax system—even if we assume that it does not ignite immediate economic growth. In fact, it is likely to raise more revenues immediately by bringing wealth out of tax shelters and the underground economy, and channeling it into taxable and more productive economic activity.

Fourth, it will simplify the income tax system and enhance its fairness and equitability. The taxpayer will be able to fill income tax forms on the back of a postcard and we can put an end to the deadweight economic cost of our $64 billion dollar tax-avoidance industry.

THE PRINCIPLES OF JUST TAXATION

Andrew Mellon was the Secretary of the Treasury during the 1920's—a period of expansion in output and employment unprecedented in American history. He initiated a series of tax cuts beginning in 1922—reducing the top rate from 73 percent to 25 percent in 4 years—which resulted in actual tax payments by the rich rising by nearly 200 percent. The Mellon tax cuts raised the total share of taxes paid in the top bracket from 27 to 63 percent and lifted revenues by 58 percent.

In his book, "Taxation: The People's Business," Andrew Mellon gave a persuasive definition of the proper role of a good tax system:

> The problem of the Government is to fix rates which will bring in a maximum amount of revenue to the Treasury and at the same time bear not too heavily of the taxpayer or on business enterprises. A sound tax policy must take into consideration three factors. It must produce sufficient revenue for the Government; it must lessen, so far as possible, the burden of taxation of those least able to bear it; and it must also remove those influences which might retard the continued steady development of business and industry on which, in the last analysis, so much of our prosperity depends.
>
> Furthermore, a permanent tax system should be designed not merely for one or two years nor for the effect it may have on any given class of taxpayers, but should be worked out with regard to conditions over a long period and with a view to its ultimate effect on the prosperity of the country as a whole * * *.
>
> I have never viewed taxation as a means of rewarding one class of taxpayers or punishing another. If such a point of view ever controls our public policy, the traditions of freedom, justice and equality of opportunity, which are the distinguishing characteristics of our American civilization, will have disappeared and in their place we shall have class legislation with all its attendant evils. The man who seeks to perpetuate prejudice and class hatred is doing America an ill service. In attempting to promote or defeat legislation by arraying one class of taxpayers against another, he shows a complete misconception of those principles of equality on which the country was founded.
>
> Any man of energy and initiative in this country can get what he wants out of life. But when that initiative is crippled by legislation or by a tax system which denies him the right to receive a reasonable share of his earnings, then he will no longer exert himself and the country will be deprived of the energy on which its continued greatness depends.

Mr. President, I believe a 10-percent flat-rate income tax would move our tax system closer to the principles laid down by Secretary Mellon.

RAISING REVENUE

Mellon said that the tax system must "bring in a maximum amount of revenue" and at the same time "bear not too heavily on the taxpayer." My proposal is guaranteed to bring in the same amount of revenue that is now collected by the personal income tax, even if there is no resultant increase in economic activity.

Studies conducted by Alvin Rabuska and Robert E. Hall of the Hoover Institution, Michael Evans of Evans Economics, Joseph Pechman of the Brookings Institution, and Edward Moscovitz of Data Resources, Inc., and a survey by the Library of Congress all agree that a flat-rate income tax, at a relatively low rate, can provide levels of revenue similar to what is presently collected. I arrived at the figure of 10-percent by taking the total personal income from the national income accounts for 1976, and simply dividing that figure by the number of taxpayers. My exact calculation was 10.2 percent. This tax rate would generate nearly the same amount of revenue as was actually generated by the income tax that year—even without adding the increased revenue that can be an-

ticipated from economic growth or resurfaced underground activity.

While I am not committed to the concept of a 10-percent rate, I think that it is a reasonable proposal and a good point from which to begin the debate on tax reform. In addition, the metaphor that my colleague in the House of Representatives, Representative PHIL CRANE, used when he spoke in favor of a 10-percent flat-rate income tax was a good one. He said: "The Bible notes that man owes a tithe of his earnings to God. Caesar should ask no more."

The reason that the flat-rate tax would not lead to revenue loss is that it would significantly broaden the tax base by closing loopholes and ending exemptions, except for a $2,000 basic individual exemption. At present, only about 70 percent of total income is taxable.

More importantly, however, my proposal will reduce the Government's "wedge" between buyer and seller in economic transactions and thereby increase incentives by lowering all marginal rates to 10 percent. It will fall indiscriminately on all forms of income, thus allowing the free market to allocate resources to their most efficient uses.

THE UNDERGROUND ECONOMY

The lower marginal rates will draw economic activity out of the underground economy and into taxable economic activity. Our total GNP was something like $3 trillion last year; IRS estimates indicate that the underground economy represents well over 10 percent of GNP—some estimates place it as high as 20 percent—and that figure is rapidly increasing. The "tax gap"—the total amount of unpaid income taxes in the economy—approached $100 billion last year and, according to economist Michael Evans, has almost doubled over the past decade.

Evans notes:

The reasons for this steadily increasing proportion are not hard to fathom. When the average American family paid a top marginal tax rate of perhaps 20 percent, tax avoidance was something for the rich, or perhaps those whose ethics were in need of some improvement. However, as many of the same (middle class) families now find themselves in the 40 and 50 percent bracket, the world looks somewhat different. Even if middle-income taxpayers do not know all the details, they are well aware of the fact that the "rich," through tax shelters, are paying a far smaller proportion of their income in taxes than are those with average incomes derived from wages and salaries.

The strong sense of injustice thus engendered has already led to the beginning of a breakdown in the efficacy of the entire tax system—a feeling of cynicism which is reinforced by the breakdown of other pillars of society, particularly the often whimsical and random nature of criminal justice. Once the foundations of civil and criminal justice are perceived by the average citizen to have eroded, the self-imposed constraint to pay one's taxes disappears, leaving in its wake a new morality which considers tax cheating an acceptable societal game which benefits the majority of the population. Just as prohibition was unenforceable during the 1920's, so, too, tax compliance runs the very strong risk of becoming an endangered species if our tax code continues in its present form.

The results are not a very pretty picture for those who claim that our tax system still works well.

Mr. President, I believe that most of the people who utilize the underground economy are citizens who have been driven underground by oppressive taxation and an overly complex tax system. I submit that most people would gladly agree to be taxed at a 10-percent rate.

When one adds to this underground economic activity all the legal forms of tax avoidance—shelters, preferences, exemptions, et cetera—the result is that for every dollar paid in individual income taxes, 57 cents is not paid, according to an Evans Economics study. We could increase revenues by countless billions from resurfaced underground economic activity alone, if we adopted a 10-percent flat-rate income tax.

THE EFFECTS OF TODAY'S TAX

The next issues to consider are the economic effects of a flat-rate tax. The effects of closing the numerous loopholes and complexities in our present Tax Code—there are some 6,000 pages of Tax Code regulations—will stimulate economic growth. If those existing tax regulations are abolished, this, along with the general unburdening of taxpayers, will result in savings, effort, and investment channeling into more productive and more taxable activity.

The present tax system attempts to accomplish socially oriented policy objectives by structurally channeling income and investment into so called desirable activities. This has resulted in a misallocation of resources and an erosion of the taxable base has eroded as money is channeled into nontaxable activity or driven underground by excessively high progressive taxation.

Byzantine tax regulations that are used to influence society's allocation of resources make the system somewhat less progressive—but in a highly inefficient way. Because of the adverse effect on economic growth of the current system, it has created problems which are far more serious and more numerous than the problems that it was supposed to solve. Our present tax system is the ugly stepchild of the Congress and advocates of special interest legislation.

So nonsensical are the structural impediments to enterprise built into our present tax system that, for taxpayers who today face marginal rates of 50-percent—and this applies to an increasing number of people—saving a dollar in taxes is worth twice as much as earning an additional dollar.

For example, a person who is in the 50-percent tax bracket and wishes to earn extra income in his spare time will face a choice between using that time to engage in productive and profitable economic activity, or concocting schemes on how to avoid paying taxes on income that he has already earned, by finding loopholes or other avenues of tax evasion. For every additional dollar that he earns in the productive economy the Government will confiscate 50 cents; but he will be able to keep every dollar on which he succeeds in avoiding paying taxes. Thus a dollar's worth of tax avoidance will yield him a dollar; while a dollar's worth of productive economic activity will yield him half that amount. The consequences of this situation are perverse and, from an economic standpoint, catastrophic.

Nobel laureate economist Milton Friedman has said that "there are cuts in tax rates that would add promptly to government revenue . . . by taking advantage of the mammoth wedge between the cost of taxes to the taxpayer and the revenue that the government obtains from these taxes." At lower tax rates we will bring this wealth into the taxable economy.

Let us speculate as to what our economy stands to gain when executives and investors—and just plain middle-class folks as well—can stop spending their time and money seeking ways of avoiding taxation. These valuable and talented people will be able to get back to the important task of producing goods and services for our economy.

The wealthy will pay more taxes when all of their incomes become taxable, even at a much lower rate. When loopholes and tax preferences are closed an marginal rates reduced, the wealthy will put their assets into productive activity. Highly progressive tax rates do not redistribute income: they change the relative prices of work, leisure, savings and consumption. Progressive taxation drives taxpayers away from entrepreneurial investment in the taxable economy. The formation of new enterprises requires disposable personal income, and that is what high personal tax rates wring out of the system.

I think that George Gilder stated the case against highly progressive tax rates in a most elegant and persuasive manner:

The paradox of progressivity, * * * is that the poor suffer most when others are prevented from efficiently getting, keeping, and reinvesting wealth. For example, British enactment of the highest and most progressive rates during the forties ended up by increasing the payments of the poor by nearly four times more than the payments of the rich. The American tax cuts of the 1920's, on the other hand—reducing the top rate from 73 to 25 percent in four years—increased the actual tax payments of the rich by nearly 200 percent, raised the share of total taxes paid in the top bracket from 27

to 63 percent, and lifted revenues by 58 percent. The less dramatic Kennedy-Johnson tax cuts of 1964 and 1965 raised revenues in the brackets above $100,000 by 80 percent, while the persistent tax cut policy in Japan has resulted in notably narrow gaps in earnings between rich and poor.

Highly progressive tax rates do not redistribute incomes; they redistribute taxpayers: from taxable to untaxable activities; from domestic investment to foreign currency plays; from offices and factories to golf courses, fox hunts, and tropical beaches; from documented business to underground barter and cash exchanges; from productive professions to excess financial intermediation and finagling; from active enterprise to socially fruitless but lucrative litigation.

Mr. President, not only will the rich pay more under a 10-percent flat-rate income tax, but we can also expect that more rich people will accurately report their entire incomes. Milton Friedman has pointed out that in 1929, when there was a 24-percent marginal tax rate, 15,000 people reported taxable income above $100,000. By 1979, per capita income had increased tenfold and population increased by 80 percent; thus, the 1929 equivalent for 1979 would have been 27,000 people reporting taxable incomes above $1 million. In fact, less than 1,785 people reported having earned this amount. The difference, of course, is that the $1 million earner in 1979 faced 70-percent marginal rates, as opposed to the 24-percent marginal rate faced by the $100,000 earner in 1929.

SIMPLE TAX FORMS

Furthermore, if we simplify our tax system so that every American can fill out his or her income tax literally on the back of a post card, we will put an end to the huge and burdensome tax avoidance industry. The complexities of our Tax Codes are mind-boggling—nearly 52 percent of the 1040 forms and 16.9 percent of the "simple" 1040A were filled out with professional assistance in 1981, and even then over half of the itemized returns contained mistakes—according to the IRS. This complexity is especially unfair to those who cannot afford to pay for the services of a professional tax accountant.

A former Commissioner of the IRS has written that the complexities of income tax filing requirements were "beyond the comprehension of a large portion of the adult population." Scholars in our finest universities devote years of study just to achieving an understanding of our tax system. As a former businessman and a person who considers himself conscientious, I can testify that much of the Tax Code is certainly beyond my comprehension.

Louise Brown, who is a member of the IRS Commissioners Advisory Group, has said that "the present tax system works against 85 percent of all individual taxpayers." She said she felt it "remarkable (that) taxpayers have not yet subverted the system in a substantial way considering how badly most of them have been treated."

A Brookings Institution study found that the private sector's cost in meeting Tax Code regulations is 20 times higher than the Government's outlay in promulgating and enforcing them. This means that in 1980, since the IRS budget equaled $4.3 billion (and 70 percent of Federal tax receipts are from personal income) the direct costs to taxpayers in complying with the tax codes was $60 billion.

It is no wonder that people are losing faith in their Government. There is something Orwellian about a government that subjects its citizens to rules that are too complex for them to understand. As one shrewd commentator has observed, "How can you obey a law when you cannot understand it? The courts tell you that ignorance of the law is no excuse. Catch 22." The IRS today is a "big brother," a force that, to many people, acts mysteriously, arbitrarily, and, often, viciously. Perhaps ominously, too, the IRS represents a taxpayer's most intimate tie to his Government.

ECONOMIC GROWTH

Mr. President, another point raised by Andrew Mellon was that the tax system "must also remove those influences which might retard the continued steady development of business and industry." The evidence is overwhelming that the adoption of a simple 10-percent flat-rate tax will fuel economic growth and bring windfall revenues into Government coffers.

A flat-rate tax will lower marginal tax rates for all Americans and put an end to inflation-induced bracket creep. Our prejudicial treatment of savings will be ended and it will again pay to invest in America's future.

Michael Evans performed an econometric computer analysis of the effects on work and saving if we adopted a 17-percent flat-rate income tax. He estimated that work effort would increase by 3.3 percent, and savings and investment would increase by $64 billion per year. This would raise the productive capacity of the economy by about 5 percent, which would generate approximately $150 billion additional GNP at 1981 levels. If my 10 percent flat-rate tax were adopted, these effects would be even more dramatic (presumably Evans used a different base year than we did for making his calculations).

At present, America has the lowest savings rate of any major industrialized country, and our economic growth has come to a virtual standstill. I was personally surprised to find that Americans have been net disinvestors in corporate equities for 18 of the past 19 years. The crux of our problem, as Milton Friedman has written, is that "we are paying people not to work. We have been taxing them if they worked. We have been inducing them to put their assets in nonproductive forms * * * the only reason we have done as well as we have is because of the ingenuity which people have displayed in avoiding taxes and regulations." Clearly we cannot long survive as an economic power with policies like these.

Mr. President, by advocating this major tax revision I am not recommending more Government intervention to channel resources into yet another loophole in an already overly complex Tax Code. I do not think we need another tax preference to foster savings or reduce consumption. To the contrary, what we need to do is to allow the market to operate freely, without State intervention. In a free-market economy wealth is gained by serving the needs and desires of others; under our present tax system wealth is often gained by avoiding taxation by undertaking activities that benefit others less than would those selected by a free market. By establishing a flat-rate tax on all sources of income the Government would interfere minimally with the flow of economic activity. Reasoned analysis suggests that this is the only way that we can retain a high level of sound, productive, and economically efficient allocation of savings and investment.

A BALANCED BUDGET

Economist Michael Evans estimates that, as a result of economic growth and resurfaced underground activity, the Government will collect an additional $40 billion in revenue if we adopt a 10-percent flat-rate income tax. He also says that a flat-rate tax is the only hope that we have for balancing the Federal budget. The reason, he says, is very simple: Our present tax system has eroded the tax base to such an extent that an increase in GNP will only be partially reflected in increased Government revenues. Our tax base today covers roughly two-thirds of total income: according to Michael Evans, myriad loopholes, deductions, and preferential treatment exempt some $700 billion in income from taxation annually. Since marginal rates are so high, much of any newly created wealth would be channeled into tax loopholes and the underground economy. With a 10-percent flat-rate tax the Government will surely collect a greater share of the increased productivity.

As Paul Craig Roberts pointed out in a recent Wall Street Journal editorial: "(The flat-rate tax) is a solution that would provide the revenue needed to balance the budget the President submitted and inject far more incentives into the economy than the present tax cuts provide."

EQUITY

Mellon said that a tax system should "lessen, so far as possible, the burden

of taxation on those least able to bear it." Under my proposed flat-rate tax, as I have already explained, the rich will pay more than is currently the case. In addition, my proposal provides for a $2,000 basic exemption for all dependents, which means that a family of four, for example, would not pay any tax on their first $8,000 of earnings; but thereafter they would pay 10 percent on each additional dollar earned. My proposal will also bring horizontal equity to our income tax system. All members of the same income class will shoulder the same tax burden.

BIPARTISAN ISSUE

Our present tax system is unworkable and intolerable. The need for a complete overhaul of the system should be obvious to everyone—the problem is not solved by piecemeal reform, which can only add to the confusion and inefficiency. We should wipe the slate clean of tax preferences, deductions, exemptions, exclusions, and all other complicating factors. We must take the philosophical stand that the flat-rate across-the-board tax rate is the only possible solution to our tax system's inequities and inefficiencies. If we adopted a 10-percent flat-rate tax we will collect more revenue and fuel economic growth. There is nothing mysterious about why it will work.

I hope that members of both political parties will support this proposal. A flat-rate tax is not an inherently partisan issue quite simply because economic growth and a balanced budget are not partisan issues. We must conceptually separate the revenue collection from the expenditure sides of fiscal policy. As Republicans and Democrats, we can disagree on the matter of Government spending priorities. But a tax system that encourages thrift and enterprise is in the interest of all Americans.

There is no longer any significant academic support for our income tax system. Classical liberal and conservative economists like Milton Friedman, F. A. Hayek, and Arthur Laffer have long opposed our inefficient and contradictory income tax system. Now even socialists and others on the left have admitted that the system is unjustifiable. Nobel laureate economist James Tobin has said that "neither rational argumentals" nor "empirical inquiry" can justify our present tax system. Ralph Nader has said that he has been advocating the flat-rate tax for 10 year: He adds, "our present tax system is a monstrosity." Even Lester Thurow lashed out against our tax system: "* * * The present tax system can only create progressivity by reducing output. The division of the economic pie is made more equal by making everyone's slice smaller." Thurow said that the existing tax system raises "serious questions about the adequacy * * * of using income taxes to control the distribution of wealth."

Personally, I think that Michael Evans—who, by the way, is not a socialist—summed up the issue succinctly when he said that he was "convinced that such a tax would do more to solve the current problems of the economy than any other legislation which could be introduced." Indeed, one can almost wax rhapsodic about the virtues of the flat-rate tax, as did Paul Craig Roberts, who envisioned "a world free of bracket creep, tax indexing, high interest rates, capital shortages, marriage penalties, and penalties for success. Imagine," he said, "the end of the underground economy and the improvements in capital efficiency that would result from eliminating the numerous distortions in the Tax Code. Not least of all, imagine being able to quickly and easily prepare your own income tax form."

Some will undoubtedly argue that our income tax system ought to be progressive. Well, with a $2,000 basic exemption it is progressive, even though the marginal rates do not rise with income. The poor will pay a lower percentage of their earnings than the wealthy, because their exemptions will total a proportionately larger share of their incomes.

But the ultimate argument in favor of a less progressive tax system than now exists must rest on the twin pillars of equity and efficiency. I have gone some length to explain why a flat-rate tax is the most economically efficient system. I also think that it is the fairest system. I agree with former Secretary of the Treasury William Simon's position, opposing "progressive taxation because of the philosophical conviction that people are deserving of the fruits of their labor and the economic judgment that progression wreaks havoc on economic efficiency."

Several economists have suggested that we ought to concentrate on business tax cuts rather than personal tax reduction. Naturally I would heartily support any efforts to end the double taxation of corporate income. I myself have been examining various proposals for ending corporate taxation altogether, and replacing it with a consumption tax, or initiating a comprehensive system which would tax all income at its source. But I believe that personal tax reduction and simplification is most important, because it is by the labor of individuals that the whole economic system maintains itself and grows. George Gilder, a man who understands the human factor in economics, has given us an excellent argument for concentrating on personal income tax reduction:

> (There is) * * * a dogged incomprehension of the sources of wealth and the causes of poverty. There remains a persistent dream, as tenacious as it is debilitating on both the left and the right, that somehow the world can find a way to have capitalism without capitalists; that the nation can become rich while confiscating individual incomes and subsidizing corporations.
>
> The source of wealth, however, is quite simple: creative men with money. The cause of poverty is similarly clear: divesting creative individuals of financial power * * *. The key is individual, not corporate or collective, wealth * * *. It is disposable personal wealth and savings which finance the new businesses which grow fastest. When wealth is not personal and disposable, it tends to be sterile.

Mr. President, I am not going to repeat my opinion about Government spending—that issue is not directly pertinent to the need for adopting a flat-rate income tax. However, it should be noted that a flat-rate income tax should cause Government spending to decline. Since every 1-percent increase in unemployment raises the Government deficit by $25 billion—through a combination of entitlement program increases and lost income tax revenue—the stimulative effects of a flat-rate tax will reduce unemployment—thereby reducing entitlement expenditures while simultaneously increasing Government income tax revenues.

Furthermore, Mr. President, if, as many people believe, although I do not, Government deficits cause interest rates to rise, then the balanced budget—which can only be achieved by either a flat-rate tax or drastic spending reductions—will cause interest rates to fall. The interest on the national debt will likewise fall: For every percentage drop in interest rates, Government interest payments will fall by $10 billion. Moreover, the end of special income tax deductions for various interest payments will tend to cause interest rates to fall, by reducing the incentive to buy on credit.

It is clear that we cannot continue to support our present level of Government spending by increasing taxes. That would surely cause more unemployment—hence, automatically more expenditure—and a declining income base—deficits are not the cause, but are rather the consequence, of bad economic policies. The so-called Reagan tax cuts will only prevent the present tax rates from going even higher, by inflation-induced bracket creep: they do not fundamentally improve the situation. There is one way to correct an unjust and inefficient tax system—enact a 10-percent, flat-rate income tax. The hard-fought progress that we have made against inflation, in the final analysis, can be secured only if it is combined with the recovery of economic growth. Prosperity is the only cure for recession.

Mr. President, I ask unanimous consent that my bill (S. 2200) be printed in the RECORD at the conclusion of my remarks.

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

S. 2200

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Flat Rate Tax Act of 1982".

SEC. 2. 10 PERCENT INCOME TAX RATE FOR ALL INDIVIDUALS.

Section 1 of the Internal Revenue Code of 1954 (relating to tax imposed on individuals) is amended to read as follows:

"SECTION 1. TAX IMPOSED.

"There is hereby imposed on the gross income of each individual (including an estate and trust) for each taxable year a tax equal to 10 percent of such gross income."

SEC. 3. REPEAL OF ALL SPECIAL DEDUCTIONS, CREDITS, AND EXCLUSIONS FROM INCOME FOR INDIVIDUALS OTHER THAN $2,000 DEDUCTION FOR PERSONAL EXEMPTIONS.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1954 is amended by striking out all specific exclusions from gross income, all deductions, and all credits against income tax to the extent related to the computation of individual income tax liability.

(b) ALLOWANCE OF $2,000 DEDUCTION FOR PERSONAL EXEMPTIONS.—

(1) SUBSECTION (a) NOT TO APPLY.—Subsection (a) shall not apply to the deductions allowed by section 151 (relating to deductions for personal exemptions).

(2) DEDUCTION INCREASED TO $2,000.—

(A) IN GENERAL.—Subsection (f) of section 151 of the Internal Revenue Code of 1954 (relating to allowance of deductions for personal exemptions), as amended by section 104 of the Economic Recovery Tax Act of 1981, is amended by striking out "$1,000" each place it appears and inserting in lieu thereof "$2,000".

(B) TECHNICAL AMENDMENT.—Subsection (e) of section 104 of the Economic Recovery Tax Act of 1981 is amended to read as follows:

"(e) EFFECTIVE DATES.—

"(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1984.

"(2) SUBSECTIONS (c) AND (d).—The amendments made by subsections (c) and (d) shall apply to taxable years beginning after December 31, 1982."

SEC 4. EFFECTIVE DATE, ETC.

(a) EFFECTIVE DATE.—The amendments made by this Act shall apply to taxable years beginning after December 31, 1982.

(b) TECHNICAL AND CONFORMING CHANGES.—The Secretary of the Treasury or his delegate shall, as soon as practicable but in any event not later than ninety days after the date of the enactment of this Act, submit to the Committee on Ways and Means of the House of Representatives a draft of any technical and conforming changes in the Internal Revenue Code of 1954 which are necessary to reflect throughout such Code the changes in the substantive provisions of law made by this Act.

TALES OF TAX WASTE

Mr. HELMS. Mr. President, one of my more eloquent friends commented the other day that the Federal budget is "awash in a sea of red ink. Our national economy is in danger of going under for the third time."

He wrote:

Yet while millions of Americans are manning the lifeboats, seeking desperately to stay afloat on the high waves of high interest, the boys in the band play on in the ballroom of the Titanic. And there are those on board whose only counsel remains: Don't rock the boat.

I voted against the so-called budget compromise because if failed the test in moving toward a solution of the economic problems plaguing the American people.

Mr. President, there are problems that lie beyond the realm of tax and spend in the twilight zone of tax and waste. Tales of tax and waste cross my desk daily, and I am sure the desks of all other Senators as well. Indeed, because they are so much an everyday occurrence, I am afraid we run the risk of becoming inured to the growing peril of national collapse.

Let me share one example in the form of an insightful letter from a constituent, Dr. James Privette of Kinston, N.C. I ask unanimous consent that Dr. Privette's letter, and the article that he enclosed from the Kinston Free Press, be printed in the RECORD at the conclusion of my remarks. This letter is representative of scores I have received on just this one example of abuse of the American taxpayer in what one North Carolinian described as taxation for titillation.

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

JAMES A. PRIVETTE, D.D.S., P.A.
Kinston, N.C., June 10, 1982.

Hon. JESSE HELMS,
U.S. Senate, Washington, D.C.

DEAR SENATOR: I am enclosing an article which appeared in the Kinston Free Press on Thursday, June 10, 1982. This article says a lot about some of the reasons we have such huge federal deficits. As you are well aware, such things as this are what create problems and make people very resentful and question any sort of government programs. From all reports that I hear from people who work in the Federal Government, and I have some very close friends and relatives, the sort of fraud and waste that goes on is astronomical.

I thought you just might like to see this if you have not seen it already.

Sincerely,

JAMES A. PRIVETTE, D.D.S.

SBA LOAN FINANCES SEX SHOWS

NEW YORK.—"Seven Live Bedroom Acts . . . Sex Fantasy Club," blares the marquee of New York City's biggest sex emporium—an X-rated operation the federal government helped finance.

What's more, the Small Business Administration was unaware that its 1977 loan of $65,000 at 9 percent interest was helping a business that once had been shut down by police, officials said Wednesday.

"We're absolutely furious," said the Rev. Robert Rappleyea, pastor of Holy Cross Church. "A lot of people who run decent businesses around here can't get loans."

William Gold, president of the investment company that arranged the loan to Show World Center Inc., said the SBA had approved a similar loan to a pornographic theater in Miami Beach.

"We were told it was OK as long as it wasn't creating a nuisance," Gold said.

But months before Show World received the loan in 1977, it had been raided by police and briefly shut down. Since then, its employees repeatedly have been arrested on obscenity charges, authorities said.

With live sex shows, films, peep shows, sexual aids and pornographic magazines and books, the center's three floors have "every kind of sex you could want," 24 hours a day, said Inspector Emil Ciccotelli of the police public morals squad.

Rita Irick, a spokeswoman for the SBA, said the loan was made by several private investment companies, including Gold's, which received the money from the agency.

The SBA learned of Show World's true business only after its auditors visited Times Square in 1980. It came to light this week in a Wall Street Journal report on the loan program.

The SBA bars loans to gambling operations, Ms. Irick said, but noted that Show World was a legal business. She and other officials said that withdrawing the loan might have raised First Amendment issues.

The agency reports an overall default rate of 6.9 percent on its loans, but the center paid off its loan ahead of schedule, she said.

An employee of the center said owner Richard Basciano was not available for comment. But Basciano's lawyer has said that Show World used the money only to renovate offices in the building.

Opponents of sex-related businesses in Times Square attacked the loan.

"I was shocked, especially at a time when the federal government is cutting subsidies to people who really need them," said Carl Weisbrod, head of a city task force to clean up Times Square. He called the loan "wildly inappropriate."

Once the center of American show business, Times Square is now dominated by more than 60 sex-related businesses.

"The issue is not whether it (the loan) is technically legal," Weisbrod said. "It's whether it's wise to see taxpayers' money spent on this kind of thing."

Asked to estimate profits earned by operations like Show World, Ciccotelli said, "You couldn't begin to say. . . . They're open all the time, and people are constantly flowing in and out. It wouldn't take you long to see the kind of money they're making.

"We can't shut them down because of the First Amendment, so we charge them with a number of individual acts of obscenity. But the fines average around $100. The penalties are not prohibitive."

Mr. HELMS. Mr. President, I thank the Chair. 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. STEVENS. 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 1 P.M.

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate stand in recess until 1 p.m. today.

There being no objection, the Senate, at 11:50 a.m., recessed until 1 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. GORTON).

The PRESIDING OFFICER. The Senator from Idaho is recognized.

EXTENSION OF TIME FOR PERIOD FOR ROUTINE MORNING BUSINESS

Mr. McCLURE. Mr. President, I ask unanimous consent that the period for routine morning business be extended to not later than 1:30.

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

The Senator from Wyoming is recognized.

RESEARCH AND DEVELOPMENT TAX PLANNING ACT OF 1982

Mr. WALLOP. Mr. President, on March 23, I was joined by four or my distinguished colleagues, Senator DANFORTH of Missouri, Senator D'AMATO of New York, Senator GLENN of Ohio, and Senator BRADLEY of New Jersey in introducing S. 2256, the Research and Development Tax Planning Act of 1982.

Our bill is designed to reinvigorate lagging technological innovation in the United States by making permanent two important—but temporary—provisions of the Economic Recovery Tax Act of 1981: First, the 25-percent tax credit for increases in R. & D. activities over current expenditures, now scheduled to expire at the end of 1985; and second, a 2-year suspension of IRS Regulations 1.861-8, which deal with allocation of U.S. R. & D. costs to foreign-source income.

Both of these important provisions were given unacceptably short "sunset" dates. Their brief time frames allow no certainty for businesses in tax planning nor in making decisions on funding the kind of costly, long-range R. & D. that is the key to American competitiveness in world marketplaces.

The stimulative effect of the 25-percent R. & D. tax credit is selfevident. Less well understood in the need to remedy the negative impact of IRS Regulations 1.861-8. These regulations constitute a serious disincentive to R. & D. investment in the United States by requiring U.S. Corporations to allocate a substantial part of their domestic R. & D. expenditures against foreign-source income. The net result is to decrease a company's taxable foreign/source income, as computed for U.S. tax purposes, and increase its taxable U.S. income. This amounts to double taxation of corporate income, since the taxes paid to foreign governments cannot be adequately credited againt U.S. taxes on the same earnings.

Because of its deep concern over the detrimental effects of these regulations, Congress acted in 1981 to suspend the regulations for 2 years and directed the Treasury Department to study their impact on R. & D. investment in the United States. But, Mr. President, despite our good intentions, the 2-year suspension has only created uncertainty in the minds of corporate executives at the very time when positive, aggressive, investment decisions are vitally needed to shake our Nation loose from its technological and economic slump. The danger is that many R. & D. investments by U.S. companies will be made overseas, costing U.S. scientists and technicians job opportunities and further eroding the Nation's technological leadership position.

The IRS 1.861-8 regulations should be eliminated permanently, and this is borne out by a new, thorough, and cogent study by the highly respected Institute for Research on the Economics of Taxation (IRET). This careful analysis concludes that the regulations are "a selective tax" imposed on multinational corporations that perform R. & D. in the United States, and that the regulations "do more harm than good."

Mr. President, it is important for all of us to have a full understanding of this important national economic issue, and I ask unanimous consent that IRET's excellent study, "Research and Development at Home or Abroad? The Economics of IRS Regulations 1.861-8," be printed immediately following my remarks.

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

[Institute for Research on the Economics of Taxation, Economic Report No. 9, Mar. 17, 1982]

RESEARCH AND DEVELOPMENT AT HOME OR ABROAD? THE ECONOMICS OF IRS REGULATIONS 1.861-8

(Mai Nguyen Woo, Ph. D., Research Associate)

INTRODUCTION

Few would deny that Research and Development (R & D) is vital to the American ecomomy. R & D improves productivity and is essential to the creation of new products and jobs—all top priority items for the decade ahead. Yet industrial R & D, like every other aspect of the private economy, is strongly influenced by the tax system. And policymakers have generally come to recognize that the best tax system is one that is most neutral, distorting economic choices as little as possible, and allowing the market to allocate resources to their most productive uses. The current policy emphasis on tax neutrality is of interest and importance.

Also of interest is the parallel concern of tax legislators over the current level of research and development (R & D) activities. The Economic Recovery Tax Act of 1981 has provided particular incentives for research and experimentation, to encourage the private sector to undertake more R & D projects. At the same time, it is possible that sections 861 through 863 of the Internal Revenue Code are inhibiting to such efforts. Moreover, another instance of the distortionary nature of income taxation has its origin in these very same sections of the Tax Code.

OVERVIEW

Sections 861, 862, and 863 require corporations to allocate expenses, losses, and other deductions between domestic and foreign sources of income. One type of deduction involves outlays for research and development (R & D), although the expenses are entirely incurred in the U.S. by corporations engaging in international business. These corporations must allocate a portion of their domestic R & D expenses to their foreign-source income. Because they are incurred in the U.S., foreign tax authorities usually do not allow deductions for these expenses; the Internal Revenue Service, in effect, denies U.S. corporations with foreign-source income any tax deduction for a part of their domestic R & D expenses.

The Regulations 1.861-8 detailing the methods for assigning R & D expenses to foreign-source income were issued by the Internal Revenue Service and became effective in 1977. Under the Economic Recovery Tax Act of 1981, they were suspended for 2 years pending a Treasury study; permanent suspension would require further legislation by 1984.

This IRET report examines the regulations for neutrality and efficiency in taxation. First, we give a general picture of and selected facts about Research and Development, and then offer a simplified exposition of the interaction between Regulations 1.861-8 and the foreign tax credit limitation provision. This interaction affects the after-tax rate of return, or the equivalent discount rate, to domestic R & D investment of U.S. corporations with international sales.

Then we move to a theoretical analysis of the economic costs generated by the regulations. They result in non-neutral taxation of the returns to domestic R & D investment (a) of two types of corporations: those with international sales and those without, and (b) in two types of locations: in the U. S. and abroad. The resulting misallocation of R & D resources is undesirable, although unintended. We also briefly consider the question: Do Regulations 1.861-8 partially thwart the current tax policy of stimulating R & D activities, especially domestic, to enhance national productivity and international competitiveness?

Next, an investigation into the costs and revenue yield of Regulations 1.861-8 reveals that their total economic and administrative costs probably exceed the revenue collected by the Treasury.

Finally, a search into the rationale behind Regulations 1.861-8 shows that they represent a misguided attempt to match domestic R & D expenses against current foreign-source income. Regulations 1.861-8 serve no useful purpose, other than as a mindless application of one of the principles of pure (but hypothetical) income taxation. This principle dictates that expenses be matched with the appropriate sources of income for tax purposes.

DEFINING RESEARCH AND DEVELOPMENT

The National Science Foundation defines "research" as a "systematic and intensive study directed toward a fuller knowledge of

Footnotes at end of article.

the subject studied." [1] Industries perform research with the hope of discovering new knowledge that will be useful in developing a new product, service, process, or technique, or in leading to a significant improvement of an existing product or process. Basic research is usually undertaken without a specific practical application in view, whereas applied research is undertaken to determine methods or ways of achieving some specific and predetermined objectives.

"Development" is "the systematic use of scientific knowledge directed toward the production of useful materials, devices, systems, methods, or processes." [2] Industries spend resources for this translation of research findings into a plan for a new product or process, whether for sale or use. For instance, "development" includes the conceptual formulation, design, and testing of product alternatives, the construction of prototypes, and the operation of pilot plants. It does not include market research or market testing activities, or routine alterations to existing products.

Some examples of R & D activities [3] are:

Technical creation of computer software, including its pure conceptual mathematical aspects.

Design of tools, jigs, molds, and dyes involving new technology.

Engineering activities required to advance the design of a product to the point that it meets specific functional and economic requirements, and is ready for manufacture.

In 1980, the United States spent more than $60 billion on R & D, or about 2.3 percent of its Gross National Product.[4] When compared to the proportion of resources devoted to civilian R & D (defined as total R & D expenditures minus government funds for defense and space R & D), both West Germany and Japan surpass the U.S. In the period 1965-1975, civilian R & D as a percent of GNP increased from 1.34 percent to 1.5 percent in the U.S., from 1.53 percent to 2.2 percent in West Germany,and from 1.53 percent to 1.91 percent in Japan.[5]

Table 1 shows that industrial R & D has grown from 32 percent of total U.S. R & D in 1965 to about 47 percent in 1980. During the 1975-80 period, about 3.6 percent of business R & D funds were allocated to basic research, 22 percent of applied research, and 74.4 percent to development. Table 2 shows that the producers of certain industrial goods—machinery, electrical equipment and communication, motor vehicles and transportation equipment, chemicals and allied products—led the field in R & D expenditures in 1978.

WHAT CONSTITUTES AN R & D EXPENDITURE FOR TAX PURPOSES?

To help in alleviating the definitional ambiguity inherent in R & D, the Financial Accounting Standards Board (FASB) has issued optional guidelines spelling out what specifically is an R & D expenditure. Five main categories of R & D expenses were identified:

TABLE 1.—U.S. RESEARCH AND DEVELOPMENT EXPENDITURES

[Dollar amounts in millions]

Year	U.S. total R. & D.[1]		Industry R. & D.[2]				
			Total		Percentage of total		
	Current	In 1972 dollars	In current dollars	Percent total United States	Basic research	Applied research	Development
1965	$20,044	$26,914	$6,445	32.15	6.3	25.1	68.6
1975	35,256	27,888	15,582	44.2	3.7	22.1	74.2
1976	38,960	29,165	17,436	44.75	3.6	22.4	73.9
1977	43,013	30,316	19,407	45.12	3.6	22.3	74.1
1978	48,286	31,756	22,098	45.76	3.6	22.0	74.4
1979	54,296	32,823	25,150	46.32	3.6	21.9	74.5
1980	60,375	33,264	28,300	46.87	3.6	21.9	74.5

[1] Total R. & D. includes basic research, applied research, and development funding by the Federal Government, industry, universities, and colleges and their associated federally funded R. & D. centers, and other nonprofit institutions.
[2] Total expenses on R. & D. by industry with private industry funds. This is directly relevant to the subject of this report on regulations sec. 1.861-8.

Sources: U.S. Department of Commerce, Bureau of the Census, "Statistical Abstract of the United States, 1980," 101st edition. (a) Table No. 1063, Research and Development (R. & D.) Funds, by performance sector and source: 1965 to 1980, p. 624. National Science Foundation, "National Patterns of Science and Technology Resources," 1981, tables 1 through 4, pp. 21 to 24.

TABLE 2.—INDUSTRIAL R. & D. EXPENDITURES, BY INDUSTRY

[In millions of dollars]

	1977	1978
1. Machinery	3,391	3,875
2. Electrical equipment and communication	3,238	3,769
3. Motor vehicles, transportation equipment	2,887	3,333
4. Chemicals and allied products	2,956	3,232
5. Aircraft and missiles	1,563	1,863
6. Professional and scientific instruments	1,313	1,529
7. Petroleum refining and extraction	842	952
8. Primary metals	507	518
9. Fabricated metal products	349	360
10. All others	2,361	2,667
Total	19,407	22,098

Source: U.S. Department of Commerce, Bureau of the Census, "Statistical Abstract of the United States 1980," 101st edition. Table No. 1067—Funds for Performance of Industrial Research and Development, by industry, 1965 to 1978, and by sources of funds, 1977 and 1978, p. 626.

(1) Facilities, materials, and equipment: Their costs are capitalized as tangible assets, the depreciation of which constitues R & D expenses. However, if the assets are acquired or constructed for a particular R & D project and have no alternative future uses (thus, no separate economic values), their full cost is an R & D expense.

(2) Intangibles purchased from others: Their costs are capitalized as intangible assets, the amortization of which constitutes R & D expenses. However, the same rule above concerning alternative future uses applies here.

(3) Personnel: The costs of personnel (wages, salaries, benefits) are R & D expenses.

(4) Contract Services: The costs of services rendered by others to a business in connection with an R & D project, including R & D conducted by others on behalf of the business, are R & D expenes.

(5) Indirect Costs: A reasonable allocation of general and administrative costs is accepted as R & D expenses.

In actual practice, however, this FASB list for accounting purposes may vary widely from acceptable tax categories for Section 174 of the Internal Revenue Code.

R & D AND TAX RULES

Current tax laws allow corporate taxpayers to deduct their entire R & D expenses during a fiscal year against their current income. All annual R & D expenses incurred in the U.S. are deductible from current domestic income if the taxpayer has no foreign-source income. For U.S.-based multinationals, some portion of "not definitely allocable" domestic expenses (for instance, on R & D performed exclusively in the domestic location), must be matched against foreign income. In 1977, Regulations 1.861-8 were issued to detail methods of assigning R & D expenses to foreign-source income. R & D expenses incurred solely to meet U.S. government mandates, and those made jointly with a foreign entitiy where a bona-fide cost-sharing agreement exist are exempt from these apportionment rules.

In general, corporate taxpayers may select one of two methods of dividing R & D expenses between domestic and foreign-source income: the Sales Method, or the Gross-to-Gross Method. However, the Gross-to-Gross Method cannot be used if it yields an amount of R & D expenses allocable to foreign income that is less than one half of the amount arrived at by the Sales Method.

The Gross-to-Gross Method allows a corporation to apportion its annual R & D expenses between the current domestic and foreign income on the basis of gross income. ("Gross Income" is defined as the annual sum of dividends, rents, royalties, and gross profits. The latter usually represents the difference between gross receipts and the costs of goods sold.)

Under the Sales Method, corporations first assign an "exclusive apportionment" of 30 percent of R & D expenses spent in the U.S. solely to their domestic income. (This 30 percent became effective in 1979; it was 40 percent in 1978 and 50 percent in 1977.) The remaining R & D expenses are divided between domestic and foreign-source income on the basis of their domestic and foreign sales in 2-digit (or broader) Standard Industrial Classification (SIC) product categories. Table 3 in lines 1 to 3, provides a numerical example of these alternative allocation rules.

Consider the AAA Corporation and its foreign subsidiary in 1980. It receives a gross income of $70,000 from $100,000 worth of

[1] Footnotes at end of article.

sales in the U.S., and $10,000 gross income from $50,000 of sales abroad. For tax computation purposes, AAA must allocate the $10,000 R & D expenses incurred in the U.S. between its domestic and foreign-source income, first using the Sales Method. Under the 30 percent exclusive apportionment rule, $3,000 of the total R & D expenses is applicable against domestic income; the remaining $7,000 is divided on the basis of the ratios of domestic sales and of foreign sales to worldwide sales, 100,000÷150,000 and 50,000÷150,000 respectively. Line 3 of Table 3 shows that $2,333 of R & D is allocated to the foreign-source income under the Sales Method.

Next, AAA uses the Gross-to-Gross Method to allocate $1,250 of R & D to foreign-source income on the basis of gross income ratios of $10,000÷$80,000 of this case (see line 3b). Since this $1,250 is greater than one half of $2,333 arrived at under the Sales Method, AAA is allowed to use the Gross-to-Gross Method.

INTERACTION BETWEEN REGULATIONS 1.861-8 AND THE FOREIGN TAX CREDIT LIMITATION

Because they must comply simultaneously with Sections 861-863 and with Section 904 of the Tax Code, U.S.-based multinationals are faced with a higher-than-statutory effective worldwide income tax rate. This is because the IRS requires these corporations to compute their U.S. gross tax liability on the basis of their worldwide income, allowing a credit for taxes paid to foreign authorities.

TABLE 3.—RESEARCH AND DEVELOPMENT: TAX COMPUTATION METHODS; CONSIDER THE AAA CORPORATION WHICH HAS A FOREIGN SUBSIDIARY IN 1980

[Amounts in thousands of U.S. dollars]

	United States	Foreign	Worldwide
1. Sales	$100,000	$50,000	$150,000
2. Gross income	70,000	10,000	80,000
3. R. & D. expenses incurred in the United States must be allocated between domestic and foreign source income under:			
(a) The sales method:			
Exclusive apportionment	3,000		
Remainder (on the sales ratio)	4,667	2,333	
Total	7,667	2,333	
(b) The gross-to-gross method: Allocation on basis of income since $1,250 ½ ($2,333), this formula may be chosen by AAA	8,750	1,250	10,000
4. Taxable income by source line (2) minus line (3b)	61,250	8,750	70,000
5. Gross U.S. tax on worldwide income (46 percent)			32,200
6. Actual tax paid to foreign authorities (46 percent)		4,600	
7. Creditable tax limited to: Line (5) multiplied by foreign taxable income divided by worldwide taxable incomes or 32,200 multiplied by 8,750 divided by 70,000 equals 4,025			4,025
8. U.S. tax liability: Line (5) minus line (7)	28,175		
9. Effective worldwide tax: Line (6) plus line (8)			32,775
10. Effective worldwide tax rate: Line (9) divided by line (4) (percent)			46.82

Note: For illustrative purposes, table 3 was built on hypothetical sales (1), and gross income (2) figures. Note that gross income from a subsidiary generally means net dividends distributed to the U.S. parent; in contrast, gross income of the U.S. parent means gross profits; i.e., sales minus costs of goods sold. Line (6) assumes that foreign authorities tax corporations at the same rate, 46 percent, as the United States, in order to isolate the interaction between the regulations 1-861-8 and the foreign tax credit limitation. For simplicity, taxable income (4) is arrived at, abstract from many deductions other than R. & D. expenses.

However, Section 904 puts a limit on the foreign tax credit: It cannot exceed the amount arrived at by applying the U.S. tax rate to foreign taxable income. But Regulations 1-861-8 reduce this taxable foreign-source income by the portion of R & D expenses assigned to it.

Most often, foreign tax authorities deny any deduction for R & D expenses incurred in the U.S. Thus, the foreign tax actually paid by U.S.-based multinational operations turns out to be larger than the foreign tax credit recognized by the IRS. In other words, the U.S. tax credit and the tax actually paid to the foreign governments are different: The credit is smaller in part because the IRS falsely "assumes" that foreign governments allow corporations to deduct R & D expenditures from income.

Again, Table 3 illustrates this situation. Corporation AAA now can deduct $8,750 of R & D against its $70,000 U.S. gross income to get $61,250 of taxable domestic income. The same procedure yields $8,750 of taxable foreign income (see line 4). Line 5 shows that the gross U.S. tax at 46 percent is computed on AAA's worldwide taxable income of $70,000=($80,000 −$10,000 R & D). Against this gross U.S. tax of $32,200, only $4,025 of the $4,600 foreign tax actually paid is creditable. Line 7 shows the formula for the foreign tax credit limit which is the product of gross U.S. tax on worldwide income multiplied by foreign taxable income divided by worldwide taxable income.

Line 9 shows an effective worldwide tax liability of $32,775 for AAA; its effective worldwide tax rate of 46.82 percent exceeds the maximum 46 percent statutory rate for corporations in the U.S.

The result: The above tax rules effectively raise the costs of domestic R & D projects for U.S. corporations engaging in international business.

UNDESIRABLE ECONOMIC CONSEQUENCES

As explained above, the R. & D. allocation rules interact with the foreign tax-credit limitation provision to push the effective total income tax rate above the statutory rate for certain U.S. corporations (that engage in international sales) and not for others. This tax "premium" can be viewed as a "selective tax" imposed on multinational corporations that locate some R. & D. activities in the U.S. Holding all else constant, the size of this tax "premium" changes in the same direction as (a) the level of domestic R. & D. expenses incurred by each multinational corporation, and (b) the size of its foreign-source income. When the latter variable is held fixed, an annual increase in the multinational's domestic R. & D. expenses leads to a larger allocation of R. & D. to its current foreign-source income, and thus to a higher effective cost of domestic R. & D. When the amount of R. & D. expenses is fixed, an increase in the multinational's repatriated income will mean that a larger share of R. & D. will be allocated to it. The result: A higher effective cost of R. & D. for the corporation.

In this situation, if nothing else is different, the affected multinational corporation can respond in several ways in order to minimize its total cost of doing business.

In the short run (when business plans and R. & D. projects cannot be altered), the corporation can simply refrain from repatriating some of its current foreign income. This tax-saving action may contribute to a distortion of the U.S. balance of payments, and to some extent, the value of the U.S. currency.

In the medium run, the corporation may, if it is feasible, move some on-going domestic R. & D. activities to its foreign locations. In Table 3, line 2-4 indicate that if the foreign income can be reduced by $1,250 of "new" R. & D. expenses (from $10,000 to $8,750), the foreign tax actually paid will decline to $4,025, and the full amount will be creditable against U.S. taxes, in line with the foreign tax credit limitation, shown on line 7.

In the long run however, multinational firms must incorporate the selective tax resulting from Regulations 1.861-8 into their economic calculations, on the basis of which they will decide whether or not to go ahead with any new domestic R. & D. projects. In order to understand the full impact of the "selective tax," one must ask how decisions about R. & D. are made.

WHY IS A PARTICULAR R & D PROJECT UNDERTAKEN?

A corporation decides on an R & D project on the basis of economic facts and expectations. According to an expert on R & D, "A typical long-term R & D project has at best a one-third probability of success, and will require a steady infusion of funds before generating any return."[6] When that return finally materializes, it must be sufficient to cover the actual R & D outlays (including the estimated "selective tax" due to Regulations 1.861-8) and more.

Consider the case presented by Dr. J. W. Schultz[7] of Sterling Forest Labs at INCO, Lmtd., during the Tax Foundation Seminar on March 25, 1981 in Washington, D.C.: an R & D project requires a total of 20 years, with 16 years of R & D costing $1 million a year, and with 4 years to build a plan costing $50 million. Assume that the project is the one of three that pans out, and that the resulting product has a 15 year market life and reaches its full earning potential in the sixth year. Because the expected earnings and expenses stagger in over a period of time in the future, they must be discounted back to the present when executive decisions are made.

Thus, for this project to be undertaken the present value of the earnings it generates must be greater than the present value of the R & D outlays, including the forgone return to those R & D funds had they been placed in the next best alternative investment. The discount rate includes (a) a standard real after-tax rate of return, (b) premiums for the expected rate of inflation, (c) some degree of risk, and (d) an effective tax rate. The assumptions adopted prior to the Economic Recovery Tax Act of 1981 are a 15 percent discount rate, 10 percent investment tax credit, and 14-year depreciation on plant and equipment. The cash earnings before taxes must be over $90 million to justify the above project; $74 million of this is required to recoup the R & D expenses. For every five years of added research time, the level of cash earnings must double to justify the project at the 15 percent discount rate.

The point is that this discount rate rises as multinational corporations anticipate an increase in their worldwide tax rate because of Regulations 1.861-8. A bias has thus been introduced against some domestic R & D projects that are desirable to society, and to the corporation—at least prior to the imposition of this "selective tax." Under Regulations 1.861-8, these very same projects are still desirable to society, but are not undertaken by the corporation. If all other determining factors are favorable abroad, the corporation will consider the alternative of placing these R & D projects overseas. Thus, this expected "selective tax" burden can distort the multinational corporations' R & D investment decisions—what project they will undertake as well as where they

will undertake it—causing an inefficient use of R & D resources in the American economy.

This "selective tax" also affects certain domestic corporations when they consider entering the foreign markets. They are deterred from making international sales in any year when their expected net-of-tax earnings from foreign sources do not exceed the additional U.S. tax liability. Again, society would have gained from the more efficient use of domestic R & D results, had the tax wedge not distorted the economic choice of these corporations. The U.S. economy pays a price in lost opportunities for increases in employment and productivity.

WHAT CATEGORIES OF R & D INVESTMENT ARE LIKELY TO BE MOVED ABROAD?

The "selective tax" imposed via Regulations 1.861-8 on domestic R & D interferes with the locational decisions of U.S. multinational corporations. But in addition to all the economic requirements explained above for an R & D project to be undertaken, a U.S.-based multinational corporation generally has specific commercial reasons for creating R & D units overseas.

In an extensive survey, Robert C. Ronstadt[8] described a particular evolutionary pattern of foreign R & D investments made by U.S. firms: First, small R & D investments are made in technical services laboratories in order to help transfer U.S. technology. Later, these R & D units expand into organizations seeking to develop new and improved products. Again, given the proper preconditions, these R & D activities may expand further to develop new products and processes for simultaneous manufacture in several major world markets. Ronstadt also classified the R & D units created overseas by U.S. firms according to their initial purpose:

(1) Transfer Technology Units are established abroad to help certain foreign subsidiaries transfer manufacturing technology from the U.S. parent, while providing related technical services to foreign customers.

(2) Indigenous Technology Units are created to develop new and improved products expressly for foreign markets.

(3) Global Technology Units develop new products and processes for application in major world markets.

(4) Corporate Technology Units generate new technology of a long-term or exploratory nature expressly for the corporate parent.

Ronstadt indicated that most foreign R & D investements in 1974 belonged to the first two categories,[9] and that they made U.S. corporations more competitive in foreign and domestic markets than they would have been if they had performed these R & D operations *only* in the U.S.

It is obvious, then, that the impact of the "selective tax" falls on the foreign R & D investments in the last two categories. This means that when the U.S. corporations, affected by the higher effective cost of performing domestic R & D projects under Regulations 1.861-8, consider the foreign location for these projects, there will be more Global Technology and Corporate Technology Units being created abroad.

The existing literature on R & D appears to favor the conclusion that such a shift of corporate and global technological R & D from the U.S. to other nations does not in general benefit the home economy. Moreover, foreign authorities and politicians tend to tinker with new technological discoveries by these overseas R & D units, subjecting them to opportunistic laws and arbitrary regulations.

The ultimate policy issue is whether it is in the U.S. interest to encourage, even unintentionally via the tax rules of income allocation, the migration of American corporate and global technology R & D units to foreign countries. The corollary is another policy issue. Besides migration, the tax rules also result in providing a competitive edge to foreign-owned high technology companies. This may be the real ultimate consequence and irony of the Regulations 1.861-8.

TOTAL COSTS REGULATIONS 1.861-8 EXCEED THEIR REVENUE YIELD

So far, the focus has been on the non-neutral nature of the interaction between these allocation rules and the foreign tax credit limitation provision. The ensuing distortions of R & D decisions are clear and increasingly costly. However, tax rules are often devised simply to yeild revenue to the government, and such trade-offs between this necessity and inefficiency may be justified if the tax rules generate more revenue than costs. Unfortunately, evidence suggests that this is not the case for Regulations 1.861-8. In her latest study, Anita Benvignati concluded:

"(1) In total, additional tax revenues received by the Treasury Department in 1977 and 1978 as the result of Regulations 1.861-8 have been minimal.

"(2) On an individual-firm basis, the immediate tax effect of Regulation 1.861-8 has been, in the some instances, much more substantial, since a rather small, though growing fraction of corporate taxpayers have actually paid additional taxes."[10]

The Benvignati study was based on tax return information filed by an original sample of 65 technology-intensive, U.S.-based multinational corporations for the years 1976, 1977, and 1978. The selected corporations were in general a) highly committed to domestic R & D activities; b) extensively multinational in production as well as marketing, and c) very large in overall firm size. The sample covered an estimated 51 percent of total domestic R & D expenditures funded by all U.S. companies. The revenue collected under the regulations from the sample firms was $60 million in 1976, $41 million in 1977, and $91 million in 1978. Thus it is safe to put the total 1978 revenue yield of Regulations 1.861-8 under $200 million, an amount most likely dwarfed by (a) their economic costs in lost job opportunities and lost potential productivity and (b) substantial compliance costs due to their extreme complexity. Both the IRS and the taxpayers retain specialists to assure proper compliance to these regulations. Court cases are often filed over their ambiguous application and definition. Experts from the U.S Treasury, meanwhile, have conceded that there has been little enforcement of Regulations 1.861-8, and that any resulting revenue collection probably has been negligible.

Note, however, that the years 1977 and 1978 constitute a phase-in period for these Regulations; it is not really until 1979 that a fair determination can be made of their revenue impact. Even if their total revenue yield turns out to be minimal, the Regulations still inflict considerable tax-induced distortions of R & D investment decisions on some firms.

As it became evident that Regulations 1.861-8 generated greater total costs, hidden and nominal, relative to revenue yield, one must ask, what were the other justifications offered for their issuance, and are the justifications still acceptable in the current tax system?

REGULATIONS 1.861-8; TO BE OR NOT TO BE?

Let us begin by examining the rationale advanced in defense of the extremely complicated R & D allocation rules.

(1) The "exclusive apportionment": 30 percent of R & D expenses incurred in the U.S. is assigned to domestic income under the Sales Method. The return to domestic R & D is higher in the domestic market than in foreign markets, the reasoning goes, because (a) any category of products marketed abroad is likely to be more limited in selection than that marketed at home, and (b) new products and processes are often introduced in foreign markets later than in the domestic market.

The 30 percent is arbitrarily determined; some newly published studies have found it to be too low. Anita Benvignati reported that ". . . three different industry studies suggest the official percentage for the exclusive apportionment of U.S.-source income should be, at a minimum 35 percent,"[11] and that it should be higher for internationally inexperienced firms than for mature multinationals, and higher for process-type technology than for product-type technology.

(2) The Sales Method allows the corporate taxpayer to break R & D expenditures down into two-digit Standard Industrial Classification categories. This in effect recognizes that it makes sense only for closely related sales to enter the apportionment formula. Yet, this 2 digit SIC rule is "far too inflexible . . . if the goal is to achieve the 'best' matching of income to expenses. Many corporations are likely to find the restriction unnatural for their particular operation and method of accounting."[12]

(3) A mechanical limit which is put on the use of the Gross-to-Gross Method as described in Table 3, line 3b, recognizes the fact that it often results in a smaller allocation of R & D expenses to foreign-source income than the Sales Method when foreign operations are conducted through a foreign subsidiary rather than a branch. Gross income from a subsidiary means only dividends distributed to the U.S. parent, net of the subsidiary's depreciation, interest expenses, advertising cost, etc. By contrast, gross income of the U.S. parent means gross profits, i.e., sales minus cost of goods sold.

As in the examples presented above, various reasons are advanced to support the complexity and arbitrariness of Regulations 1.861-8, only to be torn down by critics. However, a more powerful argument against these allocation rules lies in the nature of R & D. Research and Development activities can only result, potentially, in a stream of future income. But the 861 allocation rules incorrectly match current R & D expenses against current income; a proper application of the tax principle of matching domestic R & D expenses with foreign income would require that this later be the present value of *future* foreign-source income.

Despite the "potential" nature of R & D investments, "The U.S. Treasury reasoned that these types of expenses (R & D), while incurred exclusively or predominantly in the domestic location, were still likely to benefit foreign income to some extent; therefore, some portion of the deduction of these expenses should be made against foreign income and not exclusively against domestic income, for purposes of meeting certain operative sections of the U.S. Tax Code."[13]

At the fundamental level, this explanation suggests that Regulations 1.861-8 aim at matching R & D expenses to sources of income, in accordance with the statute based on the principles of income taxation. One interpretation is that R & D benefits the business, whether domestic or foreign, of a corporation; therefore R & D expenses must be so allocated for the sake of consistency in using the income base for taxation.

This might make sense if our actual tax system were built on a comprehensive income base. But nothing is further from reality: Under present laws, income from certain types of labor and investment is tax-exempt or tax-preferred, while income from other types of work and investment are fully taxed. Students of taxation [14] feel that the current system is a hybrid between a consumption tax (which exempts saving from income) and an income tax.

The distortions of economic choices under the present tax system are already known to be serious; there is no need—or justification—for the even greater misallocation of R & D resources caused by Regulations 1.861-8. Over the long run, the potential damage to the productive capacity of the U.S. economy is considerable.

CONCLUSION

Many a participant in the debate whether or not to repeal Regulations 1.861-8 emerges convinced that the allocation rules do more harm than good, and that their permanent suspension is in order. These regulations yield the U.S. Treasury only a minimal amount of revenue, and suffer from serious flaws. They are:

(1) an administrative nightmare for both tax-collectors and taxpayers.

(2) non-neutral in their economic impact, such that the affected firms' decisions regarding R & D projects and their choice between domestic and foreign locations for R & D activities are seriously distorted, to the detriment of the U.S. economy.

(3) an undesirable and incorrect attempt to match domestic R & D expenses to current foreign-sources income, and finally,

(4) an unacceptable interpretation of the statute, since the present tax system is hybrid in nature and is no longer based exclusively on an income base.

These are considerable problems. Moreover, the U.S. should remove any impediment to domestic R & D activities, especially financial burdens imposed by tax rules. This is necessary and timely as our leading competitors and trade partners concern themselves with encouragement of their domestic R & D. No other country known to tax experts burdens its national firms with tax rules similar to Regulations 1.861-8. As a result foreign-owned firms, operating in the same countries as the U.S. firms, enjoy a competitive edge precisely because of these regulations.

FOOTNOTES

[1] *Statistical Abstract of the U.S.*, 101st ed., U.S. Department of Commerce Bureau of the Census, Washington, D.C., 1980, p. 621.

[2] Ibid.

[3] "Accounting for Research and Development Costs, *Statement of Financial Accounting Standards*, No. 2, Paragraph 9, Financial Accounting Standards Board, Stamford, Conn., 1974.

[4] *National Patterns of Science and Technology Resources: 1981*, National Science Foundation, Government Printing Office, Washington, D.C., 1981, p. 1.

[5] *Federal Tax Policy News*, Vol. 5, No. 5, Tax Foundation, Washington, D.C., June 5, 1981, p. 1.

[6] Ibid., p. 1.

[7] Ibid., p. 2.

[8] Robert C. Ronstadt, "International R & D: The Establishment and Evolution of Research and Development Abroad by Seven U.S. Multinationals," *Journal of International Business Studies*, Vol. 9, Spring/Summer 1978, pp. 7-24.

[9] Ibid., *"Exhibit 5:* R & D Investments Abroad Classified by their Primary Purpose," p. 16.

[10] Anita M. Benvignati, "The Effects of Regulation 1.861-8," *Impact of American Tax Policy on the Level and Location of Industrial Research and Development*, Department of Commerce, Foreign Business Practice Division, Office of International Services, Washington, D.C., October 1981, p. 2.

[11] Ibid., p. 13.

[12] Anita M. Benvignati, "The Tax Treatment of Research and Development (R & D) Expenditures by Multinational Corporations: The Impact of Regulations, 1.861-8," Office of Tax Analysis, U.S. Treasury, Paper 43, December 1980, p. 10.

[13] Ibid., p. 2.

[14] David Bradford, *The Economics of Tax Policy toward Savings*, NBER Reprint No. 141, National Bureau of Economic Research, Cambridge, Mass., 1981, pp. 11-68; Mai N. Woo, "Taxation, Savings, and Labor Supply: Theory and Evidence of Distortion," *Essays in Supply Side Economics*, David G. Raboy, ed., IRET/Heritage Foundation, Washington, D.C., 1982, pp. 119-150.

Mr. WALLOP. Mr. President, I thank the Chair, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call to 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.

VISIT TO THE SENATE BY MEMBERS OF THE HOUSE OF COMMONS SELECT COMMITTEE ON DEFENCE OF THE UNITED KINGDOM

Mr. TOWER. Mr. President, we are delighted to welcome today for the second exchange the members of the Defence Committee of the House of Commons from the United Kingdom.

This is the second joint meeting that the Armed Services Committee of the U.S. Senate has held with the Defence Committee of the House of Commons. These have been very useful meetings and very fine exchange of ideas.

We have been involved in some discussions this morning and will be further involved this afternoon.

I introduce our distinguished guests to the Senate. They are: Sir Timothy Kitson, the chairman of the Defence Committee; Sir John Anthony Langford-Holt; Mr. Michael Marshall; Rt. Hon. James Gregor Mackenzie; Sir Patrick Wall; and Mr. James Anthony Dunn.

RECESS

Mr. President, I ask unanimous consent that the Senate stand in recess for 3 minutes so that we can greet these very distinguished guests.

There being no objection, the Senate at 1:22 p.m. recessed until 1:25 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. GORTON).

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

CIVIL SERVICE RETIREMENT REFORM

Mr. MATHIAS. Mr. President, today I would like to call Senators' attention to an important article written by the distinguished Senator from Alaska (Mr. STEVENS) for the Federal Times. He has focused on an issue sure to cause lively debate in both Houses of Congress. That is, civil service retirement reform, and a major proposal to be introduced later this month which would overhaul the Federal pension system.

As chairman of the Governmental Affairs Subcommittee on Civil Service, the Senator has worked endless hours hammering out a bill that would be agreeable to both the civil servants and the administration. That is no small task, and the importance of this legislation cannot be underestimated.

In the recent past, each fiscal year has brought with it changes in Federal retirement policy. We must work to achieve some certainty and reliability in the civil service retirement program. Senator STEVENS has worked diligently toward that goal and has set forth a balanced argument for his legislation in this article.

I believe his statement is worthy of the attention and serious consideration of each of my colleagues in the Senate. I ask unanimous consent that the article be printed at this point in the RECORD.

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

[From the Federal Times, May 31, 1982]

REFORM CIVIL SERVICE RETIREMENT TO CUT COSTS, IMPROVE BENEFITS

(By Senator TED STEVENS)

Retirement spells drastic changes for individuals and families. Prior to retirement an employee makes many decisions affecting his future. The most important questions are what will he do; when will he retire; and, how much income will be needed to meet his needs.

Unlike 25 years ago, today an employer must offer a retirement plan to attract quality employees. A good pension plan offers answers to questions on a reasonable retire-

ment age and sufficient income level. To determine these and other specifics, an employer must consider a number of factors. These include what can be profitably offered; what benefits are needed to be competitive; how much employee turnover is desirable; what age range is needed or desirable what age range is needed or desirable for the work involved; and, what must be done to meet requirements of the 1974 Employee Retirement Income Security Act.

The federal government as an employer, however, is faced with different circumstances. The government's provision of a secure retirement for its workers is counterbalanced by its responsiveness to the taxpayers. While employee benefits in a business are constrained by the profit margin, similar benefits in government employment are constrained by the public's willingness to pay.

The government has a responsibility to both groups to provide a good yet affordable retirement plan. The current civil service retirement system is clearly lacking in both respects. It is an expensive plan which rewards a few at the expense of many.

The Congressional Budget Office reports that annual outlays of civil service pensions are $17.3 billion and will rise to $30.1 billion in 1986. Total retirement costs constitute 36.7 percent of the federal payroll, of which 29.5 percent are government contributions. Typical private sector plans cost 22.7 percent of payroll. Yet these high costs reflect benefit payments to a relatively small group of people.

Studies show that about 25 percent of new federal hires remain in government until retirement. The remaining 75 percent either withdraw their pension contributions upon resignation with little or no interest accrual or they remain vested in the system to receive a marginally smaller pension on reaching retirement age. Hence, the exorbitant costs of the current system result from the relatively few who take advantage of it.

I am convinced the costs of the system can be significantly reduced while redistributing the benefits to profit the most. To do this equitably, I will introduce legislation later this year to set up a new retirement system to mandatorily cover all federal workers hired after the date of enactment. Current government employees will have the option to elect coverage under it. This plan, the Civil Service Pension Reform Act of 1982, will dramatically change the pension system for federal workers.

In order to make the system comparable with retirement programs in private industry, social security will be the foundation on which changes will be made. Social security coverage will be extended to all new federal workers. The public will no longer have reason to single out federal workers as insulated from pension concerns. All will be treated equally here. Yet, even to the federal worker, social security benefits far outweight the liabilities.

