HOUSE OF REPRESENTATIVES—*Monday, June 9, 1986*

The House met at 12 noon and was called to order by the Speaker pro tempore [Mr. WRIGHT].

DESIGNATION OF SPEAKER PRO TEMPORE

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

WASHINGTON, DC,
June 6, 1986.

I hereby designate the Honorable JIM WRIGHT to act as Speaker pro tempore on Monday, June 9, 1986.

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

PRAYER

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

We pray, O gracious God, that You would open our eyes to the wonders of Your created world. As we are so involved in the details of life and the administration of each day, so may Your Word remind us of the glory of creation, the wonder of the universe, the potential You have given each person for celebration and joy, and the opportunities to be lifted by Your spirit into the brightness of each new day. 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. Hallen, one of its clerks, announced that the Senate having proceeded to reconsider the bill (S.J. Res. 316) "Joint resolution prohibiting the sale to Saudi Arabia of certain defense articles and related defense services," returned by the President of the United States with his objections, to the Senate, in which it originated, it was

Resolved, That the said bill do not pass, two-thirds of the Senators present not having voted in the affirmative.

The message also announced that the Senate had passed without amendment concurrent resolutions of the House of the following titles:

H. Con. Res. 340. Concurrent resolution to correct technical errors in the enrollment of the bill H.R. 3570; and

H. Con. Res. 346. Concurrent resolution to correct technical errors in the enrollment of the bill S. 124.

The message also announced that the Senate agrees to the amendment of the House to the bill (S. 1027) "An act for the relief of Kenneth David Franklin."

GOOD ENOUGH FOR HITLER—GOOD ENOUGH FOR UNCLE SAM?

(Mr. DANNEMEYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DANNEMEYER. Mr. Speaker, irredeemable currency is the instrument of totalitarian governments. Hitler, following the example set by Lenin, proudly announced to the world that the reichsmark would never, ever be convertible into gold. Hitler, of course, was right—but what was there to brag about?

Here is a report by a contemporary observer of Nazi jubilation over the demise of the gold standard in 1941:

In a recent "funeral oration" delivered before the Chamber of Deputies in Paris, one of the highest functionaries of the Nazi Party declared "with deep inner satisfaction" that "the gold standard is as remote from the realities of life as the philosophy of the French Revolution"—the Liberty, Fraternity, and Equality of men * * *. There were * * * men in Germany at the time who believed in the gold standard. Some became hypnotized by the "new order"; others—born opportunists—were swimming in the broad stream of opportunities opened on a conquered continent; others became frightened or tired during the years of daily menace and compromise. But there are still many men who, in the small hours between night and dawn, will see the grey shadows of the men and the ideals they have betrayed. (The Gold Standard, by W. Redelmeier, Toronto, Canada, 1941.)

There are those politicians and economists who brag that the dollar will never ever be convertible into gold. They may or may not be right. But what is there to brag about?

KURT WALDHEIM'S "MEMORY DISEASE" SPREADING

(Mrs. SCHROEDER asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. SCHROEDER. Mr. Speaker, Kurt Waldheim's mysterious memory disease is spreading.

Kurt Waldheim forgot that he committed war crimes against Jews as a junior officer in the German Army during World War II.

Then, Ed Meese forgot, that on April 27, his own Office of Special Investigation recommended that we had enough evidence of Waldheim's wrongdoings to put him on the "watch list," making him ineligible for admission to the United States.

Finally, the Austrians forgot the lessons of World War II.

Mr. Speaker, I fear there is an epidemic of Waldheim's disease going around. The Reagan administration should be ashamed that it did not squelch it in its earliest stages, but waited until Mr. Waldheim became a head of state who would be immune from being barred entry.

Instead, Attorney General Meese stuck his head in the sand and muttered, "I forgot."

INTRODUCTION OF LEGISLATION REMOVING YUCCA MOUNTAIN FROM CONSIDERATION AS RADIOACTIVE WASTE REPOSITORY SITE

(Mrs. VUCANOVICH asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. VUCANOVICH. Mr. Speaker, today I am introducing legislation to have Yucca Mountain in Nevada removed from consideration as a site for the high-level radioactive waste repository.

In addition, my bill will immediately halt all further funded expenditures, authorizations, and future appropriations for site characterization of the Yucca Mountain site.

My action was prompted by clear violations of the Nuclear Waste Policy Act by the Department of Energy in abruptly and indefinitely terminating consideration of a site for a second high-level waste repository.

This sudden and arbitrary action by the Department of Energy has fundamentally undermined both the intent and the directive of Congress in the Nuclear Waste Policy Act, passed by this body in 1982.

This is not the first time that the Nuclear Waste Policy Act has been modified without congressional notification or approval, and I believe it is time to halt the process of site characterization immediately.

The fact that 23 lawsuits from more than 10 States are presently pending against the methodology or site selection process used by the Department

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of Energy shows that their methods have been not only controversial but are basically improper and flawed.

Although it was clearly the intent of Congress that site characterization studies be completed prior to the announcement of preliminary determination of suitability, the Department of Energy made its preliminary determination on only three sites last week, before any characterization work has been done.

Public health and safety should be the prime concern in any siting of a high-level repository, and this has, clearly, been a secondary priority for DOE, well below cost and decisions that are politically convenient.

My State cannot be targeted for a decision that even optimists are now calling "The best of a bad situation."

The recent nuclear catastrophe at Chernobyl serves as a very clear and timely lesson that our responsibilities for nuclear activities are not only to be taken with utmost seriousness, but are global responsibilities.

Let us not be accused by future generations of treading the line of least resistance and allowing a bad process to continue, when it will fall to them to undo the irreparable harm that has been created.

Yucca Mountain must be removed from consideration now, for it is only by halting the process immediately that better solutions can be sought.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 4567

Mr. REID. Mr. Speaker, I ask unanimous consent that my name be withdrawn as a cosponsor of H.R. 4567.

The SPEAKER pro tempore. (Mr. BARNARD). Is there objection to the request of the gentleman from Nevada?

There was no objection.

CONGRESS FORGETTING ITS PLEDGE TO END DEFICITS

(Mr. WALKER asked and was given permission to address the House for 1 minute.)

Mr. WALKER. Mr. Speaker, there is a lot of forgetfulness here in the House of Representatives, too. We tend to forget that we pledged ourselves just a few months ago to a balanced-budget law called the Gramm-Rudman bill.

That law was supposed to be met by doing several things. It was supposed to be met, for instance, by our having our budget in place by April 15 and beginning to work from there. Then by June 10 we were supposed to have passed all the appropriation bills relative to that budget. By the end of June we were supposed to have completed the whole budget process or not take a July recess.

Fat chance, Mr. Speaker, fat chance. We did not meet the April 15 deadline. We were told that that was a mere technicality, and that we do not have to meet the April 15 deadline like all taxpayers in the country do.

We are certainly not going to meet the June 10 deadline. We do not even have any appropriation bills scheduled on the calendar this week, so once again we are just ignoring the law or forgetting it, and certainly by the end of this month we are not going to have the budget process complete, and you can bet that we are going to go on our recess anyway.

We are forgetting the pledge we made to the American people that we are going to try to end deficits and move toward a balanced budget. We do not care. When it comes to spending money, Congress simply does not care. It does not obey the laws it puts in place.

I have said before that this is an outlaw Congress. Every day we prove more and more that we are an outlaw Congress. We could care less about the law we pledged ourselves to for a balanced budget. I think it is high time that the American people begin to hold this body responsible for its irresponsibility.

□ 1210

AUTHORIZING CONTINUED USE OF CERTAIN LANDS WITHIN THE SEQUOIA NATIONAL PARK

Mr. VENTO. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the joint resolution (H.J. Res. 382) "to authorize the continued use of certain lands within the Sequoia National Park by portions of an existing hydroelectric project," with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the joint resolution.

The Clerk read the Senate amendments, as follows:

Page 1, line 5, strike out "two renewals" and insert "one renewal".

Page 1, line 11, strike out "sixty" and insert "one hundred and twenty".

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

Mr. LAGOMARSINO. Reserving the right to object, Mr. Speaker, will the gentleman explain the Senate amendments?

Mr. VENTO. Mr. Speaker, will the gentleman yield?

Mr. LAGOMARSINO. I yield to the gentleman from Minnesota.

Mr. VENTO. Mr. Speaker, House Joint Resolution 382 was passed by the House on November 14, 1985.

The resolution provided congressional authorization to the Secretary of the Interior to issue a 10-year permit with the option of two additional 10-year terms to the Southern California Edison Co. for continued operation of hydroelectric diversion facilities within the boundary of Sequoia-Kings Canyon National Park in California. The resolution also required that the Secretary submit the permit to the Congress 60 days prior to execution.

The other body acted on House Joint Resolution 382 on May 21, 1986, and made two amendments. The first would allow only one 10-year renewal option instead of two as contained in the original House version. The second amendment would require the Secretary to submit the permit to the Congress 120 days prior to execution rather than 60 days as required in the House version.

Mr. Speaker, I have no objection to the bill as amended and urge its adoption.

Mr. LAGOMARSINO. Mr. Speaker, further reserving the right to object, this legislation would simply authorize the Southern California Edison Co. to continue its use and occupancy of Federal lands in the Sequoia National Park necessary for the operation and maintenance of an existing hydroelectric project known as the Kaweah project. The current authorization expired last year.

Hydroelectric development has existed in the park since the late 1800's without any serious adverse impacts on the park's resources. However, due to National Park Service concerns regarding possible future impacts of the Kaweah project on the resources of Sequoia National Park, the bill previously passed by this body limited the permit to 10 years with two optional 10-year renewals. In addition, the bill required the Secretary to submit the permit renewals to the appropriate congressional committees for 60 days prior to execution. Since House passage of the bill, these provisions have been modified to permit only one, instead of two, 10-year renewals and require submission of the renewals to Congress for 120, rather than 60 days prior to execution. These provisions will definitely allow for careful review of the project's impacts by the Park Service and Congress prior to renewal of the permit.

As the ranking member of the National Parks and Recreation Subcommittee, I strongly support this legislation. Furthermore, I commend Chairman VENTO and Representative PASHAYAN for their efforts to resolve the minor problems which have arisen with regard to this legislation. I believe the agreement embodied in this bill satisfies all of the concerns and I urge my colleagues to support this measure.

Mr. Speaker, I yield to the gentleman from California [Mr. PASHAYAN], the author of the legislation.

Mr. PASHAYAN. Mr. Speaker, I should like to associate myself with the remarks of the chairman of the Subcommittee on National Parks and

Recreation, Mr. VENTO, and the ranking member, Mr. LAGOMARSINO, regarding House Joint Resolution 382 and the amendments made by the other body.

It has been noted that only two items differ. One is to reduce the number of renewals from two to one. The other is to require that any renewal permit lay before the Congress for 120 rather than 60 days. As the sponsor of this legislation in the House of Representatives, I am pleased to accept those amendments and to endorse the bill as it has evolved. Not only is the legislation bipartisan in its development in the House, but also in its present form as passed by the other body.

I should like to take this opportunity to thank the gentleman from Minnesota for his patience and cooperation, and to thank as well the ranking member, the gentleman from California, for his counsel. Further, Mr. Speaker, I want to thank Mr. Dale Crane and Mrs. Lori Stillman of the Committee on Interior and Insular Affairs, and to thank the Southern California Edison Co. and the National Park Service whose guidance and support was so necessary in the development of this legislation.

Mr. LAGOMARSINO. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. VENTO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the joint resolution just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed, will be taken on Wednesday, June 11, 1986.

AWARDING CONGRESSIONAL GOLD MEDALS TO JAN SCRUGGS, ROBERT DOUBEK, AND JACK WHEELER

Mr. ANNUNZIO. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2591) to award special congressional gold medals to Jan Scruggs, Robert Doubek, and Jack Wheeler, as amended.

The Clerk read as follows:

H.R. 2591

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a)(1) the President of the United States is authorized to present, on behalf of the Congress, to Jan Scruggs, Robert Doubek, and John Wheeler, one gold medal each of appropriate design in recognition of their tireless efforts to give the Vietnam Veterans Memorial to the Nation. The Vietnam Veterans Memorial symbolizes for the Veterans the concern the American people have for them and the respect they feel for their service and their sacrifice, and for all Americans the Memorial expresses a spirit of reconciliation that preserves us as a Nation.

(2) For the purpose of this section, the Secretary of the Treasury is authorized and directed to cause to be struck three gold medals with suitable emblems, devices, and inscriptions to be determined by the Secretary of the Treasury. There is authorized to be appropriated not to exceed $25,000 to carry out the provisions of this subsection.

(b) The Secretary of the Treasury may cause duplicates in bronze of such medal to be coined and sold under such regulations as he may prescribe, at a price sufficient to cover the cost thereof, including labor, materials, dies, use of machinery, overhead expenses, and the gold medal. The appropriation made to carry out the provisions of subsection (a) shall be reimbursed out of the proceeds of such sales.

The SPEAKER pro tempore. Is a second demanded?

Mr. HILER. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. ANNUNZIO] will be recognized for 20 minutes and the gentleman from Indiana [Mr. HILER] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Illinois [Mr. ANNUNZIO].

Mr. ANNUNZIO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 2591 authorizes the presentation of a special congressional gold medal to Jan Scruggs, Robert Doubek, and John Wheeler. These medals will be presented, on behalf of the Congress, to these three men who are responsible for erecting the Vietnam Veterans Memorial.

The bill is cosponsored by 260 Members, far more than a majority of the House. I am proud to be one of the cosponsors.

In 1979, Jan Scruggs conceived the idea of erecting a memorial to Vietnam veterans. He had served and had been wounded in Vietnam, and saw a memorial as a way of recognizing the veterans and healing the deep divisions caused by that war. He was the founder of the Vietnam Veterans Memorial Fund, and served as its president from its inception. He worked tirelessly for the memorial and his efforts inspired others to join in the effort. Throughout the years of work, he never lost sight of his concern for veterans and the goal of a memorial to heal the wounds of the war.

Robert Doubek joined Jan Scruggs as a cofounder of the Vietnam Veterans Memorial Fund. The fund was established as a nonprofit, privately supported foundation to erect the memorial. A successful attorney at that time, he took a great risk and a 50-percent pay cut to become the full-time project director of the fund. He coordinated the efforts to secure support from veterans organizations. He organized the fundraising for the memorial. He was responsible for verifying the completeness and accuracy of the names inscribed on the wall. He organized and managed the dedication ceremonies in November 1982.

John Wheeler first heard of the efforts to build a Vietnam Veterans Memorial when he saw a report of Jan Scruggs' problems in raising money for the memorial. He quickly volunteered to help. Since 1979, he has served as chairman of the fund's board of directors. He has given thousands of hours of volunteer time for which he received no compensation. He repeatedly made the proper decision to keep the project from foundering in the face of harsh opposition when a single misstep would have ended all hope of building the memorial.

The Vietnam Veterans Memorial serves not only as a moving remembrance to those who sacrificed their lives at the request of their Nation, but also as a symbol of national reconciliation. It has helped heal the bitter legacy of the Vietnam war. It has helped the Nation confront the divisiveness of the Vietnam war and moved us toward reconciliation. The memorial recognizes the sacrifices made by our Vietnam veterans and served as a reminder for the need for national unity.

The memorial would not have been built without the hard work, faith and determination of Jan Scruggs, Robert Doubek, and John Wheeler. The memorial has helped this Nation achieve peace with our past.

H.R. 2591 recognizes those who have helped accomplish the healing process. Without the efforts of Jan Scruggs, Robert Doubek, and John Wheeler there would be no Vietnam Veterans Memorial and the wounds of that war

would continue to fester. For this, they deserve congressional gold medals.

Mr. Speaker, in closing, let me make a few comments about the role that the gentleman from Pennsylvania, my distinguished friend and colleague, Mr. RIDGE, a member of the subcommittee, has played in this legislation.

The gentleman from Pennsylvania [Mr. RIDGE] is opposed to the legislation, and as an enlisted combat veteran of Vietnam, he has the credentials to support his opposition. I want to commend the distinguished gentleman from Pennsylvania for the outstanding manner in which he has conducted himself during the legislative journey of this bill. He has engaged in honest dissent, and at no time has he engaged in any delaying tactics or has he engaged in anything except the highest level of the legitimate dissent.

Although I do not agree with the position of the gentleman from Pennsylvania on the legislation itself, I agree with his right to dissent, for although as a Member of this body he has a right to such dissent, he earned that right long before under enemy fire in Vietnam.

Mr. Speaker, I want to urge my colleagues today to vote "aye" on this legislation, because regardless, the criteria of the committee has been met. There are 260 cosponsors.

This memorial has served as a healer in healing the Nation and it has brought the Nation back together after a terrible, terrible ordeal.

I urge my colleagues to vote "aye" on the legislation.

Mr. HILER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, it is with some reluctance that I stand in opposition to H.R. 2591, legislation to award congressional gold medals to three individuals in recognition of their tireless efforts to give this Nation a Vietnam Veterans Memorial, because I fear that my position might be misunderstood.

I want to make it clear today that my opposition to this medal has nothing to do with my feelings about either the Vietnam war or those men and women who served in that conflict. Although our Nation's involvement in Vietnam was controversial, those who served their country in that war deserve our fullest respect, recognition, praise, and thanks.

I am pleased to say that Congress has seen fit to pay tribute to the veterans of Vietnam with the authorization of a national medal in their honor. In the 98th Congress, both the House of Representatives and the other body recognized the members of the Armed Forces of the United States who served in the Vietnam conflict by adopting legislation authorizing the production of a Vietnam veterans national medal. On October 30, 1984, President Reagan signed this bill into law, and the medal is now available for purchase by the general public.

I am proud to say, Mr. Speaker, that I was a cosponsor of the Vietnam Veterans National Medal Act, despite the fact that I rarely put my name on a medal bill. And I was not alone in giving strong support to this particular bill; 246 Members of this body joined the sponsor of the legislation, the distinguished chairman of the Consumer Affairs and Coinage Subcommittee, Congressman FRANK ANNUNZIO, in attaching their names to the bill. Moreover, on October 18, 1983, 410 Members of this body voted to adopt the Vietnam Veterans National Medal Act. Not a single Representative voted against it.