The basic pension plan, which will be offered in addition to Social Security, will involve defined contributions provided by the government and invested in the private sector. One's pension will depend upon the accumulation of his contributions plus its investment earnings. Private investment provides a variety of heretofore unavailable options. Individual employees will now participate in investment decisions. When an employee feels his account is sufficiently large to support him, he can retire at anytime.

Most federal employees will actually benefit from this change. Actuarial estimates reveal that employees at all income levels who work a full career (age 65 with 40 years of service) will receive greater net replacement of their income after taxes than under the current system. The new system will provide workers with pension portability between government and the private sector, now nonexistent. An employee may leave after five years, taking accumulated earnings and social security credit.

This option heralds a new flexibility for federal employees. Retirement benefits will no longer direct the decisions of mid-career workers who are considering other job opportunities. The retirement plan will continue to reward full career federal employees while freeing part-career workers to move in and out of private industry.

Additionally, unfunded liabilities and spiralling government costs will be problems of the past. The system will be fully funded. The government's costs will be fixed. A substantial cost savings will be realized over the current system, reducing costs to the taxpayer by about 20 percent.

These savings will come in two areas. First, social security coverage precludes the generation of windfall benefits to those who work in covered employment for short spans. And second, those who take advantage of the current system by retiring with minimum age and service eligibility will no longer receive benefits commensurate with present procedures.

Admittedly, the concepts contained in the bill are somewhat revolutionary vis-a-vis the current system. Such retirement plans are relatively common in private industry, however. The following describes the bill's general provisions:

All federal and postal workers hired after the bill is enacted would be covered by the new retirement program.

Current employees could elect coverage under the system.

The government will "buy" current retirement credits from those workers who elect coverage in the new system. The new amount will be placed in the employee's account in the new system. Two options would be offered. Current retirement contributions will be matched by the government with the total increased by a 5 percent interest factor compounded for the number of years' service. Or, the worker will be entitled to the present value of his accumulated benefits adjusted by a 6 percent inflation factor.

The first tier of the new system will be social security. Federal workers will pay the same social security taxes as everyone else and receive the same benefits. The government will pay the employer tax and its payroll contribution into the social security trust fund.

The second tier will be a defined contribution plan. The government will contribute to an employee's account 9 percent of the first $20,000 in salary (adjusted annually) and 16 percent for every dollar thereafter. This is a government contribution plan, requiring no employee match.

The third tier will be a voluntary thrift plan, with the worker contributing any amount he wishes. The government will match 100 percent of the employee's contribution up to 3 percent salary.

A worker will vest in the new system after five years of government service. This includes newly-hired employees and current workers who transfer into the new program. After five years in government, an employee may leave with the entire amount in his retirement account, including government contributions plus interest. On the other hand, he may elect to draw an actuarily-adjusted annuity or he may defer drawing on the account until later.

An entirely new pension fund will be established. All government contributions to an employee's account in the fund will be invested in special issues of the Treasury for the employee's first five years of participation. The employee's contributions to the thrift plan will be available to him for private sector investment beginning the second year. After an employee's fifth year, all new government contributions will be available for private investment.

A new sick leave and disability system will be set up. Each worker will be granted seven days of non-accumulating annual sick leave. Illnesses or injuries necessitating longer leave will trigger short-term accident and illness insurance. Such insurance will be preceded by a short waiting period and application for such payments must be accompanied by medical documentation. Depending on one's length of service and duration of his absence, an employee will receive 100 percent, 80 percent, or 60 percent of his gross pay.

The unfunded liability of the current system is amortized over a 40-year period of payments from the general treasury. All agencies will pay the full cost of the employees remaining in the current system.

The retirement system will inevitably be changed. The question now is, "Will we do something new in the future while living up to our commitments of the past?" or "Are we simply going to watch the current system be emasculated year after year?"

A JULY FOURTH SALUTE TO VIETNAM WAR VETERANS

Mr. MATHIAS. Mr. President, when we broke ground on the Mall for the Vietnam Veterans Memorial a few months ago, we brought an end to the long, often disheartening struggle America's Vietnam war veterans have faced in gaining the Nation's attention for the hardship, heroism, and sacrifice they endured.

The veterans of Vietnam, like the war they fought, have had to face stubborn resistance nearly every inch of the way. Only now have we begun to recognize them as authentic American heroes. Establishing the Vietnam Memorial here in Washington is their first milestone. But only when they take their place next to the men and women who fought and served in all of America's wars will they finally achieve their rightful place of honor.

We have an opportunity this Fourth of July to help them take another step toward the realization of this goal.

I would like to call attention to the special ceremonies which will take place in the city of Baltimore on July 4, to honor the veterans of the Vietnam war. I would also like to commend these ceremonies to all Americans as a way to pay tribute to the hundreds of thousands of our fellow citizens who served our country during the Vietnam era.

Several weeks ago the mayor of Baltimore, William Donald Schaefer, and

members of the Baltimore business community decided to honor Vietnam war veterans at a special ceremony and festival on July 4, as part of the city's Independence Day observance. The celebration is being cosponsored by the citizens of Baltimore in connection with the Baltimore Vietnam Veterans Leadership Program, Inc. The Fourth of July was chosen because of the symbolism of Independence Day and because on that patriotic holiday Americans everywhere express pride in our country. Fort Smallwood, a city-owned park located in Anne Arundel County, Md., on the Chesapeake Bay was chosen as the site for the festival because it is a natural picnic area, has space and facilities for a festival, and can accommodate a large crowd. Moreover, it honors a great American, the Maryland Revolutionary War hero, Gen. William Smallwood.

While the salute primarily recognizes and honors Vietnam veterans, it is not only for veterans, but for all members of the community who wish to recognize and share in pride of service to our country. The festival will include events ranging from a parade and family games and performances by numerous bands and stage groups to brief military honors recognizing the 1,178 servicemen from Maryland—410 of them from Baltimore—who gave their lives in Vietnam.

Both private businesses and individuals have donated time, money, and facilities in a communitywide effort to make the salute a success. Numerous veterans organizations have also joined this unprecedented effort on behalf of our Vietnam veterans.

The time is now right for this salute. Most Vietnam veterans have long held a real sense of pride in the service they performed in a difficult time in our history. However, they have not had an opportunity to express their pride, nor has it been a subject of significant media attention. It has taken us 10 to 15 years to separate the concepts of a bitter, unpopular, and divisive war from our thoughts about the Americans who fought in that war.

The Maryland salute makes no political statement about the war. Instead, it recognizes that we must separate our individual thoughts about the pros and cons of that war from our recognition of the service and sacrifice made by the young men and women who fought or served during the Vietnam war.

As far as I know, the salute in Baltimore is unique. I believe it can provide an inspiration for all Americans to help heal the wounds remaining from Vietnam and to honor a generation of brave Americans on our national Independence Day in the years ahead.

EXTENSION OF TIME FOR THE TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that the time for the transaction of routine morning business be extended to not past the hour of 2 o'clock under the same terms and conditions as heretofore ordered.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. LUGAR). Without objection, it is so ordered.

Mr. BAKER. Will the Senator permit me to interject for a moment?

Mr. DANFORTH. Certainly.

Mr. BAKER. Mr. President, I ask unanimous consent that the time for morning business be extended not past 2:15 p.m.

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

The Senator from Missouri is recognized.

THE HITACHI-MITSUBISHI CASE

Mr. DANFORTH. Mr. President, I wish to express my outrage about alleged attempts by employees of certain Japanese high-technology firms to obtain proprietary information and data belonging to IBM. IBM is the world leader in computers and other high-technology products, and while I applaud competition I deplore theft as a means to enhance competitiveness.

What makes the recent case all the more deplorable is the fact that the Japanese firms involved are themselves highly respected—class competitors in a highly competitive industry. As the U.S.-trade deficit with Japan in high-technology products would indicate, these companies have no need to resort to underhanded methods of gaining a competitive edge.

As details of the Hitachi-Mitsubishi case become public, the extent of the criminal act will become clear. Certainly, there will be questions raised about the adequacy of our ability and the ability of our companies to safeguard industrial secrets—whether from economic competitors or from nations who wish us ill. At this juncture, however, two things are clear:

First, it is imperative that the U.S. Government pursue this case vigorously and to the limit of the law. Such deplorable criminal activities and their perpetrators must be brought to justice.

Second, although this case involves industrial espionage—a criminal offense rather than a political or trade issue per se—it is obvious that many American companies remain extremely competitive, particularly in the areas such as computers and other high-technology products.

In this regard, it is more evident than ever that we must, as a Government, do all that we can to obtain the elimination of foreign barriers that unfairly restrict competitive U.S. exports and investment.

ANNE WORSHAM RICHARDSON

Mr. THURMOND. Mr. President, one of the world's famous painters of birds and animals is Anne Worsham Richardson of Charleston, S.C. She is recognized as a truly great artist and her works have been exhibited in centers of art throughout this country and Europe.

In addition to her talents with color and the esthetic forms of life in nature, Anne Worsham Richardson is also a person of charm and distinction. She enjoys not only the recognition of the art community, at large, but is highly honored in her own hometown.

She is—quite aside from her painting skills—a naturalist who understands and loves the birds and animals which she paints. From the Birds I View Gallery which she and her husband, John Peter Paszek, operate together, she carries on her work and maintains her wide contacts in the community.

Mr. President, in the May/June issue of PortSouth, the magazine of coastal South Carolina and Georgia, an excellent article by Melanie Gause Harris was written about this distinguished lady, entitled "Profile: Anne Worsham Richardson, Every Day a Celebration." Because this account draws such a clear image of this outstanding practitioner of the arts, I ask unanimous consent that it be printed in the CONGRESSIONAL RECORD.

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

ANNE WORSHAM RICHARDSON

EVERY DAY A CELEBRATION

(By Melanie Gause Harris)

When Anne Worsham Richardson met me at the door of her home on the Ashley River, she was wearing a neat red tailored blazer and blue skirt with a feminine blouse accented by a gold pin. Her clothes typified the unique combination of maturity and girlishness that I was soon to discover in her personality. Dark hair and a tall womanly figure did not betray her vulnerability. Her formal living room was dominated by blues, but her original bird painting gave it the odd blend of vibrancy and tranquility that distinguished it from any room I have ever visited. We sat down in two blue and white wing chairs beside a tea table and talked about her beginnings as an artist in Turbeville, South Carolina.

She lived in the country with her parents and six brothers and sisters. Not only could she read and write before the age of four, she was also already known as the family artist. In a third grade class, her teacher brought in pine cones and tree branches for students to draw. They were allowed to study other pictures but never to copy: "But even in the third grade I was already past copying anybody else's picture. That's why I don't like to use photographs now. I'd rather use live animals." She began portrait painting at the age of twelve when she was able to "get a likeness of anything that blinked."

One of the problems that she encountered as a portrait artist was the client who would see one of her portraits and say, "I want mine painted exactly like you did hers." She told me a story about the last portrait that she did:

"The lady brought a dress in. She didn't want to dress and sit there for me. She was nervous and wanted to do some errands. She hung the dress up on the screen in my studio and said, 'Just paint the dress on me, dear. I have to go.' That was the last commission I took, because I just got exasperated with it . . . Another lady brought hands that she cut out of a magazine and said, 'Paint these hands on me. These are the hands I want. Don't paint my hands'. . . I was young . . . I wasn't strong enough to tell them, well I'm not going to do it that way."

Maybe this lack of spontaneity in people is what makes animals and birds so facinating to Ms. Richardson. As she explains, "The vitality of birds is so striking and so fantastic. They are about the most alive things I know, because they move so fast and have so much beauty. If you put them down on paper, you try to get some of that vitality across to the viewer, and that way I hope that I can excite them a little bit about living, too."

As we talked about her love for the country, birds, and animals, she became interested in showing me her bird sanctuary. When she took me to the glass door of her studio and asked me if I could see any animals, I almost said, "No," before I noticed the young deer who was camouflaged by the marsh grass at the edge of the fenced in back yard. She identified him as Fawnzie II, the second deer she and her husband have raised. In a month Fawnzie will be g ing to live at the Brookgreen Gardens Deer Park. Until that time he will sleep on the kitchen floor at night, and be studied and pampered by the artist and her husband, John Peter, in the daytime. She has already begun a painting of Fawnzie, who is fascinated with his reflection on the sketch pad. Later in the afternoon, as I watched Fawnzie recline on the kitchen floor, she explained: "You always know that you have a very wild creature in the house and you can't provoke it in any way that would arouse that wildness."

After seeing Fawnzie, we visited the bird hospital where I saw several birds missing at least one wing who would live out their lives here protected and fed. Most of the birds serve as models for Ms. Richardson's paintings.

There were other birds including a great horned owl which she nursed back to health after he was hit by a car. She has tried to set him free, but he refuses to leave. In another wing of the screened-in bird hospital, there were many blue jays, the most interesting of which was able to talk, "Come on, Chi, Chi," Ms. Richardson chirped. "Come on," the bird repeated. Like the great owl, she has given Chi Chi a clean bill of health and sent him on his way, but he always returns to his home on the marsh.

As we walked back into the house, the phone began to ring. Someone was calling to see if Ms. Richardson would be willing to help catch a Muscovy duck that was messing up a patio. She patiently explained the best way to catch a duck and offered to come and get the bird when it was captured. The phone rang frequently during my visit. I was surprised that she received these calls regularly, but more surprised at her reaction to them. She smiled, "I was the middle of seven children, remember. Interruptions don" bother me."

I expected someone with so much talent to guard her time, but Ms. Richardson is a complete person who sees time spent lecturing, advising others about caring for wounded creatures, dancing, and entertaining as time well spent. She and John try to see someone each day at teatime. "Having guests is our hobby," she announced with pleasure. When John invites twenty-two people over for dinner and tells her the night before, she is not shaken. John discovered that the officers of some NATO ships were in town and had not visited any Charleston homes before they were to leave the following weekend, so he invited the captain of every ship to dinner for the next evening. Then Ms. Richardson invited other guests who had visited the countries each ship represented. "To bring them all together," each foreign guest was asked to sing a folk song from his country. This worked beautifully until John had to gently restrain a German captain from singing all twenty-two verses of a lusty lay.

If the humble are blessed, then one can understand why the events in Ms. Richardson's life have been "magical." She is a charming combination of confidence and humility. The numerous awards presented to her and the attention she has been given have not tainted her. When I accused her of humility, she denied it saying that she knew her capabilities. Yet she has a sense of wonder at the response people have had to her and her work.

She relished an invitation to exhibit her paintings in the German castle of Prince Ferdinand, became friends with the prince and has since entertained him in her home. While in Germany she was treated as if she were royalty and introduced as the Queen of American Bird Painting. When the suggestion was made to her that royalty may not accept a commoner, she answered, "I'm not a commoner! I am an American." Though she recognizes that she has been treated very well in America, she acknowledges that artists are shown a greater measure of respect in Europe.

In 1975 she was the guest of President Ford in the Oval Office, but she was equally enthusiastic about having been honored in the small town of Turbeville with Anne Worsham Richardson Day. With childlike joy and appreciation, she remembers how the entire Manning Police Department escorted her about town. This capability of remaining girlish and innocent after being entertained by presidents and princes makes her life seem enchanted.

In 1969 she was invited by NASA to represent South Carolina at the launch of Apollo II. At a luncheon at Cape Kennedy, she was seated next to the director of the California State Museum in Los Angeles. That meeting resulted in two large and successful exhibits for Ms. Richardson and in another meeting that changed her life. While in California, she asked for a field guide to escort her on an expedition and was told to "be in the coffee shop in the morning with your boots and binoculars." She was a little apprehensive that her guide might be one of the naturalists from the museum "with a matte beard who had not changed his clothes in two weeks." She laughed, "Some of the naturalists were very natural, too natural. It turned out to be a very shiny-faced fellow with a foreign accent, Johannes Peter Paszek. He was such a good field guide, I married him two years later." Now they live each day together to the fullest. They entertain, she paints, and he frames her work. Together they operate the Birds I View Gallery on Church Street where her paintings are always on display.

From another important person in her life—her aunt Jean Chandler who is 92—she learned something about living in the present.

"My aunt and I both know how to live every day with a little ceremony. If you don't have a ceremony for every day, where's the day going to get celebrated . . . I always live in the moment . . . I always try to appreciate everything around me. I know people who daydreamed and wished for, would live all year for a trip they were going to have and not live the time everyday. I try to live everyday. I do something that I like to do everyday, fill in the spaces of my soul so that I can give out to other people."

We have all seen those who have substance without any style, and those who are all style without any substance. Anne Worsham Richardson combines talent creativity, and sensitivity with style or, as she calls it, "ceremony." I knew as we finished our teatime together that I had been a part of that day's ceremony, entertained with the same grace with which she entertained princes.

PRESIDENT COMMENDED FOR HIS LEADERSHIP IN ESTABLISHING A VIABLE EMERGENCY PREPAREDNESS AND CIVIL DEFENSE PROGRAM

Mr. THURMOND. Mr. President, I rise to share with my colleagues a concurrent resolution, H. 3929 enacted by the General Assembly of South Carolina. This resolution commends President Reagan for the initiative he has taken in presenting to Congress a 7-year plan for emergency preparedness and civil defense programs. In addition, the concurrent resolution of the South Carolina General Assembly urges Congress to support the President's program and to direct that this program move forward as quickly as possible.

I join the South Carolina Legislature in commending the President for his thorough plan, and in urging Congress to support it. With this plan, our country will have for the first time a cohesive effort to redress the shortfalls of civil defense, and emergency prepardness.

I want to take this opportunity to remind my colleagues that as part of his 7-year plan for civil defense, the

President requested the authorization for $252.34 milllion for fiscal year 1983. As you all know, the Senate Appropriations Committee decided to hold civil defense spending growth down to the 5-percent level, and approved a spending level of only $144.53 million for the coming fiscal year. The House Armed Services Committee, on the other hand, decided to fully approve the President's request.

Therefore the Senate will have another opportunity in the near future to help the President redress this shortfall when this matter is taken up in conference. There, I intend to work to insure that the House-Senate compromise will constitute significant movement in that direction. I urge the Senate to join me in this effort to support the President's program.

Mr. President, in order to share with the Senate the concurrent resolution of the South Carolina Legislature, I ask unanimous consent on behalf of Senator HOLLINGS and myself that the resolution be printed in the RECORD.

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

A CONCURRENT RESOLUTION

Whereas, United States Public Law 920, as amended, and Presidential Directive 41, express the intent of this nation's leadership to save lives and mitigate the effects of disasters or emergencies, natural or man-made, including acts of war, by comprehensive emergency management; and

Whereas, the President has presented to the Congress a seven year plan to initiate a viable emergency preparedness program; and

Whereas, both peacetime and wartime emergency operations concepts for response and recovery are reflected in the plan, thereby establishing a dual use system to benefit all citizens who must cope with these multiple and complex human problems; and

Whereas, the Congress of the United States shares in the responsibility to protect the public from all hazards, both today and in the future. Now, therefore,

Be it resolved by the House of Representatives, the Senate concurring:

That the General Assembly of South Carolina hereby commends the President of the United States for his leadership in this vital effort and for his proposal to increase the level of funding commitment so as to fully implement the program in a credible and timely fashion.

Be it further resolved that Congress is memorialized to support the President's seven year plan, fund his request as submitted, and direct this program to move forward as quickly as possible so that the United States may progress toward a truly effective comprehensive emergency management program.

Be it further resolved that copies of this resolution be forwarded to the President of the United States, to each member of the South Carolina Congressional Delegation, the Senate of the United States, and the House of Representatives of the United States.

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

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

WASHINGTON COMMISSION FOR THE HUMANITIES

Mr. GORTON. Mr. President, the State of Washington is fortunate in having a community of individuals who are dedicated to the preservation and continuation of the arts and humantities in the State. These individuals, through the Washington Commission for the Humanities, have sponsored and encouraged programs in the humanities which reached more than 338,000 people in person, and over 7 million people on radio, television and via the news media. The individuals who work in the humanities, and the millions of people whose lives are touched, however briefly, by their work, can testify to the value of these programs in enhancing people's understanding of themselves, of the issues which are important in their lives, and of past peoples and cultures.

I would like to commend the activities of the Washington Commission for the Humanities, and I invite my colleagues to join me in saluting those individuals who have worked so hard on the many projects which the commission sponsored this year.

Mr. President, I ask unanimous consent that an excerpt from the commission's annual report, which more fully illustrates the range of its work in Washington State, be printed in the RECORD at this point.

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

In America today, are we in danger of succumbing to similar isolation? Educational horizons are narrowing as more and more young people seek training for specific trades and professions. Life is so complex, work and family so exhausting, that it is hard enough to keep up with one's own world; there is little time or space to understand what people are thinking and why they live the way they live in other societies.

If we cannot get to know our own neighbors, how can we hope to understand and appreciate the world of our ancestors, of the fathers and mothers of this country? Primetime television promotes the exploits of fantasy characters dreamed up by TV programmers who are racing to succeed in the ratings war. With these one-dimensional images flashing before us, it is hard to make the effort to understand complex figures and issues suggested by novelists, poets, philosophers, or historians. Even television news collapses revolutions, disasters, economic recessions, and wars into three-minute "action stories."

At the Washington Commission for the Humanities, we believe that it is important, in fact necessary, for people in this country to open their minds and look beyond their own personal experiences to the rest of the world, past and present. In order to broaden our sense of who and what we are, we must learn more about human thought and culture. Whether we learn through the study of history, or through the study of other traditions, or through reading novels and poetry, we learn how to function by looking at others. We learn political and social principles which we can then choose to apply (or reject) in our own lives.

* * * It is the purpose of the Washington Commission for the Humanities to foster public use and understanding of the humanities through a series of programs that benefit the people of Washington State.

Congress has defined the humanities as the study of certain fields of knowledge. These fields include "languages, both modern and classical; linguistics; literature; history; jurisprudence; philosophy; archeology; comparative religion; ethics; the history, criticism, and theory of the arts; and [some] aspects of the social sciences * * *."

Organized in 1973, the Washington Commission for the Humanities is a private, nonprofit corporation funded by the National Endowment for the Humanities and by private contributors. To achieve its purpose, the Commission makes grants to non-profit groups for public programs in the humanities; the Commission also directs its own public activities in the humanities.

The range of projects funded by the Washington Commission for the Humanities in 1981 was far-reaching: Thurston County sponsored a forum about aging. The Seattle Art Museum offered an exhibit, lectures, and films on Hindu religion and art. The Watcom County Library in Bellingham discussed with its users the role of the library in making the humanities available to the public. Several projects focused on literature: Western Washington University used a mini-grant to offer a telecourse on Washington folklore; The Conservatory Theatre Company produced a series on theatrical literature from the 1930's followed by panel discussions about the social, political, and economic times of the 1930's compared to the conditions in 1981. Washington State University developed a readers' theatre production based on letters, diaries, and oral histories of Eastern Washington women. The Yakima Valley Museum and Historical Association sponsored a film which could only be produced in Yakima: a local look at the late Supreme Court Justice William O. Douglas, contrasting some of his major judicial decisions with the attitudes of the community in which he grew up.

* * * * *

Those various activities * * * all offer members of the public opportunities to learn about worlds outside their own.

Mr. GORTON. 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 (Mr. GORTON). Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, in a few moments I will propound a unanimous-consent request with respect to proceeding to the consideration of the urgent supplemental appropriations bill.

Before I do so, may I say that I had announced earlier that I had hoped to go to the reclamation bill today. Indeed, an effort had been made earlier during this day to arrive at a plan for debate either on that measure or on the motion to proceed to the consideration of that measure, as the case might be.

But, in the course of time, it appeared likely that some sort of arrangement could be worked out that would deal not only with the reclamation bill, or at least scheduling and perhaps a time limitation in respect thereto, but also to the sequence for considering the urgent supplemental appropriations bill, which is at the desk, and also the reclamation bill. That arrangement would make it possible to perform on the commitment I have made a.y number of times that we should proceed to the consideration of a constitutional amendment dealing with the balanced budget when we return on July 12 and certain other matters.

So, we have invested a good amount of time, a good part of this day, in trying to work out that sequence of events. I think it will probably come into being. I think that I will be in a position later today to propound a unanimous-consent request which will deal not only with the urgent supplemental but also with the reclamation bill and the constitutional amendment on the balanced budget with respect to timing and certain other matters. I say that so Members will know that there have been active negotiations involving many Senators over the period of the last several hours and that I am optimistic that such an arrangement will come about.

(Mr. KASTEN assumed the chair.)

Mr. McCLURE. Will the Senator yield?

Mr. BAKER. Yes, I yield.

Mr. McCLURE. I thank him for his efforts to bring the reclamation bill before this body today. Even had we been successful in getting it before the body today, it certainly would have been my expectation that we would set it aside so that we could move with respect to the urgent supplemental. I, too, hope that we will achieve the agreement which the leader referred to with respect to the sequence and time considerations on that bill and hope that by the time we finish the urgent supplemental today we will be able to announce that agreement so that everyone will know that.

I thank the majority leader and the minority leader. I also extend my appreciation to the Senator from Alaska (Mr. STEVENS) who cooperated on another matter in that regard, and several others, too.

Mr. BAKER. I thank the Senator from Idaho. He has been most considerate in this matter of trying to arrange a schedule not only for this week but for the weeks after we return from the July 4 recess.

Since there are still a few bases to touch on that generally comprehensive agreement, I believe that it is in the best interest of the Senate that we now proceed to the consideration of the urgent supplemental, which request has been cleared with the distinguished minority leader. I see the acting minority leader is here.

URGENT SUPPLEMENTAL APPROPRIATIONS, 1982

Mr. BAKER. Mr. President, I ask unanimous consent that the Chair lay before the Senate H.R. 6685, which is at the desk, the urgent supplemental appropriations bill.

The PRESIDING OFFICER. The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 6685) an act making urgent supplemental appropriations for the fiscal year ending September 30, 1982, and for other purposes.

The PRESIDING OFFICER. Without objection, the bill will be considered as having been read twice and the Senate will proceed to its immediate consideration.

The Senate proceeded to consider the bill.

UP AMENDMENT NO. 1044

(Purpose: Amendment in the nature of a substitute to the urgent supplemental appropriations bill to permit the orderly continued operation of the Federal Government)

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

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The Senator from Oregon (Mr. HATFIELD) proposes an unprinted amendment numbered 1044.

Mr. HATFIELD. 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:

Strike all following the enacting clause and insert in lieu thereof the following: That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, to supply supplemental appropriations (this Act may be cited as the "Urgent Supplemental Appropriations Act, 1982") for the fiscal year ending September 30, 1982, and for other purposes, namely:

TITLE I

CHAPTER I

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

(TRANSFER OF FUNDS)

For an additional amount for "Program administration", $8,742,000 to be derived by transfer from Employment and Training Administration, "Employment and training assistance".

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

(TRANSFER OF FUNDS)

For an additional amount for "Salaries and expenses", $4,259,000 to be derived by transfer from Employment and Training Administration, "Employment and training assistance".

BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

(TRANSFER OF FUNDS)

For an additional amount for "Salaries and expenses", $5,623,000 to be derived by transfer from Employment and Training Administration, "Employment and training assistance".

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH SERVICES ADMINISTRATION

HEALTH SERVICES

For an additional amount for "Health Service", $60,080,000, of which $3,500,000 shall be used to provide twelve months of transitional funding for those University Affiliated Facilities previously funded under section 502(a) of the Social Security Act or predecessor legislation (title V of the Social Security Act as in effect prior to the enactment of the Maternal and Child Health Services Block Grant), but for which termination of such funding has been announced during fiscal year 1982.

ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES

WORK INCENTIVES

For an additional amount for "Work incentives", $57,621,000.

DEPARTMENTAL MANAGEMENT

OFFICE OF THE INSPECTOR GENERAL

(TRANSFER OF FUNDS)

From amounts appropriated for fiscal year 1982 for payments to States for Medicaid Fraud Control Units, there is transferred to the Office of Inspector General, Department of Health and Human Services, for necessary expenses, $13,941,000.

DEPARTMENT OF EDUCATION

STUDENT LOAN INSURANCE

For an additional amount under title IV, part B of the Higher Education Act, $1,300,000,000, to remain available until expended.

DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $5,650,000.

RELATED AGENCIES

ACTION

OPERATING EXPENSES, DOMESTIC PROGRAMS

For an additional amount for "Operating expenses, domestic programs", under the provisions of the Domestic Volunteer Service Act of 1973, as amended (Public Law 93-

113, as amended, 42 U.S.C. section 4951 et seq.), $2,000,000.

CORPORATION FOR PUBLIC BROADCASTING

PUBLIC BROADCASTING FUND

For an additional amount for payment to the Corporation for Public Broadcasting, as authorized by the Communications Act of 1934 as amended, an amount which shall be available within limitations specified by said Act, for the fiscal year 1984, $24,400,000: *Provided*, That no funds made available to the Corporation for Public Broadcasting by this Act shall be used to pay for receptions, parties, and similiar forms of entertainment for Government officials or employees: *Provided further*, That none of the funds contained in this paragraph shall be available or used to aid or support any program or activity excluding from participation in, denying the benefits of, or discriminating against any person on the basis of race, color, national origin, religion, or sex.

PRESIDENT'S COMMISSION FOR THE STUDY OF ETHICAL PROBLEMS IN MEDICINE

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $309,000.

CHAPTER II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING PROGRAMS

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

(RESCISSION)

Of the amount of authority provided under this heading in the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982 and prior Appropriation Acts, $94,382,000 of contract authority and $4,098,640,000 of budget authority are rescinded: *Provided*, That any balances of authorities made available prior to enactment of the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982, which are, or become, available for obligation in fiscal year 1982, shall be added to and merged with the authority approved in the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982, and such merged amounts shall be made subject only to terms and conditions of law applicable to authorizations becoming available in fiscal year 1982: *Provided further*, That $190,860,000 of contract authority and $4,098,685,000 of budget authority, shall be used for the public housing program, including $18,960,000 of contract authority for assistance in financing the development or acquisition cost of low-income housing for Indian families, $90,000,000 of contract authority for modernization of existing low-income housing projects, and $1,263,005,000 of budget authority for new construction and substantial rehabilitation as authorized by section 5(c) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c); and $870,969,000 of contract authority and $15,228,518,000 of budget authority shall be used for new construction and substantial rehabilitation and assistance to existing housing units, including amendments for units reserved in prior years, under the lower-income housing assistance program (section 8, United States Housing Act of 1937, as amended): *Provided further*, That of the foregoing amounts, $152,715,200 of contract authority and $3,700,000,000 of budget authority shall be for projects under section 8, United States Housing Act of 1937, as amended, the rents for which are approved pursuant to the note governing financing adjustments (46 Fed. Reg. 51903, October 23, 1981) or any published amendment thereto or successor note, except that the Secretary shall include in the determination of the fair market rental a debt service factor reflecting the lesser of (A) 14 percent or (B)(i) where the rate of interest on the permanent instrument sold to finance the project is 12 percent or less, such rate of interest or (ii) where the rate of interest on the permanent instrument sold to finance the project is more than 12 percent, one-half percent below such rate of interest but not less than 12 percent, and except that the Agreement to Enter into a Housing Assistance Payments Contract shall not be required to include a provision requiring that construction must be in progress prior to October 1, 1982: *Provided further*, That with respect to newly constructed and substantially rehabilitated projects under section 8, United States Housing Act of 1937, as amended, during 1982, the Secretary shall not impose a percentage or other arbitrary limitation on the cost and rent increases resulting from increased construction cost in exercising the authority to approve cost and rent increases set forth in section 8(1) of such Act: *Provided further*, That none of the merged amounts available for obligation in 1982 shall be subject to the provisions of section 5(c) (2) and (3) and the fourth sentence of section 5(c)(1) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), and section 213(d) of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 1439): *Provided further*, That no funds provided under this or any other Act shall be used to terminate a reservation of contract authority for any project under section 8 of the United States Housing Act of 1937, as amended, on account of the inability of the developer or owner of that project to obtain firm financing, unless such termination occurs no less than twenty four months following the date of initial reservation of contract authority for such project: *Provided further*, That $74,375,000 of contract authority and $1,750,000,000 of budget authority provided under this heading in the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982, shall not become available for obligation until October 1, 1982, and $89,321,727 of the foregoing budget authority shall be for the modernization of 5,073 vacant uninhabitable public housing units, pursuant to section 14 of the United States Housing Act of 1937, as amended, other than section 14(f) of such Act: *Provided further*, That to the extent that the amount of budget authority which is recaptured or deobligated, including budget authority internally transferred by State Housing Finance Development agencies pursuant to 24 C.F.R. part 883.207, does not equal $5,000,000,000 on June 30, 1982, the amounts deferred in the immediately preceding proviso may be used in accordance with, and in addition to, the amounts provided in the third proviso of this paragraph, except that to the extent such amounts are used, an equivalent amount of such recaptured or deobligated contract authority and budget authority, which become available on or after July 1, 1982 through September 30, 1982, if any, shall be deferred until October 1, 1982.

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

For an additional amount for "Payments for Operation of Low-Income Housing Projects", $198,000,000: *Provided*, That of the total amount available in fiscal year 1982 for "Payments for Operation of Low-Income Housing Projects", $1,215,275,400 shall be made available pro rata solely in accordance with the Performance Funding System (as set forth in 24 C.F.R. part 890, as of February 8, 1982).

RENT SUPPLEMENT

(RESCISSION)

The limitation otherwise applicable to the maximum payments that may be required in any fiscal year by all contracts entered into under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s), is further reduced in fiscal year 1982 by not more than $3,340,000 in uncommitted balances of authorizations provided for this purpose in appropriation Acts.

INDEPENDENT AGENCIES

ENVIRONMENTAL PROTECTION AGENCY

CONSTRUCTION GRANTS

For necessary expenses to carry out title II of the Federal Water Pollution Control Act, as amended, other than sections 201(m), 205(k), except that for the project authorized by said section the Administrator shall allocate to the State of New York an amount equal to one-third of the total cost from the amount made available under this paragraph to the State of New York, one-third from the amount made available to the State of New Jersey, and one-third from the amounts made available to the remaining States, 206, 208, and 209, $2,400,000,000, including grants for biological treatment facilities to repair or replace small community systems but not to exceed three systems suffering operational problems outside the warranty period where the existing Environmental Protection Agency planned systems have proven to be inoperable by the local municipalities, where determined to be necessary, to remain available until expended: *Provided*, That of such amount, $3,965,426 in additional funds (the amount which was withheld from the State of Kansas by reason of an accounting error by the Federal Government) shall be made available to the State of Kansas: *Provided further*, That nothing herein shall prohibit any project specified in section 201(m) from receiving a grant under section 201(g), in compliance with all relevant procedures under title II of the Federal Water Pollution Control Act, as amended, and paid from funds allotted to the State by section 205 and appropriated by this Act: *Provided further*, That the Administrator, upon application by the Governor of the State of Ohio, with the approval of the Committees on Appropriations, shall before October 1, 1982, commit existing unobligated funds from the State's Wastewater Construction Grant allotments to fund the Solid Waste Energy facility in Akron, Ohio.

HAZARDOUS SUBSTANCES RESPONSE TRUST FUND

Of the funds appropriated under this head in the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982, $5,000,000 shall be made available to the Department of Health and Human Services, upon enactment and up to an additional $2,000,000 may be made available by the Administrator to the Department for the performance of specific activities in accordance with section 111(c)(4) of Public Law 96-510, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. Management of all funds made available to the Department shall be consistent with the responsibilities

of the trustee of the fund, as outlined in section 223(b) of the Act.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

RESEARCH AND DEVELOPMENT

Notwithstanding any other provision of this or any other Act, of the funds appropriated under the heading, "National Aeronautics and Space Administration, Research and development" in Public Law 97-101, not less than the amounts hereinafter set forth shall be made available for the purposes specified: $31,200,000 for expendable launch vehicles; $323,500,000 for physics and astronomy (including $40,000,000 for Shuttle-Spacelab payloads); $205,000,000 for planetary exploration (including $1,700,000 for the mid-level facility in Hawaii); $39,500,000 for life sciences; $328,200,000 for space applications (including $2,300,000 for the search and rescue program, $5,000,000 for technology transfer, $6,000,000 for upper atmospheric research satellite experiments, $16,200,000 for Shuttle-Spacelab payloads, and $15,400,000 for a 30/20 gigahertz test satellite); $8,000,000 for technology utilization; $264,800,000 for aeronautical research and technology; $111,000,000 for space research and technology; and $402,100,000 for tracking and data acquisition: *Provided*, That of the funds available for the Space Shuttle, including space flight operations, not less than $80,000,000 shall be made available for design, development and procurement of liquid hydrogen-liquid oxygen (Centaur) upper stages for use in launching the Galileo and Solar Polar spacecraft in 1986: *Provided further*, That no funds may be obligated for other upper stages, including kick stages, for the Galileo and Solar Polar spacecraft after the enactment of this Act except for work performed prior to the effective date of this Act, together with liability for termination: *Provided further*, That no funds appropriated in this or any other Act may be obligated for a Solar Maximum repair/retrieval mission until the Secretary of the Air Force enters into an agreement with the Administrator to reimburse the National Aeronautics and Space Administration 50 per centum of the costs of such mission (exclusive of the costs attributable solely to equipment for the Solar Maximum spacecraft and to equipment capable of reuse): *Provided further*, That upon request by the Administrator of the National Aeronautics and Space Administration and approval by the Committees on Appropriations not to exceed $50,000,000 from the unobligated balances of funds appropriated under the heading "National Aeronautics and Space Administration, Construction of facilities" or "National Aeronautics and Space Administration, Research and program management" in Public Law 97-101 and Public Law 96-526 shall be available for the Space Shuttle, including space flight operations: *Provided further*, That the Administrator makes sufficient funds available to assure that a second Space Shuttle launch pad at the Kennedy Space Center, Florida, is operational by January 1, 1986.

ADMINISTRATIVE PROVISION

Limitations in section 501(40) of title V of the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1982, are amended as follows: The limitations on the Department of Housing and Urban Development's Office of the Assistant Secretary for Legislation and Congressional Relations are increased from 26 full-time permanent positions and 27 staff years to 31 full-time permanent positions and 33.5 staff years, the limitation on the National Aeronautics and Space Administration's Office of the Comptroller is increased from 150 full-time permanent positions to 161 full-time permanent positions, the limitation on the National Aeronautics and Space Administration's Office of External Relations is increased from 120 full-time permanent positions to 125 full-time permanent positions, excluding those positions allocated for Technology Utilization activities, and the limitation on the Veterans Administration's Office of Planning and Program Evaluation is increased from $1,500,000 to $2,300,000.

CHAPTER III

DEPARTMENT OF TRANSPORTATION

COAST GUARD

OPERATING EXPENSES

For an additional amount for "Operating expenses", $17,500,000, to remain available until expended.

FEDERAL HIGHWAY ADMINISTRATION

FEDERAL-AID HIGHWAY PROGRAM

Section 3(a) of the Federal-Aid Highway Act of 1981 is amended by striking the period at the end of the first sentence and by inserting the following: "plus, an additional amount not to exceed $19,000,000 in obligation authority to carry out section 310(d)(3) of Public Law 97-102".

NATIONAL SCENIC AND RECREATIONAL HIGHWAY

(LIQUIDATION OF CONTRACT AUTHORIZATION)

Any amounts previously authorized to be derived from the Highway Trust Fund for payment of obligations in carrying out the provisions of 23 U.S.C. 148 are to be transferred to and administered under the appropriation "Federal-aid highways".

FEDERAL RAILROAD ADMINISTRATION

GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

Section 303(d) of the Rail Passenger Service Act, 45 U.S.C. 543(d), is amended by changing the period at the end thereof to a semicolon and adding the following: "except that the holding of securities issued by a railroad shall not be deemed to be violative of this prohibition: *Provided*, That the officer who holds such securities recuses himself from any decisions which bear directly on such railroad, and makes full public disclosure of such holding.".

RELATED AGENCIES

CIVIL AERONAUTICS BOARD

PAYMENTS TO AIR CARRIERS

For an additional amount for "Payments to air carriers" $28,400,000 to remain available until expended: *Provided*, That $8,242,000 shall be used to liquidate obligations incurred during September 1981, to provide for subsidy payments under 49 U.S.C. 1376 and 1389: *Provided further*, That notwithstanding any other provision of law any funds appropriated for "Payments to air carriers" in this or any other Act which are not obligated by September 30, 1982, shall be available for obligations only for section 419 (49 U.S.C. 1389) subsidies, except for adjustments to section 406 (49 U.S.C. 1376) payments for service provided prior to September 30, 1982.

INTERSTATE COMMERCE COMMISSION

PAYMENTS FOR DIRECTED RAIL SERVICE

For an additional amount for "Payments for directed rail service", $8,000,000, to remain available until expended.

Section 120 of the Rock Island Railroad Transition and Employee Assistance Act is amended—

(1) in subsection (a)—

(A) by striking out "the Rock Island Railroad" the first place it appears and inserting in lieu thereof "any railroad subject to section 77 of the Bankruptcy Act, or subchapter IV of chapter 11 of title 11, United States Code, which has ceased to provide passenger commuter service over any line of the railroad";

(B) by striking out "2-year" and inserting in lieu thereof "3-year"; and

(C) by striking out "Rock Island Railroad" each place it appears (other than the first time it appears) and inserting in lieu thereof "railroad"; and

(2) in subsection (b), by striking out "the Rock Island Railroad" and inserting in lieu thereof "any railroad".

CHAPTER IV

DEPARTMENT OF THE TREASURY

BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses",

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $23,825,000: *Provided*, That no funds made available by this act or Public Law 97-161 may be used to accomplish or implement any proposed reorganization of the Bureau of Alcohol, Tobacco and Firearms or the transfer of the Bureau's functions, missions, or activities to other agencies within the Department of the Treasury in the fiscal year ending on September 30, 1982: *Provided further*, That no reorganization of the Bureau of Alcohol, Tobacco and Firearms or the transfer of the functions, missions, or activities to other agencies within the Department of the Treasury subsequent to September 30, 1982, shall be accomplished or implemented without the specific, express approval of both the House and Senate Committees on Appropriations.

UNITED STATES CUSTOMS SERVICE

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $14,865,000, of which $8,000,000 shall be used for salaries, expenses, equipment, and other related expenses for Operation Exodus.

INDEPENDENT AGENCIES

GENERAL SERVICES ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

For an additional amount of "Office of Inspector General", $500,000.

FEDERAL BUILDINGS FUND

Notwithstanding the provision immediately following the repairs and improvements line item projects under the heading "General Services Administration, Federal buildings fund, Limitations on availability of revenue" in H.R. 4121 as passed by the House and in H.R. 4121 as reported by the Senate on September 22, 1981, funds presently available for repairs and alterations nonprospectus projects shall be used to initiate the design and related work required to begin the repairs and alterations of the U.S.Court of Appeals building, Atlanta, Georgia.

MERIT SYSTEMS PROTECTION BOARD

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $4,006,000.

OFFICE OF SPECIAL COUNSEL

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $238,000.

U.S. TAX COURT

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $1,530,000.

CHAPTER V

DEPARTMENT OF COMMERCE

GENERAL ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $3,171,000.

ECONOMIC DEVELOPMENT ADMINISTRATION

SALARIES AND EXPENSES

(TRANSFER OF FUNDS)

For an additional amount for "Salaries and expenses", $3,500,000 to be derived by transfer from the Economic Development Revolving Fund.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

OPERATIONS, RESEARCH AND FACILITIES

For an additional amount for "Operations, research, and facilities", $2,000,000, to remain available until expended.

RELATED AGENCIES

INTERNATIONAL COMMUNICATION AGENCY

ACQUISITION AND CONSTRUCTION OF RADIO FACILITIES

Appropriations made available under this heading for fiscal year 1982 may be used for lease of real property for periods of up to twenty-five years in Africa, Asia, the Caribbean area, and Europe.

CHAPTER VI

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

FOOD STAMP PROGRAM

For an additional amount for the "Food Stamp Program", $1,006,616,000.

CHAPTER VII

DEPARTMENT OF DEFENSE—CIVIL

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS—CIVIL

FLOOD CONTROL AND COASTAL EMERGENCIES

For an additional amount for "Flood Control and Coastal Emergencies", $40,000,000, to remain available until expended: *Provided*, That $18,000,000 of the funds provided shall be for flood control measures and features on the Cowlitz and Toutle Rivers in the State of Washington.

TITLE II

GENERAL PROVISIONS

SEC. 201. Any institution of higher educaton specifically cited in the conference report on the Education Amendments of 1980 (report numbered 96-1337) as a unique institution which the conference committee for that legislation intended to be recognized as a developing institution eligible to apply for funds under title III of the Higher Education Act of 1965, shall be treated as an eligible institution for such purpose for fiscal year 1982, notwithstanding section 322(a)(2)(A) of such Act.

SEC. 202. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 203. Notwithstanding any other provision of law, none of the funds provided for International Organizations and Programs in Public Law 97-121, the Foreign Assistance and Related Programs Appropriation Act for Fiscal Year 1982, shall be available for the United States proportionate share for any programs for the Palestine Liberation Organization, the South West Africa Peoples Organization, or Cuba.

SEC. 204. No funds appropriated or otherwise made available for fiscal year 1982 shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, or order under the Federal Mine Safety and Health Act of 1977 on any State or political subdivision thereof. Notwithstanding section 101(a)(3) of Public Law 97-92 or any similar or comparable provision of any other law, during fiscal year 1982 the Mine Safety and Health Administration shall have the same enforcement authorities vested in such Administration on September 30, 1981.

SEC. 205. Effective upon enactment of this Act and for the remainder of fiscal year 1982, notwithstanding any other provision of law, no funds may be paid out of the Treasury of the United States or out of any fund of a Government corporation to any private individual or corporation in satisfaction of any assurance agreement or payment guarantee or other form of loan guarantee entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, unless the Polish People's Republic has been declared to be in default of its debt to such individual or corporation or unless the President has provided a monthly written report to the Speaker of the House of Representatives and the President of the Senate explaining the manner in which the national interest of the United States has been served by any payments during the previous month under loan guarantee or credit assurance agreement with respect to loans made or credit extended to the Polish People's Republic in the absence of a declaration of default.

SEC. 206. Notwithstanding any other provision of law, the amounts appropriated for fiscal year 1982 under Public Law 97-51 (as amended by Public Law 97-85) and Public Law 97-92 (as amended by Public Law 97-161) for purposes of section 340 of the Public Health Service Act shall be available for funding grants and contracts under such section in areas that are not urbanized areas and in urbanized areas.

SEC. 207. Notwithstanding any other provision of this Act, any other Act, or section 413D of the Higher Education Act of 1965, the Secretary shall apportion the sums appropriated pursuant to section 413A(b) of the Higher Education Act of 1965 for the fiscal year 1982 among the States so that each State's apportionment bears the same ratio to the total amount appropriated as that State's apportionment in the fiscal year 1981 bears to the total amount appropriated pursuant to section 413A(b) for that fiscal year: *Provided*, That the Secretary shall allocate sums to institutions in each State notwithstanding section 413D(b)(1)(B)(ii)(I) of the Higher Education Act of 1965.

SEC. 208. Notwithstanding any other provision of this Act, any other Act, or section 442 of the Higher Education Act of 1965, the Secretary shall allot the sums appropriated pursuant to section 441 of the Higher Education Act of 1965 for the fiscal year 1982 among Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and the States (including the District of Columbia and the Commonwealth of Puerto Rico) so that the allotment of Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgin Islands, and each State (including the District of Columbia and the Commonwealth of Puerto Rico) bears the same ratio to the amount appropriated as the allotment of Guam, American Samoa, the Trust Territory of the Pacific Islands, the Virgina Islands, and each State (including the District of Columbia and the Commonwealth of Puerto Rico) for the fiscal year 1981 bears to the total amount appropriated pursuant to section 441 for that fiscal year: *Provided*, That the Secretary shall allocate sums to institutions in each jurisdiction notwithstanding the second sentence of section 446(a) of the Higher Education Act of 1965.

SEC. 209. The Secretary of Education and the Director of the National Institute of Education shall not terminate any long-term special institutional agreement (or any other grant agreement or contract which incorporates by reference such long-term special institutional agreement) which—

(1) was entered into under section 405(f) of the General Education Provisions Act, relating to laboratories and centers, and

(2) is in effect on the date of enactment of this Act.

Prior to the original completion date established by such long-term special institutional agreement (or any other grant agreement or contract which incorporates by reference such long-term special institutional agreement).

SEC. 210. (a) The Secretary of Agriculture shall initiate construction on not less than fifteen new projects under the Watershed Protection and Flood Prevention Act (16 U.S.C. 1001 et seq.) during fiscal year 1982.

(b) Any project proposed for construction pursuant to the Act referred to in subsection (a) and submitted to the Director of the Office of Management and Budget for review shall be deemed to be approved by the Director unless disapproved by him within ninety days after submission.

SEC. 211. (a) Subsection (a) of section 112 of the Act of December 15, 1981 (95 Stat. 1194), is amended by inserting after "in connection with a qualified issue" the following: ", except to the extent such funds are used in connection with the consideration or granting of an exemption from the application of such revenue ruling or regulation under proposed income tax regulation section 1.103-7(b)(6)(ii) or any similar statute or regulation".

(b) Subsection (d) of section 112 of the Act of December 15, 1981 (95 Stat. 1196), is amended to read as follows:

"(d) It is the sense of the Congress that after August 23, 1981, the Secretary of the Treasury or his delegate, in all cases, should enforce any revenue ruling or regulation described in paragraph (1) or (2) of subsection (a) in a manner consistent with the provisions of this section. Nothing in the preceding sentence shall prevent the Secretary of the Treasury or his delegate from granting or considering an exemption from the application of such a revenue ruling or regulation under proposed income tax regulation section 1.103-7(b)(6)(ii) or any similar statute or regulation.".

SEC. 212. Not withstanding any provision of this or any other Act, none of the funds appropriated for the Department of Labor,

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Mine Safety and Health Administration, shall be used to classify a mine in the potash industry as gassy based upon air samples containing concentrations of methane gas, unless such classification standard has been adopted through formal rulemaking on or after November 5, 1981.

SEC. 213. None of the funds provided in this or any other Act shall be used to implement an apportionment and staffing plan to specifically phase down the Public Health Service Commissioned Corps.

SEC. 214. The Department of Agriculture, U.S. Forest Service, within available funds, shall expend not less than $1,000,000 for research on the cyclocrane concept of a lighter-than-air heavy lift vehicle for use in logging operations.

SEC. 215. (a) The last sentence of section 162(a) of the Internal Revenue Code of 1954 (relating to trade or business expenses) is amended by inserting ", but amounts expended by such Members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of $3,000" after "home".

(b) Paragraph (4) of section 280A(f) of such Code (relating to coordination with section 162(a)(2)) is amended to read as follows:

"(4) COORDINATION WITH SECTION 162(a)(2).—Nothing in this section shall be construed to disallow any deduction allowable under section 162(a)(2) (or any deduction which meets the tests of section 162(a)(2) but is allowable under another provision of this title) by reason of the taxpayer's being away from home in the pursuit of a trade or business (other than the trade or business or renting dwelling units).".

(c) Subsection (a) of section 139 of the Act of October 1, 1981 (95 Stat. 967), is hereby repealed.

(d) The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

SEC. 216. For an additional amount for National Guard Personnel, Army, such amount as is necessary to make 850 man-days available to the Kentucky Army National Guard to implement and operate the Medical Assistance to Safety and Traffic program in Kentucky through August 1, 1982, to be derived by transfer from Operations and Maintenance, Army National Guard.

SEC. 217. (a) None of the funds which are made available by this or any other Act shall be used to study, plan, or implement the termination of the operation of the Southwestern Indian Polytechnic Institute located in Albuquerque, New Mexico, in fiscal year 1982.

(b) The Secretary of the Interior shall use funds made available to the Department of the Interior under the Act of December 23, 1981 (95 Stat. 1391), to operate Southwestern Indian Polytechnic Institute through fiscal year 1982.

SEC. 218. Notwithstanding the provisions of section 4(b) of the Federal-Aid Highway Act of 1981, and section 102(c) of the Federal-Aid Highway Act of 1976, the Secretary may approve the use of interstate construction funds authorized by section 108(b) of the Federal-Aid Highway Act of 1956, as amended, on projects for resurfacing, restoring, rehabilitating, and reconstructing the Interstate System in accordance with the provisions of 23 U.S.C. 119, or for those purposes for which funds apportioned under 23 U.S.C. 104(b) (1), (2), and (6) may be expended, in a State which received no more than one-half of 1 per centum of the total apportionment under 23 U.S.C. 104(b)(5)(A) for the fiscal year ending September 30, 1983, where necessary in order to fully utilize funds apportioned under 23 U.S.C. 104(b)(5)(A) through the fiscal year ending September 30, 1982, but within the obligational limitation established by section 3 of the Federal-Aid Highway Act of 1981.

Mr. HATFIELD. Mr. President, I would like to just very briefly give a resume of where we are and what we hope to accomplish. We have passed the urgent supplemental No. 1, which was vetoed by the President. We have passed the urgent supplemental No. 2, which was vetoed by the President. The House has sent us over the urgent supplemental No. 3, commonly referred to as the skinny supplemental because it was greatly reduced from supplemental No. 1 and supplemental No. 2. I recall for the Senate that the major difference between supplemental No. 1 and urgent supplemental No. 2 was that we deleted the Lugar housing amendment in supplemental No. 2, which was a figure of about $3 billion.

Now we come up with an effort to resolve this difference with the White House, and, Mr. President, I think that a number of people like myself and others had assumed that the urgent supplemental No. 3, commonly referred to as the skinny supplemental or the stripped down supplemental, would be signed by the President because of the modified figure.

When I asked Mr. Stockman to come to the Senate Appropriations Office this morning to deal with the administration eyeball to eyeball, I learned very much to my amazement that Mr. Stockman conveyed to me his expectation to advise the President to veto supplemental No. 3 if the Senate acted upon it and sent it down to the White House. He gave various reasons.

He indicated to me that, therefore, we had to start from a basic building of a supplemental in a joint effort with both the House as well as both sides of the aisle and also with the White House. So for a major part of the morning hour, Mr. Stockman and I worked out—and I take full responsibility for those who may not be pleased with the product—what would be a compromise. On finishing that compromise, I asked Mr. Stockman to provide for me a letter of intent as it related to the options before the Senate. That is, a letter of intent of what his counsel would be to the President on the third supplemental passed by the House and pending before the Senate, and what his advice to the President would be relating to the compromise.

In order to make the record complete, I would like to read into the RECORD the response from Mr. Stockman which I received shortly after noon addressed to me as chairman of the Appropriations Committee. This is dated June 29, 1982.

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., June 29, 1982.

Hon. MARK O. HATFIELD,
Chairman, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: You have requested my comments on H.R. 6685 and on your proposals to amend this version of the Urgent Supplemental Appropriations bill for fiscal year 1982.

With respect to H.R. 6685, I would not recommend to the President that he sign the bill if the Congress were to pass it because:

It does not provide the funds identified by the Administration as being urgently required to maintain necessary agency operations.

By providing additional supplemental funds for other programs, it adds $350 million to the amount requested by the President.

It provides insufficient budget authority even for those programs included in it by making them available only until July 20, 1982. This is a too short, unworkable period.

On balance, the compromise bill that you have proposed represents a substantial improvement to H.R. 6685.

It reduces substantially the $994 million that the recently vetoed larger urgent supplemental bill, H.R. 6682, would have added to the President's request.

It eliminates the unworkably short date of July 20, 1982 and appropriates funds for the remainder of the fiscal year.

It restores H.R. 6682's rescission of $1.6 billion in budget authority for subsidized housing and thereby will contribute significantly to the reduction of future outlays.

Overall, the proposed compromise provides needed budget restraint in future years.

This compromise bill is largely what the Administration requested—an urgent supplemental bill that is substantially free of extraneous provisions. Were it to be approved by the Congress in the form proposed without additional amendments or unrequested funding, I would recommend to the President that he sign it.

Sincerely,

DAVID A. STOCKMAN,
Director.

Mr. President, basically, let me use the so-called skinny urgent supplemental that we have pending before us, passed by the House of Representatives before they recessed for the July 4 holiday, to indicate how it compares to the so-called compromise bill that I worked out this morning with the Director of the Office of Management and Budget, have presented to the Appropriations Committee of the Senate, and had a general assent from the committee for passing this bill, a bipartisan assent from both sides of our committee membership.

First of all, we have, as was indicated in Mr. Stockman's letter, moved the date to be inclusive of the remaining period of this fiscal year. In other words, we moved the July 20 date and indicated that it will be September 30.

No. 2, we took the rescission of $1.6 billion for subsidized rental housing that had been included in the supple-

mental No. 1, that had been included in the supplemental No. 2, but in the third supplemental that rescission was not incorporated. So we reincorporated the $1.6 billion of rescisssion moneys on subsidized housing.

No. 1, we took from the House version, the No. 3 version, the $150 million in Ginnie Mae funding. We removed that House amendment.

What we did also was incorporate all of the bill language. In other words, the agreements had been worked out from the Senate and the House subcommittees on MSHA, OSHA, these others—Polish war debt. We include all of that bill language in this compromise package.

The next thing we did was add to this the two urgent requests of the White House that were not included in the so-called skinny or third version of the House supplemental. That was the administration's request for administrative funds to fund the administration of the Departments of Commerce and Education. Mr. President, those are the basics that we have modified between the third House supplemental and this compromise package.

In addition, we added back to the vehicle now pending through this amendment, the third version of the House, the following funds. I am going to read these slowly in case anyone wants to ask questions. If they will make a note, I would like to wait until I get through the entire list to answer questions.

We added the full funding for the food stamp program, which is a total of $1 billion. We added health services for the Health Service Administration—maternal and child health care, community health centers, university-affiliated facilities. That was a total of $60 million.

We added the work incentive program, which was a total of $57.6 million.

As I indicated, we added the request of the administration for the Department of Education administration of $5.6 million. We added $2 million to fund the Action program at a higher level.

We added the moneys for the Corporation for Public Broadcasting, $24.4 million.

We added the President's Commission on Medical Ethics, $309,000. That is an item, by the way, from the administration.

We added $17.5 million for the Coast Guard. The budget request was $30.5 million, but we had enacted a $48 million figure, and now we are at this level in this compromise, $17.5 billion. These are figures that we feel are meaningful and that can allow the Coast Guard to function, at least, at a reasonable level pending further action.

For the Customs Service, we added $14.8 million. That is a partial request.

For the Federal aid highways, we added $19 million. To put that into some kind of framework, that was down from $91 million that we had in originally.

For the GSA Inspectors General, we added back $500,000. That is part of a request.

For the Merit Systems Protection Board Special Counsel, $238,000; again a partial request.

For the Commerce Department, general administration—this was a request of the administration—$3.1 million.

For the EDA salaries and expenses, $3.5 million.

For the Corps of Engineers emergency dredging program, $40 million.

Mr. President, that, in effect, in outlays represents $390 million in budget authority.

Let me indicate some of the things that are not in the compromise package, which I know is of interest to many Senators. Let me say that in going over these many items with Mr. Stockman, I tried to keep in mind the various Senate amendments that had been offered and adopted by the Senate, either in conference or directly by the Senate commmittee and on the floor. I very desperately attempted to make a broad-based incorporation to cover as many bases as possible with Senators who had many deep commitments and interests in these subjects. Obviously, I could not include all of them.

I must say that what I did include and what I did delete in the compromise with Mr. Stockman was strickly a judgment call on the part of one person. I am not suggestion that, because I think this is a good package and I think I am right, I believe that anyone who disagrees is wrong. I merely wanted to make it very clear that we cover as broad a base as possible.

We do not have included in this the employment and training amendment, which was a total of $63 million. This was a summer job program, commonly referred to.

It did not include the community services for older Americans, which was a committee amendment of $211 million. It did not include the $1 million for health services for nurses programs.

It did not include the $23 million for refugee programs.

It did not include, as I indicated before, the GNMA program of $150 million. But we did retain the $198 million for low-income housing.

It does not include the interstate transfer grants that were included by the House for $12 million.

It did not include the U.S. Secret Secret Service committee amendment of $3 million. It did not include the payment to Postal Services of $62 million. It did not include the National Archives addition of $6.5 million.

It did not include the Lugar amendment, of course, of $3 billion, or the initial Lugart amendment of $5 billion.

Let me indicate one additional factor that may have some bearing on the action we take on this particular vehicle. Mr. Stockman asked if agreeing to this package in a sense would mean simply that he was delaying the action the Senate would take on the regular supplemental that was coming down the track, that we expect to have before the Senate Appropriations Committee, perhaps within a short time after the Fourth of July recess. He said he did not want to agree to this if it meant we were only delaying those actions in order to put them onto the regular supplemental.

I assured Mr. Stockman that I felt there were at least two—namely, the Postal Service amendment offered by the Senator from North Dakota (Mr. BURDICK) and the refugee supplemental of $23 million offered by the Senator from Florida (Mr. CHILES) and others—because those problems would not go away. Therefore, where we might not include them in the urgent supplemental, there would be, in all likelihood, that issue raised on the regular supplemental after the recess. I want the Senators to know that I in no way inhibited or set into a position of prejudice these amendments in which they have this deep concern.

I did indicate to Mr. Stockman that I would do my level best to hold the general overall figure of the regular supplemental down, that I did not want him to believe that we were playing games any more than we wanted them to play games with us; that when the regular supplemental came along, I would certainly give every effort I could as one person, with one vote—that is all I have—in terms of trying to stay within the overall target figures; but in no way did I set into jeopardy any of the amendments that are not included in this urgent supplemental as far as the bias or any other jeopardy they might be placed in to be considered under the regular supplemental.

Again, when I look at the options that we have before us, we have sent two supplementals down to the White House. The President has demonstrated that he has enough clout to get a veto of both of them sustained and, in turn, give us a clear statement here—through Mr. Stockman, at least—that the third supplemental passed by the House would not be acceptable.

Mr. President, I want to make it amply clear that I do not care whether it is Ronald Reagan in the White House or whether it is Jimmy Carter or whether it is a Republican or a Democrat. I do not believe that the U.S. Congress should be rolled over or become a rubberstamp for any President any more than I believe the

Senate should play dead and merely take as the final product anything that passes the House. I think we have the system and the institution to consider, and that is that we are a coequal branch of Government. We are part of the legislative process and, more importantly, we are the appropriating process primarily and the President plays a secondary role to the primary role played by the Congress.

Now, we could have adopted this House-passed bill very easily, but bear in mind it does not include but one Senate amendment, and it very neatly obliterated all the other Senate amendments. I feel very strongly that the ultimate product that we send to the President to be considered for either approval or disapproval ought to be the composite work of both Chambers.

This compromise package in a sense represents that kind of a product. It is not everything the House wants; it is not everything the Senate wants, but it is one that the President has indicated he will sign. It is more than what the President requested. Therefore, we are not playing dead for the President as the Chief Executive of the executive branch of Government to roll over us as members of the legislative branch of Government, because we have incorporated here not only dollars that are beyond the President's request but dollars that will ultimately have to be asked for by the President. My view is let us not play games with American people by going through two or three steps of appropriating a supplemental when we know ultimately what we have to appropriate in the long run. Let us put it right up front, and that is what we have done in the Senate amendments.

I feel that it meets my criteria at least as one Member of the Senate, and I only speak as one Member, when I say that it incorporates views of the House, views of the Senate, amendments offered by Democrats in the Senate, amendments offered by Republicans in the Senate. It includes requests made by the President and requests not made by the President. It includes rescissions asked for by the President and rescissions not asked for by the President. It includes all of these various components of an appropriation measure that represents the broadest base possible to develop under the exigencies of the time.

Again, I want to state this just as a matter of fact, not in any way to indicate a threat or that we have reached a place where we are dealing with fiats and not legislation. I am fully persuaded that if we in any way change the overall general total figure of this bill we are not going to get a Presidential signature.

I believe in all of my efforts at least that I have pushed as far as I can to accommodate all of the Senate amendments that were in supplemental I and supplemental II but bear in mind none of which, except for the Proxmire amendment, were in supplemental III passed by the House.

I think, therefore, as one of the managers of the bill I have to resist offers of amendments and suggest to Senators that without bias or prejudice they withhold their efforts to amend this bill, to consider those matters before the regular supplemental that we will have shortly after the fourth of July recess.

Mr. PROXMIRE addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I am very concerned about this procedure. I have great admiration for the manager of the bill, the chairman of the Appropriations Committee (Mr. HATFIELD). I think he has done an extraordinarily thoughtful and careful job of trying to work something out that would be acceptable to the President and also acceptable to the Senate and hopefully acceptable to the House.

On the other hand, I do think that there are problems before us. This is the third supplemental appropriation bill this body has taken up within the last 6 days. I cannot remember a time when we have acted on so many versions with so many vetoes coming right together.

On Wednesday, June 23, we considered H.R. 6645. That was a measure that passed the House with the same provisions as those contained in the pending legislation with a notable exception—H.R. 6645 did not contain language restoring the $3,000 ceiling on Members' business expense tax deduction. The bill before us today includes that provision. H.R. 6645 was derailed when it became clear that the Senate was going to add a series of amendments that would pretty much conform the bill to H.R. 4922, an urgent supplemental that was pending before the House.

Rather than waiting to receive an amended version of H.R. 6645, the House decided to approve H.R. 5922 and sent it on to the President. As we all know, that bill was vetoed. Then on the following day, June 24, we took up H.R. 6682. That version of the supplemental contained all of the provisions of the vetoed bill except for a $3 billion housing stimulus initiative. But it provided the President with $1.35 billion more in budget authority than he requested and was also vetoed.

Now, that bill had passed the House originally by 267 to 106, and it was no surprise when the House failed to act to pass it over his veto.

At any rate, here we are again today with another urgent supplemental which has been dramatically stripped down, which passed the House by 342 to 25. In other words, it passed the house 12 to 1. The opposition was obviously nominal, and I think there is some question as to whether, if we pass it, the President would veto it, since he is a realist, and if he did veto it the House would sustain his veto. Maybe this body would have a different view, maybe not.

It is true, as the manager of the bill has pointed out, this still provides the President with substantially more budget authority than he has requested.

The chairman of the Appropriations Committee (Mr. HATFIELD) has given us a fourth version and a version that incorporates the amendments that the Senate very much wanted to have enacted. H.R. 6685, as amended, would exceed the President's budget request by about $687 million, which is about twice as much as the bill, as amended, would have exceeded in budget authority, and $169 million in outlays.

There is a reason for that, and that is because we have a food stamp matter here that undoubtedly is sort of begging the question. Nevertheless, the fact is that this bill would exceed the President's request in both budget authority and in outlays.

Mr. HATFIELD. Will the Senator yield at that point?

Mr. PROXMIRE. Yes.

Mr. HATFIELD. Will the Senator not agree that what he has done is he has scored $322 million there of guaranteed student loan funds that are entitlements, that are really not scored in terms of the appropriated funds? So that we are really at $390 million, not $600 million, because the figure that the Senator used there of over $600 million really includes $322 million of entitlements.

Mr. PROXMIRE. May I say to my friend that I am using the table which the committee has supplied which has at the top "Budget Authority Appropriations Presidential Request $4.5 Billion, H.R. 6685 With Amendment 5.287 billion," and the net figure, which is a $687 million difference.

Mr. HATFIELD. Yes, but that sheet does not spell it out in detail. What that first figure does include is $322 million in guaranteed student loan funds which are entitlements and really, therefore, are not scored in terms of comparing it to the overage from the President's request.

Mr. SCHMITT. Will the Senator from Wisconsin yield?