I also want to make it clear that my opposition to the medal bill before us today has nothing to do with the existence or design of the Vietnam Veterans Memorial. The memorial is a wonderful and moving tribute to those who gave of themselves so valiantly in service to their country. Moreover, the memorial has contributed immensely to healing the wounds suffered by our Nation as a result of the Vietnam experience.

Nor does my opposition to this medal reflect a lack of respect for the efforts of Messrs. Scruggs, Doubek, and Wheeler to ensure that a memorial was erected in honor of Vietnam veterans. Certainly, these three men contributed substantially to the construction of this fine tribute, and should be recognized for their efforts.

Rather, my opposition to this medal bill has to do with the appropriateness of awarding a congressional gold medal to any individual simply for his role in erecting a monument, no matter how significant and emotionally charged that monument may be.

Mr. Speaker, the congressional gold medal has a long and for the most part, illustrious history. The very first such medal was awarded to George Washington, the father of our country. Other recipients through the years have included individuals of such distinguished service and contributions as Jonas Salk, Thomas Edison, Robert Frost, Hubert Humphrey, Robert Kennedy, and Winston Churchill.

According to historians on the subject, when Congress instituted the congressional gold medal during the first years of our Nation, its Members intended the medal to be awarded only in recognition of the highest achievements. As such, they designed the medal to be awarded only sparingly, as they were convinced that the value of reward is enhanced by its rarity.

Unfortunately, Congress in recent years has strayed from this original intent. This is reflected in both the relative numbers of such medals awarded in recent years and the level of achievement of some of the individuals who have been so honored. In the first 100 years of our Nation, only 53 congressional gold medals were awarded. In the little more than 100 years that have passed since our Nation's centennial, 68 congressional gold medals have been authorized; 27 of these have been awarded in the last decade, and 16 of them have been authorized since 1981. In the 97th, 98th, and 99th Congresses alone, nine congressional gold medal bills have been enacted into law, authorizing a total 11 gold medals. Although some of these 11 medals were certainly deserved, others of them are of questionable merit.

The bill before us today is of concern, not because the three designated recipients are underserving of respect and recognition, but because their accomplishments to date do not appear to be of sufficient stature to warrant a congressional gold medal. I am not sure their contribution to building a memorial compares to the lifetime contributions made by such past honorees as George Washington, Jonas Salk, Thomas Edison, Robert Frost, Hubert Humphrey, Robert Kennedy, and Winston Churchill. Moreover, Congress has never before deemed it appropriate to award a medal for the administration, designing or building of a memorial or monument, of which there are many significant ones in our country.

Mr. Speaker, I ask my colleagues to carefully consider their vote on the congressional gold medal bill before this body today. A vote against H.R. 2591 is not a vote against the Vietnam veteran, nor is it a vote against the contribution made by three individuals who along with countless others worked hard to bring a Vietnam Veterans Memorial to our country. Rather, a vote against H.R. 2591 is a vote to restore and maintain the significance and meaning of the congressional gold medal as a medal awarded to individuals in recognition of the highest of achievements and a lifetime of service.

□ 1225

Mr. ANNUNZIO. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Michigan [Mr. BONIOR], who is also a veteran of the Vietnam war.

Mr. BONIOR of Michigan. I thank the gentleman for yielding this time to me.

Mr. Speaker, I am proud to appear here today in strong support of H.R. 2591, a measure introduced by the gentlewoman from Nevada [Mrs. VUCANOVICH] and myself.

This is a bipartisan measure cosponsored by more than 250 Members of this House. I want to commend the gentlewoman from Nevada for the energy and the leadership she has

shown in advancing this bill. I also want to pay tribute to the chairman of the subcommittee, the gentleman from Illinois [Mr. ANNUNZIO], who has been fair and understanding and has done, I think, an excellent job in handling this issue which has not at all times had smooth sailing, to say the least.

Mr. Speaker, for over 20 years this Nation revered its warriors who joined battle against those who sought through force to alter our chosen way of life. Today, places like Yorktown and Omaha Beach are pilgrimages for those who never experienced the glory, yet they feel a sense of intangible gratitude for those who actually did.

The soldiers of the Vietnam war met our Nation's highest standards of service, the house-to-house battle for Hue, the murderous shellings that were absorbed by our soldiers at Khe San, tested the courage of our soldiers no less than the battles of World War II and Korea. Yet, if the courage was the same, the war was not. It was hard to separate the war from the divisive debate over the Vietnam war and separate that war from the warrior and the Nation was slow to recognize the Vietnam veteran.

Today, a new attitude is moving across the Nation. Our country has begun to remember and to honor those who served their Nation during one of the most difficult periods in our history. In November 1982, the Nation paused to mark the dedication of the Vietnam Veterans Memorial. Tens of thousands veterans joined in their own parade down Constitution Avenue during that memorable week. Thousands crowded into a small chapel in the National Cathedral to listen to veterans. Friends and relatives read the names of those who fell in battle or who are still missing in action, more than 57,000 in all.

More than any other single event, the Vietnam Veterans Memorial forged our Nation's new willingness to honor Vietnam veterans and to reconcile the emotional wounds, the deep emotional wounds, this country incurred from the Vietnam war. More than any other single event, the Vietnam Memorial has allowed this Nation the opportunity both to honor the individuals who sacrificed their lives for us and to finally welcome home the soldiers who returned.

This week we have an opportunity to honor the three Vietnam veterans who gave this Nation the Vietnam Veterans Memorial, who gave this Nation a chance to remember and to change: Jan Scruggs, John Wheeler, and Robert Doubek. Building the Vietnam Veterans Memorial was not easy. The very idea of the memorial itself was controversial, and its striking design even more so. There is only a Vietnam Veterans Memorial today because these three men stood tall against tremendous pressure.

Great changes never come easily, Mr. Speaker. The decision to forget the war and its veteran made by the entire Nation reinforced for a decade could not be reversed in one day, and without controversy. It required discipline and commitment over the years. Let those who wander by the Vietnam Veterans Memorial pause to look at the statue, then read from the names, and to remember—to remember those who served in the sorrow of a nation that turned away. But I think it is also important that they should remember that despite the years of delay, we came together as one people to honor our dead, to praise the living, and to plant this memorial forever in the memory of our people.

Because of the devotion and dedication of Jan Scruggs, John Wheeler, and Robert Doubek, this country has been given the opportunity to heal the wounds left by the Vietnam war and to reconcile a part of our history that we too easily try to forget.

The congressional gold medal is indeed one of the highest honors this Nation may bestow, but I believe we all know that the award of these medals cannot compare to the gift that these three men have already made to our country.

Mr. Speaker, I am deeply honored for this opportunity to gratefully acknowledge the achievements of these three outstanding individuals and I urge support for H.R. 2591.

Mr. HILER. Mr. Speaker, I yield 3 minutes to the gentlewoman from Nevada [Mrs. VUCANOVICH].

Mrs. VUCANOVICH. I thank the gentleman for yielding this time to me.

Mr. Speaker, I am pleased to have the opportunity to say a few words about H.R. 2591. First, I would like to take this opportunity to thank the gentleman from Illinois [Mr. ANNUNZIO], the distinguished chairman of the Subcommittee on Consumer Affairs and Coinage, for bringing this bill to the floor and for his leadership during the consideration of this legislation. He has been extremely gracious and understanding of all of the Members' feelings and any objections to the bill, as well as of those of us who support the bill.

Mr. Speaker, on May 22, 1985, I introduced H.R. 2591 with Mr. BONIOR, Mr. KASICH, Mr. DASCHLE, Mr. BILIRAKIS, and Mr. EVANS of Illinois as original cosponsors. Since that time the legislation has gained a clear majority of bipartisan support, for a total of 260 cosponsors.

As you know, this legislation, which passed the other body by a voice vote on November 14, 1985, provides for a gold medal in honor of Jan C. Scruggs, president of the Vietnam Veterans Memorial, Robert W. Doubek, executive director of the Vietnam Veterans Memorial, and John Wheeler, chairman of the board of the Vietnam Veterans Memorial.

It is through the tireless efforts of these caring and dedicated individuals that the Vietnam Veterans Memorial became a reality, thereby creating a tangible symbol of recognition of the sacrifices of the Vietnam veteran.

Under their leadership and direction the necessary funds to establish the memorial were raised entirely through contributions from corporations, foundations, unions, civic organizations, veterans, and more than 275,000 individual Americans.

Since the dedication of the Vietnam Memorial on November 13, 1982, it is estimated that 25 million Americans have visited the memorial, often drawing over 20,000 visitors a day.

It is altogether fitting that these three men be recognized for their efforts in seeing this dream become a reality—a dream that has been a major step in healing the wounds of a country pained by the Vietnam war. The Vietnam Veterans Memorial is the single most important step in honoring those who served in the Vietnam war and uniting our Nation in recognizing those men and women who gave their lives for our country. It is fitting that we honor the three individuals who have made this tremendous contribution to our veterans and their families, and thus, our country.

I am proud to be a member of a military family, which includes Vietnam veterans, who served their country and made sacrifices for its citizens. I urge the positive consideration of this legislation to recognize these Americans for their relentless determination to honor our Vietnam veterans.

Mr. ANNUNZIO. Mr. Speaker, I have no further requests for time, and I reserve the balance of my time.

Mr. HILER. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. GILMAN].