Mr. HATFIELD. Mr. Stockman made very clear to me this morning again that that is not scored in that way so we are really at $390 million.

Mr. PROXMIRE. I understand the difference, and I am very grateful to the chairman for explaining it. However, the figure here is $687 million. I think that the chairman has made a

proper explanation of the reason for the difference.

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

Mr. PROXMIRE. I yield.

Mr. SCHMITT. I would substantiate that. We have worked it out with the administration—speaking now as chairman of the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies—that the entitlement amount is the higher value, the $1.3 billion.

Mr. PROXMIRE. In outlays, however, the effect would be $169 million over the President's figure, and that is about the way it would score out.

Mr. HATFIELD. That is correct.

Mr. PROXMIRE. A large portion of this increase is accounted for by an unbudgeted $198 million for public housing operating subsidies, $60 million for health services, $57 million for the work incentive program.

However, the bill also includes funds that are vitally needed for the continuous operation of parts of the Federal establishment. For example, it includes salary money for thousands of Federal workers who either have been or will have to be furloughed if the dollars are not provided. It appropriates a whopping $2.4 billion for waste treatment construction grants, funds that will give the hard-hit construction industry a shot in the arm, but funds which must be provided soon if they are to be used productively before the end of the current construction season.

I sympathize with the position of the Senator from Oregon, and I would like to support him. My only problem is the position in which we put the House. They have passed this overwhelmingly, by a vote of 382 to 25, or something like that. It was by a smashing margin.

Now we seem to be coming back with a version that is different, and they may feel that they are put in the position—since they are out now and would have to come back in order to act—that if they accept this, they would be rubber stamping the President. He has vetoed them twice.

We have come up with a skinny bill they have passed by 12 to 1. They indicated in the House colloquy, which I have just read, that they anticipated that the President would sign this. It is not perfect, but it comes closer than the previous initiatives.

Under the circumstances, I can understand why they might feel that they are being put into an unfortunate position in which the President is insisting on virtually everything.

Mr. HATFIELD. Mr. President, I appreciate the Senator's remarks.

I respond by saying that I am concerned with the other Chamber and its position. We have tried to keep the other body informed all along the way in the steps we have taken; in fact, we have submitted to them copies of this.

I have talked on the telephone with Chairman WHITTEN, the chairman of the House Appropriations Committee, indicating to him how we were trying to extricate ourselves from this situation. I am not here to report any commitment he made, because he had to have time to look it over and meditate upon it.

However, I say to the Senator from Wisconsin that I think another institutional issue at stake here is that the general public does not necessarily perceive the intricacies of our procedures. They see, in effect, a badminton court with the supplemental as the shuttle-cock being batted back and forth between the House and the Senate, then down to the White House, and back up to the Hill; and they do not delineate necessarily between appropriation bills and supplementals and budget resolutions, and so forth.

On my recent weekend at home, I found that a lot of people are really a little less than pleased with the performance of Congress and the White House, and the Government in general, in not reaching conclusions and resolving these issues.

I am not sure that the record we have made is one we want to remember. However, as the Senator from Wisconsin has indicated, within 1 week we have had vetos on two separate supplementals; and I think I have a fairly good statement here that would indicate a third veto on a third House-passed supplemental.

We need not go through that particular exercise if we see fit to adopt a proposal that has been at least committed to by the Chief Adviser to the President as one that would be acceptable.

The ranking minority member of the committee has indicated that we have had these add-ons from the Senate side, and we have reduced the House version by one amendment. In other words, yes, we had a House version with only one Senate amendment, and we have added back some other Senate amendments and deducted one of the House amendments to develop some kind of balance.

I feel, therefore, that we are serving the institution by trying to solve this as soon as possible.

I am not an expert in the House rules, but I understand that the House is coming back in pro forma session. If the House leadership should determine, after talking with various Members of their body, that it was acceptable, they could pass this in the House of Representatives under a pro forma circumstance. If the House chose not to do so, the House then would have to consider returning to the Hill, returning from their recess.

The ball is now in our court. The ball is in the Senate court, with this third House measure. If we should choose to pass it and send it to the White House, let us bear in mind that before the House could act upon it, we would be almost at the end of that supplemental date. That is the July 20 date, and the House does not return from recess until the 12th or 13th, and we are right up again.

So, even if the House should choose to override—let us say that the House, by that big margin, chose to override the President's veto on the third supplemental—we are right up against the July 20 date. Where would we be, going back to a fourth supplemental, or by that time hoping everything could hold together by baling wire until we could get the regular supplemental down the track?

I think we have put ourselves in a very untenable position. By trying to consider such a vehicle—even if we agree with all its components or it had a deadline or a lifetime of July 20—I find it most difficult, as chairman of the Appropriations Committee, to make logic out of how we can deal with these issues with that July 20 date and a veto facing us on that vehicle—according to Mr. Stockman's letter, at least—and then coming back on the 12th or 13th of July.

Again, I think we have put the institution in jeopardy further with respect to public esteem and public understanding of the mystery of our procedures.

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

Mr. HATFIELD. I yield.

Mr. SCHMITT. Mr. President, I wish to underscore the remarks of the Senator from Oregon and to compliment him on his analysis of the situation. He had done a remarkable job of protecting the interests of all the institutions—the House, the Senate, and the White House—in coming to this compromise with the administration.

Also, he illustrates what the House should know—that there are limits to how much the Senate can accept from the other body.

So I think the chairman has done exactly the right thing. It is a good balance. There are a number of items that I and members of my subcommittee would like to have seen included. We will be dealing with those matters in the context of a regular supplemental bill, and I anticipate that some accommodation can be made at that time.

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

Mr. HATFIELD. I yield to the Senator from North Dakota.%147.9

Mr. BURDICK. I thank the Senator from Oregon.

Mr. President, as Senators know, the Senate has twice passed urgent supple-

mental appropriations bills each of which included $62 million to roll back postal rates for nonprofit mailers to 1981 levels. Unfortunately, the President chose to veto both of these bills and to single out the postal rate amendment as a provision to which he took particular exception. The President's position on this matter is somewhat incongruous since he is a leading advocate of having many of the same private charitable and nonprofit groups who would benefit from this subsidy pick up the financial burden for Federal social programs that are being cut back by his administration. In addition, the amendment also changes current law so that third class mailers will not have to absorb in the future the entire shortfall between what the Postal Service needs for revenue forgone and what the Congress actually appropriates.

The absence of the postal rate provision in H.R. 6685 should not be interpreted as a lack of concern by the Congress about these rates. I fully intend to offer the same amendment which was part of H.R. 5922 and H.R. 6882 to a subsequent supplemental fiscal year 1982 appropriations bill which I understand will be considered by the Senate in the very near future. Since I am told that the inclusion of the postal rate amendment in H.R. 6685 along with other amendments would result in a third veto by the President, I do not want to jeopardize the absolutely urgent items in this bill such as funds to mail checks to social security recipients. However, my colleagues should be aware that this issue is very much alive and that it is of tremendous importance to religious, agricultural, educational, and veterans organizations throughout the country. The Senate has committed itself to assist these groups with their dramatically rising mailing rates, and that commitment shall not be forgotten.

Mr. HATFIELD. Mr. President, I thank the Senator from North Dakota because the Senator waged one of the most intense battles we had in the Appropriations Committee session on this supplemental on behalf of the Postal Service problem. I know that the Postal Service owes him a great debt of gratitude for that battle.

Later on, in fact, what started out to be an adversarial relationship between the Senator from North Dakota and the Senator from Alaska (Mr. STEVENS) turned into a joint effort and Senator STEVENS indicated to me today at an earlier meeting that he was going to stand with the Senator from North Dakota on that matter. He, in our committee meeting, made that issue.

I do feel that the Senator from North Dakota has seen the difficulty we are in, collectively, and how we possibly could extricate ourselves from it at this time. As indicated earlier, I said to Mr. Stockman directly, using the name of the Senator from North Dakota, Senator QUENTIN BURDICK, that he was not going to feel any more than I felt or anyone else that this issue is going to go away, that Senator BURDICK would not let it go away, and that we had to face up to that down the road on that regular supplemental.

So the OMB is alerted to this and, as I indicated earlier, without bias, without prejudice, our committee is going to consider that in the regular supplemental, and I am very grateful for the cooperation of trying to get this situation settled now on this particular vehicle that the Senator has refrained from offering that substitute.

Mr. STEVENS. Mr. President, the constant changing of postal rates for the nonprofit ratepayer, whether second, third, or fourth class, makes no sense whatsoever. This yo-yoing of rates, as I call it, has concerned me for some time because of the problems it is causing mailers. Because of this fact, some mailers are even considering alternative means of delivering their messages other than through the U.S. mail.

The U.S. mail is the most efficient form of communication nonprofit mailers can use. But, if the rates are going to be constantly moving up and down, the added expense and frustration of dealing with such inconsistent rates will ultimately drive mailers away. It would be a tragedy, both for the Postal Service and more importantly for the mailers themselves if this should happen. The Postal Service should be the most economically efficient means of communicating with the American people.

I feel very strongly that the $62 million that was contained in H.R. 5922 should be added to a supplemental appropriations bill, but not necessarily this one. I intend to cosponsor and fully support that amendment, at the appropriate time for its consideration. There is always an element of risk in passing up an opportunity to add an amendment to a bill such as H.R. 6685. However, in deference to the sponsors of various components of this bill, which are absolutely essential, I, too, will refrain from pursuing our amendment of this time.

Even if successful, the timeframe covered by H.R. 6685 is rather short and, in fact, if passed would cause rates to drop and then go back up again if for some reason the third supplemental fails. I know the Postal Service does not want the administrative nightmare of restructuring rates for a 2- or 3-week period and I do not believe the mailers want that either.

I have checked with some of the Washington representatives of nonprofit third class mailers and they have affirmed they do not relish the prospect of lower rates for a few weeks if it means the possibility of a dramatic increase a short time later. It would cost the affected mailers more in administrative costs than they would save by a lower postal rate for a short period of time.

Mr. HATFIELD. I yield to the Senator from Nebraska.

Mr. EXON. Mr. President, I publicly thank the very distinguished and able chairman of the Appropriations Committee for explaining to the Senate what is being proposed here.

But before we proceed there is a question or two on my mind that was raised further by the Senator from Wisconsin, the ranking minority member on the Appropriations Committee. A major concern that I have here is that as we seem to proceed with all kinds of legislation we have a 51st Member of the Senate without portfolio in the name of Mr. Stockman who seems to sit in on almost all of the deliberations we have on either the Budget Committee or the Appropriations Committee. I publicly object to that.

I certainly think that it is entirely appropiate for any Member of the Senate or any Member of the House of Representatives to check with the Director of the Office of Management and Budget with regard to their views which supposedly are the President's views with the possible exception of articles in the Atlantic Monthly. But I do object to the fact that time and time again I see the Director of the Office of Management and Budget flittering about as if he were a Member of Congress. He is not a Member of Congress and, I think, if we are going to start to protect our bodies here as I know that the chairman of the Appropriations Committee and others are very sincere in doing, it is about time that we put the Director of the Office of Management and Budget, whoever he is, under any administration, back over where he belongs. It may be that he came over at the invitation of the chairman of the Appropriations Committee, and if that indeed is the case then it might be that my remarks might be out of line. But it seems to me that wherever we go on appropriations to the Appropriations Committee or the limit on overall appropriations in a Budget Committee, Mr. Stockman seems to play an all-too-prominent role that should be, it seems to me, reserved to the elected Members of the House of Representatives and the Senate.

So I just ask my distinguished friend and colleague from Oregon: Was Stockman there at the invitation of the Senator from Oregon?

Mr. HATFIELD. Yes, he was.

Mr. EXON. And the Senator felt that the suggestions that he had made were not different from the role that he played over on the House of Repre-

sentatives when not one but three emergency supplemental appropriations came through?

Mr. HATFIELD. I say to the Senator from Nebraska I do not know what role Mr. Stockman played on the House side. But I do want to say this: This is the first time Mr. Stockman has been in my office during this whole period in which we have been dealing on the question of the supplemental. In fact, I have not talked to Mr. Stockman until this morning. I have seen Mr. Stockman in leadership meetings over at the White House. We have said good morning and that is about it. I have not discussed one policy matter and I have not discussed one appropriations matter with Mr. Stockman until this morning. He came to the office at my request because it seemed to me that since he was the President's chief budget adviser and that we had already gone through two vetoes, and I was assuming that we might pass the skinny one and get by with it, I thought it was time that we tried at least to resolve the differences on an eyeball-to-eyeball basis rather than through the veto stamp and the public press.

It seemed to me we had reached a point where we had to establish a little bit of communication.

But I say to the Senator I could not agree with him more in terms of this being an independent coequal branch of Government. I made those remarks early on in my own statement. But I also recognize the mixing of powers. There is the separation but there is the mixing of powers. We cannot avoid the role of the President. That is part of the constitutional process.

It does seem to me when we have reached what appears to be an impasse between two branches of Government, the legislative and executive, that in times past, since I have been in the Senate at least, we have sought a solution through some kind of an eyeball-to-eyeball meeting with the President. I have been with members of delegations of the Senate that have gone downtown to the White House and said to the President where we were in an impasse situation on a policy or an issue of an appropriation, how can we work it out? And so this is really in line with that procedure.

But as far as anytime in this session dealing with this particular supplemental question, this is the first time I have spoken to Mr. Stockman. It is the first time he has spoken to me about an issue and he came at my request.

Very frankly I kind of regretted this morning after we finally got this finished that maybe I should have called him earlier not because he is a 51st Member of the Senate, no, but because I know that he plays an important role in how the President is going to respond to the product that we finally develop and send down to the White House.

I do not find that we have to have an adversarial relationship in order to maintain the separation of powers. But by the same token I do say again that I think this is more of a product of the two sessions of the two Houses of Congress and we prevailed.

Issue after issue that we added back here from the Senate side of Senate amendments were initially opposed by Mr. Stockman and especially those in the welfare areas, such as maternal and child care, the work incentive programs, the ACTION programs, and so forth.

But this discussion with Mr. Stockman was no laying down and playing dead. We prevailed. I do not say this in an effort to brag, to boast, that I have done battle with Mr. Stockman and won, but I did win, I think, some very significant arguments and debates and discussions with him in order to get his commitment, so to speak, to advise the President to sign the bill.

Talking to Senator LEAHY, who has very great feeling about the $60 million for maternal and child health care, and talking to others who have feelings over different amendments, Democrats, as I say, and Republicans, these Senate amendments were all well-battled and well-fought and incorporated in our product, and here they are still in this compromise product.

Mr. EXON. I thank the chairman of the Appropriations Committee.

I would just like to add, though, it seems to me that we keep running up against deadlines. We do indeed have eyeball-to-eyeball confrontation with the White House every time we are about to go on recess.

It seems to me if the White House were in true good faith—as I would like to believe they are—then they would have been making suggestions to the House of Representatives before they went home. I think all here understand there was a high probability that the first emergency supplemental would be vetoed; there was a belief that the second emergency supplemental might be signed.

I would say to my friend from Oregon I believe almost everyone in the House of Representatives believed before they went home that the backup third emergency supplemental that was sent over here would be one that could be agreed to and signed by the President of the United States, and then they went about their business.

If we are talking about protecting the prerogatives of both the House of Representatives and the Senate, I think we should realize and recognize that taking the action that we are about to take here, what we are doing is extending from July 20 to what, some time in September—we are making some rather major changes in all of this, it seems to me, and I would only suggest that maybe it is the only possible compromise change that could be worked out so that everyone could have the majority of their wills protected.

I would only say I hope in the future we would not be putting off these important decisions until the last hour of the last day before we leave for recess. Since the Senator from Oregon has been here a lot longer than this Senator, I suppose it is old hat. But it seems to me bad government that almost every time we are about to go on recess we are here usually until the wee hours of the morning coming up against some kind of a deadline, and I suggest that is not adequately protecting the prerogatives either of the House or of the Senate or, for that matter, the President, because the will of one is being played off against the other.

I would simply say I hope we would be able to plan a little bit better in the future. I am not saying this as indicating in any way that the distinguished chairman of the Appropriations Committee has not leaned over backward, as he always has, to bring this about. But I say to the leadership of the House, the leadership of the Senate, the minorities in both of these bodies, that indeed if we want to carry out the duties we are assigned under the Constitution that we should do that in a more orderly fashion than it seems to this Senator we ordinarily do.

I yield the floor.

Mr. HATFIELD. Mr. President, I would like to associate myself with the remarks, the last observations, of the Senator from Nebraska.

I want to assure the Senator there is no time when I feel more frustrated in my whole legislative career than when I find under these deadlines that, as the chairman of the Appropriations Committee, I have to present to the Senate these decisions.

I think if we are careful in our observations, we will have to admit that some of them are of our own making, some of them are of the other body's making. How many times have they finalized something, sent it over to us, recessed, and here we are with a few hours against the clock to take it or leave it because if we did not take it, then we are guilty of stopping the Government?

How many times has the White House said to us, "If we do not get this action done by such and such date, we will have to RIF so many employees and bring the Government to a halt"?

At other times, when we have piggybacked nongermane issues that are so emotional, such as abortion, such as school prayer, and such as busing on an appropriation measure, and during which we have bogged down the whole appropriations process, for 5 months

on one occasion, how many times have we done that?

So you look at the whole picture and you see it is caused sometimes by our own failure to recognize the orderly procedure by which appropriations should move; sometimes we are facing legal deadlines, that is, deadlines that are set in by law. How many times have we faced the debt ceiling limitation problem against a midnight hour, and appropriations decisions as well?

So I want to tell the Senator I hope he will join, and I will join with him, if he has some ideas of how we can prevent this and be able to exercise the appropriations process in a businesslike, orderly, calm, nonhurried way.

I tried to do that by taking the abortion issue off the appropriation bill in committee, but found the Senate floor had decided it should be on it, so they put it back on after a long debate.

So I have tried different tactics and have not been successful. Therefore, I welcome suggestions and recommendations.

Mr. EXON. Mr. President, will the Senator yield for one last question?

Mr. HATFIELD. I would be happy to.

Mr. EXON. I say to my friend from Oregon quite frequently we agree, and here we agree once again, and I thank him for his statements.

I am convinced that people do not understand and become very impatient with what they see as a ball being batted back and forth, and all too frequently they are right in thinking it is for political reasons of one type or another.

The question I would like to pose to my friend from Oregon is: Does he think the Founding Fathers envisioned this kind of government?

Mr. HATFIELD. I think the Founding Fathers envisioned a government with a Congress that would meet in January and get home for spring planting because they have completed their work.

I do not think the Founding Fathers ever envisioned the invention of air-conditioning. Perhaps that was one of the inventions that has done the most to prolong congressional sessions. Maybe without air-conditioning we would have gone out earlier, or when we got to the situation of where we became a more urban society we would not be going home to do the spring planting.

No, I do not think the Founding Fathers ever envisioned a year-round session in which we find ourselves with the complexities of government increased, but also with the increased complexities of society.

But we have to deal with them here. As the Senator knows, we cannot turn the clock back. But, at the same time, I hope we can see the necessity for major reform in our own procedures, rules, and regulations in order to expedite and do the people's business in a more orderly fashion.

The PRESIDING OFFICER (Mr. D'AMATO). The Senator from Arkansas.

Mr. PRYOR. Mr. President, I had not planned to participate in a discussion with the distinguished chairman of the Appropriations Committee and my very good friend from Nebraska, Senator EXON. But I just thought that it would be interesting to note that this Senate recently passed a resolution establishing the Commission. This Commission will be chaired by two former distinguished colleagues of ours, Senator Pearson from Kansas and Senator Ribicoff from Connecticut.

These two former Senators, who have wide and deserved respect from all Members of this body, are going to look at ways and means by which we might make this body more efficient.

I assume both of my colleagues engaged in this discussion this afternoon are like myself. When we go home on the weekends or over the Fourth of July recess, as we are all about to do in the next several days, the people out there in the country are going to be angry. They are going to be mad, but they are not necessarily just going to be mad at the President or at Senator EXON or Senator HATFIELD or Senator PRYOR; they are going to be mad at us as an institution.

I think that there is a growing resentment about us as an institution not being able to find a way to conduct our business.

I remember just a few days ago in this body—and I use this only as an example—we had, as I recall, the Voting Rights Act on the floor. We started, I think, on Friday or possibly on Monday, and we sat and we sat and we sat. We had maybe one or two little votes, maybe on a commemorative medal or two, or something of that nature. I think we also had a vote to instruct the Sergeant at Arms to call us to the floor.

Finally, on Thursday at 4 o'clock, we started voting on whether or not to proceed to final discussion and vote on the Voting Rights Act. We went until 2 o'clock. We came back the next day at 9 o'clock.

I do not mean to be critical of the leadership of the majority leader or the minority leader. I believe this problem lies within the system itself, which is inadequate. It is sick. And I am not saying that the problem lies entirely within the Budget Act, which was intended to reform this institution and make us do our business on time. But I am inclined to believe right now that we are going to have to place some restrictions upon ourselves, upon this body and upon the Congress as an institution.

For example, at the right time, I may propose an amendment to the Budget Act. I think the Budget Act—and the distinguished Senator, my friend from Nebraska, is a very fine member of the Budget Committee; I am not a member—I think that the Budget Act calls for us to have the first budget resolution out by May 15. It is my opinion that we should restrict ourselves and say if we do not have that budget resolution out and passed by May 15, then the Congress may do no further business until we have that budget resolution out.

Now some of you may say, "Well, that is drastic. We cannot do anything like that. That would be putting us in a straitjacket." Well, very honestly, I think we have to be in a straitjacket. The two great Senators on this floor are both former Governors of States, and I imagine that in our respective States we have a restriction as to the number of days that the legislative body can be in session. I think that we ought to consider something like that for the Congress of the United States. It may be worthwhile to consider a limitation on how many days we could have so that we would have an incentive to get our business done on time.

Once again, I apologize for breaking in. I just wanted to add those few comments. I hope that we can act with favor upon former Senator Ribicoff and Senator Pearson's work and cooperate with them and give them meaningful suggestions for possible changes in our way of doing business.

Mr. HATFIELD. Mr. President, I thank the Senator from Arkansas. I was going to make an observation that until the Senator from New York just arrived, it was very interesting that this particular discussion was occurring, this particular colloquy today, between three former Governors. I think it also adds to the frustration for those who have been charged in their public careers with that kind of administrative role, because in that role there are not people to share that responsibility. You are there, you are one person, and you are the executive of that State. You have to take the action, and you have to meet those deadlines, and you have to meet those constitutional requirements.

I know, probably like all the rest of us, that the Senator from Nebraska had a little difficulty adjusting to this new format of political life, as we all did when we moved from that executive role into a legislative role.

I will also say to the Senator from Arkansas that, as a former Governor, I am very hopeful that we can move ahead. I was very hopeful that we could take some of the recommendations of the Culver Commission. Former Senator John Culver from Iowa headed up a commission that had many excellent recommendations to reform the housekeeping functions and the mechanics of this body. But,

like too many studies on reform, the studies are made, reported, and filed, and that is the last you hear of them.

The PRESIDING OFFICER. The question is on the continuing resolution.

Mr. HATFIELD. Mr. President, I believe the Senator from Massachusetts has an amendment.

The PRESIDING OFFICER. The Senator from Massachusetts.

UP AMENDMENT NO. 1045

(Purpose: To provide an additional $63,000,000 for the Summer Youth Program.)

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an unprinted amendment numbered 1045 to the Hatfield unprinted amendment numbered 1044.

At the appropriate place, insert the following:

SUMMER YOUTH PROGRAM

For an aditional amount for the Summer Youth Program under part C of title IV of the Comprehensive Employment and Training Act, $63,000,000 to remain available until expended.

Mr. KENNEDY. Mr. President, I will not take a great deal of time on this particular amendment. The material is familiar to not only the members of the Appropriations Committee but to all the Senate.

Mr. President, I rise to offer this amendment to restore $63 million to the summer youth employment program. This is the same amendment this body overwhelmingly accepted on three previous occasions.

The urgent supplemental we are now considering protects the jobs and paychecks of Federal workers in a number of agencies. I support this request but I believe there is not more urgent need than to provide jobs for unemployed young people this summer.

In his very first budget the President included the summer jobs program in his famous safety net. He asked for $766 million to provide jobs for almost 800,000 teenagers from poor families. That budget would have assured the same number of jobs this summer as were funded in 1981.

But as the deficits grew larger, the President decided to cut into his social safety net. He cut back on summer jobs with the promise that his cuts would revive the economy and create new jobs in the private sector.

But now almost 9 months later schools have closed for the summer, 3.4 million more young people are entering the labor market and we are faced with the highest unemployment in 40 years. President Reagan was wrong. The cuts did not revive the economy. They did not create new jobs. Over 10 million Amerians cannot find work.

I serve as a member of the Joint Economic Committee, and I have attended virtually every one of our monthly hearings when the unemployment figures come in from the Bureau of Labor Statistics. They tell the story about the increasing numbers of unemployed. The fact is that there are 3 million more unemployed Americans today than there were some 15 months ago.

What we have seen during the analysis of those figures, Mr. President, is that there has been a very significant growth in unemployment among teenagers in our society. And this has been particularly true not only in the cities of this country, but also in many of the rural areas.

Unemployment for teenagers 16 to 19 years old has reached 23 percent. Two million teenagers who want jobs cannot find them. One out of every two black teens cannot find work.

The mayors of this Nation, I think by and large, have developed effective programs in the summer youth program. As a member of the Labor and Human Resources Committee that has oversight on those programs, we have had a number of hearings which demonstrate that. Those mayors have developed, over a considerable period of time, effective programs to channel the energies and the idealism of young people in the cities to productive and useful work. But the need is particularly great at this time.

The U.S. Conference of Mayors just completed a survey of 125 cities across the country which documents the crisis many communities are facing this summer:

Three out of four cities report overall youth unemployment between 11 and 33 percent.

Three out of four cities report unemployment among minority teens between 21 and 60 percent.

Funding cuts for summer jobs are as high as 50 percent in some cities.

Over half the cities surveyed expect these cuts to result in an increase in juvenile crime.

In many cities the private sector has acted to meet this crisis with money and with jobs. These efforts are to be praised.

But they are not enough to fill the gap created by cuts in the Federal budget and skyrocketing unemployment. Without the additional funds voted today, there would be 3,000 fewer jobs in Boston, 5,000 fewer jobs in Baltimore, and 6,000 fewer jobs in New York City. Every other city in the country is experiencing the same shortfall.

Mr. President, this is an important issue. I know that the chairman of the Appropriations Committee and our ranking minority member of the Appropriations Committee are familiar with this program. At another time they were willing to accept this amendment. I do not question their own personal concerns about the need for providing these kinds of opportunities for young people in this country, but I think it is imperative, Mr. President, to address this issue and to have the Senate vote on it.

I have not offered an amendment to restore the full amount of the President's request, although that was my initial amendment. This is the amount that was previously accepted by the Senate, and included in the two bills we recently sent to the President.

This seems to me to be the bare minimum necessary to address this issue, Mr. President.

I am also mindful, Mr. President, that we run into a difficult parliamentary situation because of the situation in the House and the threat of the veto. But I do think, Mr. President, that is not going to be a powerful argument to many of the young people this summer and to their parents who are going to find that there is little hope for their future when they try to find a job so that they can meet their responsibilities to themselves, to their families, and to their communities.

That is why I believe we must restore $63 million for this program and give 63,000 young people a chance to learn and earn this summer. These teenagers should not be forced to bear the brunt of Reagan's recession. These young people cannot wait.

I urge my colleagues to support this amendment.

I ask unamimous consent that an editorial from the Washington Post of June 26, 1982, and an editorial from the New York Times, dated June 25, 1982, be printed in the RECORD.

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

[From the Washington Post, June 26, 1982]

MORE SUMMER JOBS

One small item in the "urgent" supplemental appropriation bills vetoed by President Reagan would have partially restored cuts in the youth summer jobs program. The president was right to resist the $3 billion bail-out for the housing industry that was riding on the bill, but the modest increase in summer jobs could have helped relieve the smoldering problem of record levels of youth unemployment in many cities this summer.

The summer jobs program was originally sanctified as one of President Reagan's "safety net" programs that was not to be tampered with. Even so, it lost about 50,000 jobs last year and is due to lose 140,000 more this summer. That leaves the total at about three-quarters of its 1980 level. The president's budget for next year would eliminate the program altogether—although localities could divert money from training programs to pay for it. The supplemental bill passed by the Senate would restore about 63,000 jobs—not enough, but better than no help at all.

With unemployment at the highest level since the end of the Depression, this is a tough time for workers of all ages. But the situation of low-income youths—especially blacks—is disastrous. Last month, one out of two black teen-agers seeking work couldn't find it. That was before summer vacation swelled the ranks of job seekers.

It would be nice if the private sector could fill the gap. But even when times were better, recent estimates suggest that four out of five youths who were eligible for the summer jobs program, but for whom there were no jobs, couldn't find even short-term jobs in the private sector. With the economy now providing well over a million fewer jobs for teenagers than it did in 1979, the need for government help is greater than ever.

The effort to improve the quality of summer job programs needs to be continued. Any additional jobs should be targeted on areas where youth unemployment is especially high. But as Congress considers its next moves on the supplemental appropriation, it should remember that, even unimproved, the program is a good investment.

[From the New York Times, June 25, 1982]

THE MESSAGE OF GRAVESEND

"It was a bunch of kids hanging on a corner getting drunk," one neighbor speculates. "These guys were probably passing by and maybe somebody shouted 'nigger,' and the words went back and forth. Then the punches came. It happens."

But it was clearly outrageous, and it is up to the city's criminal justice agencies to make that clear after the killing of one black transit worker and the beating of two others by white hoodlums in the Brooklyn neighborhood of Gravesend. And other city officials should pay close attention to a larger message.

The median income in the white working-class neighborhood is $23,000. But for people at the bottom of the scale, particularly the young, life has become difficult in recent years. Some churches no longer have funds for recreation facilities. A summer camp that provided jobs for white and black teen-agers has closed. Two years ago the community had more than 1,000 CETA and Summer Youth Employment jobs; this year there are 50.

Thus it is that residents of the area complain about "troublesome" young people along Avenue X, where the killing took place. Idle teen-agers gather to drink beer, use drugs and create a subculture that also attracts those attending school or holding jobs. The subculture is apparently infected with racism; Tuesday's incident was not the first with a racial cast.

The police deserve credit for moving quickly to investigate suspects and make arrests. But the idleness and joblessness of youth all over the city are larger, equally urgent problems. The message of the ugly brutality in Gravesend may be that after the cuts in programs that kept young people constructively busy, summer trouble can start anywhere.

Mr. HATFIELD. Mr. President, there is nothing that would please me more than to accept the amendment of the Senator from Massachusetts, but I think the Senator understands the parliamentary situation. We have provided, for instance, in the continuing resolution 675,000 slots. The Senator would add $68 million which would bring it up to 735,000. We accepted the Senator's amendment on a prior occasion. It went to conference and we held it in conference, bringing it back in the supplemental.

But the Senator realizes, too, that we are in this kind of a timeframe: Even if we accepted this amendment, even against the threat of a Presidential veto, we do not know what the House will do, if they will adopt this in a pro forma or not. I am hoping they will. If they do not, we are down to July 12 before we can act upon it if the House should decide to amend it further or not take it as we produced it.

I think we are in a situation where we have added back a number of very important programs which the Senator from Massachusetts supports, I know, such as the child and maternal care, work incentive programs, low-cost housing programs. I would hate to put those in jeopardy with a Presidential veto by adding another $68 million. As I indicated earlier, I just do not think we can get the commitment that we now have in writing for Presidential signature. It does not do the project any good to raise false expectations by adopting an amendment of this kind and then only face a Presidential veto.

On that basis, unless there is someone else who wants to be heard on this subject, I would be forced to move——

Mr. KENNEDY. Will the Senator yield?

Mr. HATFIELD [continuing]. I yield.

Mr. KENNEDY. I applaud the fact that the Senator has added a number of items onto this legislation which I strongly support, and I commend the committee for doing it, such as funds for health services and the work incentive program. But it does seem to me on this list we have also added $40 million for the Corps of Engineers and $15 million for the Customs Service.

I am a great admirer of the Corps of Engineers. They run the Cape Cod Canal very effectively and efficiently, and we have other programs and projects in my own State which the people of my State have benefited from. I am sure there are important reasons why that $65 million was added for the Corps of Engineers and the Customs Service. But why could those items not be deferred for a period of time? There may be very good answers for that, but it just seems to me, Mr. President, this is the last train that is leaving the station for summer jobs for youth. We have added a number of items here. We do not know what the action is going to be by the President or by the House on these 10 or 12 different items. I must say that looking over the list I think, in all respects, the summer jobs program certainly ranks with the highest priorities that have been added here.

As I say, I am not interested in delaying the Senate. Both the chairman of the Appropriations Committee and the ranking minority member have always been typically courteous in considering amendments I have offered in the past, and they are again today, but I would hope that we could still have this accepted.

Mr. HATFIELD. Mr. President, I very reluctantly move to table the amendment and 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 motion of the Senator from Oregon to lay on the table the amendment of the Senator from Massachusetts. 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 Florida (Mrs. HAWKINS), the Senator from California (Mr. HAYAKAWA), the Senator from South Dakota (Mr. PRESSLER), the Senator from Wyoming (Mr. SIMPSON), and the Senator from Vermont (Mr. STAFFORD), are necessarily absent.

I also announce that the Senator from Georgia (Mr. MATTINGLY), is absent due to illness.

I further announce that, if present and voting, the Senator from California (Mr. HAYAKAWA), the Senator from Georgia (Mr. MATTINGLY), and the Senator from Wyoming (Mr. SIMPSON), would each vote "yea."

Mr. CRANSTON. I announce that the Senator from Ohio (Mr. METZENBAUM) and the Senator from Massachusetts (Mr. TSONGAS), are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 55, nays 37, as follows:

[Rollcall Vote No. 200 Leg.]

YEAS—55

Abdnor	Exon	Nickles
Andrews	Garn	Nunn
Armstrong	Goldwater	Packwood
Baker	Gorton	Percy
Boren	Grassley	Proxmire
Boschwitz	Hatch	Pryor
Brady	Hatfield	Quayle
Byrd, Harry F., Jr.	Heflin	Roth
Chafee	Helms	Rudman
Cochran	Humphrey	Schmitt
D'Amato	Jepsen	Stennis
Danforth	Johnston	Stevens
DeConcini	Kassebaum	Symms
Denton	Kasten	Thurmond
Dixon	Laxalt	Tower
Dole	Leahy	Wallop
Domenici	Lugar	Warner
East	McClure	Zorinsky
	Murkowski	

NAYS—37

Baucus	Bumpers	Chiles
Bentsen	Burdick	Cohen
Biden	Byrd, Robert C.	Cranston
Bradley	Cannon	Dodd

Durenberger	Jackson	Pell
Eagleton	Kennedy	Randolph
Ford	Levin	Riegle
Glenn	Long	Sarbanes
Hart	Mathias	Sasser
Heinz	Matsunaga	Specter
Hollings	Melcher	Weicker
Huddleston	Mitchell	
Inouye	Moynihan	

NOT VOTING—8

Hawkins	Metzenbaum	Stafford
Hayakawa	Pressler	Tsongas
Mattingly	Simpson	

So the motion to lay on the table Mr. KENNEDY's amendment (UP No. 1045) was agreed to.

Mr. HATFIELD. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. PROXMIRE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1046

Mr. RIEGLE. Mr. President, I have an amendment at the desk, and I ask that it be reported.

The PRESIDING OFFICER. The amendment will be stated.

Mr. HATFIELD. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will come to order, please. The clerk will suspend until the Senate comes to order. Those Senators wishing to converse will please retire to the cloakrooms. Otherwise, we will not proceed.

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) proposes an unprinted amendment numbered 1046 to the Hatfield unprinted amendment numbered 1044.

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:

At the end, add the following:

EMERGENCY MORTGAGE INTEREST REDUCTION PAYMENTS

For emergency mortgage interest reduction payments, $3,000,000,000, of which $2,500,000,000 shall be available for use in connection with mortgages or loans involving dwellings referred to in section (g)(3)(A), not more than $400,000,000 shall be available for use in connection with mortgages or loans involving dwellings referred to in section (g)(3)(B), and $100,000,000 shall be available for assistance payments with respect to that portion of the principal obligation of mortgages or loans assisted under this heading which exceeds $77,625, to remain available until expended. Such amount shall be made available under the terms and conditions of the following paragraphs:

(a) For the purpose of assisting middle and lower income families in acquiring a home, a manufactured home, or membership in a cooperative association operating a housing project or in substantially rehabilitating a home or a unit in a cooperative housing project, the Secretary of Housing and Urban Development, hereafter referred to as the Secretary, is authorized through the Government National Mortgage Association, to make and to contract to make periodic interest reduction payments on behalf of such families. Such assistance shall be accomplished through payments to mortgagees and lenders or their transferees holding mortgages and loans meeting the requirements of this heading.

(b) The Secretary may not enter into any contract to make emergency home mortgage interest reduction payments under this heading during any month unless the Federal Home Loan Bank Board's home mortgage interest rate index for conventional home mortgage loans closed, based on the moving average for the most recent two-month period, exceeds 12.5 per centum per annum.

(c) To be eligible for emergency interest reduction payments under this heading, the first mortgage or loan secured by the property, manufactured home, or shares in a cooperative must meet the requirements of or be insured under section (g).

(d) Assistant payments under this heading may be made over a period of not to exceed five years with respect to any mortgage.

(e) The amount of all emergency interest reduction payments made under this heading shall constitute a second lien on the property or shares with respect to which the payments are made and shall be repayable—

(1) when the property is sold;

(2) when the property ceases to be the principal residence of the mortgagor or borrower;

(3) upon any other disposition of the property specified in regulations of the Secretary; or

(4) upon the refinancing of the first mortgage or loan on the property or shares,

except that the amount repaid may not exceed 60 per centum of the homeowner's net equity, as determined by the Secretary.

(f) The amount of the emergency mortgage interest reduction payments with respect to any mortgage or loan shall be an amount not exceeding the lesser of—

(1) the difference between the amount of the monthly payment for principal and interest which the mortgagor or borrower is obligated to pay under the mortgage or loan the monthly payment for principal and interest which the mortgagor or borrower would be obligated to pay if the mortgage or loan were to bear interest at the rate of 11 per centum per annum; and

(2) the difference between the amount of the monthly payment for principal and interest which the mortgagor or borrower is obligated to pay under the mortgage or loan, and the monthly payment for principal and interest which the mortgagor or borrower would be obligated to pay if the mortgage or loan were to bear interest at a rate four percentage points less than the rate specified in the mortgage or loan.

(g) Notwithstanding any other provision of law, the Secretary may assist or may insure a mortgage or loan which shall—

(1) be executed by a mortgagor or borrower whose total family income did not exceed $30,000 during the year preceding the application for the mortgage or loan and who intends to occupy the property as a principal residence, except that the Secretary may increase the limitation contained in this paragraph by such amount as the Secretary determines to be necessary to enable mortgagors and borrowers to qualify for increased principal amounts established by the Secretary pursuant to paragraph (2);

(2) have a principal obligation not to exceed $67,500 except that the Secretary may establish increased principal amounts not to exceed the maximum principal obligation insurable in the area pursuant to section 203(b)(2) of the National Housing Act;

(3) involve a one- to four-family dwelling the construction, substantial rehabilitation, or manufacture of which (A) commenced on or after the date of enactment of this section heading and was substantially completed by November 30, 1983, or (B) commenced no earlier than one year prior to the date of enactment of this heading and was substantially completed by November 30, 1983, and which has never been sold other than to the mortgagor;

(4) provide for complete amortization over a period of not to exceed thirty years, but provide that (A) the mortgage or loan payment shall be adjusted for the second, third, fourth, fifth, and sixth years of the mortgage or loan by increasing the payment required during each such year by 0.75 per centum of the original principal obligation, and (B) the amount of the increase will be applied to reduce the principal obligation;

(5) provide, after the sixth year, for equal monthly payments in the same amount as the amount required in the sixth year, but only for the period necessary to pay off the remaining principal obligation;

(6) have been accompanied by disclosures of the scheduled adjustments in the monthly payment and of the requirements of section (e);

(7) be originated by a mortgagee or lender who is responsible and able to service the mortgage or loan properly;

(8) in the case of a manufactured home loan, comply with the regulations issued under section 501(c) of the Depository Institutions Deregulation and Monetary Control Act of 1980; and

(9) bear interest and contain such other terms and conditions as the Secretary may prescribe.

(h) The Secretary shall allocate the amount available to carry out this program among the States on the basis of a formula so that—

(1) one-third of such amount is allocated on the basis of the ratio of the population of each State to the population of all States;

(2) one-third of such amount is allocated on the basis of the percentage decline in one- to four-family housing starts, measured from 1978 to 1981, of each State relative to the percentage decline for all States; and

(3) one-third of such amount is allocated on the basis of the ratio of each State's number of unemployed persons for the most recent three-month period for which data are available prior to the allocation to the number of unemployed persons for all States for such three-month period.

(i) Any mortgage insured or assisted under this heading shall be eligible for purchase by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

(j)(1) The Secretary shall assure that the amounts allocated pursuant to subsection (h) are made available in a manner which maximizes participation by eligible lenders and borrowers.

(2) The Secretary shall maximize timely utilization of authority under this heading by limiting the time within which a firm commitment may be issued to ninety days after the commitment (other than a firm commitment) is made.

(3) Notwithstanding any other provision of law, the Secretary shall issue final regu-

lations, make allocations, and begin to issue commitments pursuant to this heading not later than thirty days after the enactment of this Act.

(k) The funds provided under this heading shall remain available for commitment until January 1, 1983.

Mr. RIEGLE. Mr. President, if I may have the attention of the Senators, I think we can dispose of this item rather quickly.

The amendment I have sent to the desk is the emergency housing assistance amendment, the package that was put together by Senator LUGAR and me and others, on a bipartisan basis, and which was approved in the conference committee. It would provide emergency help to homebuilders and to people who want to buy homes in this country.

The amendment would add $3 billion to the urgent supplemental to provide interest reduction for home mortgages. The issue is not new. We have discussed repeatedly on the floor of the Senate the need for this legislation.

The language in the amendment includes the provisions agreed to by the House and Senate conferees. The House and Senate passed a similar measure by overwhelming numbers when it was introduced earlier. Unfortunately, the President has rejected this vital stimulus measure.

In the words of Senator LUGAR the last time we considered this matter, "The amendment is imperative if we are going to come out of the recession this year." I strongly agree with that statement.

This amendment would provide more than 483,000 new jobs. It would assist 210,000 units with reduced interest rate loans. It would generate approximately $1.45 billion in Federal, State, and local taxes.

Upon resale of a buyer-assisted home, the Federal Government would get its money back. So there are no losers in this proposal; everyone comes out ahead. It generates jobs and new tax revenues, helps homebuilders and home buyers, and the Federal investment is fully recovered.

Mr. President, this is a vital amendment. My amendment is in the form of an amendment to the Hatfield substitute.

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.

Mr. HATFIELD. Mr. President, very reluctantly, I rise at this time to move to table the amendment of the Senator from Michigan, and 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 motion to table 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 Florida (Mrs. HAWKINS), the Senator from California (Mr. HAYAKAWA), the Senator from South Dakota (Mr. PRESSLER), the Senator from Wyoming (Mr. SIMPSON), and the Senator from Vermont (Mr. STAFFORD) are necessarily absent.

I also announce that the Senator from Georgia (Mr. MATTINGLY) is absent due to illness.

I further announce that if present and voting, the Senator from California (Mr. HAYAKAWA), the Senator from Georgia (Mr. MATTINGLY), and the Senator from Wyoming (Mr. SIMPSON) would each vote yea.

Mr. CRANSTON. I announce that the Senator from Ohio (Mr. METZENBAUM), and the Senator from Massachusetts (Mr. TSONGAS) are necessarily absent.

The PRESIDING OFFICER (Mr. DENTON). Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 48, nays 44, as follows:

[Rollcall Vote No. 201 Leg.]

YEAS—48

Abdnor	East	Murkowski
Andrews	Garn	Nickles
Armstrong	Goldwater	Percy
Baker	Gorton	Quayle
Boschwitz	Grassley	Roth
Brady	Hart	Rudman
Byrd, Harry F., Jr.	Hatch	Schmitt
	Hatfield	Specter
Chafee	Helms	Stennis
Cochran	Humphrey	Stevens
Cohen	Jepsen	Symms
D'Amato	Johnston	Thurmond
Danforth	Kassebaum	Tower
Denton	Laxalt	Wallop
Dole	Long	Warner
Domenici	Mathias	
Durenberger	McClure	

NAYS—44

Baucus	Exon	Melcher
Bentsen	Ford	Mitchell
Biden	Glenn	Moynihan
Boren	Heflin	Nunn
Bradley	Heinz	Packwood
Bumpers	Hollings	Pell
Burdick	Huddleston	Proxmire
Byrd, Robert C.	Inouye	Pryor
Cannon	Jackson	Randolph
Chiles	Kasten	Riegle
Cranston	Kennedy	Sarbanes
DeConcini	Leahy	Sasser
Dixon	Levin	Weicker
Dodd	Lugar	Zorinsky
Eagleton	Matsunaga	

NOT VOTING—8

Hawkins	Metzenbaum	Stafford
Hayakawa	Pressler	Tsongas
Mattingly	Simpson	

So the motion to table Mr. RIEGLE's amendment (UP No. 1046) was agreed to.

Mr. HATFIELD. Mr. President, I move to reconsider the vote by which the motion to lay on the table was agreed to.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATFIELD. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. HATFIELD. Mr. President, so far as I know, I know of no other amendments, and I am ready to go to third reading and complete action on this bill at this time. I am not aware of any other amendments. So, therefore, I would ask for third reading.

Mr. PROXMIRE. Mr. President, before we act on the Hatfield amendment, let me just say a very quick word. Once again I commend the Senator from Oregon on a very skillful handling of this. But let me point out that the bill before us that passed the House, in the first place it passed by 342 to 25; in the second place, when it passed, one of the leading Republicans in the House said this:

> The Appropriations Committee has finally given us what the President asked for. It is my understanding that this bill costs the taxpayer about $1.3 billion compared to the last urgent supplemental we passed a few minutes ago.

SILVIO CONTE, who handled this bill for the Republicans in the House, said:

> We are bringing this bill to the House as an insurance measure in case the bill just passed is vetoed.
>
> I urge its adoption.

Now the distinguished chairman of the Appropriations Committee said that the head of the Office of Management and Budget, Mr. Stockman, has said he would advise the President to veto that bill. So instead we modify the bill, come forward with amendments which the House may not accept, which may tie us up further. For that reason, Mr. President, I am very reluctant to support the amendment, support the bill on final passage. But I think Members of the Senate should be aware of the fact that when this bill passed the House the best assurance we could get from the Republicans was that it would be signed by the President. It passed by, as I say, 12 to 1. Now we are offering a complete change in the bill because it did not quite dot all the i's or cross all the t's that the President wanted. I think we are knuckling under, and I regret that.

Mr. HATFIELD. Mr. President, I asked for third reading, but I was in error parliamentarily. The amendment is the issue which, I believe, we have to dispose of.

The PRESIDING OFFICER. The Senator is correct.

Mr. BUMPERS. Mr. President, before we take a final vote on this—are we on time here?

Mr. HATFIELD. No.

Mr. BUMPERS. The Senate knows that from time to time I have offered an amendment dealing with which oc-

cupational safety group would have control over sand and gravel, river dredging, and so on.

The Senate has voted on that a number of times and has expressed its clear intent that the Occupational Safety and Health Administration have jurisdiction over sand and gravel and rock quarries and everything except surface coal mining and deep coal mining.

I think the die is cast here. There is language in this bill, in the Hatfield amendment, there is language in there, put in by Congressman MURTHA in the House, which effectively puts those operations, those mining operations, back under the Mine Safety and Health Administration.

The only reason I arise to speak about this is to let the Senate know, and to put them on notice, that even though I am not going to consume the Senate's time this afternoon on this issue and force people to vote to table something that they really would not want to table, I just want them to know that this is like a fight with your wife, where you win a battle, but the ballgame is not over.

I do not want everyone to assume we are not going to face up to it again. I will offer it again through the first appropriate vehicle coming through.

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

Mr. BUMPERS. Yes.

Mr. HATFIELD. The Senator knows I have supported his position on this question many times in the Appropriations Committee.

We, in the substitute, only adopted the language that came out of the conference. It was in supplemental No. 1 and No. 2. I will continue to welcome that issue before our regular supplemental that comes up after the July recess.

Mr. BUMPERS. I thank the Senator very much.

Mr. NUNN. Mr. President, will the Senator from Oregon yield for a question, perhaps the Senator from Wisconsin, if I could have his attention? I am not sure I heard all the remarks the Senator from Wisconsin made. Will the Senator from Oregon inform the Senator from Georgia if his bill is a bill that is likely to be signed by the President or is it likely to be vetoed, and whether this bill does exceed the President's budget or the Budget Committee resolution?

Mr. HATFIELD. When we opened the issue this afternoon I read a letter into the RECORD signed by Mr. David Stockman as a result of the negotiations that occurred this morning, in which Mr. Stockman at that time then in writing indicated he will advise the President to sign this substitute. He will advise the President to veto the third supplemental sent over to us by the House. But with the substitute he will advise the President to sign.

Mr. NUNN. Does that mean this bill is within the Budget Committee resolution as passed, finally passed?

Mr. HATFIELD. Yes.

Mr. NUNN. And within the President's budget also?

Mr. HATFIELD. This is over the President's request by $390 million.

Mr. NUNN. But it will be signed?

Mr. HATFIELD. But it will be signed.

Mr. NUNN. I thank the Senator.

UP AMENDMENT NO. 1044

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oregon.

The amendment (UP No. 1044) was agreed to.

Mr. HATFIELD. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. I move to lay that motion on the table.

● Mr. GARN. Mr. President, the legislative history of the provision contained in this bill is quite complex and, therefore, deserves some clarification. The genesis of the HUD-independent agencies provisions in chapter II are derived from the conference agreement on H.R. 5922 as specified in House report 97-605. The legislative history leading up to the conference agreement can be found in House report 97-469 and Senate report 97-402 and the ensuing discussions on the floor of the respective bodies. I also call my colleagues' attention to the remarks in the CONGRESSIONAL RECORD on pages S7195 to S7198 at the time the conference report on H.R. 5922 was debated in the Senate. It is clear that the prior legislative history surrounding the provision currently in H.R. 6685 must be traced back to these sources in order that our action here today be fully understood. I an raising these issues because I have detected a lack of interest on the part of certain executive branch agencies in the congressional intent behind various legislative provisions. As I indicated in an earlier statement, this Senator will not condone an attitude of disregard for the intent of the law—whether or not I personally agree with that particualar provision of law.

Mr. President, just for the sake of clarity, I would like to reiterate some of the intent behind the more complex provision contained in chapter II.

ASSISTED HOUSING

Mr. President, the estimated commitments contained on pages 9 through 13 of House report 97-605 include actual commitments the Department has entered into since the revised rescission proposal expired on April 26 as well as those commitments the committee expected the Department to make in 1982. However, the actual commitments contained in the tables reflect action taken through June 2, 1982. Since then the committee has received additional correspondence indicating that other commitments have been made. To the extent that additional commitments exceed those reported through June 2, 1982, the Department should provide for such commitments by decreasing the estimate contained in the tables for both section 8 and non-Indian public housing units.

The bill also contains $198 million for fiscal year 1982 public housing operating subsidies in addition to the $1,152,306,000 provided in Public Law 97-101. The bill includes a provision requiring HUD to allocate $1,215,275,400 solely on the basis of the performance funding system (PFS) in such a manner as to assure that each public housing authority receives an equal percentage of its PFS requirement. After this allocation of these funds, the remaining $135,084,600 shall be allocated in such a manner as to encourage energy conservation in accordance with the agreements reached between the public housing authorities and the Department. The conferees have adopted this approach in order to assure that each public housing agency gets a minimum allocation under PFS that they can count on (currently estimated to be 88 percent of PFS). The conferees expect HUD to make the $1,215,275,400 available immediately and make the remaining $135,084,600 available within 30 days.

The conferees on H.R. 5922 were concerned that the Department would not recapture sufficient budget authority to fund the financial adjustment and the cost amendments at the levels necessary in order to "buy out" the pipeline. Consequently, $1,750,000,000 of fiscal year 1982 funds are designated for FAF and cost amendments in the event that recaptures fall short of the $5 billion level assumed in the conference agreement. The bill includes language requiring this $1,750,000,000 to be merged with the existing recaptures on June 30, 1982, and to be available for supporting FAF and cost amendments. To the extent that the aggregate amount—recaptures plus the $1,750,000,000—exceed the $5 billion assumed, the bill provides that such excess amounts would be deferred for use in fiscal year 1983 in accordance with the provisions of future appropriations acts.

EPA

Mr. President, the bill earmarks $7,000,000 from the hazardous response trust fund for the Department of Health and Human Services to carryout its Superfund activities. Of this amount, $5,000,000 would be used for continuing staff support at the Department and $2,000,000 for discretionary activities such as health inspections at specific hazardous waste sites.

With these additional funds, the Department will be able to devote more resources to training of State personnel, the purchase of needed lab equipment and other high priority areas.

NASA

The bill includes a provision establishing minimum amounts to be applied to National Aeronautics and Space Administration programs other than the Space Shuttle. These minimums include: $15,400,000 for work on a 30/20 gigahertz test satellite and $264,800,000 for aeronautics research.

Funds for a mission to retrieve and repair the solar maximum scientific satellite presently in orbit are made contingent on the Department of Defense bearing half of the cost of this mission. Based on information requested and received from NASA, the conferees on H.R. 5922 established $6,600,000 as a minimum amount for DOD to fund. Under this funding level, DOD would be expected to transfer approximately $2,000,000 to NASA in fiscal year 1982, $3,600,000 in fiscal year 1983 and $1,000,000 in fiscal year 1984.

Within the Space Shuttle program, the provision directs NASA to continue preparation of the Centaur for use in the planetary program. It is the clear intent of Congress that all work on lower energy upper stages—the inertial upper stages—for the Galileo and Solar Polar missions be terminated.

The bill also requires NASA to make such funds as necessary to prepare Pad 39-B at the Kennedy Space Center for use by January 1, 1986. If Shuttle schedule or cost would be adversely affected by application of fiscal year 1982 appropriations as specified in the provision, the bill language directs the Administrator of NASA to submit a request to the Appropriations Committees for authority to apply up to $50,000,000 in unobligated balances in the construction of facilities or the research and program management accounts to the Shuttle.

Mr. President, I ask to insert in the RECORD a table comparing the various version of the urgent supplemental in terms of the provisions contained in chapter II.

The table follows:

COMPARISON OF HUD PROVISIONS CONTAINED IN VARIOUS VERSIONS OF THE URGENT SUPPLEMENTAL

[In billions of dollars]

Provision	Urgent supplemental				
	H.R. 5922 as passed in Senate	H.R. 5922 Conference Report (vetoed)	H.R. 6682 (fat bill vetoed)	H.R. 6685 as passed in House (skinny bill)	H.R. 6685 with proposed Senate amendment
1. Assisted housing—Rescission	−5.885	−4.98	−098	−4.098	−4.098
2. PHA operating subsidies	(.254)	.198	.198	[1].198	.198
3. Rent supplemental—Rescission	−1.579	−1.579	−1.579	NA	−1.579
4. GNMA	NA	.150	.150	[1].150	NA
5. Housing stimulus bill	5.120	3.000	NA	NA	NA
6. EPA construction grants and earmarkings	2.400	2.400	2.400	2.400	2.400
7. Transfer to HHS from superfund	Language	Language	Language	NA	Lanugage
8. NASA operating plan	Language	Language	Language	NA	Language
9. Administrative provisions—Personnel	Language	Language	Language	NA	Language
Total BA (including rescissions)	+.056	+.071	−2.929	−1.350	−3.079

[1] Funds could not be obligated due to the July 20 expiration date of the bill.●

The PRESIDING OFFICER. If there be no further amendments, the question is on the engrossment of the amendment and third reading of the bill.

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

The bill was read a third time.

Mr. HATFIELD. Mr. President, to clarify congressional intent, I would like to state that the directives of the conference report and the statement of the managers on H.R. 5922 (H. Rept. 97-605) do apply to those items contained in my amendment.

The PRESIDING OFFICER. The question is, Shall the bill pass?

The bill (H.R. 6685), as amended, was passed.

Mr. HATFIELD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, there will be no more rollcall votes tonight.

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business to extend not past the hour of 6:30 p.m. in which Senators may speak.

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

SMALL BUSINESSES AND THE BANKS

Mr. KENNEDY. Mr. President, as many of my colleagues know, small business is a very important sector of our economy. In the past 5 years, small companies have generated over 80 percent of new jobs in the United States. A National Science Foundation study has revealed that small businesses are many times more innovative per research and development dollar than medium- or large-sized companies.

Unfortunately, Federal economic policies have discriminated against this most vital part of the American economy. For example, over 80 percent of the benefits of the current depreciation rules go to the top 1,700 firms. Of the over $91.1 billion in Federal research and development contracts, only 23 percent go to small firms—despite the small business record of fewer cost overruns, closer compliance with completion dates, and higher quality of work. And most important, today's high interest rates have an especially severe impact on small firms which have greater cash flow problems and fewer alternative sources of financing than their larger counterparts.

Over a year ago, I formed a small business advisory task force to keep me abreast of the concerns of the small business community. This is a group of approximately 20 presidents and executives of small firms, and represents virtually all sectors of the small business community in my own State of Massachusetts. In the regular meetings we have had, they have provided me with expert advice from the small business perspective, and have shared with me their concerns about current legislation and policies of the present administration. I have found their advice and expertise invaluable, and I strongly recommend that my colleagues form similar advisory groups in their own States.

At our most recent meeting, many of the task force members spoke about their difficulties in obtaining credit from commercial banks. They told of banks refusing to handle loans to small firms, of interest rates that are two to three points higher than those paid by their larger competitors, and of the disappearance of the smaller banks with which they had developed longstanding and close professional relationships.

In sum, they stated that high interest rates are bad enough, but that the

current loan policies, of many banks are making it next to impossible to survive.

Frank Romano, the president of Agawam Creative Marketing Associates of Rowley, Mass., and chairman of my advisory task force, provided me with an interesting and revealing New York Times article on this subject at our last meeting. It describes the credit problems facing small businesses, and the efforts some banks are making to adapt their services to smaller business clients. I urge all of my colleagues to read it carefully.

Mr. President, I ask unanimous consent that a New York Times article of April 25, "How the Banks Are Squeezing Small Business," be inserted in the RECORD at this time.

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

HOW THE BANKS ARE SQUEEZING SMALL BUSINESS

(By Robert A. Bennett)

Many of the country's small businesses are recounting experiences similar to that of Utility Industries of Somerdale, N.J.

"If we borrow, it's two or three percentage points above the prime rate, while big companies borrow well below the prime," said Wiley J. Pickett, owner of the $500,000-a-year company, which makes devices to pull cables through conduits. "Not that I'm complaining about what big business gets. It's what small business doesn't get," Mr. Pickett added.

Then there's the kind of experience of another small company, Accurate Inventory Services in New York recounts. The company, which does inventory accounting for client retailers, had been doing business with the Chase Manhattan Bank for almost 20 years. But then Chase told the company to take its business elsewhere.

"They said they couldn't make enough money on a $25,000 loan," said Arnold S. Gerber, the Accurate Inventory's president. "They made no bones about it, they literally told me to go to another bank," Mr. Gerber said.

The Government says that of the 11 million businesses in the United states, 10.8 million are categorized as small, with fewer than 500 employees. They are called the backbone of the American economy, with good reason.

According to the Small Business Administration, these companies have generated more than half of the new product and service innovations developed since World War II. In addition, they employ about 50 million people, or half the nation's work force. Most of them rely on the nation's banks to provide them with the means to grow and the funds to ease them through the shoals of the ecomomy's cycles.

Of late, many of these companies have found those relationships becoming increasingly uncomfortable. The banks have been charging small business higher interest rates than big business. They have been raising the fees they charge for their services far beyond the general rise of prices. And some banks have been turning their backs on their small-business customers of many years.

What's more, many small banks, themselves small businesses, are being gobbled up by bigger banks. As a result, the banks have been shedding the personal relationships that gave a small bank confidence in its borrowers.

The banks, for their part, say they have little choice. They note that many small banks have been forced to merge into larger banks because their costs were running far ahead of their small-town fees. At the same time, the small banks' own cost of money—what they pay on their deposits—has been soaring to keep deposits from fleeing town to high-yield money market funds and the like. No longer, therefore, can a small bank and a small business remain insulated from economic trends beyond their local community.

For their part, the banks say that dealing with small business is more time consuming, more costly and riskier than dealing with a General Electric or I.B.M. Banks contend they must either charge enough to cover their costs to make a profit, or shun business with small companies entirely, and different banks have taken different courses. The Bankers Trust Company, for example, has nearly stooped dealing with very small enterprises—mom and pop stores and the like. Others, by contrast, have geared up for this kind of business and are eagerly courting it.

"It's a very profitable marketplace for us," said Robert I. Lipp, senior executive vice president of the Chemical Bank, which has been particularly aggressive in seeking the business of small companies.

Courted or not, the credit situation at many small companies appears to be nearing a critical point—and for some bankrupt businesses, that point already has been reached. The fear, according to Milton D. Stewart, editor of Inc., a magazine for small business and head of the Small Business Administration under President Carter, is that the number of small-company bankruptcies will continue to soar as a result of the recession and high interest rates. New businesses have been forming at a healthy rate in recent years—but they have been collapsing at record rates as well.

According to the Small Business Administration, only about one out of every three new companies with fewer than 20 workers survive more than four years, and fewer than one out of 10 survive a decade.

"Small business needs credit in place of equity," Mr. Stewart said, "How far can you stretch the rubber band?"

High interest rates are a major problem, but a greater problem is the mere availability of credit, Mr. Stewart continued. And this problem is getting worse as small banks, which account for two-thirds of all credit to small business, are being swallowed by bigger banks.

To the average small-businessman, the situation is confusing as well as difficult. He sees one bank raising rates and wooing him, and another pushing him out the door.

Jackie Kleiner, for example, an attorney in Atlanta who is suing several banks on behalf of small businesses, claims that by raising their fees "banks are showing they don't want these customers." But Mr. Kleiner also accuses the banks of charging small concerns so much that "the small-business community is subsidizing the big-business community."

Interviews with small companies around the United States turned up numerous complaints, but banks, citing the confidentiality of their relationships, usually would not discuss their relations with specific customers.

Many of the businessmen interviewed said that money isn't everything, even when it comes to banking. Often, a businessman's relationship with his bank takes on a personal tone, making the small-businessmen reluctant to switch accounts.

Paul Heerema, chairman of the Heerema Company, a food-equipment distribution and refrigeration business in Haledon, N.J., recalled how his relationship changed after his local bank was taken over by a bigger bank—which he won't name, he said, because "I owe them money."

"It's not like it used to be," Mr. Heerema said. "We've just become a number," he said. "It's very impersonal. The people who make the decisions are 20 miles away."

The Heerema Company has sales of between $4 million and $5 million a year, and usually has about $30,000 in credit outstanding, paying a rate of one to one and a half percentage points above prime. "It has been worse in the past," he said.

In dealing with big banks, small-businessmen complain of a lack of understanding. William H. Kelly, president of Bank and Office Interiors Inc. of Seattle, contends that the failure of the Seattle-First National Bank to comprehend his business was the reason his company switched its business to the First Interstate Bank of Washington.

Citing a study by the Stanford Research Institute, Mr. Kelly contended that his industry was rapidly expanding and changing. "We no longer can be a mom-and-pop type operation," he said. His company now has annual sales of about $20 million, and has been growing at a yearly rate of 15 to 20 percent, Mr. Kelly said.

At the same time, Mr. Kelly added, the basic character of his business is changing. The price of the employee work stations that he sells has soared to about $3,500 per unit, from only $500 to $700 five years ago. "That means we need more credit," he said.

Seattle-First National was unwilling to finance "what was mainly our in-process inventory," Mr. Kelly continued. Thus, he moved the company's account. Now, Mr. Kelly added, his credit needs are met—at one and a half percentage points above prime.

Mr. Pickett of Utility Industries, like many other small-business men, contends that "banks will only lend when you don't need it."

One of Mr. pickett's biggest complaints is the difficulty he has in getting short-term loans so that he can get large discounts on materials by paying early. Too often, he said, his bank will not go along.

Mr. Pickett said he might consider going to an accounts-receivable or factoring company, which would lend against the security of either the goods produced or the purchasers' promises to pay. But he said such companies charge interest rates and fees that are so high they wipe out any potential benefits. Even with their high rates, banks still offer the lowest rates available to small business.

Meanwhile, bankers contend that it often takes a lot more time and effort to determine the creditworthiness of a small business than of a major corporation, and that often a lot more paperwork is involved, especially if the loan is guaranteed by the Small Business Administration.

In addition, the income earned on a small-business loan, even at a high rate, is tiny compared with that earned on a big loan. For example, if the prime rate is 16½ percent, and a bank makes a $50 million loan to a major company at two percentage points below the prime, the bank's annual gross annual income from that loan would be

$7.25 million. But the gross income from a $100,000 loan at three percentage points above the prime would be only $19,500. Assuming that the cost of funds to the banks was 2½ percentage points below the prime, the net pretax yield to the bank on the big loan would have been $250,000, and on the small loan, $5,500. Yet, it might have taken more time and substantially more risk to make the $100,000 loan than it did to make the $50 million loan.

At the same time, banks are finding that the cost of services as well as loans have been rising, and, contend they have not been charging enough for nonlending services. Thus, there have been sharp increases in many fees.

Citibank is typical. Over the last three years, it has doubled many of the fees it charges the smallest of its business borrowers. If a company deposits a check in its Citibank account and the check bounces, Citibank charges the company $3, up from $1.50 three years ago. Similarly, it has doubled the charge for a stop-payment order, to $6 from $3; it has doubled the fee for each night deposit, to $1 from 50 cents; it has increased the penalty for overdrawn accounts to $7 from $5, and it has raised the price for each roll of wrapped coins to 10 cents, from 6 cents—a high price for retailers, for example, that do a heavy cash business.

But a company may not have to pay any such fees if it can maintain a high enough balance in its checking account. At Citibank, as long as a business keeps at least $1,000 on deposit, it gets a 15-cent credit for each $100, up from 10 cents in 1979. Thus, if the company's balance is large enough, it would not have to pay any direct fees for the services it uses.

The deposits are useful to banks because they are interest-free, and banks can make substantial profits by reinvesting them.

Without such balances, small companies, the banks contend, are expensive to service and the cost of servicing them has to be met either with interest-free balances or direct fees.

It appears that a major problem in the relationships between small-businessmen and their bankers is that these entrepreneurs do not fit easily into the corporate modes established by the banks. Banks like to set up neat categories so that they can mass produce financial services.

The banks expect them to maintain records similar to those of major corporations—a practice that most small-businessmen say they cannot do. What they want are personal relationships in which the banker understands the basics of the business.

Some banks in trying to build their small-business divisions, seem to be doing just the opposite of what the small-businessmen say they need.

Carl Gustavson, senior vice president in charge of Chase Manhattan's community bank division, said that last year the bank set up a special unit to deal with loan applications from small businesses. The applications are gathered at branches and sent to the special unit for approval.