□ 1235

Mr. GILMAN. Mr. Speaker, I am pleased to rise in strong support of H.R. 2591, and I urge my colleagues to offer their support. This legislation authorizes the U.S. Treasury to strike three gold medals for Jan Scruggs, Robert Doubek, and John Wheeler, in honor of their tireless efforts to provide a Vietnam Veterans Memorial for our Nation. As a cosponsor of his measure, I thank the bill's sponsor, the gentlelady from Nevada [Mrs. VUCANOVICH], and the chairman of the Subcommittee on Consumer Affairs and Coinage, the gentleman from Illinois [Mr. ANNUNZIO], for their efforts in allowing us to pay tribute to these three brave, committed men.

Anyone who has had an opportunity to visit the Vietnam Veterans Memori-

al can attest to the significant impact that tribute has upon its visitors. For those of us who remember the Vietnam conflict, and those who only know of the tortured history of Vietnam through books; for those who served and returned and those who never served at all; and especially for those others, too many others, who lost loved ones in Southeast Asia; a visit to the Vietnam Memorial is a tremendously moving, emotional experience. The Vietnam Veterans Memorial has allowed the citizens of this Nation to pay tribute to United States citizens who served in Vietnam and to unite our Nation in recognition of their efforts. Since its dedication in 1982 it is estimated that over 20 million Americans have visited the memorial. None of this would have been possible, however, without the vision, commitment and unrelenting fortitude of its founders, Jan Scruggs, Robert Doubek, and John Wheeler.

A wounded and decorated former infantryman, Jan Scruggs conceived the idea of the Vietnam Veterans Memorial Fund [VVMF] in 1979, recognizing the need for families, servicemen, and the Nation as a whole, to reconcile our involvement and subsequent withdrawal from the Vietnam conflict. As founder and president of the Vietnam Veterans Memorial Fund, Jan Scruggs worked tirelessly with Members of Congress and other Federal officials to realize his goal, often against the odds, of erecting a memorial to honor all who lost their lives in the Vietnam conflict.

Robert Doubek left a profitable law practice to become the first full-time employee of the VVMF and serve as the foundation's executive director. In his capacity Mr. Doubek coordinated the authorizing legislation, direct mail fundraising efforts and verified the completeness and accuracy of all the names inscribed on the memorial. John Wheeler volunteered countless hours as chairman of the VVMF Board and recruited volunteers who have served as directors and advisers.

Without the extraordinary contributions made by these three men I believe that today there would not be a Vietnam Veterans Memorial. Honoring these three leaders with congressional gold medals is fitting, appropriate and most timely. We must not forget those who sacrificed their lives for us, nor can we forget the 2,400 servicemen that still remain unaccounted for in Southeast Asia as a result of the Vietnam war. As vice chairman for the task force of POW's/MIA's I commend these outstanding Americans for their efforts to heal the emotional scars brought about by the Vietnam war and I urge my colleagues to adopt this important measure.

Mr. HILER. Mr. President, I yield 3 minutes to the gentleman from Arkansas [Mr. HAMMERSCHMIDT].

Mr. HAMMERSCHMIDT. Mr. Speaker, as the original sponsor of the bill (H.J. Res. 431) October 25, 1979, that authorized the construction of the Vietnam Veterans Memorial on Federal property, I want to inform my colleagues about a draft letter I have received from a number of combat veterans of the Vietnam war.

I will read from that letter:

We the undersigned, all being combat veterans of the Vietnam war, believe it would demean the traditional standards for the congressional gold medal if it were awarded to these three men.

Our quarrel is not with the memorial itself. While we are pleased with it as it now exists, we hope our colleagues would understand that the award of the congressional gold medal is not being proposed for the 58,000 war dead honored at that site, nor for the myriad of well-intentioned Americans who gathered together, often despite the failed leadership of the Vietnam Veterans Memorial Fund, to produce the memorial. It is being proposed for three individuals who have already benefited greatly from their association with this project, in financial and other ways, and whose conduct before, during and after the consideration of the memorial project has not measured up to the historical standards for the congressional gold medal. It occurs to us that perhaps many of those who have signed onto this legislative proposal as cosponsors have not separated their view of the memorial from a deserved analysis of these three individuals.

The congressional gold medal has traditionally been awarded for such contributions as "valor or extraordinary bravery," "lifetime philanthropy," "lifelong service," "extraordinary achievements for humanity," "lieftime public and patriotic service," and "selfless dedication," as described in typical recent citations. Prominent individuals whose achievements have been historic, such as George Washington, Winston Churchill, Douglas MacArthur, John Paul Jones, Hubert Humphrey, and Dr. Jonas Salk are examples of the only 116 people who have received this honor in the last 200 years. We would ask our colleagues to consider whether the conduct of those who have conducted the affairs of the Vietnam Veterans Memorial Fund, partially addressed below, meets such historic standards.

I will not read the entire letter because I do not have enough time allocated, but the main point they make is that these individuals received financial and other benefits from their association with this project beyond what one might normally associate with an effort of this sort. I realize that certainly the chairman of this committee Mr. ANNUNZIO, and Mr. HILER, are acting in good faith in bringing this measure to the House floor as is Mrs. VUCANOVICH, the chief sponsor. I think that the other side needs to be heard and I am pleased to have this opportunity to make known the views of these combat veterans of Vietnam.

I plan to vote against H.R. 2591.

Mr. HILER. Mr. Speaker, I yield 6 minutes to the gentleman from Pennsylvania [Mr. RIDGE].

Mr. RIDGE. Mr. Speaker, I am a Vietnam veteran and count among my friends others who served honorably and well in Southeast Asia, many of whom still bear the physical and psychological scars of that experience, some who are listed among the rollcall of dead inscribed on the wall of the Vietnam Veteran's Memorial, some with whom I trained, some whom I trained, and some with whom I served in Vietnam.

It is therefore with a deep personal and, admittedly, an emotional perspective that I approach any matter related to Vietnam veterans; particularly those actions or events which reflect directly on the integrity of those who gave their blood and, too often their lives, in the service of their country.

Therefore, Mr. Speaker, I rise in reluctant but strong opposition to this measure. I am mindful of the contributions these three men made to the Vietnam Veterans Memorial, particularly the wall. I am also aware of the efforts of several other veterans who worked for the VVMF without compensation who prevailed over the objection of these three to include a pathway for our disabled veterans, the statue and the flag. As a Vietnam veteran, I am grateful for all their efforts, but I cannot support the awarding of this honor to any of them.

In the past—for more than a decade—Vietnam veterans, as a group, were among the most reviled in our society. Routinely portrayed in the press, television, books, and motion pictures as an assortment of criminals, addicts, sociopaths, and barbaric mercenaries, it is little wonder that Vietnam veterans were considered outcasts in the very country they had selflessly served.

In recent years, those characterizations—quite frankly, slanderous portrayals—have abated somewhat and with that, has come a shift in public perception of the Vietnam veteran. Few will argue that this change in attitude is due largely to the quiet assimilation of Vietnam vets in every quarter of American society where their achievements, frequently remarkable successes, have earned for them the respect and admiration of those who once viewed them with suspicion, if not outright contempt. Today, we see Vietnam vets holding important leadership positions in business, government, law, medicine and any number of other occupations.

As any Vietnam vet will tell you, Mr. Speaker, these gains in public confidence did not come easily; nor, were they the result of any sweeping change in media attitudes toward Vietnam or those who fought there. These gains were earned by veterans in the communities where they live, work, and play.

Napoleon's cynical observation that "history is nothing more than lies agreed upon" is a bitter lesson most

Vietnam veterans were forced to learn firsthand. But through that experience they also found that with diligence, tenacity and quiet courage they could set the record straight and become the custodians of not only their own place in history but the honor of their fallen brothers as well.

It's this responsibility—to vigilantly preserve the integrity and dignity of those who served—that causes me to question both the propriety and wisdom of singling out any Vietnam veteran for the honor which we are considering here today.

Briefly, Mr. Speaker, I'll summarize my concerns.

There is the matter of qualifications. A review of the history of the congressional gold medal and its recipients reveals a pattern of criteria which would be difficult to ignore.

From George Washington to John Paul Jones to the Wright brothers, Thomas Edison and Dr. Jonas Salk, the prerequisities for such an honor are "distinguished service," "valor," "humanitarian activities." Many past gold medal recipients, great Americans like President Truman, Robert Kennedy and Senator Hubert Humphrey were cited posthumously, and only after a lifetime of "public service and selfless dedication."

The language of the bill characterizes the memorial as a symbol of the concern and respect of the American people for the service of veterans and, for all Americans, the spirit of reconciliation "which preserves us as a nation." The respect and reconciliation that is referred to in the legislation language has a dimension far beyond the memorial which I believe needs recognition today. Most Vietnam veterans returned from their tour at peace with themselves. Vietnam veterans had earned that respect by their performance on the battlefield. Admittedly, it was not immediately forthcoming. While the memorial may have raised the level of consciousness of this Nation. The actions of individual veterans in their own communities has done as much, and some might argue more, to nurture the respect and reconciliation attributed exclusively to the memorial. Most Vietnam veterans have returned home and in a quiet, productive, and patriotic way contributed to their communities and their country in full view of the Nation that was initially critical and at times unwilling to recognize their sacrifice and commitment as soldiers.

Throughout this country, we have Vietnam veterans serving in public office, in the sciences, factories, shops, professions. I could name many, but only recount briefly the stories of a few men, who continue to serve their fellow veterans and their communities in northwestern Pennsylvania.

Gary Orlando, a totally disabled veteran, worked feverishly to establish and to administer a Vietnam veterans leadership program in Erie, PA, in between frequent visits to the VA medical center in that community. Jack Erhardt and Elmer Smith, both wounded combat veterans, are involved daily in outreach efforts to assist veterans. Mike Rossi, another veteran, has done volunteer casework for veterans of all wars for years and his friend, Charlie Schmitz, another totally disabled veteran, has spent hundreds of volunteer hours working with other Vietnam veteran volunteers in support of a variety of veteran and community-based activities. Wayne Stratos, has overcome numerous obstacles and with his tenacity and commitment has finally established a veterans outreach program in his community. These selfless contributions of veterans helping veterans and helping others within their community in northwestern Pennsylvania are magnified thousands upon thousands of times throughout all 435 congressional districts. These men and women work without recognition and without reward. They seek none.

For those of us who are Vietnam veterans, or for that matter combat veterans of any war, we share the knowledge that but for the grace of God, we may have been the ones to die. But for the grace of God, we are the ones whose names might be etched in stone on the memorial. For that reason, we bear greater responsibility to live honorably, we bear greater resonsibility to our fellow veterans and to our community. Each of the lives that were lost in Vietnam makes each one of ours all the more valuable. The contributions of the men and women who work quietly in their communities, as well as the nameless volunteers whose energy and commitment to the establishment of the memorial went equally unnoticed, have all significantly contributed not only to the symbol, but also to the actual spirit of reconciliation and respect that exists in this country today.

I am not casting aspersions on the three nominees here today. Rather, my question is how do we justify these three single citations in this instance and ignore all the rest. What do we say to the hundreds of good men and women who selflessly gave of their time and talents to see that the memorial was built so that those who died defending this country would not be forgotten. How do we justify these citations when there are tens of thousands of Vietnam veterans whose daily lives, whose very existences are literally profiles in courage; some are confined to wheelchairs, some are strapped to artificial limbs. Still others continue to struggle with invisible, but no less disabilitating wounds. In war, all sacrificed much for a country who showed little or no gratitude. Now, in peace, many quietly continue to contribute to their families, communities and Nation without regard for reward or recognition. In my mind, the contribution of all of these people to the spirit of respect and reconciliation identified in the legislation, is as genuine, significant, noteworthy, and, in my mind, as laudable, if not more so, than the three we seek to honor today.

Which brings me to my final point.

Most Vietnam veterans, and probably all combat veterans, carry memories of the sacrifices, heroism and death of those men and women whose names appear upon the wall. They are aware of the circumstances involved in the 300,000 soldiers who were wounded in battle as well.

Every one of those veterans is an individual story. Every one who has died in battle, fighting for the United States of America, and in our history there are over 1 million men and women, has made a sacrifice upon which future generations have been able to build. Those men and women whose names appear on the memorial and their individual stories, acts of bravery and sacrifice are very much a part of the foundation upon which our generation was built. Our lives are that much more valuable because of their sacrifice. Our responsibility to our families, communities and country are greater because of their sacrifice.

While many of my colleagues, as well as other Vietnam veterans respect the efforts of the three nominees, in my mind, nothing, absolutely nothing that they have done is comparable to the sacrifice of their slain comrades. Duty, honor, country—valor, dedication, patriotism—by any standard, each of these men, those who died and those who were wounded, and those who quietly go about their personal and professional business in their communities today would more than qualify for the congressional gold medal.

Mr. Speaker, those men and women who worked on the Vietnam Veterans Memorial fund assumed an obligation and sacred trust the likes of which they never had nor will have again. They were the custodians of the most cherished and revered gift our generation had to offer this Nation. The blood and lives of our brothers.

Whatever their reasons for doing so, they carried out those responsibilities and brought home America's bravest sons. That, it seems to me, is an honor that no man can come close to duplicating, a tribute to the heart and spirit which they will carry with them always. A wise and honorable man would be grateful for that and ask for no more. The singling out of these three men, whose actions were indeed commendable, mocks the notion of self-sacrifice and does a disservice to all. It is inappropriate to honor those who build monuments. It is only appropriate to honor those whose names appear on the wall. What is the memo-

rial supposed to honor, Mr. Speaker, those who built it or those for whom it was built. I urge my colleagues to vote "no."

□ 1245

Mr. HILER. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. HUNTER].

Mr. HUNTER. Mr. Speaker, I would agree with my friend from Pennsylvania, Mr. RIDGE, that the people whose names appear on that wall went into combat, some making $100 a month, some $200, $300, $400 a month, and went through a lot of sacrifice.

The builders of monuments have made hundreds of thousands of dollars. Mr. Scruggs and Mr. Doubek have made, my estimate is in excess of $300,000. Mr. Scruggs gets honorariums of $1,500 a whack to talk to people about building the monument, and I can remember trying to get the American flag put in the middle of that monument. It was a very difficult thing, and it appeared to me that the VVMF was the most violent opposition to the placing of the American flag at the apex of the monument and ultimately, they succeeded in moving the flag out of the monument to the position near the Lincoln Memorial where it now stands.

I agree very strongly with the gentleman from Pennsylvania [Mr. RIDGE] that we should be honoring the people whose names appear on the wall, and not the builders of the monument.

Mr. ANNUNZIO. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. BONIOR], to close the debate.

Mr. BONIOR of Michigan. Mr. Speaker, I would like to address some of the arguments that have been raised here on the floor. It has been argued that somehow, by granting these gold medals to these three individuals that we take away somewhat the honor that the country has bestowed on those who gave their lives in that war; yet the truth is that the Gold Star Mothers of America really are the strongest advocates of this bill.

Those who find insult, I think, in these gold medals do so over the very, very strong objections of the mothers of more than 58,000 men and women whose names grace the two long walls of the Vietnam Veterans Memorial.

A letter was read earlier by some Vietnam combat veterans in opposition to these medals. I should point out clearly here that there are tens of thousands of Vietnam veterans who stand in support of this piece of legislation.

The Nation's largest Vietnam veterans organization, which was just given a charter recently, the Vietnam Veterans of America, are in support of this, as well as, I believe, the Veterans of Foreign Wars. Both strongly endorse these gold medals for these three individuals.

Now, finally, in the remaining time that I have, it has been argued that there has been financial gain by these three gentlemen. It should be understood that Jan Scruggs' highest salary was $35,000 a year. Mr. Robert Doubek's average salary, over 43 months, was $38,000 a year. Those are not exorbitant salaries given the scope and the magnitude of what these three outstanding individuals had to cope with to erect this memorial.

So in every way I think these people have passed the test over a period of time, and it seems to me that they have healed this Nation in a way no legislation could have healed this Nation in that divisive war, and they are certainly deserving of these medals, and I urge a "yes" vote.

Mr. SYNAR. Mr. Speaker, I became acquainted with Jan Scruggs as did many Americans—through the media coverage of his efforts to recognize Vietnam Veterans and build the Vietnam Veterans Memorial.

The May 1985 National Geographic article on the Vietnam Veterans Memorial which also featured Jan and his heroic efforts, inspired me to nominate him for the National Jaycees Ten Outstanding Young Americans Award.

The Jaycees agreed with me that Jan should be recognized for his valuable service—bringing recognition to veterans who fought for our country and helping a nation come to terms with the war in Vietnam.

Jan, Robert, and John deserve this Nation's honor and respect for their efforts. Their task was a difficult one. Few could match their dedication and I can't think of a better way to say thanks to these three men than by awarding them a gold medal of honor.

Mr. HOYER. Mr. Speaker, I would like to congratulate our colleague, Congresswoman BARBARA VUCANOVICH of Nevada, for honoring three Vietnam veterans for their inspired leadership in the construction of the Vietnam Veterans Memorial. In addition, Congressman FRANK ANNUNZIO of Illinois, the chairman of the Subcommittee on Consumer Affairs and Coinage of the Committee on Banking, Finance, and Urban Affairs, is to be commended for his stewardship of this legislation. I am proud to be a cosponsor of H.R. 2591.

As Jan Scruggs, the president of the Vietnam Veterans Memorial Fund [VVMF], noted:

> The Vietnam Veterans Memorial will provide a special tribute from the people of this country to those who served. The memorial will make no political statement about the war, as is proper, because in coming to grips with the history of Vietnam, our nation must separate the issue of the war itself from the issue of how the veterans served their country.

Regardless of one's position on American involvement in Vietnam, all must agree that the men and women who answered their country's call—and in particular the more than 55,000 Americans who did not return—deserve their country's respect and recognition. Mr. Scruggs' words will continue to stand as eloquent testimony to the emotional impact of the Vietnam Veterans Memorial. No one who visits that polished, black granite memorial can come away unmoved.

Mr. Scruggs, a resident of the State of Maryland, grew up in Bowie, MD, a town within the Fifth Congressional District, which I represent. By his diligent and dedicated work on behalf of his comrades-in-arms from Vietnam, Mr. Scruggs has demonstrated that he is much more a resident of a particular town or of a particular State. In the truest sense of the word, Jan Scruggs is an American, and I am proud to know him.