"We recognize that small companies don't have the same kind of financial statement that big corporations do and that's why we set up the special unit, to concentrate our expertise," Mr. Gustavson said. But by moving the loan-application-approval process beyond the branches, it also separates the function from the businessman. Those banks that have efficiently greared up their small-business activities are enthusiastic about the field because, done properly, it can be more lucrative than lending to bigger companies with more bargaining power.

More than most banks, Chemical seems to have adjusted to the needs of small businesses.

"It all depends on personal relationships at the branch level," said Mr. Lipp. "It's a very personal sell."

Unlike most other large banks, Chemical's branch managers have the authority to make loans of up to $100,000 and they are paid bonuses for generating such business.

According to Mr. Lipp, this policy has more than doubled its small-business checking account deposits over the last five years, to $1.3 billion, from $600 million. If Chemical invested that extra $700 million of interest-free deposits at prime, now 16½ percent, it would increase the bank's pretax earnings by more than $115 million—significant even for the $45 billion institution.

FRANKLIN D. ROOSEVELT DAY AT THE UNITED NATIONS

Mr. MOYNIHAN. Mr. President, in this year, the centennial anniversary of the birth of President Franklin D. Roosevelt, it is altogether appropriate that the United Nations General Assembly should have held a special session on disarmament, as it did earlier this month.

Franklin Roosevelt, as much as any individual, was responsible for the creation of the United Nations. He himself thought of the name. And the deterioration of the institutions of the U.N. over the years is nothing so much as a measure of how far we have fallen below the standards of civility and accomplishment in world affairs personified by Franklin Roosevelt.

Though there has often been good reason to forget, the principal purpose of the United Nations envisioned by President Roosevelt was to secure a lasting peace in the world consistent with protection of the "four freedoms" for which he asserted Americans would always be willing to fight.

Roosevelt listed those four freedoms in his state of the Union address to Congress on January 6, 1941, during the dark days before the United States entered the Second World War. The President's purpose on that day was to explain why the United States would support, through the provision of material and ammunition, the war efforts of the democracies in Europe against the totalitarian powers then embarked upon a campaign to conquer the free world.

President Roosevelt said:

We look forward to a world founded upon four essential human freedoms . . .

The first is freedom of speech and expression—everywhere in the world.

The second is freedom of every person to worship God in his own way—everywhere in the world.

The third is freedom from want . . . everywhere in the world.

The fourth is freedom from fear—which, translated into world terms, means a worldwide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor—anywhere in the world.

Mr. President, it is today more urgent than ever that we commit ourselves to securing Franklin Roosevelt's fourth freedom—freedom from fear—through prompt and responsible action to halt and reverse the arms race. The Congress is now considering several resolutions urging immediate action by the principal superpowers; an early resolution of this debate is imperative.

During the United Nations General Assembly's special session on disarmament earlier this month, President Roosevelt's extraordinary vision and accomplishment were commemorated in ceremonies in New York City.

Representing the Senate was a Member distinguished not only by his customary eloquence but by his tireless work in recent months in support of the nuclear freeze resolution he has introduced in the Senate. I refer, of course, to the senior Senator from Massachusetts (Mr. KENNEDY).

Few Senators have addressed this, the most urgent issue of our generation, with the insight that characterizes Senator KENNEDY's remarks of June 16. Few are capable of the concerted and farsighted effort that Senator KENNEDY has undertaken—mobilizing large numbers of people to speak out forcefully and responsibly about the arms race, persuading his colleagues in the Senate to support his resolution.

Mr. President, I ask unanimous consent that the remarks of Senator KENNEDY on the occasion of Franklin D. Roosevelt Day at the United Nations be printed at this point in the RECORD.

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

ADDRESS OF SENATOR EDWARD M. KENNEDY

I am honored to be with you today, as we commemorate Franklin Roosevelt and the lasting peace he dreamed of during the last World War. And I am also honored to be here at the United Nations where human beings still can strive for that peace which will permit us all to be more truly human.

Too often now, cynics take the too easy and fashionable course of disdaining the United Nations. So first of all, let me make clear my deep admiration for the devoted men and women who surmount difficultly and frustration to carry forward the noble work of the U.N. Charter—"to strengthen universal peace" and "to promote human rights and fundamental freedoms for all."

And I am proud to be introduced on this occasion by someone whose public life has proclaimed those ideals—and who has proved anew that public service can be a noble profession. Arthur Goldberg has been dauntless and tireless in the cause of international order and of social justice. As Secretary of Labor, as Justice of the Supreme Court, as Ambassador to the United Nations, and as a watchman on the walls of freedom and a guardian of the human rights provisions of the Helsinki Pact,

Arthur Goldberg sustained the rule of law by deep conviction, tempered it by rich humanity, and turned it into an instrument of progress.

And I am happy to join the FDR Centennial Commission, the United Nations Association, and the Ralph Bunche Institute in paying this tribute to Franklin Roosevelt. There could be no more fitting or proper place to recall one of the great individuals in the history of our century and our world than at the headquarters of the organization that is one of his great legacies to the world—the organization indeed to which he personally gave the name of the United Nations. And we are grateful to Arthur Schlesinger, one of America's most brilliant historians, for his service on this occasion and as Chairman of the Roosevelt Centennial Commission. He is my friend—and the friend of millions who may never know his name, but who will live better lives because of his life. All the world is in his debt.

Let me acknowledge three men who have a special role on this special day—the son of President Roosevelt who was so very close to my brother, President Kennedy, Franklin D. Roosevelt, Jr.; an American Ambassador of eloquence and grace who treated the U.N. as a place for negotiation rather than a forum for invective, Ambassador Henry Cabot Lodge; and Lord Philip Noel Baker, who has done so much to build international institutions and the hope for nuclear disarmament.

Franklin Roosevelt understood that world order was a good deal more than a matter of putting benevolent words on paper. As he had mobilized new people and new ideas in the battle against the Great Depression, so even before Pearl Harbor he summoned creative minds to plan a strategy and a system of peace.

In the Four Freedoms of 1941, he set the goals for which all of us still reach; he refreshed the spirit of a war-weary world and defined the moral foundation of a world without war.

He had no illusion that the task, would be easy or that success would be instant. He warned repeatedly against exaggerated expectations. He left us this advice: "Perfectionism no less than isolationism or imperialism or power politics may obstruct the path to international peace." But he was determined to keep moving, to open the path wider, to see through the surrounding darkness to the guiding star of our ideals.

In the often shadowed years since the San Francisco Conference in 1945, we have learned too much about the frustrations and failures of international organization. We have learned too well the truth of Lord Caradon's observation that, "There is nothing essentially wrong with the United Nations—except perhaps its members."

Indeed, the United Nations has been the victim of the perfectionists who have contributed so generously to the imperfections of this organization. Some of them cannot abide the realities of power—and say that every dream of the U.N. must be immediately achieved. Their bloc-voting offers us merely an automatic and often irrelevant majority. Others see only their own self-righteous side—and tell us, in effect, that all the dreams of the U.N. have already died. They provide merely the psychic satisfaction of smug despair.

We are here today to say that the central dream of the United Nations must never die.

We are here today to renew Franklin Roosevelt's dream of a world free from fear—which means, in his words, "A worldwide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor anywhere in the world."

And when we come here to plead the cause of peace, we do not stand alone. With us stand hundreds of millions from every country and continent and the hopes and hearts of all the earth. Leaders may hold back, but people everywhere are speaking out against a nuclear arms race that could threaten the survival of the human race. In 1982 the earth itself is an endangered species—and its inhabitants are more fearful than ever before in human history.

But with that fear has come a new movement, a new momentum, a new yearning for peace.

In our own country, the voters of California have gathered more than 750,000 signatures in record time to put a nuclear freeze resolution on the November ballot. Last week in this city, one of the largest assemblies of human beings in history marched and cheered and sang and called out to the powers of this planet—"Freeze now."

Japanese delegations have brought petitions to the United Nations with hundreds of thousands of signatures, all asking for disarmament. The victims of the first nuclear war plead that it must be the last such war ever to be waged.

And this week, in the center of Moscow, eleven Soviet citizens sought to meet in an apartment and to form an independent group that could press the Soviet government for arms control. Suddenly the apartment was sealed off and for now the leader of the group has disappeared. But no secret police force can seal off the idea of arms control, or make the ideal of peace disappear. For the movement now sweeping across the world knows no national boundary—and we must not permit it to be expunged or exploited by any totalitarian ideology.

Together, the United States and the Soviet Union now possess the equivalent of one million Hiroshima bombs. This stockpile equals four tons of T.N.T. for every man, woman, and child presently living on this planet. The two great powers are bristling with weapons that could kill more people, burn more buildings, and sack more cities, than in all the conflicts from the beginning of history. Despite all our bombs and all our missiles, we stand essentially defenseless upon a stage on which the human drama could be closed in the flashing of a fireball.

It is impossible to describe the pain of the individual dying, but we can predict the extent of the incredible devastation. And even if everyone did not perish, what kind of world would the survivors possess? They would find themselves in a different, deeper, and darker age than the one which descended on Europe fifteen hundred years ago. Then the oldest centers of Western civilization, although damaged, also endured. When human beings began to see through the darkness, they looked for light and for the recovery of collective memory to Rome, Athens, and vast manuscript collections in monasteries across the continent. Much of ancient art and sculpture was recovered. The Renaissance did not recreate the human heritage, but reawakened to it. This time, when men and women in the Northern Hemisphere, if they win the struggle for survival at all, and look for the light of the past, where will they turn? The greatest scientific libraries and centers will be gone. The art of the Louvre, the Vatican, and the Metropolitan will be ashes. In a sense Venice, which has withstood the assaults of the Adriatic Sea for a millenium, but would be vaporized in a moment, symbolizes our powerlessness before the bomb. And Jerusalem, where a few stones have stood stone upon stone since before the time of Christ, would become a bleak moonscape.

An elementary physics book would be priceless scientifically. Indeed, it might be impossible for most surviving communities in America, Europe, or the Soviet Union, to understand anything more advanced. The human remnant in those nations would not have to reinvent the wheel, but they would be forced to recreate even the most elementary technology of the twentieth century. Much of the accumulated achievements of human spirit and talent would be lost.

Perhaps it is too generous to speak of our society surviving a nuclear war in a form that resembles a caricature of medieval times. Nuclear war may or may not threaten the death of the world, but it would so diminish the human condition that those who lived on would be forced back beyond any recognizable past. The future would be theirs; but in time, the living would envy the dead their chance, now lost for immeasurable years, to know what it meant to be fully human.

And the world's fear does not end with the weapons that might now end the world. In the near future, the United States intends to deploy the MX and Cruise missiles, the B-1 and Stealth Bombers, the Trident II and the Pershing II. The Soviet Union intends to increase its arsenal of nuclear annihilation, with follow-on weapons to the SS-18 and SS-20 missiles, the Backfire Bomber and more advanced strategic submarines.

Let no one doubt the futility of this fatal competition. Neither the United States nor the Soviet Union will ever permit the other to secure nuclear superiority. Each nation will match the other, bomb for bomb, missile for missile, step for step on an accelerating treadmill that finally will carry us across the nuclear brink.

Balanced precariously at the edge of that brink, where the stark choice may be existence or extinction, the two great powers at long last must spend less time preparing for a nuclear war and more time preventing one. Arms control postures are no substitute for arms control policies. As we enter into START negotiations, we must remember the lessons of history; we must renounce the pursuit of the phantom of nuclear advantage and we must free our diplomacy from the dangerous myth that more megatons mean better bargaining chips. I reject the absurd theory that we can have fewer nuclear bombs tomorrow only if we build more nuclear bombs today.

The greatest challenge of our time—and perhaps of all time—is the effort to stop the arms race, and then to run it in reverse.

To start with, we must cease treating the possibility of a nuclear exchange as an acceptable option. Recently, we read of a high official of our own National Security Council placidly and calmly prophesying a 40 per cent probability of such a conflict. And a Deputy Under-Secretary of Defense has said that all we need to survive is a shovel to dig a hole, a door and a pile of dirt to put on top and hold off the fallout. Too many war game theorists here and in the Soviet Union are making plans for a winnable nuclear war. Perhaps they should remember, even if only for a moment, that while they will be safe in a protected bunker, inside a moun-

tain and behind steel doors, the rest of the world will be dying.

As an American, I believe in a national defense second to none, sufficient to deter any attack from any adversary. But I also believe that we must preserve and protect a world which may soon be only a second away from nothingness.

So I have given and shall continue to give my voice and my support for an immediate, comprehensive nuclear weapons freeze as the first essential step towards nuclear arms control. The freeze I favor is not unilateral disarmament; it depends on mutual action by the United States and the Soviet Union. Our freeze is not based on trust by one nation for another, but on full and effective verification, so that any violation can be detected and dealt with.

Without such a freeze, the world will have to wait even longer to live free from fear. But a freeze will avoid the endless and irresolvable debate about who is ahead and who is behind. It will maintain the existing state of essential equivalence, in which Moscow and Washington both can destroy the other's nation many times over. Too often in the past, calls for reductions in nuclear arms have been ineffective, because during the very period of negotiations massive arms build-ups have occurred on both sides. Only a freeze can prevent that.

Without such a freeze, proliferation will become a problem without a solution. American and Soviet appeals against the spread of the bomb tend to fall on cynical ears so long as the superpowers multiply their megatons. A freeze can contain the Soviet-American arms race—and then change the attitudes of the world.

It can create the moral authority to deal with the gathering disaster of proliferation. It can deprive aspiring nuclear powers of the too ready excuse that they have every right to acquire a bomb, so long as present nuclear powers are feverishly adding to their own arsenals.

Many delegations to this Special Session of the United Nations—including the Representatives of India, Mexico and China, to name only three—have joined the global call to freeze the nuclear arms race. Resolutions for a freeze are being introduced into the legislatures of Australia, Canada, India, Jamaica, Kenya, New Zealand, Nigeria, and the European community. The citizens of the world are saying: "Enough is enough." For they know too well and too painfully that the world in an arms race is also a world impoverished. For America, that arms race cripples our capacity to do anything else. Today we are cutting immunization for children in order to finance the weapons that may someday kill them. Every new shelter for a missile means fewer homes for our families. Every new warhead guidance system that can read enemy defenses means more schools where students will not learn to read. Every new escalation that could mean death at an early age across the earth also darkens the golden years of our senior citizens now.

The world now lavishes more than $500 billion a year on the engines and instruments of death and destruction. Nuclear weaponry alone consumes a hundred billion of those dollars. Without a nuclear weapons freeze, we can never achieve Franklin Roosevelt's other dream of a world where there is freedom from want.

In closing, let me recall that collective security was the first principle of the United Nations. But in spite of the emptiness of any notion of superiority in the nuclear age, the standard of security has become: Who can lead in the arms race? And as long as security is measured in terms of arms competition, and not arms control, it can never be collective. In the four years between the first and second special sessions on disarmament, world military expenditures have exceeded $1.6 trillion. In the same four years, governments have sat at bargaining tables to negotiate limits on every phase of military power—only to agree to disagree, only to walk away from the bargaining table with a renewed commitment to run the arms race and to try to run the adversary into the ground.

But I have seen what a risk we run—for I have stood at the first ground zero of the atomic age. I have talked to the survivors of that holocaust in Hiroshima. They speak of a blinding light, a burning wind, the cries of the injured, heard but not heeded. Any anyone who stands in that spot must resolve to do all that can be done to see to it that this shall never happen again.

Today we stand, and all the world stands with us, at our own ground zero. So let us resolve that this atomic age shall not be succeeded by a second Stone Age. Here at the United Nations, and each in our own nation, let us resolve, in the words of Tennyson (to) "ring out a slowly dying cause—and ancient forms of party strife, ring out the thousand wars of old, ring in the thousand years of peace."

FORMER SENATE PAGE JOHN GARDNER PREPARES OUTSTANDING RESEARCH PAPER AT HARVARD UNIVERSITY

Mr. EAGLETON. Mr. President, we sometimes lose track of our Senate pages and what they have gone on to accomplish. John Gardner was a Senate page in 1977 and 1978, and is now a student at Harvard University.

Earlier this year, John wrote a paper for one of his Harvard courses which I think is of such extraordinary quality that I want to share it with my colleagues.

Mr. President, I ask unanimous consent that the text of John Gardner's research paper be printed in full in the RECORD.

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

CONSERVATISM AND REFORM: THE POLITICAL EMERGENCE AND TRANSFORMATION OF WOODROW WILSON AS THE PRESIDENT OF PRINCETON, 1902-10

If one wished to make an intensive study of the American scene in the first decade of the Twentieth Century, he could find no community more articulate than that of Princeton. Everything was there, dramatized in little. The theme was ancient: a nation growing rich and beginning to abandon its democratic ideals is startled and confused when a man of vision and power challenges the new gods and makes the situation clear by telling the truth about it.—Ray Stannard Baker, 1925.

Here's to Wilson, king divine!
He rules this place along with Fine.
We fear that he'll soon leave this town
And try for Teddy Roosevelt's crown.—Princeton Faculty Song, 1908—John S. Gardner, January 11, 1982.

The years 1902-1910 marked a transition in the life of Woodrow Wilson as they did in the nation as a whole. The young and popular McCormick Professor of Political Jurisprudence[1] was suddenly elected President of Princeton University in June 1902. Although he had previously been active in University affairs, he had never had experience in the more practical, especially economic, aspect of university administration. Moreover, Wilson, who was widely regarded as an articulate if staunch conservative, was expected to undertake an ambitious program of reform.

For Princeton in 1902 badly needed reform. The transition from the College of New Jersey to Princeton University had not been easy; the question of the Graduate College haunted Wilson's presidency, and the future expansion of the University was uncertain. A general decline in academic standards had accompanied the dramatic rise in the importance of the eating clubs in the University's social life. The question of one's "clubability" dominated the first two years at Princeton; after the "bicker," many who failed to gain admission felt isolated, and many who joined clubs regarded them as almost more important than the University itself. A benefactor remarked that "Princeton was a delightfully aristocratic place,"[2] while in the view of Wilson and many younger faculty, the situation threatened the fabric of social life and the sense of community at Princeton. Such was the university Woodrow Wilson inherited.

Yet how could a conservative, especially one trained in political theory, justify such sweeping reform as Wilson was expected to advocate? First, Wilson's reputation for conservatism was based on his analyses of American history and government, most notably his strong dislike of Bryan-style populism and his adherence, partly sectional and partly theoretical, to the Democratic party.[3] In University matters, Wilson and the younger faculty were reformers, intent on maintaining high academic standards and a sense of social democracy they believed to be necessary in an academic situation.

Second, and more important, Wilson as a political theorist had developed a conception of the idea of reform. He based his beliefs on law, reform, and the effects of change on his study of history rather than a blind attachment to tradition. It must be remembered that Wilson spoke the language of political theory; not until he bagan to consider political office did he begin to use the language of practical politics with its looser use of terms. Significantly, the word "conservative" had a different meaning for Wilson. As expressed on many occasions, most clearly in "Conservatism: True and False" (1907), Wilson's conservatism was greatly influenced by Burke—"The true conservatism consists in reexamining old principles, seeking such a reformulation of them as will adapt them to the circumstances of a new time."[4]

Wilson was not a reactionary, nor did he cling to traditions that had outlived their purpose. Rather his political philosophy emphasized "the reign of law"[5] and the organic unity of society, including the importance of a sense of community. Later, his philosophy included an increasing number of Jeffersonian elements.[6] Wilson added to this an idea particularly oriented towards universities—for the community to flourish and the centrality of academics to remain, a

Footnotes at end.

sense of social equality (based on the common pursuit of academic goals) and democracy were necessary.

The background of Wilson's philosophical journey to this point is quite complex and cannot be described here in great detail. Wilson's Southern Presbyterian background was of course important; Professor Craig has demonstrated how the Rev. James McCosh, President of Princeton during Wilson's undergraduate years, influenced the student's philosophical method and belief,[7] and Wilson's own studies contributed to his intellectual development.[8] Nonetheless, a Burkean influence is clear throughout his writings; for instance, in a letter to H. S. McClure, dated 9 April 1910, concerning the establishment of a new political party: "Theoretically . . . the formation of a new party is very desirable indeed, but . . . there is an inestimable advantage in working upon definite historical foundations. . . ." Nevertheless, Wilson remained open to the idea of reform.

As a historian and political philosopher, Wilson's twin emphases (often reappearing under different names) were "historical foundations" and proper "principles." This background Wilson carried with him all through his tenure as president of Princeton; it provides a key to his actions not to be equalled until the reawakening of his "political consciousness."[9] In the midst of the Graduate College controversy, Wilson declared that the real issue was the ideals and not the location of the Graduate School; West's goals "are not those of Princeton University, and they are radically wrong. . . . A graduate school based on these ideals cannot succeed."[10]

The first major reforms of Wilson's presidency were solely academic. He had the responsibility to transform Princeton into a major university, and to that end he asked for $12,500,000 for, among other things, the building of the Graduate College, improvement of the School of Science, and a natural history museum.[11] The reorganization of the Faculty in 1902-1904 (merging the School of Science with the rest of the Faculty, establishing academic departments, and requiring undergraduate concentration) and the adoption of the preceptorial system in 1905 were meant only to strengthen Princeton academically; although there is some evidence that Wilson conceived of academic reforms as part of a general reform program, nothing in them either shows or led to great changes in Wilson's political thought. It should be noted that in this, Wilson's first attempt at administration, he succeeded admirably. Only in that the adoption and great success of these reforms brought him public recognition and acclaim was there anything that influenced his later political development.[12]

By 1906, the situation regarding membership in the upperclass clubs had become so deletrious to the spirit and life of the University that Wilson was required to act. Since the University did little to provide housing or eating facilities for its students, Wilson could not force the abolition of the clubs, which were in any case independent of University control. So he chose a middle course—to use the existing resources of the clubs (and existing dormitories) and form them into complete residential "quadrangles" of 100-150 students each. This was to become the nucleus of Wilson's next major reform program.

From the start, there were two main thrusts to this proposal, the academic side and the social side. On the academic side, this was a remedy to Wilson's fear that "the sideshows are swallowing up the main circus";[13] like the perceptorial system, this reform was designed to increase academic standards and emphasize the academic rather than the social aspects of University life. Wilson was seriously concerned that the University could become "only an artistic setting for life on Prospect Avenue."[14]

On the social side, nearly everyone connected with Princeton agreed that the club system needed reform. In this sense, the quad plan was an attempt to restore to Princeton social democracy, "this sense of close comradeship among the undergraduates"[15] that Wilson valued so highly. In describing Princeton as an ideal university, Wilson wrote that "Democracy, the absence of social distinction, the treatment of every man according to his merits . . . is the essence of such a place, its most cherished characteristic."[16] The resulting struggle began to take on greater significance for Wilson in this social sense, for he always wanted to restore "this community feeling and action"[17] to Priceton.[18] It was in this sense also that the public viewed the controversy, increasing Wilson's public reputation as an educational and now as a social reformer.

Since the quad plan fight took place after George Harvey's "nomination" of Wilson in 1906 for US President (and the resulting public discussion of the suggestion), public perception of the situation became important, and it is conceivable that Wilson understood the importance of that perception, although at that time he did not consider the prospect of high office likely.[19] This does not imply that Wilson tailored his actions to effect desired public response. As J. Duncan Spaeth wrote of him, "Ethics always had priority over economics in his practical politics."[20] Presumably the same held true for politics as well.[21]

Aside from national media attention, the Quad Plan had another national aspect as well. Similar problems existed at Harvard, Wisconsin, and Columbia, and it thus potentially represented "a problem of fundamental significance . . . for the whole way of American life,"[22] for "the dangers which threatened the national democratic tradition could not be adequately met . . . by people whose training had taken place among undemocratic surroundings of luxury and privilege."[23] This fact provides the basis for the national significance of Wilson's proposal. Not incidentally, this increased Wilson's national prestige after he had begun to be considered for high office.

The Quad Plan failed. The Board of Trustees voted on 17 October 1907 to rescind their previous tentative approval of Wilson's proposal. Personally, this was a terrible failure and disappointment to him.[24] Politically, however, it was, if anything, a boon. The country had supported Wilson and reacted angrily to this demonstration of the power of social privilege. The defeat of the Quad Plan marks the first specific instance of Wilson's connecting events in Princeton with political events in the country at large. Although the reaction was neither immediate nor wholly connected (for Wilson had already become increasingly aware of the economic and social problems of his day), he recognized more the dangers of social privilege and became more sure of his faith in a natural social democracy. In a sense, he took the situation at Princeton as representative of the country at large. Slowly, such ideas began to be reflected in his speeches. He had always believed in the proper spirit of Princeton; its defeat exposed him to a parallel decline in national life and custom.

One major source of opposition to the Quad Plan was its tendency, had it been adopted, to divert funds and attention away from the plan for a Graduate College, which had lain virtually dormant since its inception in 1896. The dean of the Graduate School, Andrew F. West, was growing impatient, and he enlisted the help of his friend and Princeton trustee, former US President Grover Cleveland, to hasten work on the Graduate College program. After the defeat of the Quad Plan, the Graduate School issue came to a head when the University accepted a bequest of $250,000 from a Mrs. Swann to build a residential graduate college on University property. Construction did not begin immediately, however, and Dean West obtained the use of the estate "Merwick" for the graduate students.

This had the natural (and to Wilson, undesirable) effect of removing the graduate students from regular contact with the undergraduates. This question of separation from or inspiration to undergraduate life became, indirectly, the focus of the Graduate College controversy at Princeton. In May 1909, the soap magnate William C. Proctor offered Princeton $500,000 for a graudate college, provided it be built apart from the center of the university: "I have visited and examined the proposed site at Prospect, and beg to say, that in my opinion, it is not suitable for such a College." In this he was possibly influenced by West, whose report he had read.

Wilson felt bound to comply by the terms of the Swann bequest; thus he could not in any case consent to the building of the Graduate College apart from what was the University in 1906. Even at this important point in his career, he would not compromise his duty to achieve a political aim or receive half a million dollars. Also important were two other factors—first, that Wilson supported the principle (which he later claimed was also West's original ideal)[25] that the Graduate College be built at the center of the university, to encourage the two student bodies to mingle; second, Wilson strongly felt that the acceptance of the Proctor offer would jeopardize the independence of the University. Wilson wrote "I cannot accede to the acceptance of gifts which take the educational policy of the university out of the hands of the trustees and faculty, and permit it to be determined by those who give money."[26]

Of the first point, the importance of principle, it must be said that this was one aspect of his political character which did not change from his political emergency at Princeton. Wilson wrote to Robert Garrett, a Trustee and Wilson supporter, that "The graduate establishement on the Golf Links cannot succeed";[27] in other words. Wilson's principles for the Graduate College could never be realized by the selection of that location.

Like the Quad Plan, the Graduate College controversy caused a great division among the Trustees. To Wilson and his supporters, the Proctor offer demonstrated the "dangerous power of wealth."[28] It seemed as though this wealth was now threatening Princeton, hiterto remote and independent. To prevent the acceptance of the Proctor offer, Wilson went on a speaking tour, as he did when U.S. President, this time to forestall the election of Adrian H. Joline to the Board of Trustees and carry his case directly to the alumni. Wilson was able, temporar-

ily, to control the Trustees, and he persuaded them to reject the offer. This rejection once more put Princeton and its president into the national spotlight. As Winkler reports, "Wilson was hailed as the counterpart, in the colleges, of Theodore Roosevelt."[29] Once again, the media attention heightened Wilson's political reputation.[30] In addition, "There can be little doubt that this sharpened appreciation of the power of money led him to pay more attention to the expansion of big business going on in the world outside and its destruction of the traditional Jeffersonian society of small men."[31] Wilson himself had been again transformed by this sudden realization; the reform political views that had been fermenting in him dramatically expanded into a full consideration of the Progressive outlook, and he began to criticize big business harshly in his speeches. In a philosophical sense, perhaps the most natural sense in which to analyze Woodrow Wilson, the "conversion" to Progressivism was complete.

Yet the complete story of Woodrow Wilson's conversion to Progressivism cannot be told without reference to his growing political awareness and others' perceptions of his potential for high office. On February 3, 1906, at the Lotos Club dinner in New York, editor George Harvey made his famous "nomination" of Wilson for President of the United States. Wilson wrote that "it was most delightful to have such thoughts uttered about me,"[32] but he did not seem to take Harvey seriously, for he later wrote "I believe I think it slighter . . . than you do." He continued: ". . . still less do I deem myself a suitable person to be President."[33]

Harvey had attended Wilson's inauguration in 1902 and was deeply struck by him. After the Lotos Club dinner, Harvey published his speech and quite a bit of editorial reaction. Harvey declared that "[Wilson] stands for everything that is sound and progressive."[34] Wilson's main attractions to Harvey, however, were that he appeared to be conservative and, as a Southerner, might be able to unify the party. In short, he was a practical alternative to William Jennings Bryan. Wilson seems to have realized this and always tried to steer a middle ground between Bryan and the extreme conservatives. Finally, after a long attempt, made more complex by the situation at Princeton, Harvey finally persuaded Wilson to accept the Democratic nomination for Governor of New Jersey in 1910.

It was Bryan's more radical approach to reform, not the reforms themselves, that upset Wilson. On the other hand, Bliss Perry, a professor at Princeton during Wilson's presidency, offers a different reason for Wilson's disagreements with President Theodore Roosevelt: "His [Wilson's] driving force would brook no opposition. . . . The two men were too much alike to get along together without friction."[35] This, the tariff question, perhaps also Roosevelt's approach to reform, and general political expediency seem to explain Wilson's opposition to Roosevelt, which does not conflict with his emergence as a Progressive.

All during this time, however, Harvey had been writing Wilson, encouraging him to enter politics and trying to make him think politically. Wilson accepted at least the latter piece of advice and began to speak out on questions of national importance. This process was increased, of course, by developments at Princeton which brought him public attention, raising anew the question of his entry into politics. This in turn brought more opportunities to give speeches. So Wilson's political mind was active during this time, prompted orginally by Colonel Harvey but encouraged by the ramifications of events at Princeton which showed him clearly the need for Progressive-like reform. Wilson gradually became politically conscious, but he rarely if ever forced his views to conform with prevailing public sentiment. Rather, it was events at Princeton that forced modifications of his political opinions.

In addition to examining the Progressive aspects of his major addresses, it is useful to review some specific issues on which Wilson took a stand before his political transformation.

First among these was the issue of Prohibition. Wilson with his strong conception of the individual even in modern society, believed in individual rights; "[h]e believed in men following their own consciences in such matters, rather than in having provocative restrictions imposed on them from without."[36] On this issue, however, there was also a practical side, for he said "If local option passes, every undergraduate in Princeton will have a corkscrew."[37]

Second, as a loyal Democrat, Wilson strongly supported free trade. His views are well expressed in an article, "The Tariff Make Believe," published in October 1909, in which he wrote: "Here in a protective tariff, are the entrenchments of Special Privilege."[38] Further, he wrote privately, "I need not tell you of my strong sympathy with the cause of tariff reform."[39]

Wilson was undoubtedly aware of the "paradox" of Progessivism—that by attempting to democratize, simplify, and increase the efficiency of government through "scientific managers," the Progressives were in fact reducing the direct participation of citizens in government. On the whole, he considered the ends worth the means, however, and the "paradox" did not bother him. In fact, he was faced with a similar situation at Princeton; on tour in the West to promote his Graduate College program he once asked "Unless you give me complete authority how can I make Princeton a democratic college?"[40] Similarly, in his advocacy of the "short ballot," Wilson pointed out that "The methods by which we have sought to establish popular control have, however, really destroyed it."[41] Wilson's goals, typically Progressive, were "efficiency in governmental administration and direct and intelligent control by the people." The political machines, however, have taken advantage of the confusion of the present ballot system to confuse and thus control the voter. Recognizing the "paradox," he proposes a solution: that a city council "should be elected by districts" to allow more public influence over nominations and effect a truly democratic reform.[42]

Thus the Progressive philosophy into which Wilson gradually emerged both reflected his experience at Princeton and came as a result of outside influences such as Colonel Harvey. In most instances, though, his later philosophy is basically a natural outgrowth of his earlier philosophy.

One of Wilson's most fundamental and significant beliefs with regard to university policy was that a university should serve the state. This is reflected clearly in the very title of his Inaugural Address, "Princeton in the Nation's Service." Earlier, in his Sesquicentennial address, he had stated that universities cannot "stand aloof from the practical world" and defined "the law of conservatism" as "a law of progress." Now, he extended the concept of service and duty so ingrained in his background. "In planning for Princeton . . . we are planning for the country. The service of institutions of learning is not private but public."[43] By this, Wilson had opened the door further to public-spirited reform; Princeton was to become a great university by serving the nation.[44] Much later, he would write: "We must seek, by common counsel, to make her [Princeton], in small, what we should wish the country to be . . . a school of pure democracy . . . a place in which men are bidden . . . to serve the country without regard to class or private interest."[45] This aspect of Wilson's Progressive character, this conception of a university, had changed little during his tenure as President of Princeton University.

Yet in other ways his attitude towards Princeton had changed. The Equitable Life Insurance scandal of 1906 forced the resignations of two Trustees and brought again the sense of the danger of wealth.[46] Moreover, Wilson was not a sectarian in his government of the university.[47] More important, Wilson recognized the physical location of Princeton and its effect on his thought. Princeton may be isolated, but its "individuality" separates it from state universities.[48] In any event, Princeton was not so remote that the evils of society did not penetrate there, but the influence of the town's location and status forced Wilson to concentrate, by virtue of his great familiarity with the subject, on promoting reform from the top.

Yet there were also more specific expressions of his political philosophy in the political arena that bore the stamp of his long association with Princeton. For instance, Wilson's attitude towards public service and sense of duty influenced him strongly to enter politics.[49] Further, the religious Wilson believed that "the chief end of man is to keep his soul untouched from corrupt influences and to see that his fellow men hear the truth from his lips."[50] To President Wilson, Progressivism was natural if it could embrace the moral basis of his philosophy and raise the nation to a higher plane in that respect. Lewis states that " . . . he believed with all his heart in equality of opportunity." Craig concludes that one of the most natural reasons for Wilson's conversion was that he "saw that Princeton and other American universities of his time . . . were not producing the dedicated leaders necessary to the preservation of the nation's democracy."[51] Finally, Wilson directly links events in Princeton with events in the outside world at least once, in Chicago on 12 May 1910: "Neither business corporation nor university can any longer regard itself in any sense a private undertaking. . . ."[52]

From all these influences, Wilson's political thought expanded into a full Progressivism, although it always approached Progressivism from an originally conservative point of view. To quote Bragdon, Wilson was "a Progressive with the brakes on"[53] and not a Populist like Bryan.

For Wilson, then, the proper approach to reform was that of law as opposed to "a reign of discretion and individual judgment on the part of governmental officials."[54] Though he was a Progressive, Wilson still saw the need for minimal government and pointed out that "There's law enough now to get at most of the transactions we complain of, if the courts will but read the older principles of the law in the light of new transactions. . . ."[55] Wilson's training as a lawyer gave him hope that this course would succeed, and one cannot doubt his

sincerity from his deliberate tone and his recording of economic abuses. Since "The whole history of liberty . . . has been a struggle for . . . embodiments of rights in law," it is the only acceptable solution. In addition, he is comforted that "The leadership of lawyers at least meant a repeated reexamination of principle and precedent."[56]

Specifically, by late 1907, Wilson had charged that "Our two tasks are to break up monopolies and rediscover the individual in all matters of legal responsibility."[57] In his twin addresses "The Government and Business" the next spring,[58] he had identified more specific abuses—monopolies, "the manipulation of securities and the use of trust funds," railways (which Wilson admits "are specially open to regulation upon the more old-fashioned principles of government"), "predatory wealth," and "unfair competition," to name a few. Moreover, he had already considered the feasibility of governmental regulation and was often opposing it, in part because commissions could not stop "one of the radical abuses of our time, namely the manipulation of values."[59] Wilson also opposed the late nineteenth-century idea that the Fourteenth Amendment could be used to protect corporations.

Wilson's conclusion is clear: "No wise and conscientious man defends the inequitable methods of modern business."[60] As a true Progressive, he searches for methods of eliminating these practices; his conservative background merely directs him to one possible solution. Punishment is sure, for since "The corporation itself never fails to find the really responsible official in its own processes of discipline," for its own private purposes, it can do so for public purposes.

Such is the Progressivism of Woodrow Wilson. It is a far cry from the educational reforms of the early days of the presidency, but that is because Wilson did more than simply build upon that foundation; he added a new dimension, related to but not wholly connected with events at Princeton. Yet despite its conservative background, none can seriously call it a false Progressivism. Wilson proceeds even further in his zeal for reform, so that by the 1910 campaign, he can satisfy New Jersey Progressives with his support of (among other ideas) regulation of utility rates, a corrupt practices act, workmen's compensation, and his independence of party bosses.[61] In his Inaugural Address as Governor of New Jersey in 1911, Wilson summed up his support for Progressivism by saying: "The air has in recent months cleared amazingly about us, and thousands * * * have lifted their eyes to look about them * * *." In short, "A new economic society has sprung up, and we must effect a new set of adjustments."[62]

On 20 October 1911, Theodore Roosevelt wrote to Dr. John Finney, who had been offered the presidency of Princeton as Wilson's successor: "There is no more important position in this country, outside of the position of President and Chief Justice, than that of president of a great university, if only that president is the right type of man."[63] Woodrow Wilson clearly was the right president for Princeton. His innovative reforms transformed a small college into one of America's premier universities.

As Wilson shaped Princeton, so Princeton shaped Wilson.[64] The very experience of administration gave him a familiarity with economics and practical politics that prepared him for his future public service. It was at Princeton, too, that Wilson's political ambition was rekindled and promoted. Having achieved national prominence as a historian, writer, educational reformer, and president of a great university, it was natural that he should be considered for high office. His representation of the South, the wide circulation of his writings, and above all the public perception of him as a progressive leader gave him the public recognition and admiration necessary for high elective office. Finally, his presidency of Princeton transformed him: he developed new conceptions of government and became more aware of the general need for reform.

The timing of Wilson's presidency was fortuitous—in 1910 Wilson could wholeheartedly advocate Progressive reforms; not only had his experience at Princeton changed his view of the economic and social structures of society, but also, in a sense, the country was prepared for Progressive reform in a Wilsonian manner, as opposed to the simple desire for change Wilson had criticized earlier. Wilson often viewed Progressivism as a restoration. He advocated, as Professor Craig writes, "the kind of reform, at once conservative and progressive, that consists in the restoration to greatness."[65]

So it was that Wilson and Princeton influenced each other. The complete story of that influence may never be told, for Wilson had spent nearly half his life at Princeton, and thus the influence extended to nearly every area of his life. Suffice it to say that Wilson entered Princeton as its President fully cognizant of his task and the new feeling; in his Inaugural, he declared "A new age is before us in which, it would seem, we must lead the world."[66] He left eight years later greatly changed by his years as President and prepared for the public service tasks that awaited him. Had there been no presidency of Princeton, had he not been elected suddenly on that day in June 1902, it is probable to say that he would never have been elected President of the United States.

Here's to Woodrow, once our king!
To Lewis he didn't do a thing.
The nation's service is his text;
We'll see him in the White House next.—
Princeton Faculty Song, 1911 or 1912.

FOOTNOTES

[1] *Narrative*, p. 1.

[2] Winkler, chapter 5.

[3] Wilson had voted the Gold Democrat ticket in 1896.

[4] *Conservatism: True and False*, 1907.

[5] *The Government and Business*, 14 March 1908.

[6] J. Duncan Spaeth, in "Woodrow Wilson as I Knew Him and View Him Now," in Harper, *et al.*

[7] Craig, *Woodrow Wilson at Princeton*.

[8] To analyze these factors in brief, Wilson's Southern background certainly included a conservatism inherited from Democratic party tradition; his Presbyterian background is especially relevant in his ideas on law and young Woodrow's listening to the proceedings while his father was a Clerk of the Southern Presbyterian denomination. In addition, in his Baccalaureate Address of June 1910, he said: "But you have never in fact left off the influence of home, have you? You can never leave off. Those impressions are indelible."

[9] Link, *The Road to the White House*, chapter IV.

[10] Ibid, p. 70. The graduate college controversy thus became a personal issue because of the ideals Dean West represented.

[11] Baker, *Life and Letters*, p. 146.

[12] It is interesting to note, however, that in explaining the preceptorial system to the students on 15 April 1905, Wilson said the preceptors would be "companionable" and "clubable." Further, "If their qualities as gentlemen and scholars conflict, the former will win them the place." From Fried, Albert, ed.; *A Day of Dedication;* (New York: The Macmillan Company, 1965).

[13] This was a common phrase of Wilson's.

[14] Link, *Road*, p. 47.

[15] Introduction by Wilson to Williams, John Rogers; *The Handbook of Princeton;* (New York: The Grafton Press, 1905), p. xvi. Dated March 27, 1905.

[16] Ibid.

[17] Ibid.

[18] As Winkler writes, "His enemies became the enemies of Princeton, *ergo of democracy*" (p. 92). In addition, Wilson believed that the Quad Plan would be a useful social reform: "I should say that poor men could attend Princeton . . . more easily and with greater advantage than formerly, partly because they can in part pay for their board and because the men who are under the present arrangement excluded from the clubs . . . will have the full advantage of university life and associations." (Letter to Howard Armstrong.)

[19] Letter from Wilson to Harvey, 16 December 1906.

[20] Spaeth in Harper, *et al.;* p. 74.

[21] Kerney in *The Political Education of Woodrow Wilson*, takes a more cynical view, emphasizing Wilson's long association with Harvey and Sen. Smith's role in Wilson's political emergence. While Kerney offers some fascinating insights into New Jersey politics, his case seems somewhat superficial and overinfluenced by his knowledge of the political machine. See especially Kerney, p. xi-xii.

[22] Hugh-Jones, p. 91.

[23] Ibid.

[24] It meant, practically, the loss of the friendship of John Grier Hibben, Wilson's closest friend and successor as President of Princeton.

[25] Letter from Wilson to M. Taylor Pyne, 25 December 1909. Quoted in Baker, p. 315-318.

[26] As quoted in Winkler, p. 93.

[27] Letter from Wilson to Robert Garrett, 25 December 1909. This letter is in many respects similar to that which Wilson wrote Moses Taylor Pyne the same day.

[28] Hugh-Jones, p. 94.

[29] Winkler, p. 93.

[30] Ibid.

[31] Hugh-Jones, p. 101.

[32] Letter from Wilson to Harvey, 3 February 1906.

[33] Letter from Wilson to Harvey, 16 December 1906.

[34] *Harper's Weekly*, 10 March 1906, p. 324. In the same issue was this editorial reaction from the Baltimore "Sun": "George Harvey nominates President Woodrow Wilson, of Princeton, for President of the United States. This might stop Harvard from getting all the big offices."

[35] Perry in Link, *Woodrow Wilson: A Profile;* p. 43.

[36] Lewis, *Woodrow Wilson of Princeton*.

[37] Quoted in Lewis.

[38] The *North American Review*, October 1909. From Baker, *College and State*, p. 128.

[39] Wilson to Louis Ehrich, 18 June 1909.

[40] Quoted in Winkler, p. 94.

[41] "Address by Woodrow Wilson at the Banquet of the Advocates of the Short Ballot," 21 January 1910. From Wilson typewritten manuscript in Princeton University Library.

[42] Wilson in his Baccalaureate Address of 12 June 1910 again demonstrated his awareness of this "paradox:" "Perhaps not so many individuals are of significance as formerly, but the individuals who do tell tell more tremendously, wield a greater moral choice . . . ." (From typewritten manuscript in Princeton University Library.)

[43] Quoted in Baker, *College and State*, Volume I, p. 273.

[44] The chief glory of a university is the leadership of the nation in things that attach to the highest ambition that nations can set themselves, those deeds which lift nations into the atmosphere of things that are permanent and do not fade from generation to generation." (Link, *Road*, p. 44.)

[45] Address to the Chicago alumni, 12 May 1910.

[46] Bragdon, p. 296.

[47] Bragdon, p. 299.

[48] Bragdon, p. 309.

[49] Letter from Wilson to Harvey, 14 July 1910.

[50] Quoted in Link, *Road;* p. 59.

[51] Craig, p. 3.

[52] Address to the Chicago alumni, 12 May 1910.

[53] Bragdon, p. 387.

[54] "The Government and Business," 14 March 1908.

[55] Ibid.

[56] "The Lawyer and the Community," address to the American Bar Association, 31 August 1910, Chattanooga, Tenn.

[57] "Ideals of Public Life," 16 November 1907.

[58] 14 March and 3 April 1908.

[59] "The Government and Business," 14 March 1908.

[60] Ibid.

[61] Letter from Wilson to George L. Record, 24 Oct. 1910. Published in the Trenton *True American* 26 October 1910. (From Cronon.)

[62] Quoted in Baker, *College and State;* pp. 270 and 293.

[63] Letter from Theodore Roosevelt to Dr. John Finney, 20 October 1911, in Princeton University Library.

[64] "Princeton, situated between the North and South, was a singularly effective platform for the exposition of his views. Moreover, a post which possessed both power and initiative, with no checks and balances and where a failure of leadership produced . . . a change of leader, answered Wilson's main concept in the field of government." (Hugh-Jones, p. 87).

[65] Craig, p. 14.

[66] Quoted in Baker, *College and State;* Volume I, p. 461.

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REAGANOMICS—CHAPTER II

Mr. EAGLETON. Mr. President, on September 15, 1981, I placed into the CONGRESSIONAL RECORD at page S9629, a series of quotes from conservative economists and conservative financial experts on the shortcomings of Reaganomics. In the intervening 9 months, the apprehensions of these economists and financial experts have been proven to be justified. Their gloomy predictions have been accurate.

Mr. President, I ask unanimous consent that a collection of additional quotations from conservative economists and financial experts, which quotations have been made since September 15, 1981, be printed in the RECORD.

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

Henry Kaufman, (Senior Economist at Salomon Brothers):

"We must regard it as an achievement if our economy continues to sputter and spurt, (lurching from recession to recovery, but with a sustained period of economic growth or lower inflation and interest rates). To expect more would be downright unrealistic." ("Kaufman: Reagan Policies Will Do More Harm," *The Washington Post,* October 13, 1981).

"Our financial markets are more fragile than at any time since the end of World War II. I believe that today's policies don't sufficiently limit the possibility of straying into unnecessary economic tragedy." (Kaufman, testimony before the House Budget Committee, March 16, 1982).

"We're in an unusual time, not in an ordinary cyclical period. We're in a time when our economy has become fragile. We must do things that are extraordinary. We must do things that are difficult, and that in some respects are painful." Kaufman's prescription: Cancel the July, 1983 tax cut, rescind indexing of taxes, and suspend all government cost-of-living increases. ("Interest Rates May Rise Again, Kaufman says," *The Washington Post,* May 10, 1982).

"The key rigidity in the budget imbalance stems from the revenue loss due to tax reductions contained in The Economic Recovery Act of 1981. This loss totals $92 billion in fiscal 1983. Therefore, the path back to fiscal stability will be cumbersome—and painful for all." (Kaufman *(Memorandum to Portfolio Managers,* "Observations on the New Projections for the 1983 U.S. Federal Budget", February 10, 1982).

Edward Yardeni, (Economist at E. F. Hutton):

"I don't want to start a panic or alarm people. . . I think there is a 30 percent chance of a depression occurring. . . This is a very atypical recession . . . financial pressures are growing and Washington policymakers are amazingly complacent about the problem." ("Are We Heading Into a Depression?", *The Washington Post,* Feburary 28, 1982).

Paul Criag Roberts, (Former Reagan Administration Official, Assistant Secretary for Economic Policy at Treasury):

"On the fiscal side the Administration and the Congress, in an attempt to keep tax revenues high and balance the budget, delayed and scaled back the personal tax cuts. Instead of the 20% tax reduction that was intended by January, 1982, there was 5% and it was overtaken by bracket creep. Consequently, there was a deflationary monetary policy and no tax cut, which guaranteed a recession and large budget deficits. If the government now responds to the budget deficits with more of the policies that produced them, it might push the economy from recession to depression." ("Is a Depression Brewing?", *The Wall Street Journal,* March 3, 1982).

James D. McKevitt, (Washington Representative of the National Federation of Independent Businesses):

"It's never been so bad. (Small businesses) are dropping like flies." ("Are We Heading Into a Depression?", *The Washington Post,* February 28, 1982).

Allen Sinai, (Economist at Data Resources Inc.):

If interest rates rise again, industries such as housing, autos, and airlines "would not have recovered sufficiently. The third recession in three years would probably be strike three." ("The Depression Syndrome," *Newsweek,* March 8, 1982).

"The U.S. economy, since 1980, has gone through an unprecedented business cycle downturn for the post-World War II period. Three years of recession are threatening the viability of a large chunk of corporate America. There is virtually nothing in the data coming out now to indicate any meaningful recovery." (Sinai, DRI, "Profits Off 17.5% for First Quarter", *New York Times,* May 26, 1982).

David M. Jones, (Economist at Aubrey G. Lanston, a Wall Street government securities dealer.):

"The vulnerability to bankruptcy is much more widespread among businesses in this recession than earlier periods. This is a unique characteristic. Businesses of all sizes are subject to the same critical financial strains, mainly in excessive dependence on short-term debt." ("The Surge in Business Failures", *New York Times,* November 15, 1981).

William C. Dunkelberg, (Chief Economist for the National Federation of Independent Businesses.):

"Our people think the situation is really bad. They keep hanging on and hanging on and keep borrowing money and thinking 'This has to stop and turn around,' but it hasn't." ("Business Failures Accelerate", *Kansas City Times,* April 19, 1982).

Norman Robertson, (Chief economist for Mellon Bank.):

"If we don't do something about these deficits and the present course of the Fed, interest rates are likely to stay high and very volatile. That would retard the type of expenditures that the tax cuts are designed to encourage." ("Why Business Won't Invest", *The New York Times,* January 31, 1982).

Paul C. Harmon, (Chief economist for Armco Inc., steel products, machinery and financial services company.):

"Several years from now, the early 1980s will be seen in retrospect as a long period of economic erosion interrupted by short bursts of recovery." ("Business Leaders Begin to Express Skepticism About Reaganomics", *Wall Street Journal,* January 29, 1981).

Irving Shapiro, (Recently retired CEO of DuPont):

"Businessmen are fundamentally Republicans. They persuaded themselves to back a new Republican administration 100 percent. Their uneasiness spilled over when they saw the latest budget proposals (and the big deficits they contained)." ("Big Business Moving to Get Off The Bandwagon of Reaganomics." *The Washington Post,* March 29, 1982).

Rudolph Penner, (American Enterprise Institute.):

"The possibility of Thatcherization of the U.S. economy has become very high." ("Reagan's Dilemma: Spending to Outpace Revenue Indefinitely," *The Washington Post*, January 18, 1982).

"Unless some action is taken on the outlay side more dramatic than any in history, I see no way of decreasing the deficit to levels below $100 billion without extremely disruptive and inefficient tax increases." (Penner, *The AEI Economist* "The 1983 Budget", March, 1982).

Otto Eckstein, (Data Resources Inc.):

"So long as the Administration does not face up to the budget problem, rates which govern housing and business' fixed investment activity will remain in a range which seriously retards otherwise healthy recoveries for these sectors." (*New York Times*, "National Economic Survey", January 10, 1982).

Theodore F. Brophy, (CEO of General Telephone & Electronics, Corp. and an officer of the Business Roundtable.):

"Our economy is in the throes of a recession accompanied by inordinately high interest rates, and now is facing the prospect of large future budget deficits. The Business Roundtable is deeply concerned about the size of projected deficits and believes that, unless promptly dealt with, they will encourage continued high interest rates and slow economic recovery and growth." ("Big Business Moving to Get Off the Bandwagon of Reaganomics." *The Washington Post*, March 29, 1982).

Treasury-Secretary Regan:

"We're in a very steep recession at this point and the economy is dead in the water." (ABC Interview on "Good Morning America," April 15, 1982).

Alan Greenspan, (Former Chairman of the Council of Economic Advisors under President Nixon):

The chance that a sharp new downturn could reach crisis proportions "used to be one in a hundred. Now it's one in five or ten." ("The Depression Syndrome," *Newsweek*, March 8, 1982).

"(The odds for) no significant recovery this year are one in three." ("Reagan's Dilemma: Spending to Outpace Revenue Indefinitely," *Washington Post*, January 18, 1982).

Business Roundtable: We are "deeply concerned by continued high interest rates and the size of the projected deficits for 1983, 1984, and 1985 and do not believe they are adequately addressed . . . . The deficits cannot be addressed adequately without major permanent spending cuts including cuts in the indexed entitlement programs and a slowing of the defense build-up. Without a sharp drop in interest rates, no reasonable recovery will be seen before the fourth quarter. . . . We believe that interest rates and the projected deficits are interrelated . . . ." (The Business Roundtable, membership is comprised of the chief executives of 196 major corporations). ("Corporate Executives Break With Reagan", *The Washington Post*, March 4, 1982).

The Conference Board: "The latest Reagan budget, submitted to Congress on February 8, is the first postwar budget ever to be in structural disequilibrium. This means that an extension of this budget program without any further legislative changes would generate steadily increasing federal budget deficits for years to come. (By contrast, past budget programs, when extrapolated in this way, would always produce first declining deficits, and then surpluses, for outlaying years)." (Published in *Economic Policy Issues;* "The 1983 Reagan Budget: Can Equilibrium Be Restored?", March, 1982).

MESSAGE FROM THE PRESIDENT RECEIVED DURING THE RECESS

Under the authority of the order of the Senate of June 24, 1982, the Secretary of the Senate, on June 28, 1982, received a message from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(The nominations received on June 28, 1982, are printed at the end of the Senate proceedings.)

MESSAGE FROM THE HOUSE RECEIVED DURING THE RECESS

Under the authority of the order of the Senate of June 24, 1982, the Secretary of the Senate, on June 25, 1982, received a message from the House of Representatives announcing that the House agrees to the amendments of the Senate numbered 2, 3, 4, and 5 to the bill (H.R. 3816) to improve the operation of the Fishermen's Contingency Fund established to compensate commercial fishermen for damages resulting from oil and gas exploration, development, and production in areas of the Outer Continental Shelf; and that the House agrees to the amendment of the Senate numbered 1 to the bill, with amendments, in which it requests the concurrence of the Senate.

The message also announced that the House has agreed to the following concurrent resolution, in which it requests the concurrence of the Senate:

H. Con. Res. 367. Concurrent resolution providing for an adjournment of the House from any day between June 28 and July 2, 1982, and an adjournment of the Senate from July 1 or July 2 until July 12, 1982.

ENROLLED BILLS SIGNED

The message further announced that the Speaker has signed the following enrolled bills:

H.R. 6631. An act to authorize humanitarian assistance for the people of Lebanon; and

H.R. 6682. An act making urgent supplemental appropriations for the fiscal year ending September 30, 1982, and for other purposes.

Under the authority of the order of the Senate of June 24, 1982, the enrolled bills were signed by the Vice President on June 25, 1982, during the recess of the Senate.

MESSAGES FROM THE HOUSE

At 11:02 a.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House has passed the following bill and joint resolution in which it requests the concurrence of the Senate:

H.R. 6685. An act making urgent supplemental appropriations for the fiscal year ending September 30, 1982, and for other purposes; and

H.J. Res. 526. Joint resolution authorizing and requesting the President to issue a proclamation designating the week of August 1, 1982, through August 7, 1982, as "National Purple Heart Week".

At 1:11 p.m., a message from the House of Representatives, delivered by Mr. Gregory, announced that the House has agreed to the following resolution:

H. Res. 512. A resolution electing the Honorable William H. Natcher as Speaker pro tempore during any absence of the Speaker until not later than July 2, 1982.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker pro tempore has signed the following enrolled bills and joint resolution:

H.R. 4569. An act to designate the United States Post Office Building in Hartford, Connecticut, as the "William R. Cotter Federal Building";

H.R. 4903. An act granting the consent of the Congress to an interstate compact between the States of Mississippi and Louisiana establishing a commission to study the feasibility of rapid rail transit service between the two States; and

H.J. Res. 518. Joint resolution to designate the week commencing with the fourth Monday in June 1982 as "National NCO/Petty Officer Week".

The enrolled bills and joint resolution were subsequently signed by the President pro tempore (Mr. THURMOND).

HOUSE JOINT RESOLUTION REFERRED

The following joint resolution was read the first and second times by unanimous consent, and referred as indicated:

H.J. Res. 526. Joint resolution authorizing and requesting the President to issue a proclamation designating the week of August 1, 1982, through August 7, 1982, as "National Purple Heart Week"; to the Committee on the Judiciary.

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-3757. A communication from the Deputy Assistant Secretary of the Air Force for Logistics transmitting, pursuant to law, a report on a decision made to convert the transient aircraft services function at Offutt Air Force Base, Nebr., to performance under contract; to the Committee on Armed Services.

EC-3758. A communication from the Deputy Assistant Secretary of the Air Force for Logistics transmitting, pursuant to law, a decision made to convert the transient aircraft services function at Castle Air Force

Base, Calif., to performance under contract; to the Committee on Armed Services.

EC-3759. A communication from the Deputy Assistant Secretary of the Air Force for Logistics transmitting, pursuant to law, a report on a decision made to convert the transient aircraft services function at Grand Forks Air Force Base, N. Dak., to performance under contract; to the Committee on Armed Services.

EC-3760. A communication from the Assistant Secretary of the Navy for Shipbuilding and Logistics transmitting, pursuant to law, a report on a decision made to convert the servmart function at the Naval Supply Center, San Diego, Calif., to performance under contract; to the Committee on Armed Services.

EC-3761. A communication from the Deputy Secretary of the Treasury transmitting a draft of proposed legislation to authorize appropriations for the Bureau of the Mint; to the Committee on Banking, Housing, and Urban Affairs.

EC-3762. A communication from the Secretary of Commerce transmitting, pursuant to law, the annual report of the Department on the administration of the Marine Mammal Protection Act; to the Committee on Commerce, Science, and Transportation.

EC-3763. A communication from Assistant Attorney General for Administration transmitting, pursuant to law, a report on a new Privacy Act system of records; to the Committee on Governmental Affairs.

EC-3764. A communication from the Director of the National Institute of Corrections transmitting, pursuant to law, the Sixth Annual Report of the Institute on Corrections; to the Committee on the Judiciary.

EC-3765. A communication from the Director of the Congressional Budget Office transmitting a report entitled "How Changes in Fiscal Policy Affect the Budget: The Feedback Issue"; to the Committee on the Budget.

EC-3766. A communication from the Secretary of Commerce transmiting a draft of proposed legislation to provide for U.S. participation in the 1984 Louisiana World Exposition, New Orleans, La.; to the Committee on Foreign Relations.

EC-3767. A communication from the Chairperson of the U.S. Architectural and Transportation Barriers Compliance Board transmitting, pursuant to law, the annual report of the Board for fiscal year 1980; to the Committee on Environment and Public Works.

EC-3768. A communication from the Director of the Congressional Budget Office transmitting a report entitled "The Interstate Highway System: Issues and Options"; to the Committee on Environment and Pubic Works.

EC-3769. A communication from the President of the United States transmitting a draft of proposed legislation to provide tax relief for parents who choose to send their children to nonpublic schools; to the Committee on Finance.

EC-3770. A communication from the Executive Director of the U.S. Naval Sea Cadet Corps transmitting, pursuant to law, the annual audit report of the Corps for the fiscal year ending March 31, 1982; to the Committee on the Judiciary.

EC-3771. A communication from the Acting Deputy Assistant Secretary of the Air Force for Logistics transmitting, pursuant to law, a report on a decision made to convert the base refuse collection function at MacDill Air Force Base, Fla., to performance under contract; to the Committee on Armed Services.

EC-3772. A communication from Secretary of the Treasury transmitting, pursuant to law, the annual report on the activities of the Depository Institutions Deregulation Committee and the Viability of Depository Institutions; to the Committee on Banking, Housing, and Urban Affairs.

EC-3773. A communication from Secretary of Commerce transmitting, pursuant to law, a report on additional foreign policy controls relative to use by Libya of U.S.-origin goods and technology; to the Committee on Banking, Housing, and Urban Affairs.

EC-3774. A communication from the Under Secretary of the Treasury for Monetary Affairs transmitting a draft of proposed legislation to repeal the requirements fixing the amount of outstanding U.S. notes; to the Committee on Banking, Housing, and Urban Affairs.

EC-3775. A communication from the Administrator of the National Aeronautics and Space Administration transmitting, pursuant to law, a report on the planned use of certain research and development funds to participate in the construction of the permanent Mid-Level Facility on Mauna Kea, Hawaii; to the Committee on Commerce, Science, and Transportation.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation:

D. Bruce Merrifield, of Connecticut, to be an Assistant Secretary of Commerce.

(The above nomination was reported from the Committee on Commerce, Science, and Transportation, with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. TOWER, from the Committee on Armed Services:

Mr. TOWER. Mr. President, from the Committee on Armed Services, I report favorably the following nominations: Lt. Gen. Walter D. Druen, U.S. Air Force (age 55), for appointment to the grade of lieutenant general on the retired list; Maj. Gen. Jack Neil Merritt, U.S. Army, to be lieutenant general; Lt. Gen. Edward J. Bronars, U.S. Marine Corps. (age 55), for appointment to the grade of lieutenant general on the retired list; Maj. Gen. Joseph T. Palastra, Jr., U.S. Army, to be lieutenant general; in the Army there are 54 appointments to the grade of brigadier general (list begins with Lewis A. Mologne); and Chaplain (Brig. Gen.) Patrick J. Hessian, U.S. Army, to be Chief of Chaplains, U.S. Army. I ask that these names be placed on the Executive Calendar.

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

Mr. TOWER. Mr. President, in addition, in the Naval Reserve there are 290 permanent promotions to the grade of captain (list begins with Robert L. Albin, Jr.); in the Navy there are 817 permanent promotions to the grade of lieutenant commander (list begins with Gregory H. Adkisson); in the Air Force there are 3 permanent promotions to the grade of major (list begins with George W. Brown); in the Regular and Reserve of the Air Force there are 32 appointments to the grade of colonel and below (list begins with Thomas D. Webster); in the Air Force National Guard there are 24 promotions into the Reserves to the grade of lieutenant colonel (list begins with William U. Cattelle); and in the Regular and Reserve of the Air Force there are 34 appointments/permanent promotions to the grade of lieutenant colonel (list begins with Joseph Aisner). Since these names have already appeared in the CONGRESSIONAL RECORD and to save the expense of printing again, I ask unanimous consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

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

(The nominations ordered to lie on the Secretary's desk were printed in the RECORD of June 17 and June 22, 1982, at the end of the Senate proceedings.)

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. THURMOND (for himself, Mr. BIDEN, Mr. BAKER, Mr. LAXALT, Mr. HATCH, Mr. CHILES, Mr. DECONCINI, Mr. DOLE, Mrs. HAWKINS, Mr. NUNN, Mr. PELL, Mr. SIMPSON, Mr. ZORINSKY, Mr. STEVENS, Mr. MATTINGLY, Mr. HARRY F. BYRD, JR., Mr. ANDREWS, Mr. SASSER, Mr. GRASSLEY, Mr. HEFLIN, Mr. NICKLES, Mr. HOLLINGS, Mr. BAUCUS, Mr. BUMPERS, Mr. SCHMITT, Mr. HEINZ, Mr. DOMENICI, Mr. SYMMS, Mr. RUDMAN, Mr. D'AMATO, and Mr. GOLDWATER):

S. 2572. A bill to strengthen law enforcement in the areas of violent crime and drug trafficking, and for other purposes; read twice and placed on the calendar.

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. GARN:

S. 2680. A bill to provide for the reinstatement of U.S. oil and gas lease applications numbered U-26485, and U-26505; to the Committee on Energy and Natural Resources.

By Mr. GARN (for himself and Mr. HATCH):

S. 2681. A bill to provide for the reinstatement and validation of U.S. oil and gas lease

numbered U-14654; to the Committee on Energy and Natural Resources.

By Mr. THURMOND:

S. 2682. A bill to designate the building known as the Federal Building and U.S. Courthouse in Greenville, S.C., as the "Clement F. Haynesworth, Jr., Federal Building"; to the Committee on Environment and Public Works.

By Mr. HUMPHREY:

S. 2683. A bill to authorize the Secretary of the Army, acting through the Chief of Engineers, to construct the project for modification of Portsmouth Harbor and the Piscataqua River Basin in Maine and New Hampshire; to the Committee on Environmental and Public Works.

By Mr. BAKER (for Mr. HAYAKAWA):

S. 2684. A bill to authorize the Secretary of the Interior to construct, operate, and maintain the Santa Margarita project, California, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. DOLE (for himself, Mr. EAST, Mr. CHAFEE, Mr. DANFORTH, Mr. WALLOP, Mr. ROTH, Mr. GRASSLEY, Mr. PERCY, Mr. BRADLEY, Mr. DURENBERGER, and Mr. MATHIAS):

S. 2685. A bill to implement the Nairobi Protocol to the Florence Agreement on the Importation of Educational, Scientific, and Cultural Materials, and for other purposes; to the Committee on Finance.

By Mr. DANFORTH:

S. 2686. A bill entitled the "Alternative Minimum Tax Act"; to the Committee on Finance.

S. 2687. A bill to change the tax treatment of partial liquidations and of certain distributions of appreciated property; to the Committee on Finance.

S. 2688. A bill to amend the Internal Revenue Code of 1954 to treat a corporation issuing stock in satisfaction of a debt in certain circumstances as having income from the discharge of indebtedness; to the Committee on Finance.

S. 2689. A bill to amend the Internal Revenue Code of 1954 to treat the acquisition by certain corporations of their own stock or that of an affiliate as a distribution of property to the corporation's remaining shareholders; to the Committee on Finance.

By Mr. DANFORTH (for himself and Mr. SYMMS):

S. 2690. A bill relating to the tax treatment of long-term contracts with respect to taxable years beginning after December 31, 1982; to the Committee on Finance.

By Mr. GORTON (for himself, Mr. PACKWOOD, Mr. PELL, and Mr. CHAFEE):

S. 2691. A bill to reform the regulation of sailing school vessels; to the Committee on Commerce, Science, and Transportation.

By Mr. DANFORTH:

S. 2692. A bill to suspend until January 1, 1987, the column 1 rate of duty on certain small toy and novelty items; to the Committee on Finance.

By Mr. SCHMITT:

S. 2693. A bill to provide for the minting of the American Eagle gold coin pursuant to article I, section 8 of the Constitution of the United States; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. DECONCINI:

S. 2694. A bill to direct the Secretary of Agriculture to convey certain property to the Miami Area Unified School District Number 40, Miami, Arizona; to the Committee on Energy and Natural Resources.

By Mr. DOLE (for himself, Mr. DENTON, Mr. INOUYE, Mr. MATSUNAGA, Mr. MELCHER, and Mr. THURMOND):

S.J. Res. 207. Joint resolution to authorize and request the President to designate the week of August 1, 1982, through August 7, 1982 as "National Purple Heart Week"; to the Committee on the Judiciary.

By Mr. GLENN (for himself, Mr. PELL, Mr. DODD, Mr. BRADLEY, Mr. MOYNIHAN, Mr. ZORINKSY, and Mr. TSONGAS):

S.J. Res. 208. Joint resolution with regard to Presidential certifications on conditions in El Salvador; to the Committee on Foreign Relations.

By Mr. LEVIN:

S.J. Res. 209. Joint resolution designating the week beginning September 5, 1982, as "National Adult Day Care Center Week"; to the Committee on the Judiciary.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. BAKER (for himself and Mr. ROBERT C. BYRD):

S. Res. 420. Resolution to authorize production of documents and testimony by a former Senate employee and representation by the Senate Legal Counsel in Impro Products, Inc. against John B. Herrick, et al; considered and agreed to.