By authorizing the President to present gold medals to Jan Scruggs, as the president of the VVMF; Robert Doubek, as the project director; and John Wheeler, as the chairman; the House of Representatives will have acted appropriately to honor the memory of those who died in Vietnam. Scarcely anyone does not know someone who died in Vietnam, who was wounded in Vietnam, or who served in Vietnam. The "Wall" provides a moving reminder of their sacrifices and service.

The 99th Congress, in honoring the three Vietnam veterans who played such a pivotal role in the establishment of the memorial, will be honoring all the men and women who served their country during a difficult period in American history. Jan Scruggs and his colleagues from the VVMF are richly deserving of their country's gratitude and tribute.

Mr. McCAIN. I rise in opposition to H.R. 2591. Initially, when I signed on as a cosponsor to this legislation, I felt that rewarding Jan Scruggs, Robert Doubek, and John Wheeler was a good idea for all the hard work it took in establishing the Vietnam Veterans Memorial. However, since that time, I have obtained information that Messrs. Scruggs and Doubek received remuneration in excess of $300,000 for their efforts. And consequently, this bill no longer merits my support, nor that of anyone here in Congress.

Let me make one thing absolutely clear, we owe a debt of gratitude to these individuals. As well as all the others who were involved in making the Vietnam Veterans Memorial a reality. I would fully support a congressional resolution acknowledging and expressing our appreciation for their contributions in organizing and ultimately establishing the Vietnam Veterans Memorial. But awarding these three the congressional gold medal is not an appropriate tribute for their efforts.

Traditionally the gold medal has been awarded for contributions such as "valor or extraordinary bravery," "lifetime public and patriotic service," or "lifetime philanthropy." Prominent individuals whose achievements have been historic. Such as George Washington, Winston Churchill, Douglas MacArthur, John Paul Jones, Hubert Humphrey, and Dr. Jonas Salk are examples of the only 116 people who have received this honor in the last 200 years. I ask my colleagues to consider whether these three individuals should be placed in the same category as these men whose legendary efforts have altered mankind's destiny.

I have known many people whose efforts and achievements warranted their admission to this select group. And I am sure everyone of my colleagues is aware of someone whose extraordinary commitment and accomplish-

ments could justify their receipt of a congressional gold medal. But, are we going to award this prestigious award to everyone whose efforts are appreciated. Or are we going to maintain some semblance of historic perspective and regard only those whose selfless dedication and lifetime public and patriotic service profoundly impacted our Nation and our world?

We, as a nation, have redressed the years of neglect toward those who served proudly in Vietnam. The Vietnam Veterans Memorial is now in place and healing wounds. Thanks to the efforts of many. Many people, including several who in the best tradition of public service declined publicity. Financial payments, and other benefits for their assistance. I urge all of my colleagues to oppose H.R. 2591. And perhaps, we can show our gratitude through the introduction and passage of a congressional resolution.

Mr. FRENZEL. Mr. Speaker, H.R. 2591 awards Congressional Gold Medals to three individuals who were stellar performers in the creation of the Vietnam Memorial.

Like most Americans, I am grateful for the splendid efforts of the three. I liked the memorial from the start. I like it today.

But I believe we have let the medal program get away from us. In a sense, nearly every American has performed good service to the Republic. But not all should receive a gold medal from Congress. It should be awarded only for extraordinary service, achievement, or action.

In the last 5 years, we have spread a lot of medals around. Each of the recipients has performed admirably, but there have been too many of them. The gold medal is losing its luster. The product is being cheapened.

I shall vote no because I want this very special award to be given on a more carefully planned basis to truly extraordinary recipients. I don't want medals which have been given to George Washington, Winston Churchill and Hubert Humphrey, all of whom have been extraordinary recipients, to be awarded at random, even though, like the three builders of the memorial, the recipients' services have been great.

If one-third more of my colleagues agree with me, and the bill fails, the failure will not reflect on the three individuals honored by the bill. It will be a signal to the House leadership that it is time to rationalize the program.

The Congressional Gold Medal is not an award by a committee, a caucus, or even one House. It ought to be an award that all of Congress wants to give, and is proud of.

The Speaker should, in consultation with the minority leadership devise a new plan to restore the lost luster of the gold medal. My preference is to establish lifetime achievement criteria, limit the award to one or two per biennium, require a unanimous leadership recommendation and a two-thirds vote.

Mr. SHUMWAY. Mr. Speaker, I am strongly opposed to H.R. 2591, to provide special congressional gold medals to the three gentlemen who built the Vietnam Veterans Memorial.

This is the Nation's highest civilian award. It has previously been bestowed on such patriots and pioneers as George Washington and Dr. Jonas Salk. I do not believe that it is appropriate for us to present such a coveted award to individuals who build monuments, particularly in light of the fact that they were paid several hundred thousand dollars for their effort. More importantly, if we are of a mind to bestow awards, why are we not extending them to the more than 58,000 men and women who gave their lives? It would be far more fitting to honor those whose names appear on the monument, rather than the three men who constructed it.

I believe that this effort diminishes the value and tribute which should be represented by the medal, and I strongly oppose this legislation.

Mr. ANNUNZIO. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois [Mr. ANNUNZIO] that the House suspend the rules and pass the bill, H.R. 2591, as amended.

The question was taken.

Mr. RIDGE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to the provisions of clause 5, rule I, and the Chair's prior announcement, further proceedings on this motion will be postponed.

GENERAL LEAVE

Mr. ANNUNZIO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on H.R. 2591, the bill just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

IT'S THE CELTICS—AGAIN

(Mr. BOLAND asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BOLAND. Mr. Speaker, in the National Basketball Association, it seems the more things change, the more they stay the same.

Yesterday, at home in Boston Garden, the Boston Celtics offered a basketball primer to the Houston Rockets, and in the process won yet another NBA championship. No one who watched yesterday's game, in fact no one who watched the Celtics amass 67 regular season victories and 15 more in the playoffs, could doubt their supremacy. The 16 championship banners which now hang proudly above the Garden's parquet floor are a testament to the fact that, in Massachusetts, where basketball was invented, the game is played on the professional level with a skill unmatched anywhere.

The key to the success of the Celtics over the years has been their ability to blend the skills of individuals with superior ability into a cohesive, team effort. Their guiding force for the last 30 years has been Red Auerbach. This year he, general manager Jan Volk, and coach K.C. Jones assembled a team that may very well be recognized as the best in NBA history. In Robert Parish, Danny Ainge, Kevin McHale, Dennis Johnson, the rejuvenated Bill Walton, and the incomparable Larry Bird, the Celtics had the nucleus of a juggernaut that pursued the championship with single-minded determination. To them, and to all Celtics, I want to extend my congratulations on a well-deserved triumph. To the rest of the league, I offer condolences; the new season starts in just 5 months, and the Celtics will be back with the same brand of hustle, skill, and spirit that produces victories, delights their millions of fans, and makes life miserable for their opponents.

REQUIRING UNITED STATES COMPANIES TO CEASE PARTICIPATION IN PRODUCTION, MARKETING, OR DISTRIBUTION OF LIBYAN OIL

Mr. LEVINE of California. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4847) to require that United States companies cease their participation in the production, marketing, or distribution of Libyan oil, as amended.

The Clerk read as follows:

H.R. 4847

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

SECTION 1. CONGRESSIONAL SUPPORT FOR PRESIDENT'S ANNOUNCED INTENTION TO TERMINATE LICENSES.

The Congress supports the announced intention of the President to terminate, effective June 30, 1986, licenses issued under Executive Order 12543 of January 7, 1986, and Executive Order 12544 of January 8, 1986 (imposing sanctions with respect to Libya), which currently allow certain United States persons to participate in production, marketing, or distribution activities with respect to crude oil produced in Libya.

SEC. 2. REVOCATION OF AUTHORITY FOR UNITED STATES COMPANIES TO PARTIPATE IN THE PRODUCTION, MARKETING, OR DISTRIBUTION OF LIBYAN OIL.

(a) REVOCATION.—No regulation, ruling, instruction, license, or other authority issued under Executive Order 12543 or Executive Order 12544 shall be effective which would allow any United States person to participate in production, marketing, or distribution activities with respect to crude oil produced in Libya.

(b) EFFECTIVE DATE.—This section shall take effect on June 30, 1986, except that if the date of enactment of this Act is after June 30, 1986, this section shall take effect 30 days after such date of enactment.

The SPEAKER pro tempore. Is a second demanded?

Mr. BROOMFIELD. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from California [Mr. LEVINE] will be recognized for 20 minutes and the gentleman from Michigan [Mr. BROOMFIELD] will be recognized for 20 minutes.

The Chair recognizes the gentleman from California [Mr. LEVINE].

Mr. LEVINE of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 4847. Before talking about the specifics of this bill, I want to take a moment to thank Chairman FASCELL and Chairman BONKER for considering this bill so expeditiously in committee and subcommittee. I especially appreciate this speedy consideration because time is of the essence.

The bill before us, which has over 40 cosponsors from across the political spectrum, including many members of the full Foreign Affairs Committee and Trade Subcommittee, would require United States oil companies still operating in Libya to cease their participation in the production, marketing, or distribution activities with respect to crude oil produced by Libya, by June 30, 1986, or 30 days after enactment of the bill. The effect would be to prohibit the five United States companies now operating in Libya—Amerada Hess Corp., Conoco, Inc., W.R. Grace & Co., Marathon Oil Co., and Occidental Petroleum Corp.—from continuing their operations there.

Mr. Speaker, the U.S. Government has become increasingly concerned about the murderous terrorist activities instigated by, and carried out with, the help of Libya and its erratic, outlaws dictator, Mu'ammar Qadhafi. In response to this increased terrorism, and in an attempt to isolate Libya, President Reagan on January 7 and 8, 1986, issued Executive Order Nos. 12543 and 12544 respectively, which prohibit United States persons—"persons" includes both United States citizens and companies—from participating in any transaction involving Libyan assets. This means, among other things, that imports and exports must cease between the United States and Libya, as must United States credits and loans to Libya, as well as "performance by United States persons of contracts in support of projects in Libya."

After Executive Orders 12543 and 12544 and their implementing regulations were issued, the five oil companies mentioned above applied for and were granted licenses by the Department of Treasury to continue their operations in Libya. These licenses were issued solely for termination activities, to enable the companies to attempt to obtain a fair market value for their assets in Libya.

According to Henry Shuler of the Georgetown University Center for Strategic and International Studies, the 100 million barrels of oil these companies sold last year on behalf of Qadhafi produced some $2 billion in revenues for Libya—$2 billion in revenues that subsidize Qadhafi's terrorism.

During a press conference held at the May economic summit in Japan, President Reagan firmly stated that after June 30, 1986, the five United States oil companies will not be allowed to operate in Libya. The President felt constrained to take this action with respect to United States oil companies operating in Libya because of the difficulty United States involvement created in negotiations with our European allies who we are asking to level economic sanctions against Libya. They rightly point out the inconsistency in our own policy with respect to the operation of United States oil companies in Libya.

The United States has no business engaging in activities which add revenues to the coffers of one of this globe's premier terrorists. This bill would help further isolate Libyan dictator Qadhafi in the Middle East, and remove some of the inconsistency from our policy with respect to that country. Although the administration has announced that the oil companies must cease all operations in Libya by June 30, 1986, this bill would put Congress on record as supporting this policy, and would mandate compliance by the companies.

Section 1 was added during full committee consideration at the initiative of members who wished to express support for the President's decision to terminate by Executive order the oil companies' activities in Libya. As I explained, this bill would mandate compliance by the companies.

Section 2 of this bill, which is identical to the original version and which contains the substantive provisions, revokes the authority of United States companies to participate in activities in Libya.

Again, Mr. Speaker, I want to thank both the chairman of the Foreign Affairs Committee and the chairman of the Trade Subcommittee for their cooperation and for acting so expeditiously on this bill, and I want to thank you for allowing this bill to be considered today by the full House.

This bill makes an important statement, and I urge my colleagues to support it.

□ 1255

Mr. BROOMFIELD. Mr. Speaker. I yield myself such time as I may consume.

Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in reluctant support of the bill that is before us at this time. I have been informed by the White House that the President is going to carry out, using his own authority, actions called for by this legislation. Thus, this bill is not really necessary.

I want to compliment the gentleman from Wisconsin [Mr. ROTH] for his amendment to the bill before us (H.R. 4847) in which he says that the Congress supports the announced intention of the President to terminate effective June 30, 1986, licenses issued under Executive Order 12543 of January 7, 1986, and Executive Order 12544 of January 8, 1986, which currently allows certain United States persons to participate in the production, marketing or distribution activities which respect to crude oil produced in Libya.

President Reagan made this agreement and announced it during the economic summit meeting in Tokyo earlier this year.

While the bill obviously would do no harm, my point is that it is not necessary because it is going to be accomplished by Executive order.

Mr. Speaker, this bill, H.R. 4847, would terminate, by law, the existing regulatory exemptions which permit five United States oil companies to continue taking part in the production, transportation, or marketing of Libyan oil effective June 30, or on the date of enactment, whichever is later.

The legislation also explicitly states Congress' support for the President's announced parallel intention to end those licenses exempting the five, Amerada Hess, Conoco, W.R. Grace & Co., Marathon, and Occidental Petroleum, from the United States economic sanctions imposed on Libya.

American companies reportedly pump 42 percent of Libya's oil. They control in their own right some 16½ percent of Libya's total oil exports. However, it is estimated that more than 90 percent of the revenues earned on their share of the oil exports goes to Libya in the form of royalties and taxes.

This legislation deserves our support for several reasons. There is some disagreement about how important the marketing expertise of the United States companies is in enabling Libya to sell more of its oil at better prices. Nevertheless, however significant the contacts and business expertise of the American companies are, Colonel Qadhafi would no longer benefit from them in his efforts to earn hard currency to fund massive arms purchases and terrorist activities.

Second, ending the exemptions of these five companies from compliance with our economic sanctions would help us to persuade our European friends and allies to join us in imposing such sanctions on Libya's vicious outlaw regime. The Europeans will no longer be able to point to the embarrassing and inconsistent example of the five American companies continu-

ing to participate in the most important sector of Libya's economy. We need to use every effort to convince our European friends to apply economic sanctions because they are Libya's most important oil market. Last year Libya reportedly exported 914,000 barrels per day to Western Europe.

Third, the bill, by ending American companies' participation in Libya's oil business, would stop the United States Government's indirect subsidy of Libyan oil exports inherent in the United States tax deductions the five American corporations get for the high taxes they pay to Libya on the profits earned from their share of Libyan oil exports.

Finally, we hope that the enactment of this legislation will result in fewer Americans being in Libya, and thus, being potentially in danger of one day becoming hostages of the regime in whose oppressive grip Libya is held.

I urge my colleagues to pass H.R. 4847. It is a helpful medicine against the festering sickness which Qadhafi represents.

Mr. Speaker, I yield such time as he may consume to the gentleman from Wisconsin [Mr. ROTH].

Mr. ROTH. I thank the gentleman for yielding time to me.

Mr. Speaker, the bill before us today affirms Congress' support for President Reagan's unequivocal condemnation of Libya's state-sponsored international terrorism.

On January 7 and 8, President Reagan imposed comprehensive economic sanctions against Libya. United States imports of Libyan products or services were prohibited; United States exports to Libya were halted; United States public or private loans to the Libyan Government were banned; Libyan Government assets were frozen; travel to and from Libya was restricted; Americans were prohibited from entering into contracts for Libyan industrial projects; and United States companies were required to divest of their assets in Libya by February 1.

After the early January announcement, several United States companies—notably five United States oil companies—sought authorization from the Treasury Department to close out their Libyan operations through an orderly winddown extending beyond February 1. Given that the United States objective was to maximize economic pressure on Libya without causing excessive and unnecessary harm to United States business, guidelines were drawn up to cover special situations. Where it was likely that the immediate abandonment of contracts would result in a substantial economic windfall to Libya, limited extensions of the deadline were granted.

Five United States oil companies—Conoco, Amerada Hess, Occidental, Marathon, and W.R. Grace—were given 5 additional months to close out their operations in Libya. These companies were ordered by President Reagan to terminate their operations in Libya by June 30.

Today, we in Congress join in supporting the President. Last year, Colonel Qadhafi gained in $2 billion in oil revenue taxes. For every dollar earned by U.S. oil companies in Libya, 92 cents go for tax and royalty payments of Qadhafi's coffers.

Questions remain over whether or not other countries will simply swoop in to fill the void left by the departure of American oil operations in Libya. Questions remain over whether or not the Libyan Government itself will simply step in to produce and market its oil resources. And questions remain whether United States long-term oil supply interests are well served by divesting our assets in this part of the world.

Nonetheless, the United States has demonstrated to the world that we are willing to sacrifice our own economic interests for the greater good and safety of the world's people. Our actions speak louder than words. Our actions have demonstrated our resolve. And our actions have spurred others to confront the principal source of today's unconscionable tragedy.

State-sponsored terrorism is a euphemism for unconventional war. Its attractiveness as a weapon of warfare increases every year as its effectiveness in achieving end-goals is increasingly demonstrated. Let us hope that our actions, taken alone and in concept with our allies, demonstrate to terrorists like Colonel Qadhafi that crime in the end doesn't pay.

The bill before us puts Congress solidly behind the President in his commitment to isolate Libya's Qadhafi. I urge my colleagues to support this bill.

Mr. BROOMFIELD. Mr. Speaker, I yield such time as he may consume to the gentleman from New York, [Mr. GILMAN] a member of the committee.

Mr. GILMAN. Mr. Speaker, I thank the gentleman from Michigan for yielding time to me.

Mr. Speaker, I rise in support of this legislation, H.R. 4847, requiring that United States companies cease their participation in the production, marketing, or distribution of Libyan oil.

After the terrorist attacks of the 1985 Christmas season, President Reagan imposed strict economic sanctions on Libya in January 1986. Included in the sanction list was a requirement that American oil companies still operating there cease their operations by February 1.

It became clear, as January progressed, that such an immediate termination of operations could lead to "windfall profits" to Libya. Under its earlier contracts with the oil companies, Libya can confiscate abandoned assets and entitlements to oil extraction. Accordingly, the administration granted licenses to some American companies allowing them to remain in Libya while negotiating for the disposition of their properties. Profits from those properties have been placed in escrow.