S. Res. 421. Resolution to direct the Senate Legal Counsel to defend the Senate in Consumers Union of the United States, Inc., et al. against Federal Trade Commission, et al; considered and agreed to.

S. Res. 422. Resolution to direct the Senate Legal Counsel to appear as amicus curiae in Peter Kiewit Sons' Co. against U.S. Army Corps of Engineers, et al; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. THURMOND (for himself and Mr. HOLLINGS):

S. 2682. A bill to designate the building known as the Federal building and U.S. courthouse in Greenville, S.C., as the "Clement F. Haynsworth, Jr., Federal Building"; to the Committee on Environment and Public Works.

CLEMENT F. HAYNSWORTH, JR. FEDERAL BUILDING

Mr. THURMOND. Mr. President, today I am introducing legislation which will designate the Federal building and U.S. courthouse located in Greenville, S.C., as the "Clement F. Haynsworth, Jr., Federal Building," in honor of the great American jurist, Judge Clement F. Haynsworth, Jr.

Born in Greenville on October 30, 1912, Judge Haynsworth is the descendant of a succession of prominent Greenville attorneys. He graduated summa cum laude from Furman University, where he also distinguished himself in extracurricular activities. He attended Harvard Law School and, upon graduation, returned to Greenville to practice law.

In 1957, Judge Haynsworth was appointed to the U.S. Court of Appeals for the Fourth Judicial Circuit. In 1964, he became the chief judge of that circuit, a position he held until this past year, when he assumed senior status. During his 17 years as chief judge, Judge Haynsworth guided the court through many complex and controversial cases, always displaying a thorough knowledge and evenhanded application of the law, as well as gentlemanly courtesy to his colleagues on the bench and the lawyers who appeared before him.

In 1969, President Nixon nominated Judge Haynsworth to be an Associate Justice of the U.S. Supreme Court. Unfortunately for both Judge Haynsworth and our Nation, a partisan political challenge to his nomination was mounted in the Senate and it was rejected, not because of any defect in his character or capability, but as a result of unsubstantiated claims and innuendo.

Mr. President, I have had the pleasure of knowing Judge Haynsworth and his family for a long number of years. In fact, Judge Haynsworth appeared before me as a young attorney when I was a circuit court judge. I can think of no more appropriate honor for this body to bestow on this outstanding American than to name the building for him in which he has maintained his office throughout his judicial career. Due recognition of his long list of distinguished achievements and his many contributions to both the law and his community justify this building bearing his name. Mr. President, I ask unanimous consent that this bill be printed in the RECORD immediately following these remarks.

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

S. 2682

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the building at 300 East Washington Street, in Greenville, South Carolina, known as the Federal Building and United States Courthouse, hereafter shall be known and designated as the "Clement F. Haynsworth, Jr., Federal Building." Any reference in any law, regulation, document, record, map, or other paper of the United States to this building hereby is deemed to be a reference to the "Clement F. Haynsworth, Jr., Federal Building."

By Mr. HUMPHREY:

S. 2683. A bill to authorize the Secretary of the Army, acting through the Chief of Engineers, to construct the project for modification of Portsmouth Harbor and Piscataqua River Basin in Maine and New Hampshire; to the Committee on Environment and Public Works.

MODIFICATION OF CERTAIN WATER PROJECTS

● Mr. HUMPHREY. Mr. President, today I am introducing legislation which would authorize construction

funding for modification of Portsmouth Harbor and the Piscataqua River Basin. Study of this project was authorized in 1970 and the Crops of Engineers have worked extensively on it. I propose to authorize funding for the widening of two areas in the harbor: One, a sorely needed turning basin in the vicinity of the Maine/New Hampshire Bridge and the other area, a channel off the coast of the Portsmouth Naval Shipyard.

Portsmouth Harbor is unique. It is a Northeastern port that never freezes in the winter due to the swift flow of current. Current which has been known to approach 7 knots provides a virtually maintenance-free harbor and yet, on the other hand, makes navigation through its narrow, winding channels extremely difficult for large tankers. The difficulty arises when a tanker enters the harbor channel, negotiates the turns, is cleared for passage under the Maine/New Hampshire Bridge and either misses the precise angle for passage or experiences loss of power due to current. Such an event would cause the tanker to be forced to abort passage under the bridge. Similarly, a malfunction in the lift mechanism of the bridge could require a ship to abort. In Portsmouth Harbor, the large tankers cannot abort because there is little or no room for them to turn. Currents could easily sweep these troubled vessels into the facade of the interstate bridge. I am thankful to report Portsmouth has not yet suffered a major tragedy due primarily to the expertise and grim determination of its harbor pilots but the dangers and risks are omnipresent.

The Maine/New Hampshire Bridge Authority has expressed serious concern to me over the rapidly diminishing safety margin in the harbor as modern economic demands require larger tankers to pass under the interstate bridge. The Bridge Authority characterizes the present situation as "very critical." Mounting risks have caused them to seek alternative solutions. Fenders were placed on the tower piers to fortify and protect the bridge. Unfortunately, this was not a workable interim solution since technical piloting problems were increased beyond a comfortable risk level. The need to provide an adequate turning radius to protect the interstate bridge from serious damage and to protect all harbor interests from a major spill continues to be essential.

The Bridge Authority reports of discussions with the commander of the Portsmouth Naval Shipyard and Pentagon officials concerning continued rail access to the shipyard. A rail spur connecting tracks on the lower level of the Maine-New Hampshire Bridge is used by the Navy to transport heavy nuclear submarine components and nuclear fuels across the bridge and into the shipyard. Pentagon officials have advised the Bridge Authority that rail access to the shipyard is imperative to military mobilization. Damage to the bridge could seriously affect rail access to the shipyard and, clearly, Portsmouth cannot afford a major accident which could otherwise be avoided by construction of an adequate turning basin to accommodate modern tankers.

Portsmouth has been patient as have other Northeastern water projects. It has taken 12 years for the final draft to be completed. The increasing hazards have been averted by restricting vessel size and traffic. Portsmouth doesn't want to wait another 12 years to have a modern, safe harbor.

I have been in contact with the Defense Logistics Agency. The Defense Fuel Supply Center, a primary level field activity of the Defense Logistics Agency, encourages support of channel improvements to Portsmouth. The Defense Fuel Supply Center manages a fuel terminal which supplies Pease Air Force Base. The fuel terminal currently receives its fuel by barge. This system could be upgraded, enhancing the Defense Fuel Supply's transportation posture if improvements were undertaken.

The estimated cost of this project is approximately $20 million. The cost/benefit ratio comports with administration guidelines. The project could be completed in 3 years with little or no residual maintenance costs. An approved dredging disposal site has been located without environmental objection. Citizens from Maine, Vermont, Massachusetts, and New Hampshire rely upon or benefit from fuel oil and propane deliveries to Portsmouth Harbor. The continued economic vitality of the Portsmouth-Kittery area is dependent upon a harbor that can support modern shipping needs. I urge my colleagues' support to provide construction funding for this project.

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. 2683

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of the Army, acting through the Chief of Engineers, is hereby directed to construct, in accordance with the plans and recommendations set forth in the Draft Report of the Division Engineer, dated January 1982, the project for modification of Portsmouth Harbor and the Piscataqua River Basin in Maine and New Hampshire. Such construction shall be carried out so as to provide for:

(1) widening from 400 feet to 550 feet, the channel in the vicinity of Goat Island for a length of approximately 1300 feet; and

(2) widening the turning basin between Badger's Island and the Maine/New Hampshire Bridge from 600 feet to 1000 feet.

(b) In carrying out such construction in accordance with such plans and recommendations contained in such report, the Secretary of the Army is authorized to make such modifications as he may deem advisable.●

By Mr. BAKER (for Mr. HAYAKAWA):

S. 2684. A bill to authorize the Secretary of the Interior to construction, operate, and maintain the Santa Margarita project, California, and for other purposes; to the Committee on Energy and Natural Resources.

SANTA MARGARITA PROJECT

● Mr. HAYAKAWA. Mr. President, today I am introducing legislation authorizing the Santa Margarita project in San Diego County, Calif. A similar bill was introduced in the House of Representatives by Representative BURGENER. This legislation will not only make use of the water from the Santa Margarita River which presently flows into the Pacific Ocean, but it will also provide for flood control and water storage for the community of Fallbrook and the Camp Pendleton Marine Corps Base.

Originally authorized by Congress in 1954, this project came to a halt because of litigation between the Federal Government and the Fallbrook Public Utility District. Following 15 years of litigation over water rights, the Fallbrook Public Utility District and Federal Government agreed to prepare a project feasibility report. Conducted by the Bureau of Reclamation, the report calls for a two-dam project implementing the water apportionment agreement. The Bureau has concluded that the proposed project facilities are technically and economically feasible.

The Fallbrook Public Utility District relies almost entirely on imported water obtained through the county water authority and metropolitan water district aqueduct systems. In the event of a severe shortage of imported water, the economic survival of the 16,000 Fallbrook residents could be seriously hampered. Known for its citrus and avocado products, the area uses about 80 percent of its present water supply for irrigation purposes, and the remaining 20 percent for municipal use. According to projections made by the State of California, Fallbrook's population is expected to increase.

The administration's defense program calls for additional training activities and units at Camp Pendleton. A review of the base's water supply capacity indicates that it will not be able to support this planned increase after 1986. The base presently relies upon underground water as its sole source of water supply. The Santa Margarita project facilities will provide an alternate source of water supply for the Marine Corps base at Camp Pendleton, the U.S. Naval Hospital and the Naval Weapons Station, Fallbrook Annex.

The Santa Margarita project consists of two dams, one located at Camp Pendleton and the other upstream on the Santa Margarita River in Fallbrook. A conveyance line from each reservoir would reach into the service areas and recreational facilities also would be established.

Mr. President, the residents of Fallbrook and those at the Camp Pendleton Marine Corps Base have gone for too long without a stable supply of water. Present supplies will be reduced in 1985 when the central Arizona project commences and California loses some of its present water rights. It makes sense to use a local water source instead of having to rely on imported water. As the population grows, so does the demand to make the maximum use of all available sources. I respectfully request your favorable consideration of this legislation.●

By Mr. DOLE (for himself, Mr. EAST, Mr. CHAFEE, Mr. DANFORTH, Mr. WALLOP, Mr. ROTH, Mr. GRASSLEY, Mr. PERCY, Mr. BRADLEY, Mr. DURENBERGER, and Mr. MATHIAS):

S. 2685. A bill to implement the Nairobi protocol to the Florence Agreement on the Importation of Educational, Scientific, and Cultural Materials, and for other purposes; to the Committee on Finance.

EDUCATIONAL, SCIENTIFIC, AND CULTURAL MATERIALS IMPORTATION ACT OF 1982

● Mr. DOLE. Mr. President, I introduce today a bill to implement the Nairobi protocol to the Florence Agreement, an existing trade agreement that provides for duty-free trade in certain educational, scientific, and cultural materials. I am pleased that Senators EAST, CHAFEE, DANFORTH, WALLOP, ROTH, GRASSLEY, MATHIAS, BRADLEY, DURENBERGER, and PERCY join me in cosponsoring this legislation. Because the Nairobi protocol (1) expands the Florence Agreement in an important way—to include articles specifically designed to benefit the handicapped; (2) will contribute to increased U.S. exports; and (3) will contribute to greater international understanding by facilitating increased exchanges of ideas, I urge my fellow Members to join us in supporting the bill.

THE FLORENCE AGREEMENT

The Florence Agreement provides for duty-free trade among its approximately 90 adherents in specified categories of articles. These categories are: (1) books, publications, and documents; (2) works of art and collector's pieces; (3) visual and auditory materials; (4) scientific instruments and apparatus; and (5) articles for the blind. Some limitations are applicable. For example, some of the covered materials must first be approved by the importing country's authorities, or must be imported for the benefit of specific institutions.

The United Nations Educational, Scientific, and Cultural Organization (UNESCO) opened the Florence Agreement for signature in 1950. Following passage of the Educational, Scientific, and Cultural Material Importation Act of 1966, the United States adopted the agreement. We have apparently enjoyed a favorable balance of trade in the covered items since that time.

THE NAIROBI PROTOCOL

The Nairobi protocol, open for signature since 1977, broadens the scope of the Florence Agreement by removing some of its restrictions, and by expanding it to cover technologically new articles and previously uncovered works of art, films, and so forth. For example, audiovisual material will be placed on the same footing as books. Scientific maps and charts and wood mosaics are among the new items covered.

Most importantly, Mr. President, the protocol embraces one major new category of items: "All materials specifically designed for the education, employment and social advancement of physically or mentally handicapped persons * * *." The Florence Agreement is limited to articles for the blind insofar as it specifically addresses the needs of handicapped persons. Thus, not only will the protocol liberalize coverage of materials for the blind that are provided duty-free treatment, it will newly benefit all handicapped persons, without regard to the source of their affliction.

I regret that the protocol allows signatories to restrict duty-free treatment to articles imported by specific institutions—those servicing the handicapped—and to articles that are not equivalent to domestically produced ones. The implementing legislation I propose today is not so restrictive, and I hope other countries take the same course in this regard. I understand that the European communities are doing so. Nothing in the protocol bars this liberalized treatment.

The Committee on Foreign Relations, following the leadership of Chairman PERCY and Senator MATHIAS, favorably reported the protocol on May 21 in Executive Report No. 97-53, and recommended that the Senate give its advice and consent. I urge my colleagues to accept that committee's recommendations.

RECIPROCITY IN IMPLEMENTATION

I call my colleagues' attention to the process, reflected in this bill, by which the United States intends to put the Nairobi protocol into effect. Some U.S. producers of articles covered by the protocol may be concerned that they will become subject to new duty-free competition at home without significant new opportunities abroad. On the other hand, consumer beneficiaries of the protocol prefer to see immediate implementation of the tariff cuts. The implementing legislation meets both concerns.

The protocol will not become effective as to the United States until the instrument of U.S. ratification is deposited with UNESCO. This is so even though our domestic ratification procedures are completed. In this case, the President will withhold deposit of the ratification instrument until he determines that adequate reciprocal duty-free treatment will be provided by other countries. Section 2 of the bill thus provides that duty-free treatment will not be proclaimed permanently until the President proclaims that the protocol should come into force.

Section 3, however, requires the President to proclaim duty-free treatment for articles for the blind and handicapped for the next 2½ years. It further provides authority for the President to proclaim such treatment for the same period if he finds it to be in the national interest. Any such proclamations will expire at the end of the period. The administration believes this time should be sufficient to insure that adequate reciprocity is achieved among signatories to the protocol.

As a final feature of the implementing legislation, I wish to note the limited safeguards provision included in section 4 of the bill. Under that provision, the President may, on a most-favored-nation basis, restore existing tariff rates for articles, the import of which he determines has a significant adverse impact on a domestic industry producing a like or competitive article, and which are not covered by either the Florence Agreement or Nairobi protocol. This special relief is limited to articles not covered by commitments in those agreements. Because this country is offering somewhat broader coverage than those agreements require, the additional streamlined safeguard protection is appropriate. Of course, normal safeguard relief available under section 201 of the Trade Act of 1974 will remain unaffected by this bill or protocol, as recognized by paragraph 18 of the protocol.

Mr. President, I believe the administration has found a prudent way to provide to handicapped persons the benefits of the Nairobi protocol, while insuring that U.S. producers' interests are protected. Like the Florence Agreement, I expect the protocol to contribute favorably to U.S. trade while benefiting worthy persons and institutions. Finally, I believe that, contrary to the fear symbolized by the Iron Curtain, we should embrace the free exchange of ideas and cultural products as an essential ingredient of international understanding and peace. I thus urge my colleagues to join me in support of this bill.

Mr. President, I ask unanimous consent that a section-by-section analysis of the bill be printed in the RECORD.

There being no objection, the section-by-section analysis was ordered to be printed in the RECORD, as follows:

SECTION-BY-SECTION ANALYSIS

Section 1.—This section merely sets forth the title and purpose of the bill, and states that amendments or repeals of current law made by the bill refer to the Tariff Schedules of the United States. The Florence Agreement (TIAS 6129, 17 UST 1835), referred to in subsection (b), was implemented domestically by the Educational, Scientific, and Cultural Material Importation Act of 1965.

Section 2.—This section provides the effective date for permanent duty-free treatment accorded the articles described in sections 5-8. After receiving the advice and consent of the Senate, the President can bring the treaty into force for the United States by depositing the instrument of ratification pursuant to the terms of the Protocol. In this case the President will withhold deposit of the instrument until he is satisfied that other major signatories are implementing the protocol on a reciprocal basis. After deposit, the President is authorized by this section to proclaim the designated tariff adjustment on a permanent basis.

Section 3.—Section 3(a) requires the President to proclaim, within 30 days of enactment, the duty free treatment of articles for the blind and handicapped provided in section 8. This treatment would expire after two and one-half years, except that it may be proclaimed permanently during that period pursuant to section 2 and subsection (c) of this section. Section 3(b) allows, but does not require, similar temporary proclamations for the other covered articles. It authorizes the President to proclaim such treatment if he deems it to be in the national interest. Temporary proclamations made pursuant to either subsection may be modified under the provisions of section 4, relating to injury to domestic industries.

Section 4.—This section provides a special safeguard relief mechanism for domestic industries that may suffer significant adverse impacts from certain imported articles rendered duty-free by the Act. It is intended to apply to scientific tools or apparatus and articles for the blind and handicapped that are not covered by the Florence Agreement or Nairobi Protocol, as the United States is not obligated to accord duty-free status to such non-covered articles. An affirmative determination by the President under this section will result in a return of the duty-rate applicable to the affected item to the normal rate. Subsection (b) authorizes the President to restore duty-free treatment if the injury is eliminated. Subsection (c) requires the President to receive the views of the public and Government agencies before taking action under either subsections (a) of (b).

Normal safeguard relief, as provided in section 201 of the Trade Act of 1974, will remain available for all articles covered by this Act.

Section 5.—This section sets forth the items in the Tariff Schedules relating to books, publications, and documents for which the President may proclaim duty-free treatment pursuant to sections 2 and 3. Section 5 would create a new TSUS item 270.90 that would encompass catalogs of visual and auditory materials of an educational, scientific, or cultural character; a new item 273.52 relating to architectural, engineering, and other drawings; and a new item 274.55 relating to illustrations and proofs needed for producing books. Existing MFN rates of duty applicable to these articles range from 0 to 3.7 percent ad valorem.

Section 6.—Section 6 would extend duty-free treatment to various visual and auditory materials including films, mircrofiche, and sound recordings. It further would extend such treatment to other visual and auditory materials, and models and charts, used for educational purposes or of a educational, scientific, or cultural character. New TSUS items 274.67, 724.07, 724.22, and 870.35 would be created to cover these articles. Existing MFN rates of duty applicable to these articles range from 9 to 5.3 percent ad valorem.

Section 7.—This section would provide for duty-free treatment of tools used in connection with certain articles already accorded such treatment. These letter articles are instruments and apparatus imported for non-profit, educational or scientific institutions, for which there are no domestically-manufactured equivalents. Because the specific tools cannot be identified, existing rates cannot be pinpointed. Trade in these items is thought to be negligible, however.

Section 8.—This section would provide duty-free treatment of articles specially designed or adapted for the use or benefit of the blind or other physically or mentally handicapped persons. Many articles for the blind, and some for the handicapped, already are entitled to duty-free entry under TSUS items 825.00, 826.10, and 826.20. This section would expand coverage to include additional items for the blind and to encompass most articles specifically intended for the handicapped. The existing MFN rates of duty applicable to these articles range from 0 to 8.4 percent ad valorem.●

By Mr. DANFORTH:

S. 2686. A bill entitled the "Alternative Minimum Tax Act"; to the Committee on Finance.

ALTERNATIVE MINIMUM TAX ACT

● Mr. DANFORTH. Mr. President, I am today introducing a bill which I believe is fundamental to the preservation of our voluntary income tax system. The IRS recently reported that for 1981, nearly 10,000 tax returns were filed showing expanded income in excess of $50,000 on which no income tax was paid. Looking at 1978 IRS statistics, over 5 percent of taxpayers with adjusted gross income in excess of $200,000 had an effective tax rate of less than 20 percent.

Mr. President, it seems to me that at a time when there is talk of repealing next year's tax cuts (over 50 percent of which go to taxpayers with income between $20,000 and $50,000) and at a time when bracket creep and increased social security taxes are taking a bigger tax bite from the middle-income taxpayer, it is not too much to ask that those individuals with enormous incomes pay 20 percent in Federal income taxes, regardless of their ability to find tax shelters which keep their regular tax burden well below that rate.

The bill I am introducing is designed to make sure that the Treasury collects at least a minimum amount from individuals who use tax shelters in such magnitude that they are able to reduce their income taxes to an insignificant level. Under my bill, the current individual minimum tax system would be made more effective by expanding the minimum tax base. In addition, some simplification would result, because both the current "alternative" minimum tax and the current "add-on" minimum tax would be consolidated, so that affected taxpayers would be required to make only one additional computation, rather than two, as under current law.

Under this proposal, the revised alternative minimum tax would apply to an individual only when it exceeds his regular income tax. The tax is structured so that it will affect only those taxpayers who pay an insignificant amount of income taxes. The staff of the Joint Committee on Taxation estimates that this proposal will affect less than 1 percent of all taxpayers in 1983. In no circumstance would it affect middle income (or even wealthy) taxpayers who do not make excessive use of tax shelters to avoid paying their fair share of taxes.

For example, in 1982 a married couple with no dependents, salary of $30,000, and itemized deductions of 23 percent of income, would pay a regular tax of about $4,000. This couple would be affected by the new minimum tax only if, in addition to the $30,000 salary, they had other income of more than $40,000 on which no tax was paid because it was sheltered by tax preferences.

On the other hand, if the couple had salary and other income of $250,000, and were able, through tax preferences, to reduce their taxable income to $50,000, they would pay a regular tax of about $13,000, an effective rate of only 5 percent. Under this bill, they would pay a minimum tax of $41,000, an effective rate of 16 percent.

The alternative minimum tax base would be calculated in a manner similar to that of current law. An individual's adjusted gross income would be increased by his tax preference items for the year, and from that, he would be allowed to deduct certain items to arrive at his minimum taxable income.

The first $30,000 (for married taxpayers filing joint—$15,000 for married filing separate and $20,000 for single) would be exempt. The next $30,000 ($15,000 and $20,000, respectively) would be taxed at 10 percent, and the excess at 20 percent. If the tax thus computed exceeds the individual's regular tax for the year, he pays the minimum tax; otherwise he would simply pay the regular tax.

The items of tax preference to be added to adjusted gross income are:

First, deduction for two-earner married couple,

Second, excess depreciation or ACRS deductions,

Third, excess percentage depletion,

Fourth, excess intangibles,

Fifth, excess deductions for certain mining exploration costs, development expenditures, circulation expenditures, soil and water conservation expenditures, and R & D expenditures,

Sixth, the capital gains exclusion,

Seventh, deductions for motor carrier operating rights,

Eighth, interest and dividend exclusions, and

Ninth, interest on tax exempt obligations.

The deductions which would be allowed are:

First, medical expenses and casualty losses to the extent they exceed an expanded floor,

Second, charitable contributions,

Third, interest for principal residence and other interest to the extent of investment income,

Fourth, net operating losses adjusted for tax preference items.

Mr. President, I expect that many wealthy individuals who might be affected by this proposal will come to our offices to protest, claiming that all of these items of tax preference were made available to taxpayers only because Congress at various times has decided that to do so is in the better interest of our economy. I would like to emphasize that this bill is not intended to dilute the benefits our economy enjoys because of these provisions; rather, it simply dilutes the benefits to those individuals who take excessive advantage of these provisions for the purpose of avoiding the payment of a fair share of taxes.

Our system of voluntary compliance in reporting and paying income tax is unique in the world, and it is a tribute to the principles of freedom on which our country was founded. But the system is showing early signs of trouble. When the middle-income American sees wealthy individuals paying lower taxes than he is, he begins to question the wisdom of continuing to voluntarily comply with the system. I cannot say that I blame him. I believe this bill will help eliminate this problem. I hope my colleagues will agree and pass this legislation.

Mr. President, I ask unanimous consent that the text of this bill be printed in full in the RECORD.

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

S. 2686

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

SECTION 1. AMENDMENT OF 1954 CODE

(a) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. ALTERNATIVE MINIMUM TAX AMENDMENT: REPEAL OF "ADD ON" MINIMUM TAX FOR INDIVIDUALS.

(a) Section 55 of the Internal Revenue Code of 1954 is amended to read as follows:

"SEC. 55. ALTERNATIVE MINIMUM TAX FOR TAXPAYERS OTHER THAN CORPORATIONS.

"(a) ALTERNATIVE MINIMUM TAX IMPOSED.—

In the case of a married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, or a surviving spouse (as defined in Section 2(a)), if—"(1) an amount equal to the sum of—

"(A) 10 percent of so much of the alternative minimum taxable income as exceeds $30,000 but not exceed $60,000, plus

"(B) 20 percent of so much of the alternative minimum taxable income as exceeds $60,000, or

"(2) in the case of an individual who is not a married individual (as defined in section 143), or a surviving spouse (as defined in section 2(a)), if an amount equal to the sum of—

"(A) 10 percent of so much of the alternative minimum taxable income as exceeds $20,000 but does not exceed $40,000, plus

"(B) 20 percent of so much of the alternative minimum taxable income as exceeds $40,000, or,

"(3) in the case of a married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013, if an amount equal to the sum of—

"(A) 10 percent of so much of the alternative minimum taxable income as exceeds $15,000 but does not exceed $30,000, plus

"(B) 20 percent of so much of the alternative minimum taxable income as exceeds $30,000,

exceeds the regular tax for the taxable year, then there is imposed (in addition to all other taxes imposed by this title) a tax equal to the amount of such excess.

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

"(1) ALTERNATIVE MINIMUM TAXABLE INCOME.—The term 'alternative minimum taxable income' means adjusted gross income (determined without regard to any deduction under section 172)—

"(A) increased by an amount equal to the sum of the items of tax preference (as defined in subsection (d)),

"(B) reduced by any amount included in income under section 667, and

"(C) reduced by an amount equal to the sum of minimum tax deductions (as defined in subsection (e)). For purposes of this subparagraph (C), a deduction shall not be taken into account to the extent such deduction may be carried to another year.

"(2) REGULAR TAX.—The term 'regular tax' means the taxes imposed by this chapter for the taxable year (computed without regard to this section and without regard to the taxes imposed by sections 72(m)(5)(B), 402(e), 408(f), 409(c), and 667(b)) reduced by the sum of the credits allowable under subpart A of part IV of this subchapter (other than under sections 31, 39, and 43). For purposes of this paragraph, the amount of the credits allowable under such subpart shall be determined without regard to this section.

"(c) CREDITS.—

"(1) IN GENERAL.—For purposes of determining any credit allowable under subpart A of part IV of this chapter (other than the foreign tax credit allowed under section 33(a)), the tax imposed by this section shall not be treated as a tax imposed by this chapter.

"(2) FOREIGN TAX CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—

"(A) DETERMINATION OF FOREIGN TAX CREDIT.—The total amount of the foreign tax credit which can be taken against the tax imposed by subsection (a) shall be determined under subpart A of part III of subchapter N (sec. 901 and following).

"(B) SECTION 904(a) LIMITATIONS.—For purposes of the determination provided by subparagraph (A), the limitation of section 904(a) shall be an amount equal to the same proportion of the sum of the tax imposed by subsection (a) against which such credit is taken and the regular tax as—

"(i) the taxpayer's alternative minimum taxable income from sources without the United States (but not in excess of the taxpayer's entire alternative minimum taxable income), bears to

"(ii) his entire alternative minimum taxable income. For such purpose, the amount of the limitation of section 904(a) shall not exceed the tax imposed by subsection (a).

"(C) DEFINITION OF ALTERNATIVE MINIMUM TAXABLE INCOME FROM SOURCES WITHOUT THE UNITED STATES.—For purposes of subparagraph (B), the term 'alternative minimum taxable income from sources without the United States' means the items of gross income from sources without the United States adjusted as provided in subparagraph (A), (B), and (C) of section 55(b)(1) (taking into account in such adjustment only items described in such subparagraphs which are properly attributable to items of gross income from sources without the United States).

"(D) SPECIAL RULE FOR APPLYING SECTION 904(c).—In determining the amount of foreign taxes paid or accrued during the taxable year which may be deemed to be paid or accrued in a preceding or succeeding taxable year under section 904(c)—

"(i) the limitation of section 904(a) shall be increased by the amount of the limitation determined under subparagraph (B), and

"(ii) any increase under paragraph (2)(A) shall be taken into account.

"(3) CARRYOVER AND CARRYBACK OF CERTAIN CREDITS.—For purposes of computing the amount of any carryover or carryback of the credits allowable under subpart A of part IV, the taxpayer shall be treated as having been allowed credits against tax imposed by this chapter for any taxable year for which a tax is imposed by subsection (a) equal to the amount of such credit which would have been allowed for such taxable year if the tax imposed by this chapter had been equal to the excess of—

"(A) the tax imposed by this chapter (determined without regard to section 55), over

"(B) the tax imposed by section 55.

"(d) ITEMS OF TAX PREFERENCE.—For purposes of this section, the items of tax preference are—

"(1) DEDUCTIONS FOR TWO-EARNER MARRIED COUPLES.—An amount equal to the deduction allowable for the taxable year to a two-earner married couple under section 221.

"(2) ACCELERATED DEPRECIATION ON REAL PROPERTY.—With respect to each section 1250 property (as defined in section 1250(c)) which is not recovery property, the amount by which the deduction allowable for the taxable year for exhaustion, wear and tear, obsolescence, or amortization exceeds the

depreciation deduction which would have been allowable for the taxable year had the taxpayer depreciated the property under the straight line method for each taxable year of its useful life (determined without regard to section 167(k)) for which the taxpayer has held the property.

"(3) ACCELERATED DEPRECIATION ON LEASED PERSONAL PROPERTY.—With respect to each item of section 1245 property (as defined in section 1245(a) (3)) which is not recovery property, and which is subject to a lease, the amount by which—

"(A) the deduction allowable for the taxable year for depreciation or amortization, exceeds

"(B) the deduction which would have been allowable for the taxable year had the taxpayer depreciated the property under the straight line method for each taxable year of its useful life for which the taxpayer has held the property

For purposes of subparagraph (B), useful life shall be determined as if section 167(m)(1) (relating to asset depreciation range) did not include the last sentence thereof.

"(4) ACCELERATED COST RECOVERY DEDUCTION.—

"(A) IN GENERAL.—With respect to each recovery property (other than 15-year real property) the amount (if any) by which the deduction allowed under section 168(a) (or sec. 167(a) in the case of property described in sec. 167(k)) for the taxable year exceeds the deduction which would have been allowable for the taxable year had the property been depreciated using the straight line method (with a half-year convention and without regard to salvage value) and a recovery period determined in accordance with the following table:

In the case of:	*The recovery period is:*
3-year property.	Same as used for regular tax.
5-year property with a present class life (as defined in section 168(g)(2) of:	
8 years or less.	Same as used for regular tax.
Over 8 but less than 14 years.	7 years.
Over 14 years.	10 years.
10-year property.	10 years.
15-year public utility property.	15 years.
15-year real property.	25 years.

"(B) SUBPARAGRAPH (A) INAPPLICABLE WHERE LARGER RECOVERY PERIODS APPLY.—If pursuant to section 168(b)(3) or 168(f)(2), the recovery period for any property is longer than the recovery period for such property set forth in subparagraph (a), subparagraph (a) shall not apply to such property.

"(C) DEFINITIONS.—For purposes of this paragraph, the terms '3-year property', '5-year property', '10-year property', '15-year public utility property', '15-year real property', and 'recovery property', shall have the same meanings given such terms under section 168.

"(5) DEPLETION.—With respect to each property (as defined in section 614), the excess of the deduction for depletion allowable under section 611 for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year.)

"(6) INTANGIBLE DRILLING COSTS.—

"(A) IN GENERAL.—With respect to all oil, gas, and geothermal properties of the taxpayer, the amount of the excess intangible drilling costs arising in the taxable year.

"(B) EXCESS INTANGIBLE DRILLING COSTS.—For purposes of subparagraph (A), the amount of the excess intangible drilling costs arising in the taxable year is the excess of—

"(i) the intangible drilling and development costs described in section 263(c) paid or incurred in connection with oil, gas, and geothermal wells (other than costs incurred in drilling a non-productive well) allowable under this chapter for the taxable year, over

"(ii) the amount which would have been allowable for the taxable year if such costs had been capitalized and straight line recovery of intangibles (as defined in subsection (f)) had been used with respect to such costs.

"(C) PARAGRAPH APPLIED SEPARATELY WITH RESPECT TO GEOTHERMAL PROPERTIES AND OIL AND GAS PROPERTIES.—This paragraph shall be applied separately with respect to—

"(i) all oil and gas properties which are not described in clause (ii), and

"(ii) all properties which are geothermal deposits (as defined in section 613(e)(3)).

"(7) CERTAIN EXPENDITURES WHICH MAY BE TREATED AS NOT CHARGEABLE TO A CAPITAL ACCOUNT.—With respect to any of the following expenditures, the excess of such expenditure over the amount which would have been allowable for the taxable year had such expenditure been capitalized and amortized on a straight line basis over a period of 120 months, beginning with the month the expenditures are incurred.

"(A) CERTAIN MINING EXPLORATION COSTS.—Any expenditure for which an election is made under section 617(a),

"(B) CIRCULATION EXPENDITURES.—Any expenditure which is deductible under section 173 and for which an election to charge such expenditure to a capital account has not been made,

"(C) SOIL AND WATER CONSERVATION EXPENDITURES.—Any expenditure which is treated under section 175(a) as not chargeable to a capital account, and

"(D) RESEARCH AND EXPERIMENTAL EXPENDITURES.—Any expenditure incurred by a taxpayer who has adopted the accounting method described in section 174(a) which treats such expenditures as not chargeable to a capital account.

"(E) DEVELOPMENT EXPENDITURES.—Any expenditure described by section 616(a) for which the taxpayer has not made an election under section 616(b)

"(8) CAPITAL GAINS.—An amount equal to the net capital gain deduction for the taxable year determined under section 1202.

"(9) AMORTIZATION OF MOTOR CARRIER OPERATING RIGHTS.—An amount equal to the deduction allowable for the taxable year under section 266(a) of Public Law 97-34, the Economic Recovery Tax Act of 1981.

"(10) DIVIDENDS EXCLUSION.—The amount of dividends excluded from gross income for the taxable year under section 116 or 305(e).

"(11) INTEREST EXCLUSION.—The amount of interest excluded from gross income for the taxable year under section 128.

"(12) TAX-EXEMPT INTEREST.—With respect to interest which is excluded from income for the taxable year under section 103(a), the amount attributable to bonds and obligations issued after December 31, 1982.

"(e) MINIMUM TAX DEDUCTIONS.—For purposes of this section, minimum tax deductions are—

"(1) MEDICAL EXPENSE AND CASUALTY LOSS DEDUCTIONS.—

"(A) Subject to the limitation in subparagraph (B), the sum of

"(i) the amount of the deduction allowable for medical expenses for the taxable year under section 213 (determined without regard to the 3 percent of adjusted gross income limitation) and

"(ii) the amount of the deduction allowable for casualty losses for the taxable year under section 165(c)(3).

"(B) For purposes of this section, the amount determined under subparagraph (A) shall be treated as a minimum tax deduction only to the extent it exceeds 15 percent of alternative minimum taxable income determined before minimum tax deductions.

"(2) CHARITABLE CONTRIBUTION DEDUCTIONS.—The amount of the deduction allowable for the taxable year for charitable contributions under section 170.

"(3) INTEREST EXPENSE.—

"(A) Interest expense for the taxable year on debt incurred in the acquisition of or improvement of a principal residence if such debt is secured by a mortgage on such residence. For this purpose, improvement of a principal residence includes only improvements which are real property, and

"(B) Other interest expense to the extent of investment income.

"(4) NET OPERATING LOSSES.—The net operating loss deduction allowable for the taxable year under section 172—

"(A) IN GENERAL.—The net operating loss deduction allowable for the taxable year under section 172, except that such deduction—

"(i) in the case of taxable years ending after December 31, 1982, section 172(b)(2) shall be applied by substituting 'alternative minimum taxable income' for 'taxable income' each place it appears, and

"(ii) the net operating loss (within the meaning of section 172(c)) for any loss year shall be adjusted as provided in subparagraph (B).

"(B) ADJUSTMENTS TO NET OPERATING LOSS COMPUTATION.—

"(i) POST-1982 LOSS YEARS.—In the case of a loss year ending after December 31, 1982, the net operating loss for such year under section 172(c) shall be reduced by the sum of the amount of tax preference items arising in such year and the amount of nonbusiness deductions which were allowable under section 172(d) and which were not minimum tax deductions for the taxable year.

"(ii) PRE-1983 YEARS.—In the case of loss years ending before January 1, 1983, the amount of the net operating loss which may be carried over to taxable years ending after December 31, 1982, for purposes of subparagraph (A), shall be equal to the amount which may be carried from the loss year to the first taxable year of the taxpayer ending after December 31, 1982.

"(f) STRAIGHT LINE RECOVERY OF INTANGIBLES DEFINED.—For purposes of paragraph (6) of subsection (d)—

"(1) IN GENERAL.—The term 'straight line recovery of intangibles,' when used with respect to intangible drilling and development costs for any well, means (except in the case of an election under paragraph (2)) ratable amortization of such cost over the 120-month period beginning with the month in which production from such well begins.

"(2) ELECTION.—If the taxpayer elects, at such time and in such manner as the Secretary may by regulations prescribe, with respect to the intangible drilling and development costs for any well, the term 'straight line recovery of intangibles' means any method which would be permitted for pur-

poses of determining cost depletion with respect to such well and which is selected by the taxpayer for purposes of subsection (a)(11)."

(b) "ADD ON" MINIMUM TAX.—Section 56 is amended by inserting "a corporation" in place of "every person" in section 56(a).

(c) REPORTING OF INTEREST ON CERTAIN GOVERNMENTAL OBLIGATIONS.—

(1) Paragraph (1) of section 6049(b) is amended by:

(A) deleting, at the end of subparagraph (D), the word "and",

(B) deleting the period at the end of subparagraph (E), and inserting "; and", and

(C) adding at the end of paragraph (1), new subparagraph (F) to read as follows:

"(F) interest on obligations described in section 103(a) (relating to interest on certain governmental obligations), which are issued after December 31, 1982."

(2) Subparagraph (A) of section 6049(b)(2) is amended to read as follows:

"(A) interest on obligations described in section 103(a) relating to interest on certain governmental obligations, which are issued before January 1, 1983."

(d) SPECIAL ELECTION.—The Secretary shall prescribe regulations under which, for taxable years in which an individual would, but for this subsection, be subject to the tax imposed by section 55(a) (as amended by this Act) such individual may elect, with respect to any or all expenditures described in section 55(d)(6) or (d)(7) (as amended by this Act) which are incurred during the taxable year, to treat such expenditures as chargeable to a capital account. Such election, if made, must be for the total amount of the expenditure paid or incurred during the taxable year for which the election is made. The effect of such election shall be that, for purposes of this Title, no deduction shall be allowed for such expenditure for the taxable year in excess of the amount which would be allowable if the amount treated as chargeable to a capital account were amortized on a straight line basis over a period of 120 months, beginning with the month the expenditure is incurred; in addition, no amount of such expenditure shall be treated as an item of tax preference by such individual for the taxable year. An election under this subsection shall not affect the individual's treatment of any expenditure in a subsequent taxable year.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—

The amendments made by this section shall apply to taxable years ending after December 31, 1982.

(2) APPLICATION OF PRIOR LAW.—The amendments made by this section to section 56(a) shall not apply to items of tax preference arising in taxable years ending before January 1, 1983.●

By Mr. DANFORTH:

S. 2687. A bill to change the tax treatment of partial liquidations and of certain distributions of appreciated property; to the Committee on Finance.

EQUITABLE CORPORATION TAX BENEFITS

● Mr. DANFORTH. Mr. President, I am introducing a bill today which is designed to assure that corporations, in taking over other corporations, may not enjoy extraordinary tax benefits as a result of the takeover. This change to current law is necessary both to further the basic concept of an equitable tax law that all similarly situated taxpayers be taxed on an equivalent basis, and to discourage the use of scarce investment capital to finance tax-motivated mergers.

This bill also changes a provision of current law which allows a corporation, through indirect methods, to, in effect sell assets and recognize no gain, even if it is not liquidating. For example, under current law, if corporation S owns all the stock of Sub T and corporation B wishes to buy the stock of T, if S sells the stock to B for cash, S would recognize gain. However, if, instead, B contributes the cash to S in exchange for S stock, and S then redeems B's new interest in S by distributing the T stock, S recognizes no income. This bill would require that S recognize the income regardless of how the transaction is structured.

This bill was introduced in the House by Representative FORTNEY STARK, whose leadership on this matter I would like to recognize.

Mr. President, I ask unanimous concent that the text of the bill be printed in full in the RECORD.

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

S. 2687

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

TITLE I—CHANGES IN TAX TREATMENT OF PARTIAL LIQUIDATIONS AND OF CERTAIN DISTRIBUTIONS OF APPRECIATED PROPERTY

SEC. 101. PARTIAL LIQUIDATIONS.

(a) SECTION 331 (WHICH PROVIDES CAPITAL GAIN OR LOSS TREATMENT FOR SHAREHOLDERS IN LIQUIDATIONS) LIMITED TO COMPLETE LIQUIDATIONS.—Subsection (a) of section 331 (relating to gain or loss to shareholders in corporate liquidations) is amended to read as follows:

"(a) DISTRIBUTIONS IN COMPLETE LIQUIDATION TREATED AS EXCHANGES.—Amounts received by a shareholder in a distribution in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock."

(b) SECTION 336 (WHICH PROVIDES NONRECOGNITION OF GAIN AND LOSS ON DISTRIBUTIONS BY LIQUIDATING CORPORATION) LIMITED TO COMPLETE LIQUIDATIONS.—Subsection (a) of section 336 (relating to distributions of property in liquidation) is amended by striking out "partial or complete liquidation" and inserting in lieu thereof "complete liquidation."

(c) CERTAIN DISTRIBUTIONS TO NONCORPORATE SHAREHOLDERS WHICH QUALIFY AS PARTIAL LIQUIDATIONS UNDER EXISTING LAW TREATED AS REDEMPTIONS.—Section 302 (relating to distributions in redemption of stock) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) REDEMPTIONS FROM NONCORPORATE SHAREHOLDERS WHICH ARE ATTRIBUTABLE TO TERMINATION OR DISTRIBUTION OF BUSINESS.—

"(1) IN GENERAL.—For purposes of this section, a redemption of stock held by a shareholder who is not a corporation shall be treated as not essentially equivalent to a dividend if the requirements of subparagraphs (A) and (B) of this paragraph are met:

"(A) The redemption is attributable to the distributing corporation's ceasing to conduct, or consists of the assets of a qualified trade or business.

"(B) Immediately after the redemption the distributing corporation is actively engaged in the conduct of a qualified trade or business.

"(2) QUALIFIED TRADE OR BUSINESS.—For purposes of paragraph (1), the term 'qualified trade or business' means any trade or business which—

"(A) was actively conducted throughout the 5-year period ending on the date of the redemption, and

"(B) was not acquired by the corporation within such period in a transaction in which gain or loss was recognized in whole or in part.

"(3) REDEMPTION MAY BE PRO RATA.—Whether or not a redemption meets the requirements of subparagraphs (A) and (B) of paragraph (1) shall be determined without regard to whether or not the redemption is pro rata with respect to all of the shareholders of the corporation."

(d) DEFINITION AND SPECIAL RULE.—Section 346 (defining partial liquidation) is amended to read as follows:

"SEC. 346. DEFINITION AND SPECIAL RULE.

"(a) COMPLETE LIQUIDATION.—For purposes of this subchapter, a distribution shall be treated as in complete liquidation of a corporation if the distribution is 1 of a series of distributions in redemption of all of the stock of the corporation pursuant to a plan.

"(b) TRANSACTIONS WHICH MIGHT REACH SAME RESULT AS PARTIAL LIQUIDATIONS.—The Secretary shall prescribe such regulations as may be necessary to ensure that the purposes of subsections (a) and (b) of section 101 of the Corporate Takeover Tax Act of 1982 repealing the special tax treatment for partial liquidations may not be circumvented through the use of sections 355, 351, 337, or any other provision of law or regulations (including the consolidated return regulations)."

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking out "partial or complete liquidation" and inserting in lieu thereof "complete liquidation".

(A) Subsection (b) of section 331 (relating to nonapplication of section 301).

(B) Subsection (a) of section 334 (relating to basis of property received in liquidations).

(C) Paragraph (1) of section 336(b) (relating to distributions of LIFO inventory).

(D) Paragraph (2) of section 341(a) (relating to collapsible corporations).

(2)(A) The heading and table of sections for subpart D of part II of subchapter C of chapter 1 is amended to read as follows:

"Subpart D—Definition and Special Rule.

"Sec. 346. Definition and special rule."

(B) The table of subparts for such part II is amended by amending the item relating to subpart D to read as follows:

"Subpart D. Definition and Special Rule."

SEC. 102. DISTRIBUTION OF APPRECIATED PROPERTY IN REDEMPTION OF STOCK.

(a) IN GENERAL.—Paragraph (2) of section 311(d) (relating to recognition of gain on distribution of appreciated property in re-

demption of stock) is amended by striking out subparagraphs (A), (B), (C), and (G).

(b) CONFORMING AMENDMENTS.—Paragraph (2) of section 311(d) is amended—

(1) by redesignating subparagraphs (D), (E), and (F) as subparagraphs (A), (B), and (C), respectively,

(2) by adding "and" at the end of subparagraph (B) (as so redesignated), and

(3) by striking out "; and" at the end of subparagraph (C) (as so redesignated) and inserting in lieu thereof a period.

SEC. 103. EFFECTIVE DATE.

The amendments made by this title shall apply to distributions after August 31, 1982.

TITLE II—CERTAIN STOCK PURCHASES TREATED AS ASSET PURCHASES

SEC. 201. CERTAIN STOCK PRUCHASES TREATED AS ASSET PURCHASES.

(a) GENERAL RULE.—Subpart B of part II of subchapter C of chapter 1 (relating to effects on corporation) is amended by adding at the end thereof the following new section:

"SEC. 338. CERTAIN STOCK PURCHASES TREATED AS ASSET ACQUISITIONS.

"(a) GENERAL RULE.—For purposes of this title, if a purchasing corporation makes an election under this section (or is treated under subsection (d) as having made such an election) then in the case of any qualified stock purchase, the target corporation—

"(1) shall be treated as having sold all of its assets on the acquisition date in a single transaction to which section 337 applies, and

"(2) immediately after such sale, shall be treated as a new corporation which purchased all of the assets referred to in paragraph (1).

"(b) PRICE AT WHICH DEEMED SALE MADE.—For purposes of subsection (a), the assets of the target corporation shall be treated as sold (and purchased) at an amount equal to—

"(1) the basis of the purchasing corporation's stock in the target corporation on whichever of the following days such basis is greater—

"(A) the acquisition date, or

"(B) the last day of the 12-month acquisition period,

"(2) properly adjusted under regulations prescribed by the Secretary for liabilities of the target corporation and other relevant items.

Such amount shall be allocated among the assets of the target corporation under regulations prescribed by the Secretary.

(c) PURCHASING CORPORATION; TARGET CORPORATION; QUALIFIED STOCK PURCHASE.—For purposes of this section—

"(1) PURCHASING CORPORATION.—The term 'purchasing corporation' means any corporation which makes a qualified stock purchase of stock of another corporation.

"(2) TARGET CORPORATION.—The term 'target corporation' means any corporation the stock of which is acquired by another corporation in a qualified stock purchase.

"(3) QUALIFIED STOCK PURCHASE.—The term 'qualified stock purchase' means any transaction or series of transactions in which stock of 1 corporation possesssing—

"(A) at least 80 percent of the total combined voting power of all classes of stock entitled to vote, and

"(B) at least 80 percent of the total number of shares of all other classes of stock (except nonvoting stock which is limited and preferred as to dividends),

is acquired by another corporation by purchase during the 12-month acquisition period.

"(d) DEEMED ELECTION WHERE PURCHASING CORPORATION ACQUIRES ASSET OF TARGET CORPORATION.—

"(1) IN GENERAL.—A purchasing corporation shall be treated as having made an election under this section with respect to any target corporation if, at any time during the consistency period, it acquires any asset of the target corporation (or a target affiliate).

"(2) EXCEPTIONS.—Paragraph (1) shall not apply with respect to any acquisition by the purchasing corporation if—

"(A) such acquisition is pursuant to a sale by the target corporation (or the target affiliate) in the ordinary course of its trade or business, or

"(B) the basis of the property acquired is determined (in whole or in part) by reference to the adjusted basis of such property in the hands of the person from whom acquired.

"(3) ANTI-AVOIDANCE RULE.—Whenever necessary to carry out the purposes of this subsection and subsection (e), the Secretary may treat stock acquisitions which are pursuant to a plan and which meet the 80 percent requirements of subparagraphs (A) and (B) of subsection (c)(3) as qualified stock purchases.

"(e) CONSISTENCY REQUIRED FOR ALL STOCK ACQUISITIONS FROM SAME AFFILIATED GROUP.—

"(1) IN GENERAL.—If a purchasing corporation makes qualified stock purchases with respect to the target corporation and 1 or more target affiliates during any consistency period, then (except as otherwise provided in subsection (d))—

"(A) any election under this section with respect to the first such purchase shall apply to each other such purchase, and

"(B) no election may be made under this section with respect to the second or subsequent such purchase if such an election was not made with respect to the first such purchase.

"(2) ASSET PURCHASE TREATED AS STOCK PURCHASE.—

"(A) IN GENERAL.—For purposes of paragraph (1), the acquisition by the purchasing corporation of any asset of another corporation shall be treated as a qualified stock purchase with respect to which an election under this section was made.

"(B) EXCEPTIONS.—Subparagraph (A) shall not apply to any acquisition described in subsection (d)(2).

"(f) ELECTION.—

"(1) WHEN MADE.—Except as otherwise provided in regulations, an election under this section shall be made not later than 75 days after the acquisition date.

"(2) MANNER.—An election by the purchasing corporation under this section shall be made in such manner as the Secretary shall by regulations prescribe.

"(3) ELECTION IRREVOCABLE.—An election by a purchasing corporation under this section, once made, shall be irrevocable.

"(g) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) 12-MONTH ACQUISITION PERIOD.—The term '12-month acquisition period' means the 12-month period beginning with the earlier of—

"(A) the date of the first acquisition by purchase of stock included in a qualified stock purchase, or

"(B) if any of such stock was acquired in an acquisition which was a purchase within the meaning of subparagraph (B) of paragraph (3), the date on which the purchasing corporation is first considered under section 318(a) as owning stock owned by the corporation from which such acquisition was made.

"(2) ACQUISITION DATE.—The term 'acquisition date' means, with respect to any corporation, the first day on which there is a qualified stock purchase with respect to the stock of such corporation.

"(3) PURCHASE.—

"(A) IN GENERAL.—The term 'purchase' means any acquisition of stock, but only if—

"(i) the basis of the stock in the hands of the purchasing corporation is not determined (I) in whole or in part by reference to the adjusted basis of such stock in the hands of the person from whom acquired, or (II) under section 1014(a) (relating to property acquired from a decedent),

"(ii) the stock is not acquired in an exchange to which section 351 applies, and

"(iii) the stock is not acquired from a person the ownership of whose stock would, under section 318(a), be attributed to the person acquiring such stock.

"(B) DEEMED PURCHASE OF STOCK OF SUBSIDIARIES.—If stock in a corporation is acquired by purchase (within the meaning of subparagraph (A)), and, as a result of such acquisition, the purchasing corporation is treated (by reason of section 318(a)) as owning stock in a 3rd corporation, the purchasing corporation shall be treated as having purchased such stock in such 3rd corporation. The purchasing corporation shall not be treated as acquiring stock in the 3rd corporation by reason of the preceding sentence before the first day on which the purchasing corporation is considered under section 318(a) as owning such stock.

"(4) CONSISTENCY PERIOD.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'consistency period' means the period consisting of—

"(i) the 1-year period before the beginning of the 12-month acquisition period for the target corporation,

"(ii) such acquisition period (up to and including the acquisition date), and

"(iii) the 1-year period beginning on the day after the acquisition date.

"(B) EXTENSION WHERE THERE IS PLAN.—The period referred to in subparagraph (A) shall also include any period during which there was in effect a plan to make a qualified stock purchase plus 1 or more other qualified stock purchases (or asset acquisitions described in subsection (d)) with respect to the target corporation or any target affiliate.

"(5) AFFILIATED GROUP.—The term 'affiliated group' has the meaning given to such term by section 1504(a) (determined without regard to the exceptions contained in section 1504(b)).

"(6) TARGET AFFILIATE.—A corporation shall be treated as a target affiliate of the target corporation if each of such corporations was, at any time during the 18-month period ending on its acquisition date, a member of an affiliated group which had the same common parent.

"(7) ACQUISITIONS BY PURCHASING CORPORATION INCLUDE ACQUISITIONS BY CORPORATIONS AFFILIATED WITH PURCHASING CORPORATION.—Except as otherwise provided in regulations, an acquisition of stock or assets by any member of an affiliated group which includes a purchasing corporation shall be treated as made by the purchasing corporation.

"(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be neces-

sary to ensure that the purposes of this section to require consistency of treatment of stock and asset purchases with respect to a target corporation and its target affiliates (whether by treating all of them as stock purchases or as asset purchases) may not be circumvented through the use of any provision of law or regulations (including the consolidated return regulations)."

(b) REPEAL OF SECTION 334(b)(2).—Subsection (b) of section 334 (relating to limitation of subsidiary) is amended to read as follows:

"(b) LIQUIDATION OF SUBSIDIARY.—

"(1) DISTRIBUTION IN COMPLETE LIQUIDATION.—If property is received by a corporation in a distribution in a complete liquidation to which section 332(a) applies, the basis of the property in the hands of the distributee shall be the same as it would be in the hands of the transferor.

"(2) TRANSFERS TO WHICH SECTION 332(c) APPLIES.—If property is received by a corporation in a transfer to which section 332(c) applies, the basis of the property in the hands of the transferee shall be the same as it would be in the hands of the transferor.

"(3) DISTRIBUTEE DEFINED.—For purposes of this subsection, the term 'distributee' means only the corporation which meets the 80-percent stock ownership requirements specified in section 332(b)."

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (E) of section 168(e)(4) (relating to liquidation of subsidiary, etc.) is amended by adding at the end thereof the following new sentence: "A similar rule shall apply in the case of a deemed liquidation under section 338."

(2) Clause (i) of section 168(f)(10)(B) is amended by striking out "section 334(b)(2)" and inserting in lieu thereof "section 334(b)(2) or 338".

(3) Paragraph (4) of section 318(b) is amended to read as follows:

"(4) section 338(c)(3)(B) (relating to purchase of stock from subsidiaries, etc.);".

(4) Paragraph (2) of section 336(b) is amended by striking out "334(b)(1)" each place it appears and inserting in lieu thereof "334(b)".

(5) Paragraph (2) of section 337(c) (relating to liquidations to which section 332 applies) is amended to read as follows:

"(2) LIQUIDATIONS TO WHICH SECTION 332 APPLIES.—In the case of any sale or exchange following the adoption of a plan of complete liquidation, if section 332 applies with respect to such liquidation, this section shall not apply."

(6) Paragraph (1) of section 381(a) is amended by striking out ", except in a case in which the basis of the assets distributed is determined under section 334(b)(2)".

(7) Subparagraph (B) of section 617(h)(2) is amended by inserting "338," after "334(b),".

(8) The table of sections for subpart B of part II of subchapter C of chapter 1 is amended by adding at the end thereof the following:

"Sec. 338. Certain stock purchases treated as asset acquisitions."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any target corporation (within the meaning of section 338 of the Internal Revenue Code of 1954 as added by this section) with respect to which the acquisition date (within the meaning of such section) occurs after August 31, 1982.●

By Mr. DANFORTH:

S. 2688. A bill to amend the Internal Revenue Code of 1954 to treat a corporation issuing stock in satisfaction of a debt in certain circumstances as having income from the discharge of indebtedness; to the Committee on Finance.

BANKRUPTCY TAX COORDINATION

● Mr. DANFORTH. Mr. President, I am introducing a bill today which is designed to prevent tax avoidance by better coordinating the treatment of discharged debt at the corporate level with treatment at the creditor level.

Under present law, as amended by the Bankruptcy Tax Act of 1980, Public Law 96-589, a solvent corporation which issues its stock in satisfaction of a debt suffers no tax consequences, even if the value of the stock is significantly less than the amount of debt it satisfies, and even though there may be tax consequences to the creditor on the transaction.

For example, assume that a corporation issues stock worth $600 in satisfaction of an outstanding security, such as a bond with a principal amount of $1,000 which was issued for $1,000 cash. The corporation would recognize no income and have no other tax consequences. Similarly, the creditor, pursuant to section 354, would generally recognize no loss on the exchange, nor would the creditor generally have taken any deduction for a partially worthless debt. Thus, here, both sides of the transaction are treated equivalently.

However, assume that a corporate debtor had issued a security with a principal amount of $1,000 in exchange for $1,000 cash. Assume further that the original creditor subsequently sells the security to an unrelated third party for $600, recognizing a $400 loss, and the corporation then issues $600 worth of its stock to the third party in satisfaction of the security. Here, as in the above example, current law requires neither party to the exchange to recognize gain or loss on the transaction. This is so, even though the original creditor has recognized a $400 loss, and may even have used the third party solely for the purpose of recognizing the loss.

Now assume that a corporation borrows $1,000 on a short-term note, and subsequently issues $600 worth of its stock in satisfaction of the note. Under current law, the creditor recognizes a $400 loss, but the corporation neither recognizes income nor must reduce tax attributes. Current law does require that any gain on subsequent sale of the stock must be recaptured as ordinary income to the extent of prior deductions taken against the creditor's ordinary income. However, if the stock is never sold, or is not sold at a gain, the transaction is never balanced.

In each situation, the substance of the transaction is the same as if the debtor corporation had issued its stock for cash, then used the proceeds to retire the debt. Looking at each transaction independently, the issuance of the stock for cash should not result in tax consequences to either party. However, to the extent the principal amount of the debt exceeds the proceeds used to retire the debt, there should be income recognition by the corporation and loss recognition by the creditor.

Thus, the bill, in effect, treats the satisfaction of debt with stock as if the corporation had, in fact, issued the stock for cash and used the proceeds to retire the debt. Under the bill, in all three examples, the creditor would recognize a $400 loss, and the corporation would recognize $400 of income from discharge of indebtedness. The provisions of the bill would be effective for stock issued after date of enactment.

This bill will not discourage distressed corporations from attempting to reorganize rather than liquidate, since it will not affect insolvent corporations or those which are in bankruptcy.

Mr. President, as a result of skyrocketing interest rates, many corporations have, in recent months, experienced a dramatic drop in the value of their outstanding debt. Naturally, to many the prospect of satisfying that debt at its discounted value, using stock of the corporation, is very attractive. But under current law, creditors are reluctant to go along with such a plan because it does not allow them to recognize the loss they have realized. So, corporations with good tax advice have made arrangements with third parties, such as brokerage firms, to have the third party acquire all the outstanding debt for cash (which results in loss recognition to the creditor), followed by an exchange of stock for the debt the third party has so acquired. Current law requires no income recognition by the corporation.

I believe this bill is necessary to the prevention of tax avoidance. I ask unanimous consent that the text of the bill be printed in full in the RECORD.

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

S. 2688

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subsection (e) of section 108 of the Internal Revenue Code of 1954 (relating to income from discharge of indebtedness) is amended by adding at the end thereof the following new paragraph:

"(10) INDEBTEDNESS SATISFIED BY CORPORATION'S STOCK.—Notwithstanding any other provision of this title, for purposes of determining income of the debtor from discharge of indebtedness, if a debtor corporation transfers its stock to a creditor in satisfaction of its indebtedness, such corporation shall be treated as have satisfied the indebtedness with an amount of money equal to

the fair market value of the stock. Except as otherwise provided in paragraph (8), the preceding sentence shall not apply to a debtor in a title 11 case or when the debtor is insolvent.

(b) Subparagraph (A) of section 354(a)(2) of the Internal Revenue Code of 1954 is amended to read as follows:

"(2) LIMITATIONS.—

"(A) EXCESS PRINCIPAL AMOUNT.—Paragraph (1) shall not apply—

"(i) if the principal amount of any such securities received exceeds the principal amount of any such securities surrendered,

"(ii) if any such securities are received and no such securities are surrendered, or

"(iii) to the extent the principal amount of any such securities surrendered exceeds the fair market value of any such stock received."

(c) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to stock issued after date of enactment.●

By Mr. DANFORTH:

S. 2689. A bill to amend the Internal Revenue Code of 1954 to treat the acquisition by certain corporations of their own stock or that of an affiliate as a distribution of property to the corporation's remaining shareholders; to the Committee on Finance.

CORPORATION STOCK PURCHASES

● Mr. DANFORTH. Mr. President, the bill I am introducing today deals with the treatment of certain corporations and their shareholders when the corporation purchases its own stock. I am introducing this bill because of my concern with what seems to be an increasingly common use of corporate capital.

A year ago, many in Congress were in the midst of a bidding war trying to outdo each other in providing incentives to corporations to invest in new plant and equipment, with the hope that we were going to see a wave of reindustrialization and increased productivity. Instead, investment in new plant and equipment and R. & D. has actually decreased in the last year.

Where are corporations putting their funds? Many of them are using their capital to reacquire their own outstanding stock—Treasury stock. The reason we are seeing so much of this, of course, is that in this economy, the stock of many corporations is undervalued compared to the value of the underlying assets. By acquiring their stock on the open market, the corporations explain to their shareholders, the value of their remaining shares will be enhanced.

It seems to me that this attitude, though perhaps partly a reaction to the recession, has also contributed to the severity and persistence of the recession.

Mr. President, last year we used a carrot in an attempt to encourage new business investment, and it has been generally ignored. I think it would be appropriate now to add a stick to the package. My bill, while not prohibiting the use of corporate capital to purchase Treasury stock, is intended to discourage doing so by treating the purchases as distributions of property to the remaining shareholders.

Under this bill, purchases of stock of a publicly traded corporation will be treated as a distribution of property to those who are shareholders as of the first day of the calendar quarter following the quarter in which the purchase is made. The shareholders are treated as having received, then reinvested, the property by allowing them to increase the basis in their stock by the amount of the deemed distribution.

The bill would generally be effective for purchases taking place after the date the bill is enacted. It would not apply to purchases made pursuant to a tender offer which is outstanding on that date; however, the bill will apply to purchases made pursuant to such a tender offer if, but for an extension granted after that date, it would not have been outstanding on the date of the purchase.

Mr. President, this bill is designed to discourage corporate use of funds which I consider irresponsible. It is my hope that a majority of my colleagues will agree and pass this bill into law.

I ask unanimous consent that the text of the bill be printed in full in the RECORD.

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

S. 2689

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

SECTION 1. Section 317 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(c) CERTAIN REDEMPTIONS TREATED AS DISTRIBUTIONS.—

"(1) GENERAL RULE.—For purposes of this part, all purchases of stock of a publicly traded corporation by that publicly traded corporation or its affiliate during a calendar quarter shall be treated as a distribution of property to the shareholders of the publicly traded corporation on the first day of the subsequent calendar quarter in an amount equal to the total consideration paid for the purchase of such stock.

"(2) DEFINITIONS.—For purposes of this subsection:

"(A) Publicly traded corporation.—The term 'publicly traded corporation' means any corporation whose stock is traded on a stock exchange or in an over-the-counter market at any time during a calendar quarter.

"(B) AFFILIATE.—The term 'affiliate' shall mean any corporation which is a member of a controlled group of corporations (within the meaning of sec. 1563) which includes the publicly traded corporation.

"(C) PURCHASE.—The term 'purchase' shall have the same meaning as under section 334(b)(3)."

SEC. 2. Section 1016(a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new paragraph:

"(25) for amounts treated as distributions of property pursuant to section 317(c)."

SEC. 3. EFFECTIVE DATE.—

(a) IN GENERAL.—The amendments made by this bill shall apply to purchases taking place after date of enactment.

(b) TRANSITIONAL RULE.—The amendments made by this bill shall not apply to any purchase pursuant to a tender offer which is outstanding on date of enactment, not including any extensions of such tender offer made after such date.●

By Mr. DANFORTH (for himself and Mr. SYMMS):

S. 2690. A bill relating to the tax treatment of long-term contracts with respect to taxable years beginning after December 31, 1982; to the Committee on Finance.

LONG-TERM CONTRACT TAXES

● Mr. DANFORTH. Mr. President, I am introducing a bill today intended to help eliminate the possibility for abuse in the use of the completed contract method of accounting. This bill is similar to S. 2622, which I introduced on June 10.

However, this bill, and the description attached, makes clear that the purpose of this proposal is to eliminate the potential abuses in this method. The Treasury Department is expected to prescribe regulations designed to accomplish this purpose in three general areas: severance and aggregation of several agreements; contact completion; and earnings and profits determination.

I ask unanimous consent that the text of the bill and the technical description be printed in full in the RECORD.

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

S. 2690

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 451 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(f) LONG-TERM CONTRACTS.—

"(1) IN GENERAL.—Income from a long-term contract may be included in gross income in accordance with the percentage of completion method, the completed contract method, or any other method which clearly reflects income. For purposes of this subsection, the term 'long-term contract' means any building, installation, construction, or manufacturing contract which is not completed within the taxable year in which it is entered into and which, in the case of a manufacturing contract, involves the manufacture of (A) unique items of a type which is not normally carried in finished goods inventory of the taxpayer, or (B) items which normally require more than 12 calendar months to complete (regardless of the duration of the actual contract).

"(2) COMPLETED CONTRACT METHOD.—The following rules shall apply in the case of a taxpayer utilizing the completed contract method of accounting for long term contracts:

"(A) SEVERANCE AND AGGREGATION OF AGREEMENT.—A single agreement shall be—

"(i) severed for treatment as more than one contract, or

"(ii) aggregated with other agreements for treatment of the aggregation as one contract, to the extent necessary to clearly reflect income. The determination of whether severance or aggregation is necessary shall be made on the basis of all the facts and circumstances of each case.

"(B) CONTRACT COMPLETION.—A contract shall be considered completed when all the items being built, installed, constructed or manufactured pursuant to such contract have been finally completed and finally accepted. Failure to complete contract requirements with respect to spare parts (other than spare parts which constitute a material portion of the contract), or to complete contract requirements other than building, installation, construction, or manufacturing requirements, will not be treated as preventing such final completion and final acceptance.

"(C) CONTRACT COSTS.—(i) Direct material costs, direct labor costs, and indirect costs (except as otherwise provided in (ii)) shall be treated as costs of the contract to the extent that such costs are incident to and necessary for the performance of the contract.

"(ii) No indirect costs listed in Treasury Regulation section 1.451-3(d)(5)(iii) (as in effect on January 1, 1982) shall be treated as allocable to a long term contract."

(b) EARNINGS AND PROFITS.—Section 312 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(m) EFFECT OF USE OF THE COMPLETED CONTRACT METHOD.—The Secretary shall prescribe regulations under which the earnings and profits of a corporation which uses the completed contract method of accounting for long term contracts under section 451(f) shall be determined.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2) below, the amendments made by this Act shall apply to taxable years beginning after December 31, 1982, and any regulations prescribed by the Secretary under this Act shall also be effective for taxable years beginning after December 31, 1982.

(2) TRANSITIONAL RULE.—With respect to long term contracts entered into on or before (date provisions are reported by the Finance Committee), a taxpayer required to change its method of accounting for any item pursuant to the provisions of this Act, shall be permitted to treat such change as a change in method of accounting for purposes of section 481.

DESCRIPTION

CURRENT LAW

Under present law, taxpayers may, pursuant to regulation, elect to use either the completed contract method of accounting or the percentage of completion method of accounting for long term contracts, that is, contracts that extend beyond a single tax year. Common examples of such contracts are those for the construction of buildings, highways, or dams, or the manufacture of aircraft, ships, or heavy industrial machinery.

Under the percentage of completion method, that portion of estimated income realized from a long term contract that corresponds to the percentage of the entire contract completed during the taxable year is included in gross income for that year. Expenses are deducted as incurred. Under the completed contract method, income derived from long term contracts is not reported on an estimated basis, but is recognized for tax purposes only in the taxable year in which the contract is completed, even though payments are received throughout the course of the contract. The contractor's deductions for all costs properly allocable to a long term contract (contract costs) are also deferred until the taxable year in which the contract is completed. Costs not properly allocable to a long term contract (period costs), are deducted in the year incurred.

Also under current law, contractors are permitted to use the cash or accrual method of accounting for their long term contracts. This bill is not intended to change the availability of these methods where, under the circumstances, they clearly reflect the income of the contractor.

REASONS FOR CHANGE

The completed contract method is an appropriate method of accounting in the proper circumstances. However, legislation is necessary to deal with problems that have arisen in the use of the method by some taxpayers. Specifically, deferral of completion of a contract for tax purposes (and thus deferral in reporting the income) has occurred in some cases, as follows: (1) incidental obligations requiring a substantial period of time to complete have been included in a long-term contract; (2) certain reorder or change order agreements have been treated as part of an original contract; (3) one contract has been used to encompass several projects with little or no business relationship; or (4) other such techniques have been used to defer the payment of taxes.

DESCRIPTION OF THE PROVISION

A new subsection (f) is added to Section 451 of the Internal Revenue Code of 1954 to confirm legislatively the general validity of the percentage of completion method of accounting and the completed contract method of accounting for long term contracts. The validity of these methods has previously been specifically recognized solely in Treasury regulations. In addition, in the instance of the completed contract method, this new subsection will specify standards which will permit the Secretary to prescribe regulations to deal with the problems which have arisen in the use of the method.

Paragraph (1) of the new subsection provides that income from a long term contract may, as under current law, be included in gross income in accordance with the percentage of completion method, the completed contract method, or any other method which clearly reflects income, and defines the term "long term contract" in accordance with the provisions of the current regulations. In general, the term is intended to apply to building, installation, construction or manufacturing contracts which are not completed within the taxable year in which they are entered into and which do not involve manufacture of inventory items. This paragraph is not intended to change present law determination of when a contract is considered to be a long term contract for income tax purposes. Thus, for example, a contract to manufacture 15,000 folding chairs which take three days each to manufacture would not be a long term contract even though it takes more than twelve calendar months to complete the contract. On the other hand, a contract to produce, over a period of five years, one hundred high altitude airplanes specifically designed for the needs of the customer and not normally carried in the taxpayer's inventory, would qualify for the completed contract method.

Paragraph (2) sets forth general rules which apply in the case of a taxpayer utilizing the completed contract method of accounting. It is contemplated that the Secretary will prescribe regulations to implement those standards.

Subparagraph (A) of Paragraph (2) deals with the question of when one agreement may be severed into separate contracts, or several agreements may be aggregated into one contract, for purposes of determining when a contract is completed for tax purposes. Under the bill, severance of a single agreement will result if, taking into account all the facts and circumstances of each case, severance is necessary to clearly reflect income. Several agreements would be aggregated under the same circumstances.

It is intended that the Secretary will prescribe regulations under this subparagraph which will prevent the abuses which may arise in the implementation of current regulations (Reg. sec. 1.451-3(e)). These potential abuses are described by Treasury in its General and Technical Explanations of Tax Revisions and Improved Collection and Enforcement Proposals, released February 26, 1982. Specifically, in item 3 of the Technical Explanation of the completed contract proposals, Treasury states that the current regulation, "is intended to apply when, for instance, a taxpayer prices two or more agreements using average costs and the costs of initial production are higher than the costs of later production. However, some taxpayers have interpreted this regulation to apply to two or more independently priced contracts provided that the taxpayer anticipated future contracts at the time the first contract was entered into."

Generally, one agreement will not be treated as several contracts unless such agreement (1) contemplates separate delivery or separate acceptance of portions of the subject matter of the contract, or (2) unless there is no business purpose for entering into one agreement rather than several agreements. (However, separate delivery or separate acceptance of portions of the subject matter of the contract does not necessarily require severing of a contract.)

Generally, several agreements will not be aggregated unless the several agreements would be treated as one contract under customary commercial practice in a taxpayer's trade or business or unless there is no business purpose for entering into several agreements rather than one agreement.

In addition, in determining whether an agreement should be severed or aggregated, it is expected that the following factors, among others, will be taken into account:

(1) whether separate units under the contract are priced independently, that is, whether the taxpayer would have entered into a separate agreement containing the terms agreed upon but for the taxpayer's entering into the other agreement, and

(2) whether a single agreement has been amended by supplemental agreement or extended by the exercise of an option to increase the number of units to be supplied. (In which case, such modifications may be treated as a separate contract or several separate contracts.) If, under all the facts and circumstances, the subject matter of the original agreement and the subject matter of the modification are priced independently, as described above, such modification will ordinarily be treated as a separate contract.

Example: Y, a calendar year shipbuilder using the completed contract method of accounting, enters into two contracts at about

the same time during 1983 with M. These contracts are the product of a single negotiation. Under each contract, the taxpayer is to construct for M a submarine of the same class. Although the specifications for each submarine are similar, it is anticipated that, since the taxpayer has never constructed this class of submarine before, the costs incurred in constructing the first submarine (to be delivered in 1984) will be substantially greater than the costs incurred in constructing the second (to be delivered in 1985). If the contracts are treated as separate contracts, it is estimated that the first contract would result in little or no gain, while the second contract would result in substantial profits. It is unlikely that Y would have entered into the first contract without also entering into the second contract. In these circumstances, the two contracts must be treated as one contract for purposes of the completed contract method.

Subparagraph (B) or Paragraph (2) confirms the rule of the present regulations that a long term contract shall be considered completed when final completion and acceptance have occurred with respect to the building, installation, construction, or manufacturing requirements of the contract. In order to prevent a taxpayer from holding contracts open by reason of provisions which are secondary to such requirements but which require substantial periods of time to complete, it is contemplated that the Secretary by regulation will prescribe standards for determining when a contract is deemed to be completed for purposes of the completed contract method. Thus, it is anticipated that the regulations issued pursuant to this subparagraph will reflect present law, except that (1) a contract will be considered completed without regard to possible bonuses for the taxpayer depending on the performance of the contract subject matter after initial acceptance by the purchaser, and (2) a contract will be considered complete without regard to obligations such as to provide spare parts or to supervise installation or assembly of the subject matter of the contract, when such obligations are merely incidental, i.e., the obligation does not represent so much of the contract price that it would make it impossible to determine whether a profit or loss will ultimately be realized on the contract.

In no circumstance could a taxpayer delay the completion of a contract for the principal purpose of deferring federal income tax.

Subparagraph (C) of Paragraph (2) codifies the rule of the current Treasury regulations (Treasury Regulation Sec. 1.451-3(d)(5)(iii)) with respect to determining what costs are properly allocable to a long term contract in the case of a taxpayer utilizing the completed contract method. This provision recognizes the detailed review of the question of cost allocation undertaken by the Treasury during the years 1970-1976 in connection with the promulgation of regulations relating to the completed contract method of accounting and adopts the result of that review as the proper test of cost allocation. This is effected by "freezing" the categories of non-allocable indirect cost, as determined by the Treasury and reflected in the regulations, as of January 1, 1982.

In addition to these changes, the bill authorizes the Secretary to prescribe regulations for determining the effect on earnings and profits of the use of the completed contract method. Over the last few years, a few companies using the completed contract method have been able to pay tax-free dividends to their shareholders because, under current law, the earnings and profits of a corporation are not affected by contracts which are not yet completed. It is expected that the regulations will solve this problem.

EFFECTIVE DATE

The provisions of this bill will be effective for taxable years beginning after December 31, 1982, and it is anticipated that any regulations prescribed by the Secretary will also be effective for years beginning after December 31, 1982. However, taxpayers required to change their method of accounting for any item pursuant to regulations prescribed under the authority of this bill will be permitted to treat such change as a change in method of accounting for purposes of section 481. However, to the extent a portion of any adjustment has not been taken into account, and which is attributable to a contract which would have been completed during a taxable year without regard to the provisions of this Act, such portion shall be taken into account in that taxable year. In any case, the income must be reported no later than the taxable year in which it would have been reported but for the provisions of this bill.●

By Mr. GORTON (for himself, Mr. PACKWOOD, Mr. PELL, and Mr. CHAFEE):

S. 2691. A bill to reform the regulation of sailing school vessels; to the Committee on Commerce, Science, and Transportation.

SAILING SCHOOL VESSELS ACT OF 1982

Mr. GORTON. Mr. President, the bill I am introducing directs the Coast Guard to promulgate regulations suited to the unique characteristics of sailing school vessels. Sailing school ships are operated by nonprofit educational institutions for the exclusive purpose of teaching students a variety of maritime-related subjects, including oceanography, marine biology, navigation, and vessel operations. The bill amends 46 U.S.C. 390 to include sailing school ships within a broad category of small passenger and small freight carrying vessels, for which the Coast Guard already has regulatory authority.

This bill will encourage the operation of sailing school ships and promote knowledge of the ocean and appreciation of our maritime heritage. Sailing school ships should be treated distinctly from vessels operated commercially to carry cargo or passengers when owned or chartered by nonprofit, tax-exempt educational institutions and used by the people aboard specifically for educational activities. The operation of sailing school ships has been severely restricted by the lack of appropriate classification of sailing school ships and their students under present laws and regulations.

Federal inspection regulations do not provide for sailing school ships. Passenger vessel regulations are designed to provide for the safety of passengers unfamiliar with the operation of the vessel, rather than of students who are aboard for instruction in the operation of the vessel. Sailing vessels often cannot comply with construction requirements which are designed for motorized, steel passenger vessels. Although regulations applicable to small passenger vessels are to some extent compatible with the operation of sailing vessels of under 100 gross tons, many sailing school ships are larger than 100 gross tons and, therefore, are governed by regulations applicable to larger passenger vessels and not appropriate for sailing school ships.

Under the provisions of the legislation, the Coast Guard would be required to issue final regulations within 1 year to provide as necessary for the design, construction, alteration or repair of sailing school vessels and for their operation, including manning requirements and qualifications of crew. It is anticipated that many of these regulations will be similar to those now applied to small passenger-carrying and small freight-carrying vessels. More specific regulations might, however, be necessary in areas including vessel stability, compartmentation, and utility systems, where sailing ships may differ significantly from the other vessel types.

There are numerous well-built historic and classic wooden sailboats that this country should insure are maintained, used, and appreciated. These vessels need gainful employment to be maintained and survive. Many are perfectly suited for use as sailing school ships. Rather than render them obsolete for all but maritime museums, the Coast Guard should devise a well-tailored set of rules that will assure their continued utilization, consistent with basic safety.

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. 2691

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 "Sailing School Vessels Act of 1982".

SEC. 2. Sections 1, 2, 3, 4, and 5 of the Act of May 10, 1956, are hereby amended to read as follows:

"SECTION 1. When used in this Act, unless the context requires otherwise:

"(a) The term 'passenger' means every person carried onboard a vessel other than—

"(1) the owner or his representative;

"(2) the master and bona fide members of the crew engaged in the business of the vessel who have contributed no consideration for their carriage and who are paid for their services;

"(3) any employee of the owner of the vessel engaged in the business of the owner, except when the vessel is operating under bareboat charter;

"(4) any employee of the bareboat charterer of the vessel engaged in the business of the bareboat charter;

"(5) any guest onboard a vessel which is being used exclusively for pleasure purposes who has not contributed any consideration,

either directly or indirectly, for his carriage; or

"(6) any person on board a vessel documented and used for tugboat or towboat service of fifty gross tons or more who has not contributed any consideration, directly or indirectly, for his carriage; or

"(7) any sailing school instructor or sailing school student or any guest on board a sailing school vessel.

"(b) The term 'passenger-carrying vessel' means any vessel which carries more than six passengers, and which is—

"(1) propelled in whole or in part by steam or by any form of mechanical or electrical power and is of less than one hundred gross tons;

"(2) propelled by sail and is of seven hundred gross tons or less; or

"(3) non-self-propelled and is of one hundred gross tons or less; except any public vessel of the United States or of any foreign state, or any lifeboat forming part of a vessel's lifesaving equipment.

The term includes domestic vessels operating on the navigable waters of the United States, or on the high seas outside of those waters and within the normal operating range of the vessel, and foreign vessels departing from a port of the United States.

"(c) The term 'International Convention for the Safety of Life at Sea' means the 'International Convention for Safety of Life at Sea, 1948' or any similar convention which comes into force and effect after ratification by the United States Senate.

"(d) The term 'Secretary' means the Secretary of the department in which the Coast Guard is operating.

"(e) The term 'freight-carrying vessel' means a vessel which carries freight for hire, is propelled by machinery, and is above fifteen gross tons and less than one hundred gross tons. The term does not include vessels propelled by machinery other than steam and engaged in fishing as a regular business, or vessels of foreign registry.

"(f) The term 'sailing instruction' means teaching, research, and practical experience in the operation of vessels propelled primarily by wind power and may include any subjects related thereto and to the sea, including but not limited to seamanship, navigation, oceanography, other nautical and marine sciences, and maritime history and literature.

"(g) The term 'sailing school vessel' means a vessel of less than five hundred gross tons is principally equipped for propulsion by sails, whether or not such vessel has any auxiliary mechanical means of propulsion, is owned or demise chartered and operated by an organization which is described in section 501(c)(3) of the Internal Revenue Code of 1954 and is exempt from tax under section 501(a) of such Code, as now or hereafter amended, or by any State or political subdivision thereof, during such times as such vessel is operated by such organization exclusively for the purpose of sailing instruction. For the purpose of this subsection, 'auxiliary means of propulsion' means mechanical propulsion equipment not exceeding four horsepower for each displacement ton of the vessel.

"(h) The term 'sailing school instructor' means any person who is aboard a sailing vessel for the purpose of furnishing sailing instruction. Such term does not include any operator or member of the crew of such a vessel who is among those required to be aboard the vessel to meet requirements established under section 3.

"(i) The term 'sailing school student' means any person who is aboard a sailing school vessel for the purpose of receiving sailing instruction.

"SEC. 2. (a) The Secretary shall, at least once every three years, cause to be inspected each passenger-carrying vessel, each freight-carrying vessel and each sailing school vessel and shall satisfy himself that every such vessel—

"(1) is of a structure suitable for the service in which it is to be employed;

"(2) is equipped with the proper appliances for lifesaving and fire protection in accordance with applicable laws, or rules and regulations prescribed by him;

"(3) has suitable accommodations for passengers, crew, sailing school students and sailing school instructors; and

"(4) is in a condition to warrant the belief that it may be used, operated, and navigated with safety to life in the proposed service and that all applicable requirements of marine safety statutes and regulations thereunder are faithfully complied with.

"(b) The Secretary may prescribe reasonable fees or charges for any inspection made and any certificate, license, or permit issued pursuant to this Act or the rules and regulations established hereunder.

"SEC. 3. In order to secure effective provision against hazard to life created by passenger-carrying vessels, freight-carrying vessels and sailing school vessels and to carry out in the most effective manner the provisions of this Act, the Secretary shall prescribe such rules and regulations as may be necessary with respect to design, construction, alteration, or repair of such vessels, including the superstructures, hulls, accommodations for passengers, crew, sailing school students, and sailing school instructors; fittings, equipment, appliances, propulsive machinery, auxiliary machinery, and boilers; with respect to all materials used in construction, alteration, or repair of such vessels including the fire prevention and fire retardant characteristics of such materials; with respect to the operation of such vessels, including the waters in which they may be navigated and the number of passengers, sailing school students, and sailing school instructors which they may carry; with respect to the requirements of the manning of such vessels and the duties and qualifications of the operators and crews thereof; and with respect to the inspection of any or all the foregoing.

"SEC. 4. (a) No passenger-carrying vessel, freight-carrying vessel, or sailing school vessel shall be operated or navigated until a certificate of inspection in such form as may be prescribed by the regulations promulgated by the Secretary under the authority of this Act has been issued to the vessel indicating that the vessel is in compliance with the provisions of said sections, and the rules and regulations established hereunder; except that when a foreign passenger-carrying vessel, freight-carrying vessel, or sailing school vessel belongs to a nation which is signatory to the International Convention for Safety of Life at Sea, a valid safety certificate issued to the vessel pursuant to the Convention may be accepted in lieu of the required certificate of inspection.

"(b) Any passenger-carrying vessel, freight-carrying vessel, or sailing school vessel to which a valid certificate of inspection has been issued pursuant to this section shall during the tenure of the certificate be in full compliance with the terms of the certificate.

"SEC. 5. Any owner, master, or person in charge of any vessel subject to this act who violates the provisions of said sections, or the rules and regulations established hereunder, shall be liable to the United States in a penalty of not more than $1,000 for each such violation, for which sum the passenger-carrying vessel, freight-carrying vessel, or sailing school vessel shall be liable and may be seized and proceeded against by way of liable in any district court of the United States having jurisdiction of the violation.".

SEC. 3. Sailing school students and sailing school instructors shall not be considered to be seamen under the provisions of titles 52 and 53 of the Revised Statutes of the United States and any Act amendatory thereof or supplementary thereto, or for the purposes of the maritime law doctrines of maintenance and cure or warrenty of seaworthiness.

SEC. 4. Each owner or charterer of a school vessel shall maintain evidence of his or her financial responsibility to meet any liability incurred for death or injury to sailing school students or sailing school instructors on voyages aboard the vessel, in an amount not less than $50,000 for each student or instructor. Such financial responsibility may be evidenced by policies of insurance or other adequate financial resources.

SEC. 5. A sailing school vessel shall not be deemed to be a merchant vessel or engaged in trade or commerce.

SEC. 6. (a) The Secretary shall not later than one year after the enactment of this Act prescribe rules and regulations necessary to carry out the provisions of this Act. Such rules and regulations shall reflect the specialized nature of sailing school vessel operations, and the character, design, and construction of vessels operating as sailing school ships.

(b) This Act shall take effect one year after enacted.

By Mr. DANFORTH:

S. 2692. A bill to suspend until January 1, 1987, the column 1 rate of duty on certain small toy and novelty items; to the Committee on Finance.

SUSPENSION OF DUTY ON CERTAIN TOY AND NOVELTY ITEMS

● Mr. DANFORTH. Mr. President, today I am introducing legislation which would suspend the tariffs imposed on imports of small toys and charms valued at 15 cents or less that are used in vending machines.

Importers of small toys and novelty items—primarily from Hong Kong and Taiwan—currently pay duties ranging from 7.7 percent to 22 percent. The American industry, consisting of vendors of machines and contents, is comprised entirely of small business, geographically disbursed throughout the United States.

To my knowledge, there is no American industry which produces the imported small toys and novelty items vended in the machines other than dice—which are exempt from the provisions of this bill. Such an industry did exist at the time the tariffs were enacted but has long since been replaced by imported merchandise. Thus, the original purpose of the tariffs is no longer served.

The American companies involved are centralized in some of the States suffering most from declining industry

and high unemployment, and in many cases employ individuals who are handicapped or who are otherwise hard pressed to find work.

American vendors of machines and contents have been particularly hard hit by inflation. This is because the machines are limited to 1-cent, 5-cent, 10-cent, or 25-cent applications and cannot be altered without great expense. Thus, the only way the industry can cope with inflation is to construct new machines, a significant capital expense, or reduce the quantity of product vended.

By one estimate, the entire American industry, including sales of bulk vending machines and product by manufacturers and distributors, amounts to less than $100 million annually in the United States. Assuming an average duty of 10 percent, which may be high, the total revenue loss would be in the range of $1 million—resulting from tariffs that offer no protection to American producers.

Mr. President, there are few things left in this country that a child can purchase with a penny, and 1-cent sales still account for 20 to 30 percent of the total revenue of this industry. We would be doing a favor to children around the country by enacting this bill into law.

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. 2692

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States is amended by inserting in numerical sequence the following new item:

"912.20	Articles provided for in parts 5D and 5E of schedule 7 (except balloons, marbles, dice, and die-cast vehicles), valued not over five cents per unit; and jewelry provided for in part 6A of schedule 7 (except parts), valued not over 1.6 cents per piece.	Free.....	No change..	On or before 12/31/86".

SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse for consumption, on and after the 15th day after the date of the enactment of this Act.●

By Mr. SCHMITT:

S. 2693. A bill to provide for the minting of the American Eagle gold coin pursuant to article I, section 8 of the Constitution of the United States; to the Committee on Banking, Housing, and Urban Affairs.

AMERICAN EAGLE GOLD COIN ACT OF 1982

● Mr. SCHMITT. Mr. President, today I am reintroducing the American Eagle Gold Coin Act of 1982. This measure is identical to S. 2330, a bill I introduced earlier this year, except for the tax treatment of the American eagle coin. S. 2330 would have exempted the American eagle coin from capital gains tax. The bill I am introducing today is silent with respect to taxes.

It is my hope that the Banking Committee will hold hearings in the near future on this bill. It is also my hope that the Senate Finance Committee will begin action on S. 2330 which has been referred to them. 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. 2693

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

SHORT TITLE

SECTION 1. This Act may be cited as the "American Eagle Gold Coin Act of 1982".

AUTHORIZATION FOR MINING

SEC. 2. (a) The Secretary of the Treasury shall mint gold coins which shall be referred to as "American Eagles", and which shall be minted as provided in this Act in accordance with the following specifications:

(1) An "Eagle", having a gold content of one fine troy ounce and a diameter of 1.28 inches;

(2) A "Half Eagle", having a gold content of one-half fine troy ounce and a diameter of 1.06 inches;

(3) A "Quarter Eagle", having a gold content of one-quarter fine troy ounce and a diameter of 0.87 inch; and

(4) A "Tenth Eagle", having a gold content of one-tenth fine troy ounce and a diameter of 0.65 inch.

(b) Coins minted under this Act shall be of a fineness of nine hundred parts per one thousand of pure gold and one hundred parts per one thousand of alloy. Coins shall not be struck from ingots which deviate from the standard contained in this subsection by more than one part per thousand.

(c) Coins minted under this Act shall bear—

(1) on the obverse side, the design of the 1908 double eagle, together with inscriptions specifying the gold content and the year of minting;

(2) on the reverse side, the reverse of the Great Seal of the United States; and

(3) have reeded edges.

(d) The Secretary of the Treasury may mint the American Eagle coins authorized by this Act in the weights and sizes set forth in subsection (a) of this section, in such quantities as he determines to be necessary to meet public demand.

(e) Except as provided in section 5, not more than twenty million fine troy ounces of gold may be used for coins authorized by this Act.

(f) Notwithstanding section 102 of the Coinage Act of 1965 (31 U.S.C. 392) coins minted under this Act shall not be legal tender for public debts, public charges, taxes, duties, or dues. Nothing in this subsection shall prevent the use of such coin for the payment of private debts.

DELIVERY AND MARKETING

SEC. 3. (a) Coins minted under the authority of this Act shall be delivered to banks and other institutions and retailers for distribution and sale to the public, pursuant to rules and regulations of the Secretary of the Treasury.

(b) The Secretary of the Treasury shall begin delivery of the one-ounce American Eagle coins authorized by this Act, not later than January 1, 1984, and delivery of the one-half, one-quarter, and one-tenth-ounce not later than January 1, 1985.

PRICE

SEC. 4. (a) Coins authorized by this Act shall be sold to the public in accordance with section 3 of this Act, at a price to be determined daily by the Secretary of the Treasury, according to their relative weight of gold, equal to the price of gold bullion sold on the Commodity Exchange, Incorporated, New York, at 4 o'clock postmeridian on the previous business day, plus an amount determined by the Secretary to pay for the minting, delivering, and distribution expenses of the coins, and all other related expenses.

(b) The Secretary of the Treasury shall have the power to—

(1) adjust the seigniorage charge on the sale of all coins authorized by this Act to finance the expenses for minting, delivering, and distributing such coins, and

(2) regulate or suspend the quantity of coins made available for distribution or suspend sales of coins authorized by this Act, as he deems necessary to avoid manipulation of gold prices or coins prices.

EXCHANGE OR BULLION FOR COINS

Sec. 5. (a) Any owner of gold bullion may deposit such gold in any mint of the United States designated by the Secretary for such purpose and receive in exchange for its relative weight of gold content an equal weight of gold in American Eagle coins, less an amount to be determined by the Secretary of the Treasury to be equal to the charge established pursuant to section 4(a) and any other related expenses.

(b) All gold bullion deposited in any United States mint pursuant to subsection (a) of this section shall be available for the minting of American Eagle coins. Any coin minted pursuant to this subsection shall not be included in the total troy ounces of gold authorized in section 2(e).

(c) The Secretary may prescribe such regulations as may be necessary to carry out this section, including regulations specifying charges for assay and other related expenses.●

By Mr. DECONCINI:

S. 2694. A bill to direct the Secretary of Agriculture to convey certain property to the Miami Area Unified School District No. 40, Miami, Ariz.; to the Committee on Energy and Natural Resources.

MIAMI SCHOOL DISTRICT LAND CONVEYANCE

Mr. DECONCINI. Mr. President, the bill I am introducing today is relatively simple, yet vitally important to the residents of Roosevelt, Ariz. and the Miami Unified School District.

The small community of Roosevelt, Ariz., is part of the Miami Area School District. The district provides educational benefits to many surrounding communities, some of which, like Roosevelt, are quite a distance from the district's public school facilities. While this arrangement has well served the

needs of area residents for some time, the increased population growth in one of the outlying communities, Roosevelt, has prompted the need to take a serious look at location a grade school closer to the community itself. Roosevelt is encompassed by the Tonto National Forest and as a consequence, there is limited private land available to build a school for approximately 70 elementary students. This legislation would transfer title of a rather small parcel of land from the U.S. Forest Service to the Miami Area Unified School District for such a school.

Mr. President, the Forest Service has had extensive discussions with school district officials and have agreed to make the land in question, approximately 5 acres, available to house a public school for grades K through four. Presently, Roosevelt students are required to commute nearly 2 hours each day on winding, mountainous roads from Roosevelt Lake to Miami. Not only does this arduous journey fail to satisfy health and safety needs for the students, but it denies the young students the benefits of attending a school in their own home community.

Inasmuch as the school district owns a portable building which would be erected on the acquired site, the Federal Government could immediately accommodate local needs through this simple land conveyance without placing a further financial strain on this relatively modest public jurisdiction.

Mr. President, I am aware that there is existing authority under which the Forest Service can make land conveyances of this type. However, current statutes require compensation by land or cash, at fair market value. Although this requirement is eminently fair and necessary in some circumstances, I believe there are certain conditions that deserve special consideration by the Congress. This is one of those cases. This particular parcel of land is not currently being used by the National Forest Service for any significant purpose. And, needless to say, the town of Roosevelt's tax base is not large enough to purchase this land at current market prices.

Mr. President, I believe this action would typify the model relationship between a Federal agency and a local entity. The superintendent of the Miami Unified Area School District, Mr. Lawrence P. Lemons, and other members of the governing board will welcome an opportunity to present their concerns directly to the committee members and I would hope that hearings would be held and action be taken on this bill as expeditiously as possible.

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. 2694

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture is authorized and directed to convey, by quitclaim deed and without consideration, to the Miami Area Unified School District Number 40, Miami, Arizona, all right, title, and interest of the United States in and to the following described land:

That portion of section 2, unsurveyed, T. 3 N., R. 12 E., G&SRB&M, described as follows:

Starting at a point of origin which is the northern edge of FDR No. 446 at its junction with the west boundary of Roosevelt Lake Estates, traverse on a true bearing of N 6° 54'E for 660 ft.; then along a true bearing of N 83° 06'W for 330 ft.; then along a true bearing of S 6° 54'W for 660 ft.; then along a true bearing of S 83° 06'E for 330 ft. back to the starting point, located in Tonto National Forest, Gila County, Arizona, and comprising approximately five acres.

By Mr. DOLE (for himself, Mr. DENTON, Mr. INOUYE, Mr. MATSUNAGA, Mr. MELCHER, and Mr. THURMOND):

S.J. Res. 207. Joint resolution to authorize and request the President to designate the week of August 1, 1982, through August 7, 1982, as "National Purple Heart Week"; to the Committee on the Judiciary.

NATIONAL PURPLE HEART WEEK

● Mr. DOLE. Mr. President, today I am introducing a joint resolution to designate the week August 1, 1982, through August 7, 1982, as "National Purple Heart Week." Five other Members who like myself were unlucky enough to earn this award join me as cosponsors for the resolution. It is appropriate that we disignate this particular week to honor the holders of the Purple Heart Award, because it will be 200 years ago, on August 7, 1782, that Gen. George Washington, commanding the Continental Army of the Colonies, established the first decoration to be awarded to American fighting men. That award was the badge of military merit, and was intended only for award to enlisted soldiers at the time. The award fell into disuse, and it was not until 1932 that the U.S. Army established the Purple Heart Award as a direct descendant of the older award. The Purple Heart is a very democratic award, it goes to any member serving with the Armed Forces of the United States who is killed or wounded in action. You cannot earn it in the Pentagon, no matter how useful or difficult the staff work may be, you must earn it the hard way in combat against an enemy of the United States.

The military order of the Purple Heart, which has requested that I introduce this resolution, was chartered by the Congress on August 26, 1932. So it is also appropriate that we help that organization celebrate the 50th anniversary of its service to wounded veterans by recognizing the particular sacrifice that wounded veterans have made in the defense of the United States. We should also note that the criteria for award of the Purple Heart includes injuries inflicted on prisoners of war by their captors. It is appropriate that we take the time to honor the wounded veterans of this Nation for their sacrifices. Some will carry a visible reminder of that sacrifice with them for the rest of their lives. Others, less fortunate, are paralyzed and will spend their lives denied the simple pleasures of rising each morning to greet the new day. I urge my colleagues to join me in this effort to proclaim August 1, 1982, through August 7, 1982, as "National Purple Heart Week."●

Mr. GLENN (for himself, Mr. PELL, Mr. DODD, Mr. BRADLEY, Mr. MOYNIHAN, Mr. ZORINSKY, and Mr. TSONGAS):

Senate Joint Resolution 208. Joint resolution with regard to Presidential certifications on conditions in El Salvador; to the Committee on Foreign Relations.

PRESIDENTIAL CERTIFICATION OF CONDITIONS IN EL SALVADOR

Mr. GLENN. Mr. President, last year Congress conditioned the continuation of U.S. aid to El Salvador on that Government's progress on a number of important issues. That progress is to be certified to the Congress by the President every 6 months. One of the most visible and personal issues in our relationship with El Salvador is the unresolved investigation of the murders of six American citizens. Present law requires that the President certify, only in his first certification, that he has determined that the Government of El Salvador has made good faith efforts both to investigate the murders of the six U.S. citizens in El Salvador in December 1980 and January 1981 and to bring to justice those responsible for those murders. Mr. President, I believe we all hoped that these cases would have been thoroughly investigated and those responsible brought to justice by this time. Unfortunately, as far as I am aware, no significant progress has been made on any of those cases since the Presidential certification in January of this year. I believe that the brutal murders of the Americans, four churchwomen and two agricultural experts, should not be allowed to drop from our consciousness nor be downrated in the context of our bilateral relationship with El Salvador. Thus I am introducing this joint resolution which will require that progress on the investigation of the Americans' murders be included in the second Presidential certification. This lan-

guage has already been unanimously approved by the House Foreign Affairs Committee. We must insure that the Government of El Salvador is aware that this issue remains one of intense interest among Americans.

Mr. President, I ask unanimous consent that the joint resolution be printed in the RECORD.

S.J. RES. 208

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 728(e) of the International Security and Development Cooperation Act of 1981 is amended by adding at the end thereof the following: "The second certification required under this section may be made only if it includes a determination by the President that the Government of El Salvador (1) has made good faith efforts since the first such certification was made to investigate the murders of those six United States citizens and to bring to justice those responsible for those murders, and (2) has taken all reasonable steps to investigate the disappearance of journalist John Sullivan in El Salvador in January 1981.".

By Mr. LEVIN:

S.J. Res. 209. Joint resolution designating the week beginning September 5, 1982, as "National Adult Day Care Center Week"; to the Committee on the Judiciary.

NATIONAL ADULT DAY CARE CENTER WEEK

● Mr. LEVIN. Mr. President, today I am introducing a joint resolution designating the week beginning September 5, 1982, as "National Adult Day Care Center Week." The joint resolution has already been introduced in the House of Representatives by my colleague from Michigan, Congressman HERTEL.

There are approximately 800 adult day care centers in the Nation today which provide the elderly with support services, such as routine medical tests and referrals, nutritional education, and an opportunity for interaction with other persons in the community. Most of the centers are nonprofit organizations which charge according to the person's ability to pay. These centers also provide assistance to families who are seeking ways to keep their relatives out of long-term care facilities, but who are unable to provide round-the-clock help in the home.

Mr. President, this joint resolution is needed in order to draw attention to the safe and positive alternative to institutionalization which day care centers can provide. Utilization of daytime services for the elderly is cost-efficient but more importantly, adult day care provides the Nation's elderly with an opportunity to maintain their independence and self-esteem by remaining in their own homes for as long as is possible.

I urge Members of the Senate to join me in supporting this joint resolution and I ask unanimous consent that a January 18, 1982, Time magazine article on adult day care by printed in the RECORD at this point.

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

[From Time Magazine, Jan. 18, 1982]

DAY CARE CENTERS FOR THE OLD

A year ago, Charles Crandall, 73, was spending most of his days staring at the walls of his San Francisco apartment, subsisting on solitary meals eaten out of cans. Crippled by a childhood bout with polio and suffering from heart disease, he seemed destined for a nursing home. Had that been his fate, he says, "I don't think I would be living now." Instead, California social services agencies enrolled him in a new kind of program for the elderly that allowed him to continue living in his own home. Three days a week, from 10 a.m to 3 in the afternoon, Crandall goes to a day care center for adults. There, nurses monitor his health, a physical therapist provides him with exercises, a nutritionist plans his lunch and friends keep him interested in the world. Together, says Crandall, "they give me the incentive to live."

Adult day care centers are, for a growing number of Americans, a happy solution to the problems posed by infirmity and old age. For people like Crandall, who are disabled but not in need of full-time nursing care, they fill the vital gap between neighborhood senior citizen centers, which are generally not equipped for the handicapped, and dreaded institutionalization. For families of the infirm elderly they offer welcome relief from the strain of providing full-time care for an ailing relative at home and from the guilt that often comes from banishing that person to a nursing home, perhaps prematurely. (An estimated 25 percent of nursing home residents do not need to be there.) "Our goal," says Jacqueline Falk, a day care administrator in Chicago, "is to keep people living in the community for as long as possible, with independence and dignity."

Though England has had "day hospitals" since the 1950s, they are a relatively recent innovation in the U.S. Adult day care centers grew out of disillusionment with nursing homes, many of which are known for rising costs, all but endless waiting lists and neglect of patients. In 1974 the Department of Health, Education and Welfare added an incentive by agreeing to channel Medicaid funds toward programs designed to take the place of nursing homes. Massachusetts, California and Georgia led the way. Within four years some 275 adult day care facilities had been established. Today there are about 800 such centers in 44 states and Puerto Rico.

The centers are diverse. Basically, there are two types: adult day "health" centers, where the focus is on providing medical services such as physical and speech therapy; and "social" day care centers, which stress social and recreational activities, though they too may have nurses and therapists on staff. Costs range from $11.82 a day, at one notably inexpensive center in Lincoln, Neb., to $50, with additional charges where transportation is provided. Patients typically spend two or three days a week in day care. Nursing homes, by contrast, charge an average $30 to $40 a day, some as much as $70—seven days a week.

Day care centers have been set up in converted nightclubs (the On Lok Senior Health Services in San Francisco) and in revamped American Legion posts (Post No. 426 in Yucaipa, Calif.), in church basements and converted warehouses. The services they provide are equally diverse. The Burke Rehabilitation Center in White Plains, N.Y., offers two highly specialized programs: one for elderly survivors of stroke, heart attack and other debilitating diseases ($26 a day plus $16 for ambulette service) and a second program for people with moderate to severe senility ($53 a day). Says John Panella, coordinator of both programs: "Many of these people have been rejected by standard senior centers." Notes Burke Director of Psychiatry Dr. James Haycox: "Demented patients form tight bonds, have good friendships. The program keeps them out of bed, dressed, groomed and responding to people."

Some centers accept adults of all ages. The Sister Kenny Institute in Minneapolis is willing to consider those 18 or older, mobile with the aid of just one person, mentally alert, able to feed themselves, continent of bowel and bladder. A number of centers specialize in patients who need rehabilitation rather than long-term care. Patients at the Georgia Infirmary, Inc., in Savannah, for example, attend therapy classes for seven to 14 weeks, at a cost ranging from $350 to $2,000 a month. Most have been disabled by strokes, arthritis, diabetes or neurological injuries, yet 70 percent "can live functionally independent lives," says Program Director Hunter Hurst Jr.

Almost all centers have to struggle to make ends meet. Most operate on a nonprofit basis and offer their service on a sliding fee scale according to ability to pay. Few private medical insurance companies will provide coverage, and with only a fraction of patients paying the full cost, the difference usually has to be patched together from a variety of sources, including private donations and United Way. Medicaid money, long a mainstay for nursing homes, is available for day care, but only for health-oriented facilities meeting stringent medical requirements. Some federal funds are also available under Title XX of the Social Security Act, but under the Reagan Administration, the total has been cut nearly 25 percent.

All this is especially worrisome to the old, to people like Laurette Dunthy, 73, of San Francisco. Partly paralyzed and confined to a wheelchair, she was at first reluctant to try a day care center at all. Soon she found she loved it, made close friends and even won an award for poetry. "It's like having a family all over again," she says. But her daughter Grace Ann Gaskill adds: "All along there has been this uncertainty. Every year they didn't know if they were going to be funded for the next."●

ADDITIONAL COSPONSORS

S. 1018

At the request of Mr. CHAFEE, the Senator from New Jersey (Mr. BRADY), the Senator from Wisconsin (Mr. PROXMIRE), the Senator from Illinois (Mr. DIXON), the Senator from Missouri (Mr. DANFORTH), the Senator from Tennessee (Mr. SASSER), and the Senator from Missouri (Mr. EAGLETON) were added as cosponsors of S. 1018, a bill to protect and conserve fish and wildlife resources, and for other purposes.

S. 1256

At the request of Mr. EXON, the Senator from South Carolina (Mr. HOLLINGS) was added as a cosponsor of S. 1256, a bill to regulate interstate commerce by protecting the rights of consumers, dealers, and end-users.

S. 1354

At the request of Mr. BRADLEY, the Senator from Connecticut (Mr. WEICKER) was added as a cosponsor of S. 1354, a bill to provide standby authority to deal with petroleum supply disruptions, and for other purposes.

Mr. BRADLEY. Mr. President, I ask unanimous consent that the Senator from Connecticut (Mr. WEICKER) be added as a cosponsor of the bill, S. 1354, effective April 5, 1982. It may also be noted that the Senator from Connecticut has been a supporter of the bill since April 2, 1982.

S. 1450

At the request of Mr. CANNON, the Senator from North Carolina (Mr. EAST) was added as a cosponsor of S. 1450, a bill to provide for the continued deregulation of the Nation's airlines, and for other purposes.

S. 1550

At the request of Mr. HELMS, the Senator from South Dakota (Mr. PRESSLER) was added as a cosponsor of S. 1550, a bill to amend the Federal Election Campaign Act to prohibit the use of compulsory union dues for political purposes.

S. 2043

At the request of Mr. HUMPHREY, the Senator from North Carolina (Mr. EAST) was added as a cosponsor of S. 2043, a bill to amend title 18, United States Code, to provide criminal penalties for the mailing of identification documents bearing a false birthdate.

S. 2061

At the request of Mr. MOYNIHAN, the Senator from Washington (Mr. JACKSON), the Senator from Connecticut (Mr. DODD), and the Senator from Maryland (Mr. SARBANES) were added as cosponsors of S. 2061, a bill to provide for the conservation, rehabilitation, and improvement of natural and cultural resources located on public and Indian lands, and for other purposes.

S. 2150

At the request of Mr. LEVIN, the Senator from Florida (Mr. CHILES) was added as a cosponsor of S. 2150, a bill to amend the Social Security Act to provide that the amount of any unnegotiated social security check shall be returned to the trust fund from which the check was issued.

S. 2159

At the request of Mr. DANFORTH, the Senator from Arizona (Mr. DECONCINI) was added as a cosponsor of S. 2159, a bill to amend the Bankruptcy Act to provide that judgement debts resulting from a liability which is based on driving while intoxicated shall not be discharged.

S. 2225

At the request of Mr. BAUCUS, the Senator from Arkansas (Mr. PRYOR) was added as a cosponsor of S. 2225, a bill to amend the Internal Revenue Code of 1954 to remove certain limitations on charitable contributions of certain items.

S. 2240

At the request of Mr. STEVENS, the Senator from Alaska (Mr. MURKOWSKI) was added as a cosponsor of S. 2240, a bill to amend title 5, United States Code, to provide permanent authorization for Federal agencies to use flexible and compressed employee work schedules.

S. 2261

At the request of Mr. PRESSLER, the Senator from Florida (Mrs. HAWKINS) was added as a cosponsor of S. 2261, a bill to authorize funds for the U.S. Travel and Tourism Administration for fiscal year 1983.

S. 2330

At the request of Mr. SCHMITT, the Senator from Idaho (Mr. SYMMS) was added as a cosponsor of S. 2330, a bill to provide for the minting of the American Eagle gold coin pursuant to article I, section 8 of the Constitution of the United States.

S. 2369

At the request of Mr. DOLE, the Senator from Maine (Mr. MITCHELL) was added as a cosponsor of S. 2369, a bill to amend the Internal Revenue Act of 1954 to clarify the standards used for determining whether individuals are not employees for purposes of the employment taxes, and for other purposes.

S. 2419

At the request of Mr. DECONCINI, the Senator from Texas (Mr. TOWER), and the Senator from South Carolina (Mr. THURMOND) were added as cosponsors of S. 2419, a bill to amend title 28, United States Code, regarding venue, and for other purposes.

S. 2422

At the request of Mr. INOUYE, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 2422, a bill to provide for equitable sharing by the spouses of qualifying Central Intelligence Agency officers in benefits paid by the Central Intelligence Agency Retirement and Disability System.

S. 2425

At the request of Mr. ROTH, the Senator from Rhode Island (Mr. PELL) was added as a cosponsor of S. 2425, a bill to amend the Internal Revenue Code of 1954 to clarify certain requirements which apply to mortgage subsidy bonds, to make tax-exempt bonds available for certain residential rental property, and for other purposes.

S. 2529

At the request of Mr. COHEN, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 2529, a bill to establish objective criteria and procedures for closing and consolidating weather stations.

S. 2548

At the request of Mr. HUMPHREY, the Senator from North Carolina (Mr. EAST), and the Senator from South Carolina (Mr. THURMOND) were added as cosponsors of S. 2548, a bill to amend the Occupational Safety and Health Act of 1970 to specify the necessity of a warrant when the owner, operator, or agent in charge of any workplace refuses entry, and for other purposes.

S. 2562

At the request of Mr. ROTH, the Senator from Mississippi (Mr. STENNIS) was added as a cosponsor of S. 2562, a bill to transfer the functions of the Department of Energy to other agencies, to maintain continuity in vital programs and relationships, to recognize the Federal Energy Regulatory Commission as a separate independent regulatory agency, and for other purposes.

S. 2572

At the request of Mr. KENNEDY, his name was withdrawn as a cosponsor of S. 2572, a bill to strengthen law enforcement in the areas of violent crime and drug trafficking, and for other purposes.

S. 2585

At the request of Mr. CRANSTON, the Senator from Kentucky (Mr. FORD) was added as a cosponsor of S. 2585, a bill to provide that the Armed Forces shall pay benefits to surviving spouses and dependent children of certain members of the Armed Forces who die from service-connected disabilities in the amounts that would have been provided under the Social Security Act for amendments made by the Omnibus Budget Reconciliation Act of 1981.

S. 2598

At the request of Mr. MCCLURE, the Senator from New Mexico (Mr. DOMENICI), and the Senator from Montana (Mr. MELCHER) were added as cosponsors of S. 2598, a bill to provide for the disposal of silver from the National Defense stockpile through the issuance of silver coins.

S. 2603

At the request of Mr. ROBERT C. BYRD, the Senator from Kentucky (Mr. HUDDLESTON) was added as a cosponsor of S. 2603, a bill to amend the Trade Act of 1974 to insure fair trade opportunities, and for other purposes.

S. 2610

At the request of Mr. CHAFEE, the Senator from Alaska (Mr. STEVENS), and the Senator from Utah (Mr. GARN) were added as cosponsors of S.

2610, a bill to delay Treasury regulations on the debt-equity issue.

S. 2625

At the request of Mr. ROTH, the Senator from Minnesota (Mr. DURENBERGER), was added as a cosponsor of S. 2625, a bill to amend the Federal Property and Administrative Services Act of 1949 to make Federal surplus property more accessible to local emergency preparedness and volunteer firefighting organizations and to authorize and direct the Federal Emergency Management Agency to recommend available Federal surplus to the Administrator of the General Services Administration for transfer to such organizations and for other purposes.

S. 2658

At the request of Mr. SPECTER, the Senator from West Virginia (Mr. ROBERT C. BYRD) was added as a cosponsor of S. 2658, a bill to amend title 18 to delimit the insanity defense, and for other purposes.

SENATE JOINT RESOLUTION 175

At the request of Mr. KASTEN, the Senator from Colorado (Mr. ARMSTRONG), and the Senator from Oklahoma (Mr. BOREN) were added as cosponsors of Senate Joint Resolution, 175, a joint resolution authorizing and requesting the President to proclaim "National Junior Bowling Championship Week."

SENATE JOINT RESOLUTION 178

At the request of Mr. HATCH, the Senator from Nevada (Mr. LAXALT), was added as a cosponsor of Senate Joint Resolution 178, a joint resolution to authorize and request the President to proclaim the second week in April as "National Medical Laboratory Week."

SENATE RESOLUTION 355

At the request of Mr. DECONCINI, the Senator from Hawaii (Mr. INOUYE), the Senator from Ohio (Mr. METZENBAUM), and the Senator from Mississippi (Mr. STENNIS) were added as cosponsors of Senate Resolution 355, a resolution expressing the sense of the Senate with respect to the need to continue Federal funding for energy conservation and renewable energy resources.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. McCLURE. Mr. President, I ask unanimous consent that the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Tuesday, June 29, at 10 a.m., to hold an oversight hearing on the use of competition in the procurement process in the Department of Defense.

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

COMMITTEE ON FOREIGN RELATIONS

Mr.McCLURE. Mr. President, I ask unanimous consent that the Foreign Relations Committee be authorized to meet during the session of the Senate at 2 p.m. on Tuesday, June 29, to consider S. 1482, a bill regarding Federal participation in international expositions.

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

Mr. McCLURE. Mr. President, I ask unanimous consent that the Foreign Relations Committee be authorized to meet during the session of the Senate at 3 p.m. on Tuesday, June 29, to consider the United Nations Industrial Development Organization Treaty, 97-19.

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

SELECT COMMITTEE ON INTELLIGENCE

Mr. McCLURE. Mr. President, I ask unanimous consent that the Intelligence Committee be authorized to meet during the session of the Senate at 2 p.m. on Tuesday, June 29, to receive a briefing on intelligence matters.

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

Mr. McCLURE. Mr. President, I ask unanimous consent that the Intelligence Committee be authorized to meet during the session of the Senate at 3 p.m. on Wednesday, June 30, to receive a briefing on intelligence matters.

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

ADDITIONAL STATEMENTS

TUITION TAX CREDITS

● Mr. MATTINGLY. Mr. President, on April 25, 1982, President Reagan announced his intention to seek legislation which would provide tuition tax credits for those attending private elementary and secondary schools. On June 23, such a bill was introduced on behalf of the administration by the distinguished chairman of the Finance Committee.

At this time in our Nation's history—a time of serious economic trouble—we should be seeking ways to close tax loopholes, not to open them. I am astounded that on the very day the U.S. Senate approved a budget which contains a budget deficit conservatively estimated at $104 billion, that we would be asked to consider legislation which would add even more to the red ink. The President vetoed the urgent supplemental appropriations bill on the basis that it will increase budget deficits yet he is asking Congress to adopt tuition tax credit legislation which will have the same effect.

It is estimated that the tuition tax credit bill will cost $1.5 billion a year by 1987. Where is the reason and common sense in this? It is unfair to the American people.

Regardless of any constitutional arguments for or against tuition tax credits and the harm such credits would do to public education, this measure is preposterous.●

PREVENTION OF HEAT STRESS AMONG THE ELDERLY

● Mr. CHILES. Mr. President, during the last few years the effects of extremes in temperature on older Americans—both cold and heat—have been well documented. While a vigorous campaign has been mounted during the past couple of winters to provide information on the consequences of cold stress (hypothermia), very little educational activity has yet been undertaken on the even more serious effects of heat stress (hyperthermia).

There is very strong evidence that the effects of heat stress among the elderly can be even more life threatening, to more people, than exposure to cold. Even mild heat waves can kill if proper precautions are not taken by the elderly and others who suffer from circulatory problems. Prolonged heat waves in recent summers have dramatically brought this to public attention with documented reports of thousands of heat-related deaths.

I have been working with an organization called the Center for Environmental Physiology to develop and distribute educational materials on heat stress, and I would like to have printed in the RECORD a copy of a factsheet developed by the center which provides the most current information available on the threat of heat stress to older Americans. The main point of this factsheet is the prevention of heat-related illness rather than treatment of verious Medical problems such as heat exhaustion and heat stroke.

Arrangements are now being made to have this factsheet distributed by the Administration on Aging and the ACTION agency through local area agencies on aging, senior nutrition sites, and older American volunteer program sites throughout the country. As we are now entering deep summer, I think that this factsheet will be useful for all my colleagues who might want to give it an even wider distribution within their own States.

The factsheet follows:

A MESSAGE FOR OLDER ADULTS: HOT WEATHER SPELLS DANGER

HEAT STRESS

Heat is a killer. Most of the victims are elderly. Hot weather can place a dangerous strain on your body, especially your heart. If the burden is too great, heat can make you very sick or even kill you.

FACTS ABOUT THE HEAT

Temperatures above 90°F can be very dangerous, especially when the humidity is also high. Crowded living conditions increase this danger.

Your body needs time to adjust to hot weather. A sudden increase in temperature, especially in the early summer, is particularly dangerous because your body is unprepared for the strain.

It doesn't take a "Killer Heat Wave" to kill you. If you are feeling hot and uncomfortable, take steps to avoid heat stress.

Heat stress can cause many medical problems including heat exhaustion, heat stroke, heart failure and stroke. Proper precautions can make you more comfortable, prevent illness and even save your life.

WATCH YOUR STEP

Your chances of getting sick in hot weather are increased by: A Weak or Damaged Heart, Hypertension, Problems with Circulation, Diabetes, A Previous Stroke, Overweight, Infection of Fever, Diarrhea, Drinking Alcoholic Beverages, Skin Diseases or Sunburn Which May Reduce Sweating.

DRUGS

Many prescription drugs can make you much more vulnerable to the heat. If you take medicine for high blood pressure, nervousness, depression, poor circulation or sleeping, check with your doctor or pharmacist for advice.

EARLY WARNING SIGNS

Heat stress can cause physical and mental changes. These changes are warning signs that your body is in danger.

Some changes are more dangerous than others. Most people feel hot and uncomfortable during hot weather, and many notice a lack of energy or loss of appetite. These are mild signs, and unless they last a long time, there is no need to be alarmed.

Other signs are more serious. If you experience any of these serious signs during hot weather call your doctor or seek other medical help.

SERIOUS SIGNS

Dizziness, rapid heartbeat, diarrhea, nausea, throbbing headache, dry skin (no sweating), chest pain, great weakness, mental changes, breathing problems, vomiting, cramps.

Pay attention to the Early Warning Signs of heat illness. Heat stress can be fatal, and the Serious Signs mean that you are losing the battle.

KEEPING YOUR COOL IN THE HEAT

Keep cool. Spend as much time as you can in cooler surroundings, such as a cooler room in your home, an air conditioned shopping mall, senior center, public library or movie.

Air conditioning can provide lifesaving relief from heat stress, especially if you have a medical condition like heart disease.

Cooling with fans. Fans can draw cool air into your home at night or help to provide good indoor air circulation during the day. Air movement reduces heat stresss by helping to remove extra body heat. (When it is extremely hot, a fan may cause you to gain body heat by blowing very hot air over your body.)

Baths and showers. Cool baths or showers (with water temperature around 75F) provide amazing relief from the heat. Cool water removes extra body heat 25 times faster than cool air.

Clothing. Wear as little as possible when you are at home. Lightweight, light colored, loose fitting clothing is more comfortable in hot weather. Cotton is very comfortable. Wear a hat or use a parasol or umbrella to protect your head and neck when you are outdoors.

Drink often. In hot weather, your body needs more water. Don't wait until you are thirsty, because your body needs more fluid than thirst will indicate. By the time you feel thirsty you may already be dangerously low on water.

Drink often and in reasonable amounts. Don't try to drink a lot of coffee or tea. They are alright in moderation, but water is your best bet.

If you have a disease, a medical condition, or a problem with body water balance, check with your doctor for advice on how much water you should drink in hot weater.

Slow down. Take it easy, especially at the start of hot weather when your body is less prepared for the heat. Physical activity produces body heat.

Watch what you eat. Avoid hot foods and heavy meals. They add heat to your body. Try using your stove less. Cook your meals during the cooler part of the day.

Watch salt use. Check with your doctor before you increase the amount of salt or potassium in your diet. Do not take "salt tablets" without your doctor's permission.

Avoid alcohol. Alcohol interferes with your body's fight against heat stress. It can put a strain on your heart.●

CONGRATULATIONS TO RSVP VOLUNTEERS OF VOLUSIA COUNTY

● Mr. CHILES. Mr. President, the Retired Senior Volunteer Program (RSVP) in Daytona Beach, Fla., directed by Patricia Cleland, recently honored 556 volunteers who have contributed a total of 103,609 hours in 1981-82. Mrs. Wayne Mixon, the Lieutenant Governor's wife, presented plaques to three volunteers with the highest number of hours for the year. I direct the Senate's attention to these three women who have contributed over 2,000 hours to the community. Beatrice Wolf from New Smyrna leads a sewing group that makes quilts and ditty bags for the veteran's hospital; Mary Wilson works for the Library for the Blind, Council on Aging, and the United Way; and Susann Frierson, volunteer administrator for the Volusia Hearing Society, tests thousands of school children for hearing impairment.

The fine work and willing spirit of these volunteers is appreciated. Senior volunteers provide valuable service across America, and are especially needed during times of severe budget restraint when other Government social service programs are cut back. Older Americans have knowledge, experience, and expertise that can be well utilized by the community.

I am sure my colleagues in the Senate will join me in extending congratulations and best wishes to the 556 RSVP volunteers of Volusia County.●

A RENEWAL OF COMMITMENT TO HELP THE VASHCHENKOS AND CHMYKHOLOVS

● Mr. LEVIN. Mr. President, 2 days ago, on Sunday the 27th, six Pentecostalist Christians observed the fourth anniversary of their stay in the American Embassy in Moscow. Separated for 4 years and by 3,000 miles from other family members, the six members of the Vashchenko and Chmykhalov families remain in sparse basement quarters ultimately because they are not free to practice their religion in the Soviet Union, nor are they free to emigrate to another country where their religious practices would be respected. Today, it is appropriate that we who enjoy the fruits of a freedom-loving nation, pay homage to these six Pentecostalists who share our love of fundamental human freedoms and have held fast to their desire to exercise these freedoms against onerous odds.

Events leading to the Vashchenkos' and Chmykhalovs' visit to the Embassy began in 1962 when the families decided to chart their lives in a new direction—out of persecution in the Soviet Union and into the freedom of the West. Explicitly following the letter of Soviet law, the families pursued their emigration course. Years and years of repeated applications and journeys to emigration offices did not win the cherished exit visas, rather they were countered with stepped up harassment and brutality.

Sixteen years later, in 1978, eight member of the two families traveled to the American Embassy in Moscow at the invitation of Embassy officials. They went seeking emigration advice, not asylum. But because a young boy in their party was dragged away and severely beaten by Soviet guards before ever entering the Embassy, the others decided they must remain there for their own safety. They became known to the world as the "Siberian Seven" as their plight was publicized and Western nations rallied to their cause.

Despite efforts to precipitate the granting of exit visas, including our own legislative efforts, the Soviets belligerently refuse to allow the Vashchenkos and Chmykhalovs to leave. The Soviets adamantly insist that in order to emigrate, they must return to their native town, Chernogorsk, and file yet another application. To protest Soviet refusal to allow them to emigrate, Lidiya and Augustina Vashchenko went on a hunger strike in late December 1981. Lidiya was so weakened that she was removed to Moscow's Botkin Hospital. Upon her recovery, Lidiya did indeed return to Chernogorsk and joined her brothers and sisters in filing countless applications and paying numerous processing fees.

Lidiya met the Soviets' demand by returning to Chernogorsk, but they have not fulfilled their commitment. We had not expected that a nation which has not honored commitments made in the Universal Declaration of Human Rights and the Helsinki Final Act would honor a commitment to an individual, but we had hoped it might.

Since Lidiya's return to Chernogorsk, all hopes for an immediate resolution to this problem have been stymied by the Soviets. After several months of offering them empty promises and false information, the Soviets officially denied them their exit visas. Their situation grows bleaker daily—they have been subjected to increasing police harassment and brutality, the family members are not permitted to work, and they have been reduced to picking over garbage to feed themselves. Lidiya now has committed herself to another hunger strike to refocus Soviet and world attention on their desperate situation.

The Vashchenkks and Chimykhalovs are paying dearly for holding steadfastly to their desire to live, work, and pray freely in a nation that respects human rights They have expended every ounce of energy to that end, and we ought to stand stalwartly at their side Beseeching us to persevere in our efforts to help them, Liubkv Vashchenko wrote about the importance of continuing the struggle in an open letter to the West on the occasion of their fourth anniversay in the Embassy

We are turning to you all to please ask the American government to talk with the Soviets about permissikn for us to emigrate much more seriously and ask them to work together with the Soviets in order to find a positive solution for all, us and both governments so that we could leave the Soviet Union safely and soon.

I ask that excerpts from the text of this letter be printed in the RECORD.

Mr. President, at what is possibly the nadir of a tortuious emigration journey, it is especially important that we not only honor the Vashchenkos and Chmykholovs today, but that we renew our commitment to help them in every possible way.

The letters follow:

MOSCOW, U.S.S.R.,
EMBASSY OF THE U.S.,
June 14, 1982.

DEAR SENATOR LEVIN. First, I would like to thank you very much for the work that you have done for my family in order to get permission from the Soviet government for us to leave this country during the past 4 years.

I would like to ask you in the name of my whole family to please continue the work until we will be allowed to leave the Soviet Union and will be set free in some non-Communist country in the West. Thank you very much.

I am enclosing with this note a letter written for the 4th anniversary of our stay in the American Embassy. We hope that the fifth one we will celebrate together with our whole family somewhere in a free country in the West.

Thank you very much again for everything you have done for us.

Sincerely,

LIUBOV VASHCHENKO,
For my family also.

P.S. Thank you for the information of the Hearings of the bill 312 that took place in the November of last year that you sent to me.

MOSCOW, U.S.S.R.,
EMBASSY OF THE U.S.,
June 10, 1982.

Open Letter to people in the West.

On the occasion of another anniversary, the fourth one, of our stay in the American Embassy in Moscow, please allow me, in the name of my whole family, to thank all those in the West, both individuals and Governments, who have been trying to get permission for us to leave this country.

We are especially grateful to those of the American government who introduced and support Resolution 100 in the House of Representatives and bill 312 in Senate that would grant us residence here and allow us to apply for American citizenship 5 years from the date we first came to the Embassy. We consider the Resolution and the bill as an assurance of the American government that they accept my family for permanent residence in their country which the Soviets wanted us to have when they sent us to the Embassy in 1975.

We thank God and those who early this year made, through the article in Parade magazine, our story and desire to leave the Soviet Union widely known, those readers of Parade who sent letters of protest to the Soviet and American governments on our behalf, and those who sent telegrams, letters and cards to us during the time of crisis when my sister, Lida, and my mother, Augustina, went on a hunger strike, and those who helped us during Lida's hospitalization last January.

Many of you have been tirelessly and persistently supporting us in the right of emigration which my family has been trying to obtain for the past 22 years. We have made many different attempts to get permission from the Soviet government to leave the USSR but the Soviets continue to keep us here and tell the children in Chernogorsk that our parents must come to them first.

Does not the fact that Lida has returned to Chernogorsk and her request to allow her emigrate has still been refused by the Soviets, tell the American government that it is not possible to trust the Soviets? All along they have said to them that if we go back to Chernogorsk, our applications for emigration would be considered.

Now the Soviets do not want to accept Lida's papers, do not want to give her forms, do not want even to talk to her but take her and the other children out of the Offices when they come to talk to the authorities. If sometime they talk to the children they joke and lie. Lida is old enough to make decision herself to stay or to leave this country. Why does she need her parents to be back before her request for emigration is considered?

We are turning to you all to please ask the American government to talk with the Soviets about permission for us to emigrate much more seriously and ask them to work together with the Soviets in order to find a positive solution for all, us and both governments so that we could leave the Soviet Union safely and soon.

We gave the pledge to both governments that as soon as we would be assured that our eleven children together with Lida are out of the Soviet Union and we had an assurance from the Soviets that the four of us will not be persecuted but reunited with them in the West in the shortest time, we will leave the American Embassy.

We also would like to ask you to please ask the Soviet Ambassadors in your countries and those who come to you from the Soviet Union for conferences and demonstrations in order to talk about peace, trade and so on what price there is on the earth that we can pay to the Soviets to accept our renunciation of their citizenship and allow us to emigrate? If the price of money that was pre-established by the Soviet government is payed to them by us, if interments in prisons, work camps and psychiatric hospitals were spent by us, if thousands of our appeals which would make volumes were during the 22 years sent to them, if our hunger strikes and demonstrations with posters that expressed our long-time request to Brezhnev and his government still are not enough for the Soviets to permit us to leave the serfdom, what price do they wish us to pay?

We do not support this thought of Mayakovsky, one of the greatest Soviet poet, "Read and be envious, I am a citizen of the Soviet Union." But we consider it a disgrace that we are citizens of the atheistic serfdom in this country.

Thank you very much.

Sincerely,

LIUBOV,
For the Vashchenko family.●

DEFENSE SPENDING

● Mr. TOWER. Mr. President, the debate over how we should spend our limited defense resources continues to be a vigorous one. There are those who would have us change dramatically our current approach toward equipping and manning our military forces, while others insist with equal certainty that the current approach is the one most likely to deter aggression or, if necessary, prevail in conflict.

Some would have us build fewer tanks and armored vehicles in favor of lighter, more maneuverable weapons. Others argue in favor of smaller ships which could be built in greater numbers than our current shipbuilding plan permits. And there are those who believe that very small, technologically simple and inexpensive fighter aircraft could be built that would be a match for the Soviet Air Force.

As the chairman of the Senate Armed Services Committee I not only support this debate, I encourage it. But I encourage it only so long as the participants are well-informed and well-intentioned, for at stake in this debate is the defense posture of the United States—a matter not to be left to the hands of the misinformed and inexperienced.

Over the past year, a group known as the Military Reform Caucus has offered several proposals aimed at improving the capabilities or our military forces. I believe some of their ideas

have merit; I disagree strongly with others.

Another group—also vitally interested in maintaining our Nation's defense posture—has responded to the Army-related proposals of the Reform Caucus. This group, the Association of the United States Army (AUSA), is comprised of individuals remarkably well-qualified to discuss these issues. They are men and women with distinguished military, academic, and industrial backgrounds who share a wealth of knowledge and experience in land warfare.

I strongly encourage those who are interested in hearing both sides of this debate to read this informed response, which I submit for the RECORD.

The material follows:

ISSUES IMPACTING ON THE LAND FORCES OF THE UNITED STATES

THE MILITARY REFORM CAUCUS—A DISCUSSION OF THE ISSUES THEY HAVE RAISED

The need for a coherent national strategy is universally accepted. Everyone concerned with national security wants the best defense possible for the least amount of money. We want a well managed defense establishment, able to arrive at decisions that are in the best interest of the nation and with no commitment to any but those best interests. We, the Association of the United States Army, hew to these principles, and we are confident that those who identify themselves as the Military Reform Caucus do the same.

The caucus has said that its goal of creating fighting forces that can win depends on the achievement of two qualities it maintains our forces now lack: a high state of personnel and material effectiveness and readiness; and the ability to adapt to changing threats and to take advantage of new tactics and technology.

It would be difficult to gainsay a premise that approaches as close to the military's own goals as does this one. It is a citation of what armed forces are all about and what they should be expected to do. So, it is not the premise upon which the caucus is based that causes concern, but the basis and accuracy of many of its initiatives and specific charges of shortfall.

Far more than simple differences of opinion are involved here. Statements in the name of the caucus have sometimes been less than constructive. This is particularly unfortunate because almost every member of the caucus has worked in the past to strengthen our defense posture. The existence of elements of truth in almost all of the group's major points of issue lends credibility to the overall thrust. Unfortunately, many of the supporting sub-issues are based on misinformation.

The alacrity with which much of the U.S. news medis seize upon caucus accusations as gospel has perpetuated damaging, frequently incorrect information that is difficult to eradicate from the public consciousness. We propose here to address some of the misinformation about programs of the United States Army which have been set forth by the caucus and given wide publicity in the media.

What the caucus is recommending

The caucus has listed several "initiatives." They cover subjects ranging from training, through personnel management, budgeting, research and development, to specific weapons systems.

The enclosed papers provide a summary of the issues, an assessment of the accuracy of their premises, and the facts relating to those caucus initiatives which are found wanting.

M-1 TANK

Point

The M-1 costs too much.

Counterpoint

Most reports on M-1 costs are wrong or misleading. The fact is that there has been excellent cost control during the M-1 program. When development began in 1972, Congress accepted a unit production cost of $507,800 in 1972 dollars. Today, even with substantial pre-planned product improvement (120mm gun, improved armor and better chemical, biological and nuclear protection), the unit production cost of the tank in 1972 dollars is $604,200.

The unit hardware cost of the M-1 is currently about one-third more than that of a M-60A3, not two or three times as expensive as often mistakenly alleged.

Or, as the *London Economist* has pointed out, the ratio of the cost of the remarkably agile and speedy M-1 to a modern fighter aircraft is essentially the same as the ratio between the costs of tanks and fighter aircraft which existed in World War II.

In short, although the M-1 is more expensive than the M-60A3, it is markedly superior, possessing a combat edge over current Soviet tanks which the M-60A3 lacks and providing our soldiers an ability to fight effectively and win outnumbered on a modern battlefield.

Point

The M-1's unprecedented breakdown rates will cause it to be the slowest tank in the world—in real battlefield situations.

Counterpoint

There has been no "unprecedented breakdown rate." The M-1 is in fact the fastest and most agile tank in the world today.

Although it has only been in production a year, it has already achieved 350 mean miles between failure (MMBF), appreciably better than the 320 MMBF goal.

In comparison, after 12 years of production, the M60 attained a rate of 242 MMBF. Today, after 20 years of production and continuous product improvement, it has only attained a rate of 407 MMBF.

Point

The M-1 track pad wears out too quickly.

Counterpoint

It is true that track life remains a problem in peacetime operations.

With twice the power of the M60 tank and continued employment on road and cross-country at much higher speeds, the M-1 track wears out sooner than that of the M60. The current track pads, which were designed to last for 2000 miles, are wearing out in somewhat more than 1000 miles. A solution to this problem has not been found within the current state of the art of track manufacturing.

It should be understood that this is strictly a peacetime problem. The M-1 tracks are rubber-coated to protect road surfaces and are replaced when the rubber coating is worn to the metal track. In combat this would not be a consideration and the steel track would continue to be serviceable for many additional miles.

Point

The M-1's turbine engine is easily detected because it emits a very strong infrared signature.

Counterpoint

Thermal detection is such that all tanks, turbine or diesel powered, are readily detectable. Visually, however, the M-1 turbine exhaust is not detectable while the distinctive visible exhaust plume of the M60 and other diesel powered tanks is readily detectable, particularly when accelerating.

Point

The turbine exhaust is a target for heat-seeking missiles.

Counterpoint

If the Soviets were to employ a heat-seeking—and they do not appear to have one now—anti-tank missile, it would be able to home on diesel engine tanks as well as the turbine powered M-1. This is a potential threat to all combat vehicles, not just the M-1.

Point

The hot turbine engine prevents operations in dry woods due to danger of fire.

Counterpoint

Not true. In over 200,000 miles of testing, much of it cross-country through dry grass and woods, the M-1 has not started a fire. The allegation apparently attempts to present a problem where none exists because the M-1 categorically can operate in dry grass and wooded terrain.

Point

The M-1 tank turbine engine to a gas "guzzler" using more fuel than the M60 tank.

Counterpoint

True, but it should be no surprise to anyone that a 1500 hp engine will use more fuel than a 750 hp engine. The Army has understood from the beginning that the M-1 would consume more fuel than the M60 but is willing to pay that price to gain the spectacular improvements in speed and battlefield agility, mobility and shock power which come with doubling the horsepower.

The added fuel consumption is a reasonable tradeoff for the M-1's greatly improved capabilities.

Point

Although the Army is aware of many problems with the M-1 tank, it has refused to do the testing necessary to determine their real severity.

Counterpoint

This allegation is categorically untrue. In fact, the M-1 has been tested more than any other U.S. tank. Crew safety and survivability have been paramount throughout the development production process.

While no tank is invulnerable, the following special features of the M-1, which enhance crew survivability, have been thoroughly tested:

Compartmentalization of fuel and ammunition in areas away from the crew.

Ammo compartments with blow-off panels which, if a fire is started or ammo is struck by enemy fire, permit the force of an explosion to be vented to the outside, away from the crew compartment.

An automatic fire detection and suppression system.

During testing the M-1 has been shot at or blown up in every conceivable way, using both Soviet and U.S. ammunition.

Test results confirm that crew survivability far exceeds that of the M60.

Point

. . . large numbers of American tankers are likely to die unnecessarily due to M-1's highly flammable hydraulic fluid.

Counterpoint

This is not true.

Fire retardant hydraulic fluid was adopted for use in the M60 tank as a result of the 1973 Arab/Israeli War experience. It has a much higher flame ignition temperature than earlier fluids, and it reduces significantly the possibility of hydraulic fluid fire in the crew compartment.

The M-1 uses the identical fluid. Its hydraulic lines and connectors have been strengthened to reduce the possibility of rupture, and an automatic fire detection/suppression system using Halon gas to smother fires has made the M-1 much more fire safe than previous U.S. tanks. These were included in the M-1 design specifically to minimize casualties from fire.

Point

The M-1's side and rear armor is thinner than that on the M60.

Counterpoint

The M-1's special armor is totally different and vastly superior to M60 armor.

Live fire tests against M-1 armor and components have shown that the M-1 provides far superior armor protection overall for both vehicle and crew, with at least equal protection from all aspects.

Point

The M-1's machine guns are incapable of protecting it against infantry attack.

Counterpoint

False.

The M-1 has three machine guns, one more than the two on the M60.

All machine guns on the M-1 can be trained to fire in close proximity to the vehicle. M-1 machine guns cover a 360 degree field of fire.

M-2 FIGHTING VEHICLE

Point

Cancel the M-2/M-3 armored fighting vehicle and upgrade the M-113.

Counterpoint

This action would seriously degrade the modern Army's tank/infantry team's fighting capability because the two vehicles are not comparable. As its name implies, the M-2 is a fighting vehicle from which the mechanized infantry squad will fight. The M-113 is an armored personnel carrier capable only of transporting the squad. The M-2 is designed to counter the Soviet BMP infantry fighting vehicle and its stabilized 25mm cannon will defeat it. In addition, it provides an armor-protected, anti-tank capability with its lethal TOW anti-tank missiles.

The M-2 permits its troops to sustain their mobility even after they are engaged, rather than forcing them to dismount to fight, and it serves as a base of fire when the tactical situation so indicates.

Similarly, the M-3 Cavalry Fighting Vehicle provides the armored cavalry scout squad unmatched effectiveness, superior firepower and mobility, and greatly increased staying power in performing the variety of critically important combat missions assigned to armored cavalry elements on the modern battlefield.

Addendum: What do you get by "upgrading the M-113"? You get a heavier, more costly "battlefield taxi" that can do little more than move people from one place to another. It could not suppress concealed enemy infantry nor contribute to the battle against massed tanks and BMPs—the threat currently invisioned.

Point

The M-2 does not carry a full squad.

Counterpoint

This is not true.

The M-2 carries a full, 9-man mechanized infantry squad (a crew of 3 plus 6 riflemen).

This smaller squad is able to execute normal fire and maneuver tactics using the crew-served firepower of the M-2 to establish a base of fire while the riflemen maneuver to secure their objective.

This use of the M-2's superior mobility and firepower to conserve manpower is fully in accord with the Army's traditional efforts to use its equipment and firepower to save lives on the battlefield.

Point

The M-2 costs ten times more than the M-113 it replaces.

Counterpoint

It is true that the early production costs of the M-2 are significantly higher than M-113 costs after 20 years of production. However, comparing them is like comparing apples and oranges for the two vehicles are not comparable either in terms of capability or mission. The M-113 is little more than a "battlefield taxi." The current unit rollaway cost of the M-113, after almost 70,000 vehicles have been produced, is about $164,000. Early production models of the M-2, when less than 50 have been produced, cost $1.5 million; increased production experience and higher production rates will bring this cost down substantially.

Point

The M-2 delivers infantrymen too fatigued and too disoriented to fight.

Counterpoint

Absolutely untrue; the facts are quite to the contrary.

The M-2's superior suspension system provides a much smoother ride than any other IFV or APC. Unlike the fully enclosed M-113, the M-2's vision blocks enable its infantrymen to maintain their orientation when "buttoned up" even while the vehicle is moving.

Finally, its contour seating and space, adequate for the 95th percentile solder,[1] also act to reduce fatigue and maintain the mechanized soldier's fitness and readiness to fight.

Point

The M-2 has proven even less reliable than the M-1, which it must accompany.

Counterpoint

This is not true.

Like the M-1, the M-2 is exceeding its mean miles between failure goals. The M-2 was designed with the anticipation of an initial Mean-Miles-Between-Failure (MMBF) of 230. During production testing the M-2 achieved an MMBF of 325 (41 percent higher than predicted). Operational models are demonstrating 240 MMBF. This is expected to improve as the vehicle matures.

[1] The 95th percentile soldier describes the physical attributes of height, weight, etc. of 95 percent of the soldiers who might be riding in the M-2. This is the criterion against which all Army weapons and equipment are designed.

Point

The M-2's aluminum armor is highly flammable and explosion-amplifying.

Counterpoint

The M-2 was never designed to withstand a hit by a primary anti-tank round. Both the M-2 and the M-113 incorporate aluminum armor to reduce weight. It was never expected nor intended that either could withstand a direct hit from either a kinetic or chemical energy primary AT round. At calibers currently in use, there is no significant difference between equal thickness of steel or aluminim armor in terms of flammability when hit by the same kind of round. (For the aluminum armor to have an "explosion-amplifying" effect, it would have to be hit by a warhead of 150mm or larger.)

READINESS/TRAINING

Point

Designate various types of combat units (Infantry, Armor and Artillery Battalions, fighter and attack squadrons and major ships) as "high readiness" units.

Counterpoint

Such a program is in being. Units are listed according to mission or Latest Arrival Date in combat theater. "High Priority Units" include:

Forward Deployed;

Immediate Deploying (82d Abn, Ranger Bns);

Early Deploying (D to D+30); and

Selected units/activities with missions of comparable importance.

Point

These units be required to maintain high readiness and activity levels, and supplied with whatever level of O&M support needed to attain such levels.

Counterpoint

"High Priority" Army units are now required to maintain appropriate levels of readiness and are provided the necessary resources to do so, within the overall availability of such resources.

Point

Maintain careful accounting of O&M support required.

Counterpoint

Army accounting system moving in direction of fully documenting O&M costs.

Point

In some categories designate two high readiness units, one from active forces and one Guard/Reserve to allow competitive organizational structures to maximize efficiency.

Counterpoint

Active Army has the training and time to devote to organization testing.

Organization standardization is essential to full compatibility of Active/Reserve units; training, supply, spare parts, mission capability.

Point

Double funds for field training for each service, including the National Guard and Reserve, providing the service agrees to increase exercise time and to use added funds exclusively for free-play, force-on-force exercises.

Counterpoint

One can hardly object to the goal of this initiative which is to develop and enhance our soldiers' and their leaders' confidence in their ability to operate, fight and win under field combat conditions. As stated, however,

the initiative is simplistic. It must be recognized that free-play, force-on-force exercises are very expensive, not only in dollars but in equipment and other resources committed. The levels of support for the various costs which are chargeable to training must, therefore, be carefully balanced to capitalize on the synergistic effects of properly integrated and structured training. It is by no means clear that doubling funds for field training and limiting their use, as proposed, would achieve the objective sought.

Certainly, additional funds for training, properly allocated and used, will improve Army preparedness. However, how they should be allocated among the various claimants—

Between individual (basic, advanced, NCO, officer) and unit training;

Between in-garrison training (using training devices and simulators) and field exercises (including costs of transportation, ammunition, repair parts, combat rations);

Between small and large unit exercises; and

Between one- and two-sided exercises (with the latter's much greater demands for umpires, etc.)

is less clear.

Nor can training dollars alone solve the Army's training needs. Current Army initiatives, to provide more and better qualified NCOs and to reduce turbulence in units, are attacking the two principal factors currently constraining training.

Since FY 80, Army funds for Institutional and Unit Training have increased 70 and 40 percent rspectively. The National Training Center has been established and is operating to provide, at the battalion and brigade level, the type of two-sided, free-play exercises sought. What may be needed, if affordable, are more of the large-scale, two-sided maneuvers which were so largely responsible, in World War II, for teaching our officers and their staffs how to command and maneuver large troop formations of the type that will be required to conduct a conventional campaign against Soviet/Warsaw Pact forces in Europe.

In any event, if additional training funds are made available, they should not a priori be limited to the use specified in this initiative. The relative priority of such use should be carefully measured against other training areas requiring improvement and the funds applied to those several areas which, in combination, offer the greatest return in increased preparedness.

Point

Require that, in future defense budgets, funds for Operations and Maintenance increase as much, in percentage terms, as funds for procurement.

Variant: Require a report to accompany the FY 1984 defense budget detailing how much additional funding would be required to increase Operations and Maintenance at the same rate as procurement, and the effects on readiness of failing to provide equal percentage increases.

Counterpoint

This is a noteworthy attempt to provide support to an area of vital importance which has historically lacked a constituency at decision making levels in the services, OSD, OMB and the Congress. As might be expected in an area as complex and inclusive as "Operations and Maintenance," however, it oversimplifies and, consequently, needs to be targeted more discretely. In other words, it is a proposal with great merit, if limited in its application to the primary area of concern.

To achieve that aim, one must first identify the various diverse activities funded from the O&M appropriation, clearly differentiating those which are directly related to the procurement accounts form those which are not. These latter, which include operation of the training base, institutional training, unit training and transportation, post, camp and station support activities, long-haul communications, etc., should be eliminated from further consideration as not pertinent to the objective of this initiative.

The remaining O&M funded activities which do bear a direct relationship to the procurement account include: management (in part), procurement offices inventory and maintenance control activities, supply and maintenance depots and activities, transportation, Care of Supplies in Storage and Backlog of Maintenance & Repair (where applicable).

Counterpoint

Even though the Army O&MA appropriation has grown less rapidly than those of the other services of DoD as a whole over the past 3-4 years, the growth which has occurred has been primarily in the non-procurement related activities. The procurement related accounts have been essentially static and, in fact, may have actually declined in constant dollars from fiscal year 1978-80. The adverse effect on the quality of procurement actions, initially, and on readiness ultimately can be measured.

The Budget is intended to request resources from the Congress in a balanced and complementary package. The Army has been responsive to Congressional requests for information and analysis in support of the budget. Information as described in the Variant, and its discussion in public hearings, would be useful in gaining Congressional and public support for the need for these funds in light of their essential contribution to a strong, ready and prepared Army. It would provide the Army an opportunity, heretofore unavailable, to demonstrate that its O&MA budget request is an integral component of the total resources needed by the Army to accomplish its assigned missions.

Point

Institute a continuing program for field testing foreign weapons of advanced simple technology.

Fund $30M per year for realistic, live-fire tests of the full range of promising foreign inproduction weapons, starting with light AT weapons and light AA weapons on towed mounts.

Intent is for weapons showing dramatically superior performance to be licensed for U.S. production.

Counterpoint

This is an attractive proposition particularly for those questioning the Army's ability to determine its own military needs and to write equipment and weapons systems requirements that describe them. However, like so many attractive propositions, it is based on false, or at best highly dubious, premises. And the underlying return sought is less than clear.

In the first place, the inference that the Army does not have an ongoing, continuing program for testing foreign weapons is clearly unfounded. In fact, as part of its DoD-pacing efforts to Rationalize, Standardize and make Interoperable (RSI) its weapons with those of our allies, there are currently 17 foreign weapons systems and items of equipment under test by the Army Test and Evaluation Command.

Second, the pejorative reference to the "NIH Syndrome" constituting a powerful block to the testing of such weapons is further refuted by the fact that the Army has already adopted for its use 12 such foreign-developed systems since 1977. When one considers that these include the main armament and the primary secondary weapon of the M-1 Main Battle Tank, the Squad Automatic Weapon with which every infantry squad will be armed, and the principal infantry indirect fire weapon, the 81mm mortar, one is impelled to ask what other major army in the world is willing to rely on foreign sources for so many weapons systems of such critical importance to its maneuver arms. It should not go unremarked either that, in almost every case, the Army's decisions to adopt these systems have been challenged usually in the Congress.

Thirdly, the assertion that foreign weapons systems of certain types are "notably superior" to U.S. weapons is just that: an assertion.

Many are still paper proposals with no hardware available; others achieve "superiority" in one characteristic only by accepting inferiority in another characteristic of greater importance to the U.S. Army (e.g., safety); still others just do not meet the Army's tactical or doctrinal needs.

The initiative does propose to fund for the live-fire tests against combat-configured targets which it seeks. Such tests are highly expensive, both in dollars and equipment. When these are in short supply, it is patently wasteful to test weapons that do not meet the Army's doctrinal or operational needs.

Nor is the stated intent that "weapons showing dramatically superior performance" be "licensed for U.S. production" either easy or inexpensive, as our efforts to produce the ROLAND air defense missile system have shown.

In sum, a program similar to that proposed by this initiative has been ongoing for several years. The Army has adopted Many of the foreign systems tested, and rejected others. It deserves continued support and funding, with due care exercised to insure that systems selected for test do, in fact, offer the potential to fill an established U.S. Army requirement. The decision as to where and how a system, once adopted, is produced should not be legislated but left to the Army to determine, on a case-for-case basis.

OFFICER MANAGEMENT

(NOTE: Charts A and B are not shown in the RECORD.)

Point

Reduce size of officer corps, especially in field and general officer grades.

"Excessive" number of general officers is a "well recognized problem."

Counterpoint

Authorized Army General Officer strength decreased from 521 to 412 since 1968.

Emphasis on joint/combined operations, coordination with other nations, and non-DoD assignments requires more, not less. Army has 75 validated General Officer requirements which are filled by Colonels.

With exception of FRG, ratio of U.S. General Officers to troops is smaller than all NATO countries. (Chart A)

A U.S. General Officer commands/manages greater military resources than General Officers of other NATO countries. (Chart B)

REDUCE TURBULENCE

Point

Same problem exists in field grades, e.g., 1,521 Marine Corps LTC, but only 84 battalions, the traditional command for a LTC.

Counterpoint

Requirements for experience, represented by field grade officers, are to be found in many diverse areas in addition to troop command: training base, procurement activities, joint and service staffs, international activities, national guard and reserve advisors, research and development, ROTC instructors, surgeons, medical and dental specialists, etc.

Meaningful promotion opportunities, with increased responsibilities, are required to attract capable young Americans to the profession of soldiering under the demanding training/duty schedules now kept.

Point

Up-or-out promotion policy detrimental to professionalism. Not uncommon in foreign armies for officer to spend most of career commanding a company.

Counterpoint

Retention of individuals not deemed capable of performing at next higher rank reduces opportunities of younger and potentially more capable officers to gain mid-grade experience.

Current law permits selective retention of Captains (to 20 YOS) and Majors (to 25 YOS) in shortage skills.

Up-or-out policies based on mobilization and combat experiences during World War II, Korea and Vietnam (required relief of over-age and physically incapable officers).

Point

Pay based on years of service rather than grade, to permit termination of up-or-out policy.

Counterpoint

Encourages complacency.

Discourages acceptance of added responsibility.

Unnecessary if up-or-out policy retained.

Point

Unit cohesion one of the most important components of combat effectiveness.

Counterpoint

Agree. Army has identified turbulence as a major enemy of readiness.

Point

U.S. Army has the highest rate of personnel turbulence among major armies.

Counterpoint

Possibly correct.

43 percent of the U.S. Army is deployed overseas based on national policy.

Major European Armies are not similarly deployed.

Professional development (schooling) of soldiers essential for ready force. Requires movement to schools.

Imbalance of weapons systems (more of a particular type overseas than in the U.S.) requires relatively short tours in U.S. before reassignment overseas.

Point

Army retention rate remains low.

Counterpoint

Retention did decline from fiscal year 1975 peak to fiscal year 1980, when rate reversed.

Overall fiscal year 1981 rates returned to fiscal year 1975 level.

First term retention in fiscal year 1981 highest in Army history.

Point

Centralized personnel bureaucracy has few initiatives to support Army's COHORT program.

Counterpoint

Army Regimental System, with repeated assignments for cohesion, is being developed.

Personnel management systems are being specifically reoriented to support COHORT and Regimental System.

Point

Link Personnel Turbulence (Reduction) to PCS funding

Counterpoint

Moves for accessions/separation are fixed.

Overseas stationing is matter of national policy.

Rotational (PCS) moves are a function of overseas requirements and tour lengths. Longer tours are detrimental to morale, particularly that of first term soldiers.

Point

Reduce PCS funding 10 percent annually ($100m) until turbulence rate is no higher than that of most turbulent European Army.

Counterpoint

50 percent of turbulence is at the unit level and not related to PCS moves.

Would require:

Increasing tour length;

Reduction of overseas strength levels;

Mission change to equate to European (NATO) Army missions/deployments; and

Common definition of "turbulence" and how to measure it.

CONGRESSIONAL DEMANDS

Point

Reporting demands generated by centralization reduce commander's time to devote to his troops and his unit.

Counterpoint

Of a Congressional nature, only Congressional constituent inquiries can be identified as adding to a commander's administrative workload. The impact of such inquiries is obvious without initiation of a study. Additionally, there is little reason to expect that such a study, if conducted, would recommend elimination or reduction of responsiveness to constituent inquiries.

Point

A Congressionally sponsored study to identify the magnitude of Congressional demands at the unit level would demonstrate to field commanders the willingness of the reformers to look internally as well as at the Services.

Counterpoint

The Army has already undertaken study of the administrative workload of commanders, and has taken positive measures to minimize and to streamline the administrative workload of units. The imposition of yet another such study places an unnecessary administrative demand on commanders who would be obliged to participate.

M-16 RIFLE

Point

Correct the continuing unreliability of the M-16 rifle and prevent ordnance Corps attempts to further degrade its lethality.

Counterpoint

The inference that the M-16 rifle is unreliable is not true, nor is the claimed high reliability of the AR-15. In fact, as demonstrated by tests in 1963, the AR-15 reliability (4.0 malfunctions/1000 rounds) was below that of the then-standard M-14 7.62mm rifle. On the other hand, the malfunction rate of the current M16A1 rifle (1 in 2000 rounds) compares favorably with records of M-14 reliability. There is, accordingly, no "continuing unreliability" to correct.

Nor is the "Ordnance Corps" attempting to "further degrade" the lethality of the M-16. It is true that NATO, after extensive testing, has adopted as NATO standard a new, heavier Belgian 63-grain bullet which requires a new 1 turn in 7" barrel twist in order to achieve greater stabilized penetration at increased ranges. Although the Marine Corps intends to procure this heavier bullet and the M16E1 rifle, which includes the 1 turn in 7" barrel twist, the Army currently has no program to do so.

It has, however, type classified the heavier bullet as standard for use in the newly adopted squad automatic weapon (which is also of Belgian design).

ULTRA-LIGHT BATTALION

Point

Balance between tanks and infantry could change dramatically if infantry could move faster and more invisibly than tanks over terrain impassable to tanks.

Counterpoint

Maneuver is only one facet of equation; firepower must be included.

In terrain impassable to tanks, any mobility means—including foot—would give infantry advantage.

Point

Modern light trail motorcycle makes above possible.

Counterpoint

Noise/dust created by any substantial number of trail bikes makes movement difficult to conceal.

Command/control problems associated with 700+ bikers.

For combat, bikes must be left some distance from contact, under guard. Guards reduce combat power. Unlike horse, trucks and helicopters, bikes cannot be brought forward, but riders must return to bike park which increases reaction time.

Single rider creates bike recovery problem when casualties occur.

Trail bikes efficiency decreased by extremes of weather—snow and mud.

Deadlined vehicle means deadlined soldier.

Point

Opposition from Army armor interests relegates motorcycle to scout/courier duties.

Counterpoint

Infantry mobility and combat effectiveness is the responsibility of infantrymen.

Point

Test two competitive approaches (USMC/ArNG) to ultra-mobile infantry battalion against tank, mechanized infantry and straight leg infantry units in a minimum of 6 field exercises.

Counterpoint

Active Army is charged with organizational development. Army, in its High Technology Test Bed unit (9th Infantry Division) is currently evaluating concepts for light infantry maneuver.

An ArNG unit (with one two week field training period and 48 drills per year) does not have the training time necessary to de-

velop the organization, train the personnel and perform the needed tests.

Point

This initiative would do more to institutionalize maneuver warfare within U.S. land forces than any other proposal.

Counterpoint

The Army and Marines both recognize need for maneuver, coupled with firepower, as essential to successful combat. The use of helicopter mobility by both services; use of armored personnel carriers; development of infantry fighting vehicles, and current tests by the 9th Infantry Division are indicative of this recognition.

NON-MRC INITIATIVES

Point

Helicopters cannot effectively fight tanks.

Counterpoint

Tanks are vulnerable to a number of modes of attack. In less than three weeks of the Arab-Israeli War in 1973, almost ½ of the armor on both sides was destroyed.

The Army's TOW and HELLFIRE Missiles have both proved to be effective tank killers.

Using the "nap-of-the-earth" flying technique, a helicopter need only expose itself briefly to fire at a tank. The AH-64 can even launch the HELLFIRE then pass guidance to a ground controller.

AH-64 has demonstrated its ability to kill tanks 50 to 80 percent more efficiently than current AH-1S aircraft, and at almost three times the range.

The AH-64 can move about the battlefield to the point of greatest need and operate in darkness and inclement weather.

In free-form exercises with the German Army almost ten years ago, using helicopters far less capable than the AH-64, there were 20 tank "kills" by helicopter for every helicopter shot down.

Point

Helicopters cannot survive in a sophisticated environment.

Counterpoint

The AH-64 has demonstrated its ability to take multiple hits from the type of heavy machine gun/light cannon it would most likely encounter on the battlefield.

It is equipped with detection devices to warn the crew of enemy radar, infrared or laser activity.

The longer range of the AH-64's weapons permits it to stand off, outside range of most enemy weapons, and strike its targets.

"Nap-of-the-earth" flying techjiques will minimize exposure.

The more modern, tougher UH-60 helicopter would have reduced Vietnam combat losses of UH-1s by 85 percent. The AH-64 is even less vulnerable than the UH-60.

While Vietnam was admittedly not the same environment as might be found in a NATO-Warsaw Pact battle, the 1st Air Cavalry Division had one helicopter hit per 275 combat flying hours and one helicopter shot down per 4,494 hours.

Perhaps the most intense anti-helicopter campaign by the North Vietnamese occurred during Operation LAM SON 719 in early 1971. The North Vietnamese employed strong concentrations of heavy machine guns and light cannon against a force of UH-1s. The UH-1s flew 42,800 sorties. Only 107 UH-1s were lost—one per 476 sorties.

Point

"Nap-of-the-earth" flying is too difficult, particularly at speeds of 100 mph or greater.

Counterpoint

"Nap-of-the-earth" flying maximizes the helicopter's ability to use terrain folds, treelines and man-made objects for concealment. U.S. helicopter pilots are trained to adjust their speed to suit the terrain. They can hover in place, move forward or backward at speeds of five miles per hour or less or, when a suitable avenue is available, approach the target area at full speed.

This flying technique is an extension of the soldier's traditional use of terrain to the best possible advantage.

Point

The Air Force A-10 close-support aircraft is armed with a 30mm cannon using depleted uranium projectiles for engaging armor. The AH-64 cannot carry this kind of cannon.

Counterpoint

The AH-64 is armed with a 30mm cannon. Using this weapon, the AH-64 can engage light armored vehicles at a range of 3,000 meters.

Point

At about $15 million per aircraft, the AH-64 is too expensive.

Counterpoint

In evaluating cost, it is important that one first define clearly what are included in the costs in question and then determine whether the item's value to the Army system is commensurate with its costs, however stated.

In this case, the $15M/aircraft is the overall program cost, including not only hardware production costs, but also costs for R&D, repair parts, tooling, support and inflation incurred through the life of the program, divided by the 446 aircraft the Army is currently programmed to buy. If the Army succeeds, as it expects, in producing more than 446 aircraft for the total sum currently programmed, the unit program cost will be reduced proportionately.

In evaluating the AH-64's value to the Army, one must recognize that it is an indispensable member of the combined arms team, including tactical air, on which the Army relies to deter Soviet conventional attack. It is equally at home in the plains of Central Europe and the deserts of the Middle East.

Convinced that the unique capabilities provided by the AH-64 (day/night, all weather tank killing with superior mobility, agility and survivability) are worth the price recently agreed upon by the Army and the Hughes Helicopter Company, both the Army and the Defense Systems Acquisition Review Council have approved production and are hopeful that the Congress will support that decision.●

OLYMPIC PIONEER TRAIL

● Mr. BAUCUS. Mr. President, last week I offered a proposal for a historic run across the continent to kick off the 1984 Summer Olympics in Los Angeles, Calif.

The "Olympic Pioneer Trail," as I propose to call this route, is based upon the theme of "Retracing the Historic Steps of the Westward Pioneers."

Assuming approximately 2 months running time, the torch carriers would begin their 4,500-mile-long trek in late May. From Washington to Cumberland, Md., the carriers would run along the Chesapeake and Ohio Canal on the Potomac Heritage Trail. From here, the runners would follow the Cumberland Road or as it is also known, the National Pike, to its terminal in St. Louis. The torch carriers would continue their route on the Lewis and Clark Trail all the way to Astoria, Oreg. Finally, the runners would veer south and run along Highway 101, the Coastal Highway to Los Angeles.

I feel this is an excellent route not only because it follows historic pathways, but because it offers a route through some of America's most scenic lands and pristine environments.

Because of the northerly direction of this path, the Olympic Pioneer Trail will lead runners through climatically pleasant regions that will not induce either hypothermia or heat exhaustion. Rather, this run will occur at a time where temperatures would be quite conducive to running.

The geographic variations offered by this trek, which traverses 16 States, is also a definite plus. The Olympic Pioneer Trail provides the torch carriers a variety of distinct geographical regions. Ranging from the Atlantic coastal plains, to the Columbia Gorge, the Olympic Pioneer Trail would cross through the Appalachian peaks, the Mississippi Valley, the Great Plains, and the Rocky Mountains. This trail encompasses all.

I have been running for more than 15 years. I have run five marathons, as well as logging thousands of miles training. The torch run is perfect for achieving the image that we, as Americans, want to project and stand for. Running is a sport that fosters intestinal fortitude, discipline, grace, and unequivocally, a sense of progressiveness.

The journey of the Olympic Torch has always been a formidable event. To the first Olympians, the flame was solely to honor the Greek god Zeus. Through the centuries it also has come to represent the honor of the athletes. It has come to represent the honor of those countries participating in the Olympics, and this time it will come to represent the honor, pride, and reputation of the United States.

It is my intent to submit a daily record for the next 16 days to describe the trek through each State. I will begin next week by portraying the State of Maryland; its history, its landscape, and its people. I will continue to elaborate on one State a day until I conclude with California.

I urge my colleagues to support my plan.●

MEXICAN GUEST WORKERS

● Mr. SCHMITT. Mr. President, I would like to call attention to an important interview of Senator S. I. HAYAKAWA that appeared recently in the

Washington Times newspaper. Senator HAYAKAWA talked about the problems of immigration and how a guest worker program could help reduce the flow of illegal aliens from Mexico, ease tensions along the border, and improve relations with Mexico. My good friend from California made some interesting points during the interview which I hope our colleagues will keep in mind when the Senate considers the Immigration Reform and Control Act of 1982. I ask that the entire text of Senator HAYAKAWA's interview be printed in the RECORD at this point.

The article referred to follows:

HAYAKAWA: MEXICAN GUEST WORKERS FILL NEED

(The U.S. Senate will soon consider the Immigration Reform and Control Act of 1982. Sen. S. I. HAYAKAWA, R.-Calif., believes that the omission in the legislation of a Mexican guest workers proposal he has advocated seriously limits U.S. ability to deal realistically with illegal Mexicans. In the following interview with Washington Times, correspondent Jeffrey St. John, the former president of San Francisco State College discusses the problem of immigration from a historical and cultural viewpoint and why his Mexican Guest Worker proposal can help the U.S. consumer at the supermarket and help the agricultural economy of the country.)

Q. Why have you taken such strong exception to the Reagan administration-supported Immigration and Control Act of 1982?

A. The bill does not address the immigration problems of the entire nation. By omitting the necessary proposals for a Guest Worker program, it will not adequately meet the needs and interests of the Southwestern states. Our needs, particularly in agriculture, are for large number for workers for very short periods of time—say, 200 peach pickers for two weeks.

Q. The Reagan administration last year proposed a Guest Worker program but limited the number to 50,000. What is wrong with that number of Mexican workers?

A. The administration proposed stiff penalties against employers who knowingly hire illegal aliens. Sanctions are necessary to encourage participation in a Guest Worker program, but they must be accompanied by a legal work force large enough to meet employers' needs. For example, over 100,000 people are needed to harvest the raisin crop alone in Fresno County within a few short weeks. That is only one of hundreds of crops that are grown in our 50 states.

California farmers write to me continuously describing labor shortages for a multitude of crops. We need a program large enough to provide legal workers for the jobs that are currently held by undocumented workers. If we use the figures generally accepted by the administration, we could be talking about an undocumented work force of several million.

Q. The proposal to allow large numbers of Mexicans into the United States to work in agriculture and service industries has provoked emotional reactions. One argument is that with the current domestic economic problems and unemployment at an all-time high, it will take jobs away from Americans. Fact or fiction?

A. The important thing to remember about Hispanic workers is that we need them desperately from an economic point of view. We have an enormous class of people in this country who are accustomed to very, very generous welfare, food stamps, Medicare and other benefits. The amount for many of these people is up to $15,000 to $17,000 a year. You can get all this without having to work. Now to work in the hot sun, breaking your back, stooping over, taking care of strawberry and boysenberry crops, and climbing trees to harvest fruits and nuts is just damn hard work. A lot of Americans just don't want to do that.

Q. What about the additional argument that many of these Mexican workers will come here and load up the welfare rolls and bring their families into the United States, and eventually place a terrible burden on the entire system?

A. Some of them might. But there is worthwhile evidence that most of these people come here and work for a short time and then want to return by Christmas time, or Easter. We should not forget that Mexico is a vibrant culture, its people have their religious and family loyalties to their home, villages and to families. Most of them don't have the urge to stay, they just want to come here for a little while and return because their roots are in some little Mexican village where they enjoy social status, their families, grandpa, grandma and uncles have their roots. They want to come here to make more money than they can make back home for a little while and they want to go back.

Q. Can you count solely on this factor of ties to family and home?

A. We can work out a system whereby there's a reward for going back. Last year I proposed as part of a Guest Worker program a $500 bond when a legal Mexican worker is permitted to come into the country. When he returns he gets back the bond, with interest. I would like to see a Guest Worker program that legalizes a stay for up to six months. If they go back within the alloted time, they will be allowed to come back year after year and provide valuable services. We could then keep growing strawberries, boysenberries, olives and other important crops consumers need and want. Guest workers would be subject to certain kinds of taxation on income and social security. And if they go back home within the six-month period they would be given it back in cash. I haven't proposed this as law. But it provides an idea, the kind of incentives we could offer to assure their return.

Question. In all the public discussion on the Mexican illegal aliens, we rarely see much understanding of Mexico's culture and its people.

Answer. It seems to me to understand Mexicans at all you have to understand the importance they place on family, very intense love of religion to the work ethic. You can see this by the Mexicans who have come here to stay and prospered. They are very loyal family people in Los Angeles and elsewhere. Nothing remarkable about this, it has happened throughout American history.

Question. But we at one time welcomed immigrants to these shores. What has happended to the idea inscribed on the Statue of Liberty: "Give me your tired, your poor your huddled masses yearning to be free"? Has America's attitude changed toward immigration?

Answer. The change is far from complete. We have been among all the nations of the world the most generous. We have, for example, accepted refugees from war-torn parts of the world: The boat people from Vietnam, the Cambodians. We have been very generous. We have allocated educational and health programs for them limited amounts of welfare help for them while they have struggled to get on their feet.

Question. Is this rising resentment and hostility directed exclusively toward Mexicans and Hispanics?

A. Hostility has been there all along. I remember when I was running for the U.S. Senate back in 1975, I used to hear terrible, terrible remarks about illegal Mexicans coming over the border in San Diego. Many of the people who were saying these terrible things were hiring Mexican help. But this is not confined exclusively to Hispanics. Orientals faced the problem going back to the gold mining days of the 1840s. If you want to talk about the problems faced by Orientals, you had the 1882 Chinese Exclusion Act, the 1924 Japanese Exclusion Act.

Q. Was this historical exclusion not racism?

A. Surely. Except the word "racism" didn't exist at the time. The term used was "Yellow Peril."

Q. Can you, therefore, make a connection between the current hostility towards Hispanics or illegal Mexican aliens and what took place in the earlier part of this century and in the last century?

A. No. I think there is a completely separate movement. At the time that you had this enormous wave of hostility against the Orientals, Chinese or Japanese, we were welcoming immigrants by the millions from Europe. There was a concern about immigrants, especially if they were Oriental. My father told me that there was an anti-Japanese riot in Vancouver, British Columbia, the day I was born.

We have always had an ambivalent attitude about immigration. You had in the 1840s and 1850s hordes of Irish coming to this country to escape the potato famine. At that time there was enormous propaganda about the Irish—they were said to be ignorant, naturally given to drunkenness, lazy and uneducable. The idea in the 1850s that the United States would have an Irishman as president was unthinkable. But as we know, John F. Kennedy of Boston did become president.

Q. You said recently that if they arrested all the illegal aliens in Southern California the restaurants, hotels and motels would have to shut down. In this regard, if you have a shortage of labor for agriculture in the Southwest, what impact does the problem have on the nation's food chain?

A. It's a very, very serious matter. When have you last seen white asparagus? You don't see it. It's labor intensive. You keep asparagus from getting green by going over the rows and rows almost daily as they push up and you cover them with earth and it stays white. It's damn hard work and takes an awful lot of labor.

You have the same problems with harvesting olives. Five hundred illegal aliens were shipped off to Mexico from San Mateo County and we got a distress call saying the olives were ripe and would be ruined if not harvested.

There's a lot of people on welfare and a lot of people registered with the Department of Employment Development. A few of them came out to see how hard it is to pick olives and resigned after half a day. The rest wouldn't even come out to see what the job is like. And this is true all over the state of California.

Q. Are you saying that welfare encourages the steady flow of illegal Mexican aliens?

A. Yes. And so long as there is wide economic disparity between the United States and Mexico we will have millions crossing the border to find jobs in the fields, factories and homes in the United States. If we closed the border completely, an impossible task, Mexico would become a pressure cooker filled with unemployed hungry people. Mexico is counting on us to provide some release for those who cannot find work within the Mexican economy. Any money they bring back helps their economy. We also provide a valuable training ground for the Mexican—the skills learned in the United States can be taken home and taught to others.

It's important for us to establish a legal framework for Mexican labor in this country in order to harmonize the use of such workers, to prevent abuse by smugglers and unscrupulous employers to reduce the flow of illegal immigrants.

It's important for us to maintain a friendly open relationship with Mexico. The migration of Mexican nationals has been a sore spot for both countries. I think my Guest Workers program will help solve the problem, ease tensions on the Western Hemisphere and improve relations with Mexico.●

THE DISTINGUISHED DR. JANET NORWOOD

● Mr. SARBANES. Mr. President, the Bureau of Labor Statistics serves a vital if sometimes overlooked function in the Government and in the economy. The BLS, as it is known, is charged with compiling the wide range of economic statistics which document and reflect national economic trends and help to determine important policy and budget decisions.

The responsibility for guiding the work of the BLS and maintaining its very high standards lies with its Commissioner, Dr. Janet Norwood. Appointed Commissioner in 1979, Dr. Norwood has been with the BLS since 1963. She is a distinguished public servant who commands the admiration and respect of her colleagues, and of Members of Congress of both parties, not only for her competence but for her strict and skillful nonpartisanship. Her frequent testimony before the Joint Economic Committee is invariably marked by a sure knowledge of statistics, and a perceptive analysis of their significance. Faced with serious budget reductions that have already meant a 12-percent reduction in staff and will require a further 4-percent reduction in June, Dr. Norwood has sought above all to maintain the superior quality of BLS statistical programs.

Mr. President, on May 24 the New York Times published a working profile of Dr. Norwood. I ask that the article be printed in the RECORD:

The article follows:

[From the New York Times, May 24, 1982]

MAKING LABOR STATISTICS MAKE SENSE—WORKING PROFILE: DR. JANET L. NORWOOD

(By Seth S. King)

WASHINGTON, May 23.—In the first week of any month that Congress is in session, Janet L. Norwood, the Commissioner of Labor Statistics, appears before the Joint Economic Committee to report how many people were working the month before and how many were not and to explain why.

Within minutes, the senators and representatives present pounce on her findings to see who can make the most political capital of them.

The committee members whose party is not in the White House try to make the bad news look as bad as possible; those in power try to make the good news appear even better. And both sides try to get Dr. Norwood to agree with them.

Since she is the Presidentially appointed holder of a traditionally nonpolitical job, it is seldom easy to get her to do this, although she doesn't blame the Congressmen for trying.

"I find it a stimulating challenge," Dr. Norwood said recently. "There are always a variety of innovative senators and representatives who raise questions that I have to be very careful to answer in a completely objective framework. But the joint committee provides an open place where both political parties can play the game and ask any question they want and get a straight answer."

MIXED INDICATORS

Since January, Dr. Norwood has been able to provide each side with something to deplore or applaud.

Last month the steadily rising rate of unemployment hit its highest level in 40 years, and the Democrats had the pleasure of blaming President Reagan's economic policies for 10.3 million people being out of work.

But the Producer and Consumer Price Indexes, two other important economic indicators that the 1,900 economists and statisticians in the Bureau of Labor Statistics compile each month, have been rising very slowly as inflation has receded. In March consumer prices actually declined for the first time in 17 years, and last Friday Dr. Norwood told the committee that April's rise of only two-tenths of a percentage point confirmed that the over-the-year increase in this vital index was lower than at any time since early 1978. So the Republicans could say that Mr. Reagan's economic policies had broken the back of inflation.

Even so, Dr. Norwood's continuing problem, like that of her predecessors, is that the straight answers are not always what everybody wants to hear. So, in the 18 years that she has worked in the bureau, including the last three years, when she has served as director, somebody has been trying to change the way the figures are compiled.

In his second term, President Nixon kept pressuring the bureau to stress the good news about employment rather than the bad news about unemployment.

With the inflation rate rising almost every month, the Carter Administration frequently demanded changes in the way the Consumer Price Index was compiled, contending the housing factor distorted the true price levels.

The labor organizations want Dr. Norwood to include among the unemployed those forced to work only part time and those who have given up trying to find a job.

Conservatives, including Mr. Reagan, think the unemployment figures should not include housewives and teen-agers who do not need to work to keep a family solvent.

SEASONAL INFLUENCE CITED

Most recently, the President has taken to citing the bureau's unadjusted unemployment and employment figures, which have been more to his liking than the seasonally adjusted ones.

Dr. Norwood fields this question with the dexterity she has displayed on many of the others.

"It's important to note the unadjusted figures," she said. "But we have an economy that consistently reacts to certain seasonal changes, like the unusual and limited rise in employment at Christmas or the thousands of youngsters who suddenly start looking for jobs in June when school ends and get counted as unemployed in that month's figures."

If these swings were not adjusted, Dr. Norwood, said, they would distort the trends.

She is wondering now whether the President will favor the unadjusted or the seasonally adjusted figures for June. "Our records for years have shown that from May to June there is a jump of more than a million in the number unemployed," she said. "But you wouldn't want to go before the joint committee and say 'Hey, this recovery has stopped.' You'd want to say, 'This sort of thing happens every June.' "

Except for a few years when, as she says, she was "off the labor market" producing two sons, Dr. Norwood, 58 years old, has been entangled with numbers and their meanings. She earned advanced degrees in economics from Tufts University and taught economics at Wellesley and Tufts. While living abroad with her husband, a Foreign Service officer, she did research and wrote about international trade. She started with the Bureau of Labor Statistics as a specialist in international law and came up through the ranks.

This year Dr. Norwood has had another numbers problem. Last year the bureau, like most other agencies, had to cut its staff by 12 percent, and a further cut, of 4 percent, is scheduled for this summer.

"As a result of the first cut, we've had to eliminate or reduce 19 statistical programs we were doing," Dr. Norwood said. "We do still have the major programs on employment and prices and productivity. And I think the Administration agrees that any further cuts in our staff would be too much. But if they insist on them, we'll have to start furloughing more people, and our reports won't be as thorough and they'll probably be late each month."

Asked if she ever feels like the messenger who is killed for bringing the bad news, Dr. Norwood said: "Well, sometimes. But I've learned it's one of the roles Commissioners of Labor Statistics must fill. I'm only the 10th commissioner in nearly a hundred years. The others managed all right, and I think I'll manage, too."●

THE SMITHSONIAN'S ESKIMO EXHIBIT EXTRAORDINAIRE

● Mr. MURKOWSKI. Mr. President, "Inua: Spirit World of the Bering Sea Eskimo," an exhibition of Eskimo art and artifacts recently opened at the Smithsonian's National Museum of Natural History/National Museum of Man. This exhibition came about largely because of the efforts of my distinguished senior colleague, Senator STEVENS, and his late wife, Ann.

They had long worked to urge the Smithsonian to show its Bering Sea Eskimo artifacts, which are the largest and most comprehensive collection of its nature in existence. I encourage all my colleagues to take time to view this beautiful exhibition which illustrates the rich cultural heritage of Alaska.

Mr. President, for the benefit of my colleagues who wish to further acquaint themselves with this exhibit, I ask that a pertinent article which appeared in today's Washington Post be printed at this point in the RECORD.

The article follows:

[From the Washington Post, June 29, 1982]

ESKIMO EXTRAORDINAIRE

(By Jo Ann Lewis)

After a century in a Smithsonian attic, the world's largest and most important collection of Eskimo art and artifacts finally has come to light in a revealing new show at the National Museum of Natural History/National Museum of Man.

Titled "Inua: Spirit World of the Bering Sea Eskimo," it includes some 600 ivory carvings, bowls, baskets, clothing and carved tools and hunting and fishing implements used by the Bering Sea Eskimos of Alaska between 1877 and 1881, shortly after the United States acquired the territory. Brimming with beautiful objects—from tiny carved ivory needle boxes in the form of a seal to large, scary spirit masks carved from wood—this large, didactic show offers a rare slice of Eskimo life and art as it existed before the white man's incursion.

It also dispels a persistent stereotype: All Eskimos didn't—and don't—live in igloos and subsist on whales.

As it happens, whales bypassed the Bering Sea Eskimos on their way further north to the Polar regions, leaving the people of this Alaskan coastal marshland to live off the abundant fish, birds and mammals available in the delta between the Yukon and Kuskokwim rivers. And the 18th century Russian fur traders had left the area more or less intact, making it an especially rich place for ethnographic study back in the 1870s.

It was a fact that did not escape the Smithsonian's farseeing assistant secretary, Spencer F. Baird. When a brilliant, 22-year-old naturalist named Edward W. Nelson (1855-1934) approached him seeking employment in 1877, Baird quickly sent him off to gather weather data at an Army Signal Service weather station in the village of St. Michael, on Norton Sound. He also asked him to gather objects that would yield information about the culture of these Yupik-speaking Eskimos, whose cultural tradition turned out to be wholly distinct from that of the Inupik-speaking Eskimos to the north—one of the show's most salient points.

Starting with $250 during the first year, Nelson spent four years collecting (by barter or purchase) some 10,000 objects—so many, in fact, that he became something of a local joke among the Eskimos, who called him "the man who buys good-for-nothing things." That good-for-nothing collection—now priceless—provided the lode from which this exhibition was selected by Smithsonian curator William W. Fitzhugh and his assistant, Susan Kaplan. The exhibition came about with the help of interest and prodding from Sen. Ted Stevens (R-Alaska) and his late wife Ann.

The show sets out to recreate the world Nelson found when he went to the arctic in 1877. Several of his marvelous early photographs of Eskimo villages, with their wood and sod houses (they lived above ground in summer, halfway below in winter) have been blown up to serve as backdrops in the succession of halls. The exhibition provides superb examples of the various tools (darts, harpoons, lances, braining-stones) employed in gathering food and skins, the objects used in the home (beautiful bentwood bowls made from driftwood) and ingenious parkas and boots of fur and gutskin which have never been bettered by the designers who continue to be inspired by them. Though the highly sophisticated bentwood objects come as a surprise in the context of Eskimo art, the fine baskets—made from the ample grasses of this marshy area—are even more startling in their finesse.

The women seem to have been the tanners, tailors, seamstresses and furriers; the men—who spent at least part of their time in a separate men's house—the carvers of ivory tools, amulets, delicate needle cases, thimbles and hair ornaments, as well as the decorated wooden bowls used in food service. The men also made the scary and wonderful masks that expressed the spirits or "inua" that these Eskimos believed existed in every living thing. This belief pervaded every aspect of their lives, and reference to such spirits can be seen in nearly every object in the show.

There are, for example, wooden sun visors (to prevent snow-blindness), carved in the form of ravens, referring to the creation myth in which the Raven-god first saw man and pushed his beak to the top of his head, revealing a human face. Such witty interchanges also can be seen in several toothy masks that teeter between the human and animal worlds. Some masks have hands protruding from their sides, the holes at the center symbolizing the belief that some of the animals must be allowed to escape to ensure the species' survival.

Accompanying the exhibition is an extraordinary catalogue—the first real study of the Bering Sea Eskimos—written by the show's curators, and published by the Smithsonian. Designed by Alex Castro, with excellent photographs and superb text, the book is a subsidized steal at $12.50. The exhibition, which ends with a section on contemporary Eskimo art (some of which is for sale), continues through 1982.●

BOB BRASTRUP—MONTANA'S MR. WHEAT

● Mr. BAUCUS. Mr. President, I was saddened by the news last week that Bob Brastrup had passed away. Bob was not only a close personal friend and a dedicated family man, but was known in Montana as "Mr. Wheat." Bob served as the chief executive officer of the Montana Wheat Research and Marketing Committee since its inception in 1967.

Bob experienced many changes in agriculture in his lifetime and was responsible for much of the progress made in wheat production and marketing in Montana.

Bob could see the future clearly. He entertained dozens of foreign trade teams interested in buying Montana wheat. His knowledge and understanding of wheat marketing always impressed these foreign visitors. Bob knew that Montana grain growers would have to look to foreign markets to complement the strides they have made in production. His advice and guidance will continue to benefit Montana wheat producers for a long time to come.

Bob's dedication to the wheat industry in Montana was surpassed only by his dedication to his family. In their 39 years together, Bob and his wife, Verna, raised 11 children and have 18 grandchildren.

I have personally relied on Bob's expert advice over the years as have many in Montana's agricultural community. My condolences go to his family. Bob will be missed by us all.●

SECRETARY OF LABOR DONOVAN

● Mr. MURKOWSKI. Mr. President, I know that I am joined by my colleagues in a sense of relief regarding the conclusion of the lengthy investigation into the activities of Secretary of Labor, Raymond Donovan.

Yesterday, the special prosecutor appointed to investigate the various allegations of wrongdoing attributed to the Secretary, concluded that there was insufficient evidence to warrant prosecution on any of these charges. The conclusion was reached after a 6-month investigation by the special prosecutor and a Federal grand jury. A 700-page report issued by the special prosecutor detailing this investigation is now just being read and analyzed. At this early date, it appears that this effort was thorough and hard hitting and should dispel the clouds of innuendo and faceless charges which have been hurled at the Secretary.

Public service is often a burden for those who take time off from a busy private career. The added ordeal which Secretary Donovan has had to cope for the past year is enough to discourage many capable individuals from accepting or continuing in Government posts. It is, therefore, Mr. President, with some admiration that we note that Mr. Donovan chose to see the matter through until its conclusion.

Mr. President, Mr. Donovan has brought much experience and expertise to the Department of Labor. It is our hope that he can now resume his full-time attention to the important task of running the Department without the diversion of fending off the nearly weekly revelations of loose charges and rumors.●

BUSINESS ACCOUNTING AND FOREIGN TRADE SIMPLIFICATION ACT, S. 708

● Mr. CHAFEE. Mr. President, the ambiguities in the Foreign Corrupt

Practices Act continue to burden U.S. companies trying to take advantage of legitimate business opportunities overseas. The companies operating overseas are in the best position to explain the difficulties created by the Foreign Corrupt Practices Act in its current form. In expressing their support for my bill to amend the Foreign Corrupt Practices Act, the American Chambers of Commerce in Latin America explained the ways in which the act makes it difficult for their members to do business in Latin America.

Mr. President, I ask that the statement of the American Chambers of Commerce in Latin America made before the Senate Banking Committee on May 21, 1981, be printed in the RECORD.

The statement follows:

STATEMENT OF THE ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA

My name is Alexander Perry Jr., I come before you today on behalf of AACCLA, the Association of American Chambers of Commerce in Latin America and the Caribbean area, representing 18 American chambers of commerce whose underlying memberships comprise well over 17,000 American and local companies and businessmen located throughout the hemisphere.

Since its founding 14 years ago, AACCLA's growth has kept pace with the dramatic increase of the U.S. economic stake in Latin America. During this period, U.S. direct investment there has burgeoned from $10 to over $37 billion while U.S. exports have more than quintupled to over $25 billion annually.

Given the significance of these economic flows to inter-American economic development, and the prominent role that AACCLA members play in hemispheric trade and investment, our board of directors has adopted a number of policy positions on issues affecting American companies operating in the region including the following one on the FCPA:

AACCLA does not condone corrupt business practices in any form. AACCLA supports the prevailing practice of U.S. firms operating abroad of conducting their activities in accordance with the legal requirements of host countries.

The Foreign Corrupt Practices Act of 1977, however, creates the situtiion where U.S. businessmen are prohibited from engaging in certain practices that are freely pursued by our trading competitors. In administering this act, the Justice Department and the SEC should take cognizance of the compeitive disadvantages created and should provide needed elements of certainty.

In the meantime, AACCLA calls for renewed multilateral efforts by the administration to conclude an international agreement which would adopt and enforce realistic standards to be applied in international trade and investment and procedures to curtail corrupt practices. Such an international agreement should ensure that action would be taken against those who solicit or accept payments as well as those who offer or make them.

In the fervor of the post-Vietnam period, U.S. business has been saddled with a crippling variety of trade restrictions designed to enforce the observance of human rights, curb extortion and bribery abroad, protect the environment and effect a host of other single issue social objectives.

Although it is impossible to calculate accurately the annual loss of exports and job because of the use of trade obstacles, a U.S. Government interagency working group on export disincentives, in a draft report, estimated a minimum loss of $1 billion in 1979 due to the FCPA.

As a businessman with 37 years of experience in Latin America, which now buys two-fifths of all U.S. exports to the developing world, I can attest that we have little success trying to impose our standards on sovereign nations.

Businessmen want to compete on an equal basis with other world traders. We know the limits to imposing ethno-centric political fashions on other peoples through the medium of commerce. Trade is a crucial source of capital and domestic employment. Either we compete abroad or pay the price at home.

With respect to the issue of bribery in business, this is not the first time that extensive investigations have been carried out. After World War I, the FTC had approximately 1,000 cases that they pursued actively pertaining to purchasing for that war effort in the United States and abroad, but in the end no punitive action was taken. The placing of the blame is difficult and in most cases the initiative of the approach could not or was not identified. Where a case did or does exist, there are two parties with the initiative more guilty than the other. I can assure you that no one in business likes to see someone else gain at one's expense.

American business does not condone bribery because, the cost is lost profit. Furthermore, as we are probably the most ethical of our international competitors, we take issue with the implications of present law where it applies to the word bribery.

The foreign corrupt practices act as it is presently written is confusing and, as stated previously, it is one of the disincentives to exports—exports which are so necessary at this moment—to counter the high trade deficits of over $100 billion suffered by the United States over the last 4 years. This high trade deficit directly affects the value of the dollar abroad, the international monetary system, inflation in the United States and, more in particular, employment for American labor. As a part of the problem, we feel that the present law must be clarified and the realities of the international business environment taken into account. In this respect, the present law does not take into account the fact that American companies operating internationally must conduct themselves in accordance with accepted standards of business behavior. If they don't adhere to these rules of the game, it will be difficult, if not impossible to effectively compete in the world marketplace.

For example, the following types of business conduct are standard operating procedures: (A) Lunches, dinners or some form of entertainment usually at a minimal cost to the business, and can be classified as attention; (B) trips to the manufacturing facilities of the bidder. These can be classified as technical; and (C) gifts of value either at the time of contact, yearend or after the business is closed. Costs are widely varied but usually are related to the size of the business.

What are our international competitors doing that has permitted two of them to surpass us in merchandise trade exports within the last several years? They make ample use of the business lunch, dinner, or entertainment approach to all clients. Trips to the head offices or manufacturing facilities are widely used to bring the proposed client into close touch with their own companies. Gifts either at time of contact or at yearend are standard approaches but not on the expensive side.

Under the present law, American management and managers of overseas operations are also held responsible for their agents actions. There are many cases of firms where they might have hundreds of agents in a country who are dealing at the provincial or municipal levels of government. What they do is beyond our control, particularly where they might be selling many products of which the manufacturer's product is only one of many being sold or negotiated. In other cases, an agent may be so deeply involved with governments at a certain level to get future of other business. This in itself can be classified as good business or under the law as a possible bribe.

For these reasons, AACCLA supports those provisions in S. 708 which would: (1) Make business payments legal under the laws of a foreign country not subject to sanctions under U.S. law; (2) put the burden of proof on the U.S. Government to show that a company authorized an illicit payment; (3) establish the requirement that for a payment to be illicit under U.S. law it must be shown that such payment was intended "for the purpose of getting the foreign official to act in violation of the recipient's legal duty as a public servant"; (4) allow courtesy gifts and incidental payments which are very common in many Latin American countries during product presentations and/or marketing activities; and (5) urge the Department of Justice to provide timely guidance to potential exporters and small exporters.

Although prospects for an international agreement on business practices are not good, bilateral and multilateral agreements among the largest possible number of industrialized and developing countries would establish standards of ethical and equitable conduct for international business, provided that these same standards would apply to competing businesses, and establish a mechanism to resolve the diplomatic, commercial, and legal problems associated with such practices.

Our recommendations are for a simplification of the law so that normal business practices can be met in the countries in which we operate.

In simplifying and clarifying present law, we expect to have the disincentives removed from this area of foreign trade, yet maintain the principles that we believe in.

Limits and parameters should be clarified so that we know where we stand and that these do not be carried down to impossible levels of control.

Thank you.●

C-5 AIRCRAFT VERSUS THE BOEING 747

● Mr. GOLDWATER. Mr. President, recently, I have been reading a lot of pros and cons about the C-5 aircraft versus the Boeing 747. These articles have appeared in everything from prestigious aviation magazines, national newspapers, and other printed material, and I just want to get one small

comment in that everyone seems to overlook.

There is no way in the world that an Abrams M-1 tank can be put into the fuselage of a 747 unless the 747 receives complete, and I repeat, complete aerodynamic restructuring. If the floor is removed, a tank could be put in, but if the floor is removed, you have removed most of the main strength of aeronautical construction of the aircraft and it must be completely rebuilt. Let those backers of the 747 explain how much that will cost the taxpayers.●

ORDERS FOR WEDNESDAY

ORDER FOR RECESS UNTIL 10 A.M.

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 10 a.m. on tomorrow.

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

ORDER FOR THE RECOGNITION OF SENATOR CHILES

Mr. BAKER. Mr. President, I ask unanimous consent that after the recognition of the two leaders under the standing order that the distinguished Senator from Florida (Mr. CHILES) be recognized on special order for not to exceed 15 minutes.

ORDER FOR RECESS UNTIL 9:45 A.M.

Mr. BAKER. Mr. President, I am advised that the distinguished Senator from Arkansas (Mr. PRYOR) wishes a special order on tomorrow morning. I ask unanimous consent that the time for the convening of the Senate be changed to 9:45 a.m.

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

ORDER FOR RECOGNITION OF SENATOR PRYOR

Mr. BAKER. Mr. President, I ask that a special order in favor of the distinguished Senator from Arkansas (Mr. PRYOR) be added so that he may be recognized immediately after the Senator from Florida (Mr. CHILES).

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

ORDER FOR PERIOD FOR THE TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that after the execution of the special order that there be a brief period for the transaction of routine morning business to extend not past the hour of 10:40 a.m. in which Senators may speak for not more than 2 minutes.

The PRESIDING OFFICER. Without objection, it is ordered.

S. 2487

Mr. BAKER. Mr. President, on tomorrow it will be my hope that the Senate can proceed to the consideration of Calendar Order No. 683, S. 2487, the intelligence authorization bill. I have been advised that will take no more than about 10 minutes, and I hope that the staff on both sides might see if that measure can be cleared. I will not now ask for unanimous consent to proceed to that matter but rather, Mr. President, I hope we can take care of this small item as soon as we convene tomorrow.

FLEXITIME LEGISLATION

It is my hope, Mr. President, that we can proceed to the consideration of the flexitime bill tomorrow. I may say it would not be the intention of the leadership to ask the Senate to proceed to the consideration of that measure before 11:15 a.m. tomorrow because of scheduling complications of certain Senators.

S. 2586—MILITARY CONSTRUCTION BILL

Mr. President, in addition to that, I am told that we have the military construction bill, S. 2586, that we may be able to consider. Certain agreements have been arrived at now which limit the items that will be considered by way of amendment, and I am advised that it may be possible on tomorrow to get a time limitation on the military construction bill that will be generally agreeable and may be granted by unanimous consent.

Mr. President, if I could have order in the Senate for a moment, I have one other request.

The PRESIDING OFFICER. The Senate will be in order.

Mr. BAKER. Does the Senator from Indiana wish me to yield?

Mr. QUAYLE. Yes. I would like to propound an inquiry about S. 2036, the job training bill. It was reported out of committee unanimously a few weeks ago. I have been in consultation with the ranking minority leader, Senator KENNEDY, to try to ascertain if there are any amendments. There are a couple of minor amendments as of this date. I do not know of any substantive amendments that could be offered, though they could be offered. I wondered if the majority leader might give me an indication if we could schedule this yet tomorrow. I had hoped to have had it brought up today. I know of no objections. I wonder if we might even try to work out a time agreement. If not, to go ahead and bring up this major piece of legislation where really all the compromise was handled in the committee.

Mr. BAKER. Mr. President, I will say to my friend that it is my intention to turn to the consideration of the jobs bill of which he speaks sometime this week. It is possible that we might reach it tomorrow, especially if we can get a fairly short time limitation. I hope the Senator from Indiana and others who are deeply interested in this matter would explore that possibility yet today and early in the morning. If we do not reach it tomorrow, it would be my intention to ask the Senate to turn to that bill and the bus deregulation bill on Thursday.

Mr. QUAYLE. I thank the majority leader.

Mr. SARBANES. Does the majority leader have the schedule for the remainder of the week?

Mr. BAKER. Yes, Mr. President, I indicated earlier that I had hoped we could get an overall composite unanimous-consent agreement that would make certain provisions for the reclamation bill, which I had hoped to reach today, and certain other matters. Assuming that that request is granted, I say to my friend from Maryland, it would be my intention to ask the Senate to go to the flexitime bill and the military construction bill tomorrow, and the jobs bill and the bus deregulation bill on Thursday. That assumes that we can make appropriate arrangements for debate and disposition of the reclamation bill.

This would be a good point, Mr. President, to ask the distinguished minority leader if he can consider at this time a composite unanimous-consent agreement that I have referred to a number of times during the course of our conversations today.

Mr. THURMOND. Mr. President, will the distinguished Senator yield?

Mr. BAKER. Yes; I yield.

Mr. THURMOND. I am just wondering if it is going to be possible to try and pass the crime control package this week?

Mr. BAKER. Mr. President, I announced this morning when we first convened that I hoped we could do the crime package bill this week. I would very much like to do it. I urge the chairman of the Judiciary Committee and the Senator from Florida, who has such a deep interest in this matter, to see if we can arrange a unanimous-consent agreement on time limitation. I assure them I will do my dead level best to get it scheduled for either Wednesday or Thursday of this week.

Mr. THURMOND. I thank the Senator.

Mr. STENNIS. Mr. President, if the Senator will yield, can the majority leader speak to the possibility of having the constitutional amendment concerning the balanced budget? It is on the list of possibilities, I understand.

Mr. BAKER. Mr. President, it is my firm intention to ask the Senate to debate that issue. I recognize, of course, that it is a controversial issue and will take some time. It would be my present intention to try to reach that bill on the day we return from the Fourth of July recess.

Mr. STENNIS. I thank the Senator.

Mr. BAKER. Mr. President, so that I can confer with the minority leader for a moment, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

UNANIMOUS-CONSENT AGREEMENT FOR THE WEEK OF JULY 12, 1982

Mr. BAKER. Mr. President, the unanimous-consent request that I am about to put is a fairly complex request and of several parts. Staffs on both sides of the aisle have spent a good part of this day consulting with Senators, both Republican and Democratic Senators, trying to put this request in shape so that it might be considered by all Members. It has been constructed carefully and I urge Senators to listen to it in detail. I will state it now for the consideration of the minority leader and, of course, for all Senators.

BALANCED BUDGET CONSTITUTIONAL AMENDMENT

Mr. President, first, I ask unanimous consent that on Monday, July 12, 1982, that the Senate proceed to the consideration of calendar order No. 193, Senate Joint Resolution 58, a joint resolution proposing an amendment to the Constitution calling for a balanced budget.

TOBACCO BILL

Mr. President, also, by a unanimous-consent agreement entered into on June 24, 1982, the Senate will proceed to the consideration of Calendar Order No. 694, H.R. 6590, the tobacco bill, at 10 a.m. on Wednesday, July 14, 1982.

RECLAMATION BILL

Further, I ask unanimous consent that following the conclusion of the tobacco bill, that the Senate proceed to the consideration of Calendar Order No. 533, S. 1867, the reclamation bill, under the following time agreement: 3 hours on the bill equally divided between the chairman of the Energy Committee and the ranking minority member, or their designees; 3 hours on an amendment to be offered by the Senator from Wisconsin (Mr. PROXMIRE) and the Senator from Indiana (Mr. LUGAR) dealing with acreage limitation and modified definition of full cost recovery; 2 hours on an amendment to be offered by the Senator from Arkansas (Mr. BUMPERS) dealing with competitive oil and gas leasing; 1 hour on all amendments in the first degree; 30 minutes on all amendments in the second degree; 20 minutes on any debatable motions, appeals, or points of order, if so submitted to the Senate, and that the agreement be in the usual form.

Further, I ask that following the conclusion of the reclamation bill that the Senate return to the consideration of Senate Joint Resolution 58, if that measure has not previously been disposed of.

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

Mr. BAKER. I thank the Chair.

The text of the agreement follows:

Ordered, That following the disposition of H.R. 6590 (Order No. 694), the Senate proceed to the consideration of S. 1867 (Order No. 533), a bill to amend and supplement the acreage limitation and residency provisions of the Federal reclamation law, as amended and supplemented, and for other purposes, and that debate on any amendment in the first degree be limited to one hour (except an amendment to be offered by the Senator from Wisconsin (Mr. PROXMIRE), for himself and the Senator from Indiana (Mr. LUGAR), relative to acreage limitation and modified definition of fuel cost recovery, on which there shall be three hours, and an amendment to be offered by the Senator from Arkansas (Mr. BUMPERS), relative to competitive oil and gas leasing, on which there shall be two hours), to be equally divided and controlled; debate on any amendment in the second degree shall be limited to thirty minutes, to be equally divided and controlled; and debate on any debatable motion, appeal, or point of order which is submitted or on which the Chair entertains debate shall be limited to twenty minutes: *Provided*, That in the event the manager of the bill is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or his designee: *Provided further*, That no amendment that is not germane to the provisions of the said bill shall be received.

Ordered further, That on the question of final passage of the said bill, debate shall be limited to three hours, to be equally divided and controlled, respectively, by the Senator from Idaho (Mr. MCCLURE) and the Senator from Washington (Mr. JACKSON), or their designees: *Provided*, That the said Senators, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, debatable motion, appeal, or point of order.

Ordered further, That following the disposition of S. 1867, the Senate resume consideration of Senate Joint Resolution 58, if not previously disposed of.

EXTENSION OF TIME FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I have one other request to make in respect to the consideration of Senate Joint Resolution 58. There is also one other clearance process that I have to complete on my side of the aisle. If the Senator from West Virginia, the minority leader (Mr. ROBERT C. BYRD) does not mind, I shall now ask unanimous consent that the time for the transaction of routine morning business be extended until not past the hour of 6:45 p.m., so I may have an opportunity to explore that matter.

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

UNANIMOUS-CONSENT AGREEMENT—SENATE JOINT RESOLUTION 58

Mr. BAKER. Mr. President, there is one other request I would like to make in respect to the schedule of the Senate, especially in connection with Calendar Order No. 193, Senate Joint Resolution 58, which will be laid down on July 12.

I ask unanimous consent that, during the Senate's consideration of Calendar No. 193, Senate Joint Resolution 58, a joint resolution proposing an amendment to the Constitution calling for a balanced budget, no amendments dealing with additional constitutional amendments on topics not related to the balanced budget be in order.

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

The text of the agreement follows:

Ordered, That on Monday, July 12, 1982, the Senate proceed to the consideration of Senate Joint Resolution 58 (Order No. 193), a joint resolution proposing an amendment to the Constitution altering Federal fiscal decisionmaking procedures, and that no amendments dealing with additional constitutional amendments on topics not related to a balanced budget be in order.

ORDER OF BUSINESS

Mr. BAKER. Mr. President, I have consulted with the minority leader. There are a number of routine matters to be dealt with at this time by unanimous consent. I assure the minority leader that no other business will be transacted except those which he and I have conferred on and which have been cleared for action. Immediately after that, I intend to ask the Senate to recess until tomorrow.

AUTHORIZATION FOR PRODUCTION OF DOCUMENTS AND TESTIMONY AND REPRESENTATION BY SENATE LEGAL COUNSEL

Mr. BAKER. Mr. President, I send to the desk a resolution on behalf of myself and the distinguished minority leader (Mr. ROBERT C. BYRD) and ask for its immediate consideration.

The PRESIDING OFFICER. The resolution will be stated by title.

The assistant legislative clerk read as follows:

A resolution (S. Res. 420) to authorize production of documents and testimony by a former Senate employee and representation by the Senate Legal Counsel in Impro Product, Inc. v. John B. Herrick, et al.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to.

The preamble was agreed to.

The resolution (S. Res. 420), with its preamble, reads as follows:

S. RES. 420

Whereas, in the case of Impro Products, Inc. v. John B. Herrick, et al., Civil Action No. 78-235-2, pending in the United States district court for the southern district of Iowa, Carol Forbes, a former employee of the Senate has been subpoenaed to testify and produce documents at a deposition;

Whereas, the subpoena may require testimony about, and the production of documents relating to, the employment of Carol Forbes by the Senate;

Whereas, pursuant to section 704(a)(2) of the Ethics in Government Act of 1978 (2 U.S.C. 288c(a)(2) (Supp. IV 1980)) the Senate may direct its Counsel to defend Senate employees with respect to any subpoena directed to them in their official capacity;

Whereas, by the privileges of the Senate of the United States and rule XI of the Standing Rules of the Senate, no evidence under the control or in the possession of the Senate can, by the Judicial process, be taken from such control or possession but by permission of the Senate;

Whereas, when it appears that testimony of an employee of the Senate is needful for use in any court for the promotion of justice and, further, that such testimony may involve communications, conversations, and matters related to the official business of the Senate, the Senate will take such action thereon as will promote the ends of justice consistently with the privileges and rights of the Senate: Now, therefore, be it

Resolved, That the Senate Legal Counsel is directed to represent Carol Forbes in connection with her testimony and production of documents in the case of Impro Products, Inc. v. John B. Herrick, et al., insofar as her testimony and the documents which have been subpoenaed relate to her employment at the Senate.

SEC. 2. Carrol Forbes is authorized to testify and produce documents in the case of Impro Products, Inc. v. John B. Herrick, et al., except concerning matters which the Senate Legal Counsel or his representative determines are privileged from disclosure.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

DIRECTION OF SENATE COUNSEL TO DEFEND THE SENATE—SENATE RESOLUTION 421

Mr. BAKER. Mr. President, I send a resolution to the desk for myself and the distinguished minority leader (Mr. ROBERT C. BYRD) and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated by title.

The assistant legislative clerk read as follows:

A resolution (S. Res. 421) to direct the Senate Legal Counsel to defend the Senate in Consumers Union of U.S., Inc., et al. v. the Federal Trade Commission, et al.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

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

Mr. BAKER. Mr. President, the Senate and the House agreed last month to Senate Concurrent Resolution 60, a resolution to disapprove a trade regulation rule of the Federal Trade Commission on the sale of used motor vehicles. In response, the Consumers Union of U.S., Inc. has brought an action in the U.S. District Court for the District of Columbia to invalidate the legislative review provision of section 21 of the Federal Trade Commission Improvements Act of 1980.

The complaint names the Federal Trade Commission, the Senate, and the House as defendants. The case was brought under the special procedure for judicial review established by section 21 of the Federal Trade Commission Improvements Act of 1980. Under that procedure, any interested party may bring an action in the district court to construe the constitutionality of the legislative review provision of section 21. The law provides that the district court shall certify all questions of the constitutionality of the section the U.S. court of appeals, which shall hear the matter sitting en banc. The statute also provides for an appeal directly to the Supreme Court after the decision of the court of appeals.

The Senate has previously directed the Senate legal counsel to intervene in the name of the Senate in several pending actions concerning the constitutionality of procedures for legislative review. The resolution would direct the Senate legal counsel to defend the Senate in the case brought under the Federal Trade Commission Improvements Act of 1980.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 421) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 421

Whereas, in the case of Consumers Union of U.S., Inc., et al. v. Federal Trade Commission, et al., No. 82-1512, pending in the United States District Court for the District of Columbia, the constitutionality of the legislative review provision of section 21 of the Federal Trade Commission Improvements Act of 1980 (15 U.S.C. 57a-1 (Supp. IV 1980)), has been challenged;

Whereas, the complaint in this action names the United States Senate as a party defendant;

Whereas, the Senate ordinarily may not be named as a party defendant in litigation;

Whereas, the Senate has intervened in previous cases in which the constitutionality of a legislative review provision was challenged, owing to the special nature of those cases;

Whereas, pursuant to section 703(a) and 704(a) of the Ethics in Government Act of 1978 (2 U.S.C. 288b(a) and 288c(a) (Supp. IV 1980)), the Senate may direct its counsel to defend the Senate in legal actions in which the Senate is made a party defendant: Now, therefore, be it

Resolved, That the Senate Legal Counsel is directed to represent the United States Senate in Consumers Union of U.S., Inc., et al. v. Federal Trade Commission, et al.

Mr. BAKER. I move to reconsider the vote by which the resolution was agreed to.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

DIRECTION OF SENATE LEGAL COUNSEL TO APPEAR AS AMICUS CURIAE

Mr. BAKER. Mr. President, I send a resolution to the desk for myself and the distinguished minority leader (Mr. ROBERT C. BYRD) and ask for its immediate consideration.

The PRESIDING OFFICER. The resolution will be stated by title.

The assistant legislative clerk read as follows:

A Senate resolution (S. Res. 422) to direct the Senate Legal Counsel to appear as amicus curiae in *Peter Kiewit Sons' Co.* v. *U.S. Army Corps of Engineers, et al.*

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

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

Mr. BAKER. Mr. President, the Committee on Governmental Affairs has requested that the Senate Legal Counsel be authorized to file a brief amicus curiae in the case of Peter Kiewit Sons' Co. against U.S. Army Corps of Engineers, which is now on appeal to the U.S. Court of Appeals for the District of Columbia Circuit. The committee considered the matter at an open business meeting on June 17, 1982, and voted to direct its chairman (Mr. ROTH), and its ranking minority member (Mr. EAGLETON), to make the request. In their communication to the joint leadership group, Senators ROTH and EAGLETON expressed the concern of the committee that the decision of the district court in this case could have a chilling effect on the legitimate exercise of congressional oversight activities. This resolution would direct the Senate Legal Counsel to appear as amicus curiae in the name of the committee.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 422) was agreed to.

The preamble was agreed to.

The resolution (S. Res. 422) with its preamble, reads as follows:

S. RES. 422

Whereas, in the case of *Peter Kiewit Sons' Co.* v. *U.S. Army Corps of Engineers, et al.*, No. 82-1461, pending in the United States Court of Appeals for the District of Columbia Circuit, the question of the proper role of congressional oversight of the executive branch has been placed in issue;

Whereas, pursuant to sections 703(c), 706(a), and 713(a) of the Ethics in Government Act of 1978 (2 U.S.C. §§ 288b(c), 288e(a), and 2881(a) (Supp. IV 1980)), the Senate may direct its Counsel to appear as amicus curiae in the name of a committee of the Senate in any legal action in which the powers and responsibilities of Congress under the Constitution are placed in issue;

Whereas, the Committee on Governmental Affairs has requested that the Senate Legal Counsel be authorized to prepare a brief amicus curiae in this case; Now, therefore, be it

Resolved, That the Senate Legal Counsel is directed to appear as amicus curiae in the name of the Committee on Governmental Affairs in *Peter Kiewit Sons' Co.* v. *U.S. Army Corps of Engineers, et al.*

Mr. BAKER. I move to reconsider the vote by which the resolution was agreed to.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SMALL BUSINESS INNOVATION DEVELOPMENT ACT OF 1982

Mr. BAKER. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 881.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 881) entitled "An Act to amend the Small Business Act to strengthen the role of the small, innovative firms in federally funded research and development, and to utilize Federal research and development as a base for technological innovation to meet agency needs and to contribute to the growth and strength of the Nation's economy", do pass with the following amendment:

Strike out all after the enacting clause and insert:

SECTION 1. This Act may be cited as the "Small Business Innovation Development Act of 1982".

SEC. 2. (a) The Congress finds that—

(1) technological innovation creates jobs, increases productivity, competition, and economic growth, and is a valuable counterforce to inflation and the United States balance-of-payments deficit;

(2) while small business is the principal source of significant innovations in the Nation, the vast majority of federally funded research and development is conducted by large businesses, universities, and Government laboratories; and

(3) small businesses are among the most cost-effective performers of research and development and are particularly capable of developing research and development results into new products.

(b) Therefore, the purposes of the Act are—

(1) to stimulate technological innovation;

(2) to use small business to meet Federal research and development needs;

(3) to foster and encourage participation by minority and disadvantaged persons in technological innovation; and

(4) to increase private sector commercialization innovations derived from Federal research and development.

SEC. 3. Section 9(b) of the Small Business Act is amended—

(1) by striking out "and" at the end of paragraph (2);

(2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following:

"(4) to develop and maintain a source file and an information program to assure each qualified and interested small business concern the opportunity to participate in Federal agency small business innovation research programs;

"(5) to coordinate with participating agencies a schedule for release of SBIR solicitations, and to prepare a master release schedule so as to maximize small businesses' opportunities to respond to solicitations;

"(6) to independently survey and monitor the operation of SBIR programs within participating Federal agencies; and

"(7) to report not less than annually to the Committee on Small Business of the Senate and the Committee on Small Business of the House of Representatives on the SBIR programs of the Federal agencies and the Administration's information and monitoring efforts related to the SBIR programs.".

SEC. 4. Section 9 of the Small Business Act is amended by adding at the end the following new subsections:

"(e) For the purpose of this section—

"(1) the term 'extramural budget' means the sum of the total obligations minus amounts obligated for such activities by employees of the agency in or through Government-owned, Government-operated facilities, except that for the Agency for International Development it shall not include amounts obligated solely for general institutional support of international research centers or for grants to foreign countries;

"(2) the term 'Federal agency' means an executive agency as defined in section 105 of title 5, United States Code, or a military department as defined in section 102 of such title, except that it does not include any agency within the Intelligence Community (as the term is defined in section 3.4(f) of Executive Order 12333 or its successor orders);

"(3) the term 'funding agreement' means any contract, grant, or cooperative agreement entered into between any Federal agency and any small business for the performance of experimental, developmental, or research work funded in whole or in part by the Federal Govenment;

"(4) the term 'Small Business Innovation Research Program' or 'SBIR' means a program under which a portion of a Federal agency's research or research and development effort is reserved for award to small business concerns through a uniform process having—

"(A) a first phase for determining, insofar as possible, the scientific and technical merit and feasibility of ideas submitted pursuant to SBIR program solicitations;

"(B) a second phase to further develop the proposed ideas to meet the particular program needs, the awarding of which shall take into consideration the scientific and technical merit and feasibility evidence by the first phase and, where two or more proposals are evaluated as being of approximately equal scientific and technical merit and feasibility, special consideration shall be given to those proposals that have demonstrated third phase, non-Federal capital commitments; and

"(C) where appropriate, a third phase in which non-Federal capital pursues commercial applications of the research or research and development and which may also involve follow-on non-SBIR funded production contracts with a Federal agency for products or processes intended for use by the United States Government; and

"(5) the term 'research' or 'research and development' means any activity which is (A) a systematic, intensive study directed toward greater knowledge or understanding of the subject studied: (B) a systematic study directed specifically toward applying new knowledge to meet a recognized need; or (C) a systematic application of knowledge toward the production of useful materials devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

"(f)(1) Each Federal agency which has an extramural budget for research or research and development in excess of $100,000,000 for fiscal year 1982, or any fiscal year thereafter, shall expend not less than 0.2 per centum of its extramural budget in fiscal year 1983 or in such subsequent fiscal year as the agency has such budget, not less than 0.6 per centum of such budget in the second fiscal year thereafter, not less than 1 per centum of such budget in the third fiscal year thereafter, and not less than 1.25 per centum of such budget in all subsequent fiscal years with small business concerns specifically in connection with a small business innovation research program which meets the requirements of the Small Business Innovation Development Act of 1982 and regulations issued thereunder: *Provided*, That any Federal agency which has an extramural budget for research or research and development in excess of $10,000,000,000 for fiscal year 1982 shall expend not less than 0.1 per centum of its extramural budget in fiscal year 1983, not less than 0.3 per centum of such budget in the second fiscal year thereafter, not less than 0.5 percentum of such budget in the third fiscal year thereafter, not less than 1 per centum of such budget in the fourth fiscal year thereafter, and not less than 1.25 per centum of such budget in all subsequent fiscal years with small business concerns specifically in connection with a small business innovation research program which meets the requirements of the Small Business Innovation Development Act of 1982 and regulations issued thereunder: *Provided further*, That a Federal agency shall not make available for the purpose of meeting the requirements of this subsection an amount of its extramural budget for basic research or research and development which exceeds the percentages specified herein. Funding agreements with small business concerns for research or research and development which result from competitive or single source selections other than under a small business innovation research program shall not be counted as meeting any portion of the percentage requirements of this subsection.

"(2) Amounts appropriated for atomic energy defense programs of the Department of Energy shall for the purposes of paragraph (1) be excluded from the amount of the research or research and development budget of that Department.

"(g) Each Federal agency required by subsection (f) to establish a small business innovation research program shall, in accordance with this Act and regulations issued hereunder—

"(1) unilaterally determine cateories of projects to be in its SBIR program;

"(2) issue small business innovation research solicitations in accordance with a schedule determined cooperatively with the Small Business Administration;

"(3) unilaterally receive and evaluate proposals resulting from SBIR proposals;

"(4) unilaterally select awardees for its SBIR funding agreements;

"(5) administer its own SBIR funding agreements (or delegate such administration to another agency);

"(6) make payments to recipients of SBIR funding agreements on the basis of progress toward or completion of the funding agreement requirements; and

"(7) make an annual report on the SBIR program to the Small Business Administration and the Office of Science and Technology Policy.

"(h) In addition to the requirements of (f), each Federal agency which has a budget for research or research and development in excess of $20,000,000 for any fiscal year beginning with fiscal year 1983 or subsequent fiscal year shall establish goals specifically for funding agreements for research or research and development to small business concerns, and no goal established under this subsection shall be less than the percentage of the agency's research or research and development budget expended under funding agreements with small business concerns in the immediately preceding fiscal year.

"(i) Each Federal agency required by this section to have an SBIR program or to establish goals shall report annually to the Small Business Administration the number of awards pursuant to grants, contracts, or cooperative agreements over $10,000 in amount and the dollar value of all such awards, identifying SBIR awards and comparing the number and amount of such awards with awards to other than small business concerns.

"(j) The Small Business Administration, after consultation with the Administrator of the Office of Federal Procurement Policy, the Director of the Office of Science and Technology Policy, and the Intergovernmental Affairs Division of the Office of Management and Budget, shall, within one hundred and twenty days of the enactment of the Small Business Innovation Development Act of 1982, issue policy directives for the general conduct of the SBIR programs within the Federal Government, including providing for—

"(1) simplified, standardized, and timely SBIR solicitations;

"(2) a simplified, standardized funding process which provides for (A) the timely receipt and review of proposals; (B) outside peer review for at least phase two proposals, if appropriate; (C) protection of proprietary information provided in proposals; (D) selection of awardees; (E) retention of rights in data generated in the performance of the contract by the small business concern; (F) transfer of title to property provided by the agency to the small business concern if such a transfer would be more cost effective than recovery of the property by the agency; (G) cost sharing; and (H) cost principles and payment schedules;

"(3) exemptions from the regulations under paragraph (2) if national security or intelligence functions clearly would be jeopardized;

"(4) minimizing regulatory burden associated with participation in the SBIR program for the small business concern which will stimulate the cost-effective conduct of Federal research and development and the likelihood of commercialization of the results of research and development conducted under the SBIR program; and

"(5) simplified, standardized, and timely annual report on the SBIR program to the Small Business Administration and the Office of Science and Technology Policy.

"(k) The Director of the Office of Science and Technology Policy, in consultation with the Federal Coordinating Council for Science, Engineering and Research, shall, in addition to such other responsibilities imposed upon him by the Small Business Innovation Development Act of 1982—

"(1) independently survey and monitor all phases of the implementation and operation of SBIR programs within agencies required to establish an SBIR program, including compliance with the expenditures of funds according to the requirements of subsection (f) of this section; and

"(2) report not less than annually, and at such other times as the Director may deem appropriate, to the Committees on Small Business of the Senate and the House of Representatives on all phases of the implementation and operation of SBIR programs within agencies required to establish an SBIR program, together with such recommendations as the Director may deem appropriate.".

SEC. 5. Effective October 1, 1988, paragraphs (4) through (7) of section 9(b) of the Small Business Act (as added by section 3) and subsections (e) through (k) of section 9 of the Small Business Act (as added by section 4) are repealed.

SEC. 6. The Comptroller General shall, not more than five years after the date of enactment of this Act, transmit a report to the Senate and the House of Representatives on the implementation of, and nature of research conducted under this Act, including the judgments of the heads of Departments and agencies as to the effect of this Act on research programs.

● Mr. RUDMAN. Mr. President, I am, of course, delighted that the Senate today has the opportunity to accept the House amendments to S. 881, the Small Business Innovation Development Act. Though a reasoned approach and with the hard work of many people in the House of Representatives, the original House companion measure, H.R. 4326, was conformed in most respects to the original provisions of S. 881 as approved by the Senate. The differences are of such an insignificant nature to the overall thrust of the legislation that the Senate is able to accept them. Indeed, some of the changes made by the House of Representatives, in my view, are a further refinement of S. 881 and thus improve the legislation which will become law.

Notwithstanding the sense of accomplishment that all of us who have worked for this legislation feel today, I am compelled to point out that the job is just beginning. This law will require hard work by all those involved with it. It will require the same rigorous administration by involved agencies that has made the National Science Foundation SBIR program a resounding success. It will require rigorous oversight from congressional committees. It will require a certain restructuring, already underway, in university attitudes toward the involvement of private enterprise in the research process. Finally, it will require the hard work of the small business community to insure that this increased access to Government R. & D. funds produces the good and competitive results we expect and will demand. This will all work to the national good if those involved apply themselves with diligence.

Ours is a mature economy: one which supports itself not on the raw wealth of its land or on the low cost of its labor force (as with developing nations) but one which thrives on increased production brought about primarily through technological advances. The U.S.S.R. is a prime example of a country rich in cheap labor and natural resources which has, at best, a struggling economy. In contrast, Japan, among those nations poorest in natural resources and land area, leads the world in GNP growth. That growth has been achieved by capitalizing on new ideas, many of which are taken directly from the United States. I believe that Senate bill 881 is a step in the right direction, a step which will greatly enhance our ability to produce the technological advances that are critical to our continued economic well-being and ability to compete in world markets. It is a beginning that we can all celebrate, but one which also requires our pledge of hard work in the future. I pledge my continued efforts so long as I am involved in the process, and I urge others to do likewise.●

● Mr. WEICKER. Mr. President, 15 months ago, on April 7, 1981, as chairman of the Small Business Committee, I introduced, along with my very able colleague, (Mr. RUDMAN), S. 881, the Small Business Innovation Research Act.

Since that time, the Senate Small Business Committee has held 5 days of hearings and reported an amended bill to the Senate where it passed on December 8 by a vote of 90 to 0.

The sailing was not so smooth on the House side. Seven House committees sought jurisdiction of companion legislation, H.R. 4326, and a series of hearings was conducted by most of these committees. All seven committees reported out a different version of the measure. The House Small Business Committee subsequently introduced a clean bill, H.R. 6587, which, after extensive debate on the House floor, passed Wednesday, June 23 by a vote of 353 to 57. This may well be the most deliberated small business bill in the past decade.

I strongly urge the Senate to accept the House-passed version of S. 881. While there are some discrepancies between the House and Senate versions

of this legislation, H.R. 6587 is much closer to S. 881 than H.R. 4326 was as originally introduced. The bill which passed requires a funding level for small business innovation research (SBIR) programs of 1.25 percent in contrast to the 3 percent prescribed in H.R. 4326.

This funding level is far more compatible with the Senate bill's 1 percent requirement. H.R. 6587 also conforms more to the Senate version in that it exempts intramural research from the research base upon which the 1.25 percent is applied. In addition, unlike H.R. 4326, H.R. 6587 includes a provision which places a 1.25 percent cap on the amount that can be taken from an agency's basic research funds. This is comparable to the 1 percent restriction imposed in the Senate bill.

Passage of the Small Business Innovation Act is long overdue. In study after study after study, small firms have been shown to be the most innovative segment of our economy. Yet Federal R. & D. grants have persistently favored large firms. With the passage of this legislation, however, small firms will finally be able to demonstrate their superior innovative ability to those responsible for Federal research as well as to society at large.

If ever there was a time when new ideas and new ways of doing things were needed, that time is now. The small business innovation bill provides a unique opportunity to tap the creative and entrepreneurial spirit of small businesses that has made this Nation great.

Mr. President, I take this opportunity again to commend Senator RUDMAN for his superb handling of this legislation. Without his enthusiastic advocacy and relentless commitment to the final passage of this legislation, S. 881 would never have come this far.●

● Mr. HUDDLESTON. Mr. President, I shall support the motion to concur in the House amendment. The need for this legislation has been well documented during the past 4 years.

I believe the Nation may be missing a significant opportunity to increase the quality of our lives by continuing to restrain the small business community from full participation in the Government's research and development efforts where practicable. The small business innovation research (SBIR) programs that will be established under this legislation will utilize a small portion of the significant amount of research and development dollars available in the largest departments and agencies to stimulate the innovative potential of the small, for profit sector.

Mr. President, we know this program can work in most agencies. The National Science Foundation has been under a statutory mandate to implement a program for the last several years—and it has done so aggressively, and with very positive results. The Department of Defense recognized the value of formally increasing small business participation in its research efforts, and administratively established its own small business research program.

The General Accounting Office has examined the NSF program, and found it a well-run program accomplishing the statutory purposes. The private sector financial community has joined in to support the NSF award winners, contributing significant venture capital to these projects.

Despite the proven success of the SBIR program to date, and my confidence in its future potential in the agencies that will be covered by the House amendment, I believe the House was correct in their judgment to specifically exclude the intelligence community from the application of this legislation. My concern is not that small business is not capable of adequately performing the research needed by the intelligence community because they are now actively participating. Rather, I am concerned that the imposition of the SBIR process, and the requirement for even summary disclosures of research efforts, may provide unnecessary opportunities to compromise the highly classified research works that are carried out by the intelligence community.

Mr. President, Senators RUDMAN, WEICKER, NUNN, and TSONGAS, in particular, deserve a great deal of credit for bringing this legislation to the floor, and for agreeing to the House amendment so that the bill can be sent to the President for his approval.

I can assure my colleagues on this side of the aisle that the prime elements of the legislation which we, on the Senate Small Business Committee, developed and reported last year, and that the Senate overwhelmingly adopted in December, are fully retained in the House amendment. The legislation is right on target with the sixth top and the highest ranking nontax recommendation of the 1980 White House Conference on Small Business. The efforts of the Senate Small Business Committee to fashion an appropriate role for small business in innovation and the Federal research and development effort, which originated in 1978 under the leadership of our former chairman, Gaylord Nelson, is one major step closer to coming to completion.●

● Mr. NUNN. Mr. President, I shall support the motion to concur in the House amendment to the Senate-passed bill, S. 881, the Small Business Innovation Development Act of 1982.

I want to pay particular praise to my good friend, the junior Senator from New Hampshire (Mr. RUDMAN). It is largely because of his personal and persistent efforts that we have been successful over the last 15 months in overcoming every procedural roadblock to divert us from moving forward with this important legislation.

The chairman of this committee, Senator WEICKER, is also entitled to praise for providing the leadership and support for this legislation, not only in committee, but within the Congress.

On our side, many Senators have had a longstanding interest and activism for this legislation. Both Senators from Massachusetts, Mr. KENNEDY and Mr. TSONGAS, have contributed significantly to the formulation of the initial small business innovation research programs, as well as the Senator from Michigan (Mr. LEVIN) and the Senator from Kentucky (Mr. HUDDLESTON).

The ability of our society to innovate, and to introduce commercially successful new products, services, and processes is a key to the stability and growth of our economy.

Today, in particular, our society is faced with many technological challenges. In the past, we, as a nation, have looked to the small business sector to provide us with the ideas and inventions that have significantly contributed to the quality of American life.

Small business has developed an impressive record in this regard. I am sure my colleagues are well aware of this record, and it has been described fully and thoroughly in both the Senate and House committee reports on this legislation. Suffice it to say, study after study has empirically demonstrated that small business is most likely to produce the major innovations in this country, and most likely to bring them to the stage of commercialization sooner than large business. Yet, for some reason, this sector has been virtually shut out from the Federal Government's research and development efforts. This bill will reverse that trend.

Mr. President, the appropriate role of the Federal Government in stimulating innovation and technology is not a new issue for the Congress, or the executive branch. In fact, clear and convincing evidence of the potential for innovation and technology dates to the 1967 blue-ribbon Commerce Department study—the so-called "Charpie Report."

In May 1978, President Carter initiated a domestic policy review to review and identify appropriate Government actions in connection with innovation. Shortly thereafter, in August 1978, the House and Senate Small Business Committees, under the leadership of former Senators Nelson and McIntyre, and former Congressman Breckinridge, conducted joint hearings on the President's review. During the governmentwide innovation review in 1978, the Small Business Administration, under the leadership of Milt Stewart, the Chief Counsel for Advocacy,

brought together three task forces to consider the small business aspects of the innovation question, and to make specific recommendations to the President and Congress.

The task force issued its report in July 1979, and presented their findings to the Senate Small Business Committee at hearings in August 1979. With the task force recommendations, coupled with the work done by our committee previously, the distinguished former chairman of this committee, Senator Nelson, introduced S. 1860, the "Small Business Innovation Act of 1979." Similar legislation was introduced in the House.

In January 1980, at the White House Conference on Small Business, the delegates specifically voted in favor of the enactment of S. 1860, the only legislation endorsed by specific bill number. Although the Senate Small Business Committee favorably reported this legislation, the Senate did not complete action prior to the sine die adjournment of the 96th Congress.

Mr. President, I am pleased to say that, in this Congress, the work which we initiated in the Small Business Committee many years ago is a step closer to completion.

There are differences between the version the Senate debated and passed unanimously by a vote of 90 to zero last December, and the amendment which the House agreed to Wednesday by an overwhelming vote of 353 to 57. But frankly, these differences, such as in the phasing-in of the small business innovation research program in the civilian or defense agencies, are acceptable. The sunset provision offered by my colleague from Georgia (Mr. LEVITAS) will make it clear that the congressional intent is to make sure that the program works, or the program will be terminated.

The President has personally endorsed the Senate-passed version of this legislation, and I am confident that he will sign this version as well. In fact, in the President's Report on the "State of Small Business," he noted that the Government has gradually concentrated its purchases in larger firms and universities. The President called upon the Congress to pass S. 881 for his signature this year. If the Senate concurs with the House amendment today, as I hope it would, we will be able to have the bill on the President's desk for his approval.

Mr. President, in conclusion, the Senate has before it a good bill. The bill is good for small business; it is good for the research and development needs of this Government, and it is good for the Nation.

I urge my colleagues to support the motion to concur in the House amendment to S. 881, and to clear this bill for the President today.●

● Mr. KENNEDY. Mr. President, today's passage of the Small Business Innovation legislation by the Senate will be an important step for the long-term health of our Nation's economy. For the Commonwealth of Massachusetts, it will mean substantial new growth for the high tech sector.

Several of my colleagues deserve special praise for their efforts on this bill. Senator RUDMAN, its principal sponsor, was extremely effective in moving this bill through Congress. Senator WEICKER and Senator NUNN lent their considerable assistance as leaders in Congress for small business concerns.

The United States no longer leads the world in innovation and high technology. For a decade, we have permitted our commitment to research and development to wane, and today we are paying the price in more than just a loss of pride. Japan and West Germany are leading us in the world marketplace and where we are handing out pink slips, they are creating new jobs.

This bill will improve our Nation's R. & D. efforts, so vital to the health of our economy. It will encourage the Nation's most creative businesses—small innovative companies—to carry out research and development and market the results in the private sector. It will create a unique partnership between the Federal Government and private industry to make the most of Federal R. & D. dollars and to expand the Nation's R. & D. effort.

This bill broadens the successful National Science Foundation small business innovation research program—a program I am proud to have helped establish with legislation I introduced in 1975. If the performance of Massachusetts firms in the NSF program is any indication, today's action could well result in a significant infusion of capital targeted to the State's small business high tech sector. The Commonwealth would receive $75 million a year in new Federal funds after the legislation in phased in. Together with the private sector funds it would attract, total new investment would approach $1 billion.

In the 1980's, we must find new and creative ways to meet our economic challenges. The Small Business Innovation initiative is an important new effort and new idea, and I commend my colleagues for their action.●

● Mr. GLENN. Mr. President, I support S. 881, the Small Business Development Act of 1982. This bill is very similar to the Senate version of the Small Business Innovation Research Act of 1981, which the Senate passed last December by a vote of 97 to 0. Although the House version differs in some respects from the bill we passed in the Senate, I believe it merits our strong support. In particular, I am pleased to note that it still contains a reporting requirement similar to the one called for by my floor amendment to S. 881. I believe it is vitally important that we protect this country's efforts in basic research, and it is my hope that the GAO's report will thoroughly assess the impact this program has on our basic research.

Mr. President, with this bill, Congress can take yet another step in meeting the recommendations set forth 2 years ago by the White House Conference on Small Business. It is a good bill—one that I urge my colleagues to support and the President to sign.●

Mr. BAKER. Mr. President, I move that the Senate concur in the House amendments.

The PRESIDING OFFICER. Without objection, the motion is agreed to.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the motion to concur was agreed to.

Mr. RUDMAN. I move to lay that motion on the table.

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

OPERATION OF FISHERMEN'S CONTINGENCY FUND

Mr. BAKER. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 3816.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the House agree to the amendments of the Senate Numbered 2, 3, 4, and 5 to the bill (H.R. 3816) entitled "An Act to improve the operation of the Fishermen's Contingency Fund established to compensate commercial fishermen for damages resulting from oil and gas exploration, development, and production in areas of the Outer Continental Shelf.".

Resolved, That the House agree to the amendment of the Senate Numbered 1 to the aforesaid bill with amendments as follows:

In the matter proposed to be inserted, strike out "405(h)(3)" and insert "405(h)(2)".

On page 3, line 12, of the House engrossed bill, strike out "405(h)(3)" and insert "405(h)(2)".

Mr. BAKER. Mr. President, I move that the Senate concur in the House amendments.

The PRESIDING OFFICER. Without objection, the motion is agreed to.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the Senate agreed to concur in the House amendments to H.R. 3816.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

PROGRAM

Mr. BAKER. Mr. President, when the Senate completes its business today, it will stand in recess until 9:45 a.m. tomorrow. After the recognition

of the two leaders under the standing order, two Senators will be recognized on special orders of not to exceed 15 minutes each. Thereafter, there will be a brief period for the transaction of routine morning business to extend not past 10:40 a.m. in which Senators may speak for not more than 2 minutes each.

After that, Mr. President, it is the intention of the leadership to ask the Senate to proceed to the consideration of a number of measures, including perhaps the intelligence authorization bill, Calendar Order 683, S. 2487, if the same is cleared for action by the time the Senate is prepared to turn to the consideration of legislative business; S. 2240, the flexitime bill, but no later than 11:15 a.m. on tomorrow, and perhaps S. 2586, the military construction bill, on which it is hoped a unanimous-consent agreement limiting time for debate and the nature of amendments may be entered into.

Mr. President, on Thursday next it is hoped that the Senate can turn to the consideration of the jobs bill, or the bus deregulation bill, and hopefully the crime package reported by the Senate Judiciary Committee.

It is the hope of the leadership, Mr. President, that the Senate can complete its business on Thursday and stand in adjournment pursuant to the terms of an adjournment resolution which I understand has been passed by the House of Representatives.

That resolution, as I believe it is drafted and adopted by the House, provides for the adjournment of the Senate on either July 1 or July 2. It is the devout wish of the leadership that July 1 will be the date when we complete the necessary business of the Senate.

RECESS UNTIL 9:45 A.M. TOMORROW

Mr. BAKER. Mr. President, if there is no further business to come before the Senate, and I see no Senator seeking recognition, I move in accordance with the order previously entered that the Senate stand in recess until 9:45 a.m. tomorrow.

The motion was agreed to and, at 6:39 p.m., the Senate recessed until Wednesday, June 30, 1982, at 9:45 a.m.

NOMINATIONS

Executive nominations received by the Secretary of the Senate June 28, 1982, under authority of the order of the Senate of June 24, 1982:

DEPARTMENT OF STATE

Robert Werner Duemling, of California, a Career Member of the Senior Foreign Service, class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Suriname.

Rutherford M. Poats, of Virginia, for the rank of Minister during the tenure of his service as Chairman of the Development Assistance Committee of the Organization for Economic Cooperation and Development at Paris, France.

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Eli S. Jacobs, of California, to be a Member of the General Advisory Committee of the U.S. Arms Control and Disarmament Agency, vice Thomas John Watson, Jr., resigned.

THE JUDICIARY

Richard A. Gadbois, Jr., of California, to be U.S. district judge for the central district of California, vice Irving Hill, retired.

IN THE ARMY

Chaplain (brigadier general) Patrick John Hessian, [redacted] U.S. Army, to be assigned as Chief of Chaplains, U.S. Army, under the provisions of title 10, United States Code, section 3036.

EXTENSIONS OF REMARKS

CRISIS AT THE GPO

HON. MICHAEL D. BARNES

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. BARNES. Mr. Speaker, the relationship of the Public Printer, Danford Sawyer, Jr., with both the Joint Committee on Printing and his own employees at the Government Printing Office (GPO) has been steadily deteriorating for some time. Mr. Sawyer has attacked GPO's employees, arguing that they are both overpaid and inefficient.

When Mr. Sawyer testified before the Senate at his confirmation hearings, he spoke of his admiration for GPO employees, who produced high-caliber work under difficult working conditions and extraordinary time pressures. Among his other comments were the following:

> I think the quality of the operation is excellent. * * * Frankly I stand in awe of their ability to produce.
>
> The CONGRESSIONAL RECORD in itself in one evening is a feat, but to also produce the Register and the extraordinary number of bills and reports and what have you that are also produced is quite a feat.
>
> The production staff and other supporting departments in the Government Printing Office are of extremely high caliber. * * * The work produced is on a time schedule that is almost miraculous.

Mr. Sawyer also spoke of his willingness to work out agreements with union representatives in an atmosphere of cooperation, and he spoke of working in harmony with the Joint Committee on Printing.

But since taking office, the Public Printer has created a state-of-siege mentality at GPO and has also succeeded in angering Congress by refusing to recognize our policy-setting power over the agency.

Mr. Sawyer has indicated he will institute furloughs of GPO employees, the legality of which is being challenged in Federal court, and he has also refused to bargain with union representatives over wages. He has offered the union instead a final wage proposal that would reduce employee wages by 22 percent over the next 3 years. He has not acknowledged the May 1982 resolution by the Joint Committee on Printing which directs him to abandon plans for furloughing GPO employees until a long-range study of printing needs for the Federal Government and Congress can be evaluated.

Mr. Speaker, I cannot help but wonder what happened to the conciliatory and cooperative attitude Mr. Sawyer displayed such a short time ago. His inflexible and combative stance on many issues has hampered the work of the agency. His policies threaten to interrupt the crucial services which the GPO provides to Congress and the rest of the Government and the public generally.

I would like to call the attention of my colleagues to other aspects of the situation at GPO. Mr. Sawyer has claimed that salaries of GPO craft workers exceed the salaries of their counterparts in the private sector. Union spokesmen and the staff of our own Joint Committee on Printing argue that the private sector salary figures are distorted because they include, among other things, wages paid to nonunion private-sector workers.

Mr. Sawyer says he has been advised by GPO's General Counsel of his right to furlough GPO employees under the Civil Service Reform Act of 1978. The American Law Division of the Library of Congress has concluded just the opposite, that the Public Printer does not have unilateral authority to alter the existing workweek of agency personnel.

Mr. Sawyer has also been seeking congressional support for his actions outside the Joint Committee on Printing, which he has said he hopes will be abolished.

I urge my colleagues to follow the situation at the Government Printing Office closely. The controversy caused by Mr. Sawyer's behavior must be resolved quickly, and if it is not we must be ready to act to reassert congressional authority over the agency.●

AUB—BRIDGE OF UNDERSTANDING

HON. SILVIO O. CONTE

OF MASSACHUETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. CONTE. Mr. Speaker, events of recent days in Lebanon once again have reminded us how important it is to maintain a bridge of understanding between the United States and the Middle East. The problems which confront that region of the world are immense, and they often appear intractable. Most nations of the Middle East nonetheless look in one way or another to the United States to help find a solution, even while distrust of our motives there is pervasive. This state of affairs underscores the invaluable role played by a unique institution—the American University of Beirut—in assuring that the dialog between the Arab world and ourselves continues.

AUB has provided a link between East and West for the past 116 years, and, its day-in-day-out service to the region has made it a trusted American presence. Its long-time commitment to an American liberal arts education has been instrumental in introducing Western ideas and values to the Middle East, while it simultaneously has served to integrate the best of Arab culture with our own traditions. The universal respect this has engendered enables the university to continue its operations untouched in war-torn Lebanon. I think my colleagues can agree that this is an example of America at its best and a link to the Middle East which we can ill afford to lose. Unfortunately, events in Lebanon have placed AUB in financial jeopardy, and this institution must have support from her friends both here and in the Middle East to see her through troubled times.

An informative article about AUB's historic role and her present difficulties appeared in the June 3, 1982 edition of the Wall Street Journal. I am certain my colleagues will find it timely to learn more about this important American institution, and I ask that it be printed at this point in the RECORD.

[From The Wall Street Journal, June 3, 1982]

AMERICAN UNIVERSITY OF BEIRUT IS AN OASIS IN A NATION AT WAR: DUBBED "GUERRILLA U." IN SEVENTIES, ALMA MATER OF STATESMEN HAS BIG FUNDING PROBLEM

(By David Ignatius)

BEIRUT.—Entering the gates of the American University of Beirut is like waking up from a bad dream: The snipers and car bombs that afflict the rest of the Lebanese captial give way to a campus of quiet academic buildings and palm and cypress trees on 73 acres that slope down to the Mediterranean.

Founded in 1866 by a Protestant missionary from Vermont, the university functions today in a modern heart of darkness. Kidnapping and assassination have become a way of life in this city during the past seven years of Lebanon's intermittent civil war. The university has avoided the devastation of the rest of the city by remaining friends with all the feuding factions. But its officials have watched the national slide toward anarchy as if they were observing a favorite pupil going mad.

The university, known here as AUB, dreamed a generation ago that its liberal-arts education would help establish democracy and tolerance in Lebanon and the rest of the Arab world. Today, in a city ruled by guns, AUB has a less-ambitious goal: survival as a free university.

Conversations with the faculty make clear that this struggle isn't easy. Munthir Ku-

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

zayli, director of the AUB hospital, treats patients even when local fighting blocks supplies of oxygen, sutures and syringes to the institution, located near the campus but not inside its walls. But he drew the line recently, and refuse to provide emergency care for five days, after one of Beirut's armed gangs started shooting in the emergency room.

STOICAL ATTITUDE

Professors have adopted a stoical attitude: Elie Salem, the dean of the faculty of arts and sciences, says he decided long ago to forget about bombings, on the theory that he will never hear the explosion that actually kills him. The chairman of the chemistry department, Maklouf Haddadine, says he resolved to stay here and continue teaching because "you can't run away faster than a bullet."

"Everybody in Lebanon has been in a state of shell shock for the last seven years, and this takes its toll," says Malcolm Kerr, AUB's newly appointed president. The 50-year-old Mr. Kerr was born in Beirut—his father taught at AUB—and he received a master's degree in Arab studies from AUB before getting his Ph.D. at the Johns Hopkins School of International Studies. He will be moving to Beirut this June with his wife and child from his present post as a professor at the University of California at Los Angeles. He doesn't seem worried. "I've been impressed by the durability of the place," he says.

Indeed, despite Lebanon's troubles. AUB's student enrollment has risen steadily in recent years. The current total of about 4,850 compares with 2,269 in the 1957-58 academic year and 3,491 in the 1967-68 academic year and is just slightly below the target of about 5,000 set in early 1975, before the civil war began.

SIGNIFICANT CHANGES

The war, however, has wrought significant changes. Today, roughly 70% of the AUB's students are from Lebanon (including Palestinians living in Lebanon), compared with a prewar average of 55%. And the faculty of 485 is substantially smaller than the 800 positions that the university a few years ago thought would be necessary to support the current student population.

AUB students these days, unlike the campus radicals of 10 years ago, seem grateful for the refuge the university provides from Lebanon's tormented politics. "The students have learned their lesson," says Radwan Mawlawi, AUB's director of information. "They have become more serious, taking care of their studies before anything else."

Students gathered in the campus quadrangle, dressed mostly in jeans and T-shirts, don't seem very different from their American counterparts. Jawad Saba, a Lebanese senior majoring in engineering and editor of the yearbook, discusses his plans for getting a well-paying job in Saudi Arabia after he graduates. Imad Hannoun, a Palestinian senior, talks eagerly about going on to the California Institute of Technology next for graduate study. (AUB itself has 38 graduate programs, mostly offering master's degrees, in subjects ranging from English literature to electrical engineering.)

"The typical AUB student is interested in eating, sleeping, studying, watching TV at night, seeing his girlfriend every day and going to the movies twice a week," says Omar Tuffahah, a 23-year-old senior.

There are a few political posters on the campus walls. But they are overshadowed by a banner proclaiming: "Excite your molecules. Have an explosive reaction at the chemistry department dance."

AUB today is a far cry from the stern idealism of its founder, Daniel Bliss. He hoped to build a bridge between East and West, guiding the Arab world toward American values and—if possible—the Protestant religion.

The university dropped its religious mission after some early battles, including a strike by Moslem students who refused to sing hymns in chapel. But the goal of spreading American values was implicit in the university's charter, which remains in effect: Teaching would be in English; the university would be owned and supervised by a board of trustees in New York; and degrees would be awarded under a license granted by the New York State Board of Regents.

For decades, the AUB ethic pervaded the Middle East. Students flocked here from Saudi Arabia, Bahrain, Syria and Lebanon for an American-style education. Many of them returned home to become presidents, prime ministers and cabinet officials. An AUB catalog boasts that in 1945, at the first session of the United Nations in San Francisco, 19 of the signers of the U.N. charter were AUB graduates.

At AUB, "We were breast-fed the milk of freedom," says Saeb Salem, an AUB graduate and former prime minister of Lebanon. "It was at this American institution," he told a recent AUB gathering, "that we learned of this freedom which urged us to oppose imperialism and imperialists."

In those heady days, the university took pride in its reputation as the center of an "Arab awakening." The "imperialists," at that time, were Britain and France, and many of AUB's leading graduates—such as Charles Malik, class of 1927 and former president of the U.N. General Assembly—were strongly pro-American.

But in the 1960s, the radicalism of AUB students began to assume an anti-American tone, largely because of Arab anger at U.S. support for Israel. The symbol of that new mood was George Habash, a Palestinian who graduated from the AUB medical school in 1951 and went on to found the terrorist "Popular Front for the Liberation of Palestine." By 1970, student strikes and demonstrations regularly halted classes, and an American news magazine was calling AUB "Guerrilla U."

As Arab politics became more radical and polarized, AUB found that its liberal approach to education had few defenders. The late King Faisal of Saudi Arabia attacked the university as "the worst center for spreading communism" in the Middle East. At the other extreme, a Palestinian terrorist named Leilah Khaled, who studied here in 1961, contended that AUB was an "intellectual graveyard" that "only excelled in producing CIA spies and ministers."

Perhaps inevitably, a university that had tried to bridge East and West discovered that it was losing friends on both sides.

The U.S. government, which for years viewed AUB as an investment in a stable and friendly Mideast, became disenchanted with its radical aura. Contributions from the U.S. Agency for International Development, which accounted for 45% of AUB's budget in 1971, slipped gradually toward this year's meager level of 7%.

Arab governments, meanwhile, became increasingly wary of supporting anything that was explicitly "American." Contributions from the many AUB graduates working in the oil-rich Persian Gulf increased. But they failed to offset the decline in U.S. support, leaving AUB with a deficit estimated this year at about $3 million.

"Like any poor university, we need money," says Suliman Olayan, a prominent Saudi businessman who is a member of the AUB board of trustees. AUB officials say they haven't any choice but to keep pushing for contributions from both the gulf countries and the U.S. "This isn't purely an American or an Arab institution," says the new president, Mr. Kerr. "It's ours and it's theirs, and it has to be supported by all sides."

The cruelest blow to AUB's hopes came here in Lebanon, which once exemplified the university's ideal of Arab democracy. The civil war that began in 1975 turned the country into an arena for both Arab-Israeli conflict and inter-Arab rivalries. Suddenly, AUB graduates were joining militias associated with the various political groups, religious sects and ruling families of Lebanon and seeking to kill each other.

The university's response to the Lebanese war was to retrench as an educational institution. The faculty went for months on half pay. Professors at the medical school slept at the university hospital for weeks on end. And by pressing ahead with classes despite the fighting. AUB managed to complete the 1975-76 academic year on schedule. Degrees have been awarded regularly every year since then.

In a message to the faculty last year, Dean Salem summarized the hardships AUB has faced since 1975:

"Consider the problem of the professor whose landlord wants to evict him in order to benefit from new rent, whose car has been stolen, whose telephone has been illegally disconnected, whose elevator stopped five years ago, whose apartment is without water, whose electricity is regularly cut, whose children travel a precarious route to school—and consider the magnitude of the distraction that has been imposed on him by the war.

"In the face of uncertainty," Dean Salem concluded, "we are free, either to despair and let this university slide to its doom, or to affirm our fundamental trust in its continuity."●

EVANS AND NOVAK DESCRIBE LIFE UNDER THE PLO

HON. JONATHAN B. BINGHAM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. BINGHAM. Mr. Speaker, I am growing a little tired of newspaper reports which attack the Israeli move into Lebanon without any reference to the years of PLO occupation of Lebanon that preceded it. It is one thing to decry the loss of life in Lebanon but it is quite another to imply that things were better before the Israelis moved in. In fact, things were terrible in Lebanon well before June 5. The PLO had virtually ended Lebanese sovereignty and had terrorized the people of Lebanon, Moslems as well as Christians.

The Washington Post columnists Evans and Novak describe what it was like to live under PLO occupation.

Their column of June 25 must be read. I might add that Rowland Evans and Robert Novak are hardly known for their pro-Israel bias.

[From the Washington Post, June 25, 1982]

THE PLO AS AN OCCUPYING POWER

(By Roland Evans and Robert Novak)

SIDON, LEBANON.—Israel's accusation that the PLO was a rogue elephant whose arms and swagger created resentment and fear in Lebanon's largest cities was no fabrication.

That becomes clearer as the initial shock of the Israeli invasion dissipates and the Lebanese, picking up the threads of life, start talking.

The PLO was born out of Israel's statehood in Palestine and its later occupation of the West Bank and Gaza, creating generations of refugees. Once incorruptible, its extraordinary success in accumulating arms and money despite political failure to retrieve part of its land has made the PLO itself an occupying power—a power without responsibility.

The ambition of the PLO—Palestinian self-determination on the West Bank—remains an exemplary cause that President Reagan may soon decide needs redemption. But the PLO's methods of attaining it in Lebanese cities we visited up to Beirut tend to support Israel's claim that the PLO has become permeated by thugs and adventurers.

"The worst elements in the PLO took over from the best," a Christian Lebanese surgeon told us in Sidon. A whiff of decaying flesh was in the air from bodies rotting under tons of debris bulldozed off the main streets.

We encountered the surgeon by chance. We asked him how the people of Sidon like the Israeli invaders. His answer: "If you want to know, come to my farm and see."

The farm, on a strategic hilltop overlooking the harbor, had been taken over without negotiation, compensation or advance notice by local PLO commanders in 1974. The house was littered with the refuse of six years—filthy uniforms, broken chairs, slogans on the walls. That was the least of it. Two small barns were packed with munitions, guns, dynamite, detonators, even made-in America helmets still in their crates.

Hidden in the orchard were two heavy artillery pieces. In a shed in the pigpen were dozens of unopened cartons of hand grenades. The wreckage of 12 automobiles, said by the surgeon-farmer to have been "requisitioned" by the PLO down in the city, littered the front yard.

"You ask how do we like the Israelis," the doctor said. "Now you can see. Compared to the hell we have had in Lebanon, the Israelis are brothers."

While the PLO occupied and ravaged his farm, the surgeon-farmer lived in a small downtown apartment. But for the 60,000 Lebanese in Sidon (a population that had swelled with 240,000 Palestinian refugees by the time the Israeli army arrived), surviving the PLO was another kind of hell.

A young teacher told us about it. A Shi'ite Moslem, she had lost an uncle killed in the Israeli invasion. Her brother was being held by the Israelis. That would seem to be reason for anger, but there was none. "We have not been able to keep our schools open," she told us. The PLO toughs made classrooms too dangerous. Girls were molested. Schools shut down.

With her were three other young Lebanese: a Maronite Christian, a Shi'ite Moslem and a Sunni Moslem. Each in turn told a similar story: an apartment taken over by the PLO, car stolen, thievery in town up by a recorded 5,000 percent, vineyard and orchards ruined.

Israeli soldiers were conspicuous everywhere in Tyre and Sidon on our June 22 visit. They represented a totality of military power inconceivable to the only people contiguous to the Jewish state never—until June 6—invaded by the might of Israel.

Yet, in the two cities of Tyre and Sidon, there is reason to take seriously the Israeli estimate of Lebanese casualties: a total of 250 killed and less than 1,000 wounded.

Perhaps those low casualties had some impact on the Lebanese when the shooting stopped. Perhaps the final outcome in Beirut will change opinions even here. But that seemed unlikely.

More probable in the aftermath of the Lebanese invasion is this: the PLO is justly accused of a grave disservice to the people who took it in here and to the people it represents. To itself, the disservice is greatest of all.●

TRIBUTE TO EDWARD HODGES

HON. DON EDWARDS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. EDWARDS of California. Mr. Speaker, it is my pleasure to bring to the attention of my colleagues the outstanding work being done by a dedicated teacher in my district. An unselfish, dedicated, challenging and intelligent educator adds immeasurably to the wealth of our Nation. What such a teacher gives to the students will be returned to our society tenfold.

Mr. Edward Hodges is a science teacher at Herbert Hoover Junior High School in San Jose, Calif. He is a demanding teacher, expecting and getting high caliber work from his students. In his spare time he is the sponsor of the Hoover Hiking Club and the Hoover Bicycle Club. He gives hundreds of hours each year to both of these organizations. On alternating years he trains and conditions his seventh and eighth graders for a trip completely paid for by the students. Recycling and paper collection provide some of the expense money.

He has taken the students to Alaska, Death Valley, the Emigrant Gap and various other places. The team leaders are past students who participated in hiking trips and who are now in high school and college. This year he took his seventh and eighth grade boys and girls on a 7-day hike of 62 miles recreating the Donner Party's trail from Reno to Emigrant Gap. Each student had various conditioning tests throughout the year that he or she had to pass. They had books to read that dealt with the Donner Party's ordeal and many conditioning hikes were required to be elibible for the final backpacking hike.

Being 13 or 14 years old in today's society is very tough in and of itself. "Hodge" offers his students a challenge that will help prepare them for the challenges they will face in the years ahead.

It has been my pleasure to have recently spoken with some of the students who went on the Donner Trail trip. Mr. Hodges dedication has opened new horizons for these young people. They are sure of themselves; they know they can do the hard task; they will succeed.

Thank you, Mr. Hodges. We are all in your debt.●

TO MEMORIALIZE LEONARD YANDALL

HON. FOFO I. F. SUNIA

OF SAMOA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. SUNIA. Mr. Speaker, one of the most highly respected residents of the territory of American Samoa passed away recently and I rise today to call attention to his achievements.

Public service is seldom the backdrop for heroism but this is not the case of Leonard Yandall—also known by his traditional chief's title, Seigafolava. As an American and a Samoan, he deserves a place among the unsung heroes who have served long and difficult years in the service of the U.S. Government. Mr. Yandall retired from his government post as territorial treasurer after 42 years of faithful and selfless service.

"Len," as we called him, never went to high school. His training consisted of attendance at the local elementary schools and eventual graduation from the Catholic Brothers School which, because of the time, stopped at grade nine. Despite these obstacles, Len rose to become one of the first Samoans to hold a legitimate position as a government administrator.

From his first job as a stockboy in the local supply depots, Len began to acquire and nurture what came to be a highly disciplined and acute mastery of the intricacies of the local government. It is a true testament to his heroic achievement that he moved from such a lowly position to control over the entire administrative services system of the Government of American Samoa. That he accomplished this at a time when few local Samoans were in positions of power is further proof of his heroic mettle.

President Reagan encourages the spirit of voluntarism in the 1980's. It should be noted that in 1977 Len provided the kind of sterling example of selfless voluntarism that the President describes. At the time, he volunteered to resume his government position on a temporary basis for free until a suit-

able permanent replacement could be found. I think it can honestly be said that Len loved the government for which he worked and wanted nothing more for it than the condition of excellence which he always pursued in everything he did.

Len's selflessness was an example to many young Samoans who found themselves in government service. When I returned home after college and received an appointment to Governor Coleman's office, Len was one of the most valuable resources that I could rely on for help or to rescue me from the complicated traps of public policy. He knew the operation of the government like the palm of his hand, and he was always ready and willing to extend this hand to teach new employees.

Len Yandall left a substantial reputation behind—one that, I doubt, will easily be matched or forgotten. He also leaves behind a loving wife, Sea, and a family of 17 children and 22 grandchildren, most of whom continue to reside in American Samoa. Six members of the family have decided to emulate their father's exemplary model through their service in the Armed Forces.

Little can be said in this short period of time that can do adequate justice to the accomplishment of one hero who did so much for so long in the service of his people. It is my own personal hope and prayer that our current crop of American Samoans in public service will be able to come half as close to the degree of excellence that we learned to expect from Len Yandall. That, in itself, will be quite a great distance.●

WOMEN'S RIGHTS

HON. AL SWIFT

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. SWIFT. Mr. Speaker, 200 years ago Thomas Jefferson wrote and this Nation adopted as the declaration of its independence from Great Britain these words:

> We hold these truths to be self-evident, that all Men are created equal, that they are endowed by their creator with certain inalienable rights.

The words are so clear, so plain in their meaning, so definite.

Yet we fought a bloody civil war before the word "man" meant black men as well as white men. And we fought for years before the word "man" meant "woman" in regard to voting rights. Today, in law, women's rights are much more secure. But, today, it is still not in our Constitution to underline precisely what Thomas Jefferson said so long ago.

One must ponder the power of the concept of equality that so many fight so hard and so long to prevent others from having it—or to avoid accepting it. What a threat equality must be to some who are advantaged. What a fearful responsibility it must seem to some who do not have it. So powerful is it that some men and women thoughout the land have carved little footnotes in history for themselves, footnotes reserved for those who distinguished themselves by opposing the extension of human justice.

But, they will be only footnotes. The chapter will be about women and men whose efforts expanded liberty and opportunity and justice for all by fighting to assure it for American women. After all—the extension of freedom anywhere strengthens us all. The work has not been in vain and it is not yet finished.●

PAST PUTS FUTURE IN PERSPECTIVE

HON. WENDELL BAILEY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 29, 1982

● Mr. BAILEY of Missouri. Mr. Speaker, I am not a philosopher, but once in a while some of the homespun philosophy that makes Missouri the greatest place in the world to live creeps into my thoughts.

Down in my native Ozarks, the town of Eldon is planning its 100th birthday, September 11-18. Eldon is in the middle of the agricultural belt, but most of its citizens are proud to say it is a Bible-belt town.

A few days ago, a news-photo team of Lauren Schepker and Don Cadorette of the Jefferson City News-Tribune, took a precelebration visit to Eldon and came up with a most enterprising and thought-provoking story about Eldon and its people.

In that story, Schepker quotes Herb Harvey, one of the remaining members of one of the city's founding families, it is the churches which have kept the town alive. "We have a good number of beautiful and worthy churches who cooperate to help the town. It is not like the different churches compete against each other."

What a beautiful message. I hear Sunbelt against Frostbelt, I hear North against South, East against West, cotton against corn, wheat against rice, milk against imports—and then I hear the cry, "I Love New York." All in all, it does not seem to speak of cooperation and pulling together and I wonder, Mr. Speaker, if there is not a message there for all of us as we meet together to solve our budget problems, to solve our economic differences, just working together.

As I read that beautiful story about Eldon, I cannot help but think, let the dead past bury its dead. Some say cemeteries are not very cheerful places, but out in Eldon our cemeteries adjoin our churches, and we go forth to worship, as we do so, we see the graves of our dead and remember what they worked and strived for.

It is then we are reminded of I Corinthians 15: 52: *"For there will be a trumpet blast from the sky and all the Christians who have died will suddenly come alive, with new bodies that will never, never die; and then we who are still alive shall suddenly have new bodies, too."*

There may be no trumpet blast in Eldon September 11-18, but Eldon will come alive again in celebration for what it was—100 years—but it will come alive again to what is and what will be.

I invite all you who love New York, Washington and the rest of this great Nation, come to Eldon in September, see the beautiful autumnal foliage, hear our rippling streams and watch our sunsets. There is no place, this side of heaven, more beautiful than the lake country of Missouri—and now I think I know the reason why, its cooperation and living together, concerned with each other's problems, each other's lives.

With pleasure, I invite you to Eldon, where "Its first 100 years have been characterized by ups and downs, but residents see a proud heritage and a bright future." And, I invite you to read Schepker and Cadorette's story of a proud city.

I submit the article for the RECORD:

[From the Jefferson City News & Tribune, May 16, 1982]

ELDON

(By Lauren Schepker)

An old railroad track running through Eldon is like blood running through veins for many of the town's residents. It was the railroad which brought Eldon to life. And even though the train doesn't stop there anymore, hope of getting it back has kept the town's 5,000 residents on track.

As Eldon marks its centennial this year, residents are looking back on the town's history, and for many, the railroad tells the story. A centennial logo designed by a high school student depicts a locomotive, a church, a school and a factory. The centennial motto reads, "Born with the railroad, developed as a gateway to the Ozarks, growing with industry, tourism and agriculture, Eldon—a great way of life."

BORN WITH THE RAILROAD

In the winter of 1881, Missouri Pacific began surveying the Eldon area for the possiblity of putting in a railroad. Residents of the area, wanting to guarantee the railroad would come through, formed the Eldon Town Company to secure the right of way.

A member of the company, George Riley Weeks, donated 40 acres for a railroad depot. That 40 acres became the basis for the town. Weeks filed the plat on March 15, 1882, and Eldon was born.

"The railroad was our link to civilization," says Tina Raynor, executive director of Eldon Centennial Inc. Miss Raynor, a native of Eldon, recently returned to the town

after four years of college at Warrensburg. As director of the centennial corporation, she is compiling a book of the town's history.

Originally, the depot was to be built on Grand Avenue, then known as Upper Eldon, according to Miss Raynor. But when the tracks were laid and the train came through, the grade was too steep, and the train would not stop there. Instead, it rolled back down the hill, and where it stopped, the depot was built, she says. It burned to the ground in 1886, and later was rebuilt.

"In 1903, the Rock Island Railroad came through and made Eldon," Miss Raynor says explaining the line ran two daily trains through the town. Another founding father, Bob Harvey, donated the land for the railroad and depot. "Rock Island built a big, beautiful depot, but it also burned down," she adds.

Despite two fires which destroyed two railroad depots and cyclones which tore through churches and homes, first generation Eldon residents preserved. The depots, churches and homes were rebuilt.

"Tragic things kept happening, but they kept building things back up. A lot of towns just die out when things like that happen, but Eldon didn't," Miss Raynor said.

Hurt by commercial air travel and interstate highways, both of Eldon's railroads eventually reached the end of the line. Missouri Pacific stopped operating through Eldon in 1962 and Rock Island pulled out in 1980, but the town has not forgotten the railroads.

"it's kind of sad. Here we are celebrating our 100th birthday, born as a railroad town, and there is no railroad now," Miss Raynor says. "The railroad hurt us very badly. It is the people who have kept Eldon alive. We have a tradition of not giving up."

DEVELOPED AS A GATEWAY TO THE OZARKS, GROWING WITH INDUSTRY, TOURSIM AND AGRICULTURE

Since the early days, Eldon residents have lived up to that tradition. In the 1930's, when the railroads still were thriving, the town got an additional boost when Union Electric built the Bagnall Dam. "Eldon became a boom town," Miss Raynor says. "People came from all over to work on the dam."

Supportive industries sprang up, and in the 1940's Eldon was the home of 14 factories. When the dam was completed, many of the industries moved on, but some have survived, and new factories have located in Eldon. "Our industrial sector has been through some ups and downs over the years, but we have stabilized now," Miss Raynor says.

Agriculture has played an important part in keeping Eldon alive, with dairy farms dotting the out-lying area. "Agriculture has been wonderful," says Herb Harvey, grand-marshal of the centennial celebration. "We are right in the middle of the agriculture belt."

The Harveys are one of Eldon's founding families, and Herb Harvey is one of the few remaining family members. His grandfather founded Eldon Lumber and Hardware, which is now in its 94th year of operation. His great-uncle was Bob Harvey, who founded the Bank of Eldon—now Mercantile Bank—and donated the land for the Rock Island. Two other great-uncles were lifelong farmers.

Eldon is not only in the middle of the agriculture belt, some say it's a Bible belt town. Harvey says the churches have kept the town alive. "We have a good number of beautiful and worthy churches who cooperate to help the town," he says. "It's not like the diferent churches compete against each other."

ELDON—A GREAT WAY OF LIFE

Like Miss Raynor, Harvey returned to his hometown after stints in the service and college. "Why? If you knew the people like I do—and I know just about all of them—you would understand. I never saw anyplace else I would want to live," he says.

The school system, strength of churches and healthy economy make Eldon a great place to live, according to Harvey. "We have everything you're looking for," he says simply, "and the finest and friendliest people."

Don Pittrich is not a native of Eldon, but his love of the town matches Miss Raynor's and Harvey's. As principal of the elementary school, he has contact with both children and adults. "This is a very progressive town. People are really working towards providing the services the citizens need."

Pittrich moved to Eldon in 1960, and doesn't plan to leave. "It's home. It's a good place to live. If I didn't think that, I wouldn't be raising my kids here."

Like many towns its size, Eldon has a hard time keeping its young people. While some, like Miss Raynor and Harvey, have returned after college, some find the town holds limited career opportunities. "This job was tailor-made for me. If it hadn't been for this job, there wouldn't have been anything for me to do here," says Miss Raynor, who holds a degree in public relations.

Retaining young people might be a problem, Pittrich admits. "With the declining economy, people might want to stay. We have to come up with a job structure for them."

Eldon's 100th birthday is giving the town a boost, Miss Raynor says. Studying the past, she says, has put the future into perspective. Hopefully, the railroads will be a part of that future.

"We are working really hard to get the railroads back," she says, explaining residents of the town are lobbying senators and representatives on the governor's task force to revitalize railroads across the state. Miss Raynor hopes the centennial celebration will encourage more Eldon residents to get involved. "Every town needs a boost, and this is Eldon's big boost."

Miss Raynor also hopes her book will encourage young people to stay in Eldon. "I didn't really appreciate Eldon until I started doing research for the book. When I look back at all the wonderful things that have happened in our history, it makes me proud. We have a very honorable heritage in Eldon.

"I want to say to young people that there is nothing dishonorable about living in a small town. The air is clean, the people are great. I have seen the big city, and this is better."

ELDON SCHEDULES CENTENNIAL EVENTS

In observance of its centennial, Eldon is having a birthday party, and all of the town's friends and neighbors are invited to attend the festivities. Eldon Centennial Inc., a group formed to coordinate activities for the celebration, has planned a week of parades, entertainment and displays beginning Sept. 11.

Tentative plans for the week-long birthday party include:

Saturday, Sept. 11 will be Parade and Coronation Day. The official opening day of the centennial celebration will offer a parade, antique car show, craft show, Kangaroo Kourt, coronation of Miss Eldon Centennial and three dances featuring big band, country western and rock music.

Sunday, Sept. 12 is Sunday-Go-To-Meeting-Day. Featured will be an old-time basket dinner, a communal church choir performance, an old-fashioned worship service in the park with Gospel singing, and a fire department competition.

Monday, Sept. 13 is Centennial Belle Day, and will feature the opening of the street carnival and history of Eldon pageant, as well as a ladies luncheon.

Tuesday, Sept. 14 is Veterans and Old Timers Day. Activities for the day will include a farmers market, military parade and drill, and an ice cream social featuring an old-fashioned band concert and medicine show. The pageant will continue.

Wednesday, Sept. 15 is Eldon, Born With the Railroad Day. Highlighting the day's events will be a train display and "something big." According to Tina Raynor, executive director of Eldon Centennial Inc., plans for the "something big" are tentative and will be announced when they are confirmed.

Thursday, Sept. 16 is Growing With Agriculture and Industry Day. A parade and display of new and old farm machinery will be featured, and agriculture contests will be held. The pageant will conclude.

Friday, Sept. 17 is Citizens Tomorrow, 100 Years In the Future Day. Included in the day's events are a magic show, a buffalo barbecue, a blue grass festival and folk dancing.

Saturday, Sept. 18 is Governors Day, and will feature a pancake breakfast and pancake eating contest, a ham and bean dinner, dedication of a time capsule, auction of a centennial mural and the first issue of the centennial book. The week will conclude with a centennial ball.●