These licenses will expire on June 30 and President Reagan has said that they will not be renewed.

This legislation provides for the mandatory application of a policy the administration has already announced, and provides that no licenses providing for further operations will be valid after June 30, or 30 days after enactment, whichever is later.

Mr. Speaker, I certainly support the intent of this legislation. The sponsor, the gentleman from California [Mr. LEVINE] has been keenly interested in this issue. He accepted an amendment by the gentleman from Wisconsin [Mr. ROTH] which has the effect of clarifying that the Congress is aware of and supports the administration's intent to end these licenses on June 30 by executive order.

Accordingly, I urge my colleagues to support this bill.

Mr. LEVINE of California. Mr. Speaker, I yield myself such time as I may consume.

First of all, Mr. Speaker, I would like to thank the representatives of the minority party from the committee for their support. I very much appreciate the support of the gentleman from New York [Mr. GILMAN], I very much appreciate the support of the gentleman from Wisconsin [Mr. ROTH], and I even very much appreciate the reluctant support of the gentleman from Michigan [Mr. BROOMFIELD]. Even though he is not on the floor, if he is listening, I would like to advise him that I welcome even his reluctant support on any of my legislation.

Mr. Speaker, I believe that the gentlemen have all made valid points. I do think one point needs to be made for the RECORD. That is that in the absence of the input from our European allies and perhaps in the absence of the likelihood of legislation such as this, I, and I know a number of my colleagues, having a sneaking suspicion that the termination date that has been imposed by the administration now, as of June 30, might not have been such a quick termination date.

That having been said, I do welcome the amendment of the gentleman from Wisconsin [Mr. ROTH] that was included in the bill in the full committee last week, and I do welcome the initiative of the administration in closing the loophole that was placed in the legislation in the executive orders through the waiver. I do think that the waiver initially was unfortunate in the absence of an early termination date. Now that we do have an early

termination date, I think it is appropriate that the executive branch and legislative branch act in concert to indicate that there will be no additional waivers and no additional loopholes and that the June 30 date will in fact be the date that our companies are required to wind up their operations.

So I do welcome the support of the minority from the committee and am pleased that this bill is here before us with the type of bipartisan support that it enjoys.

Mr. FASCELL. Mr. Speaker, I rise in strong support of H.R. 4847, requiring that United States companies cease their participation in the production, marketing, or distribution of Libyan oil.

Mr. Speaker, terrorism is the scourge of the modern age. The headlines of the last year have too often been a bitter litany of death and destruction. To America's credit, we have sought to take the lead in bringing international terrorism under control.

Today we are considering H.R. 4847, as amended, which would prohibit United States companies or citizens from participating in the production, marketing or distribution of crude oil produced by Libya. The effective date of this legislation is June 30, 1986, or 30 days after enactment.

H.R. 4847 tightens the sanctions imposed in Libya earlier this year by President Reagan. On January 7 and 8 of this year, President Reagan responded to the persistent involvement of Libya in terrorist activities by imposing a ban on trade and other economic relations with Libya.

Some of the sanctions were effective immediately and others were to become effective February 1, 1986. Prior to the February 1 date, the Department of the Treasury permitted United States companies to seek a temporary extension of their activities in Libya. Five United States oil companies—Marathon Oil, Amerada Hess Corp., Conoco, Inc., W.R. Grace & Co., and Occidental Petroleum Corp.—sought and received temporary extensions.

The continued operation of the United States oil companies in Libya has given United States policy the appearance of inconsistency. It has complicated our efforts to secure broader support for our sanctions in Europe and elsewhere.

The original rationale for the extension was to avoid giving the Libyan Government the oil assets as windfall by giving the companies an opportunity to negotiate a settlement. It would be a mistake to exaggerate the extent or likelihood of a windfall. First, the companies will continue to own the assets in Libya and are free to continue negotiations. Second, the bulk of the oil revenues generated by the sale of Libyan oil—about 88 cents out of every dollar—already goes to the Libyan Government. In any case, Mr. Speaker, if Libya continues to support and foster international terrorism, its oil assets could well become a target for more economic sanctions.

At the recent economic summit in Tokyo, the administration announced that after June 30, 1986, the five oil companies could no longer operate in Libya. Mr. Keeting, the Assistant Secretary of the Treasury for Enforcement affirmed the administration's intentions at hearings held on May 20 by the Subcommittee on International Economic Policy and Trade of the Committee on Foreign Affairs. In addition to eliminating the licensed exceptions for the five oil companies, H.R. 4847 also supports the President's announced intention of canceling the licenses as of June 30, 1986. H.R. 4847 is a clear expression of congressional support for that policy.

Mr. Speaker, I would like to commend my distinguished colleague from California, Mr. LEVINE, who took the lead in formulating H.R. 4847, along with colleagues Mrs. SNOWE and Mr. SOLARZ. Once again, I urge unanimous adoption of this legislation.

Mr. ROTH. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. LEVINE of California. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. All time has expired.

The question is on the motion offered by the gentleman from California [Mr. LEVINE] that the House suspend the rules and pass the bill, H.R. 4847, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. LEVINE of California. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 2591

Mr. SUNDQUIST. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of H.R. 2591.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

INTRODUCTION OF DEPOSITORY INSTITUTIONS INSIDER FRAUD PREVENTION ACT OF 1986

(Mr. BARNARD asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. BARNARD. Mr. Speaker, most Members of Congress would be shocked to learn that more than one-half of our Nation's recent bank and thrift failures have been due in substantial measure to the criminal misconduct of bank officers, directors, and insiders. Losses from such failures in a recent 2½-year period totaled almost $1 billion. What is equally shocking is that many individuals responsible for such insider abuse escape criminal prosecution and civil enforcement action.

The Commerce, Consumer, and Monetary Affairs Subcommittee, which I chair, has conducted an extensive investigation, including numerous hearings, into the failure of the Federal law enforcement agencies to effectively prosecute criminal misconduct by bank officials and insiders, often resulting in bank failures.

I have drafted a comprehensive bill which reflects the findings and recommendations of several reports by the Committee on Government Operations emanating from the subcommittee's hearings and includes, as well, FDIC and FHLBB proposals to improve their ability to prevent insider abuse in the Nation's financial institutions.

My bill would: First, strengthen and standardize the civil enforcement powers of the Federal banking agencies (including prohibition orders against insiders who move from institution to institution); second, allow the agencies to directly penalize appraisers for fraudulent appraisals; third, require agency investigations and public comment for new owners of banks under the change in control acts; fourth, create an exception to the notice provisions of the Right to Finance Privacy Act for possible criminal misconduct by insiders; fifth, require adequate fidelity insurance to cover fraud by financial institution insiders; and sixth, provide more information to the Congress and the public on how the banking agencies are dealing with insider abuse.

I have attached a section-by-section analysis of the bill, and I would hope for its expeditious consideration by the House Banking Committee.

SECTION-BY-SECTION ANALYSIS

A. TITLE I—CIVIL ENFORCEMENT PROVISIONS

Section 101: Scope of enforcement authority includes first- and second-tier affiliates and subsidiaries. The banking agencies have been frustrated by lack of authority to issue civil enforcement orders against persons, usually officers, associated with bank "subsidiaries" and "affiliate service corporations" or with second-tier subsidiaries of thrifts. Important insiders who abuse their roles or perpetuate frauds in financial institutions are often positioned as officers or insiders of such affiliated companies. This section of the bill grants the banking agencies uniform authority to reach these service corporations/subsidiaries and associated persons.

Section 102: Employees and agents of a financial institution subject to removal for improper conduct. Presently the banking agencies can suspend and remove only officers and directors, but not employees or

agents, from a financial institution if warranted. The bill expands this authority to "any other person participating in the conduct of the affairs of" an insured bank or thrift, and specifically includes employees, agents, and stockholders.

Section 103: Industry-wide prohibition orders. Under existing law, a banking agency can prohibit an insider from participating in the affairs of only the financial institution in which he or she is presently located, unless the insider consents to a broader prohibition. Often, a culpable insider leaves one financial institution and goes to work for another, sometimes for an institution falling under another agency's jurisdiction. The second agency is not likely to be aware of the misconduct or abuse preceding the insider's departure from his or her prior employer. This section responds to the problem by, first, conferring on each banking agency authority to prohibit an insider from "participating in the conduct of the affairs of any federally regulated financial institution (including subsidiaries/affiliates) without the prior written approval of the relevant agency, and second, by it requiring that such industry-wide prohibition orders issued by one agency (such as the FDIC) be enforced by another agency (such as the Home Loan Bank Board) against an individual who seeks to switch to a financial institution regulated by this other agency.

Section 104: Prohibition orders allowed after an insider's separation from a financial institution. This section would authorize each banking agency to impose industry-wide prohibition orders against culpable insiders who resign or otherwise depart from an institution before the agency was able to initiate civil enforcement action.

Section 105: Financial gain from improper conduct with respect to another financial institution as ground for removal or prohibition order. At present, a banking agency can remove an officer or director from a financial institution for specified categories or misconduct in that institution, including "financial gain" resulting from the misconduct. However, if the misconduct takes place at another financial institution or other business enterprise, substantial damage to that other entity must be proven in order for an agency to issue a removal of prohibition order against the individual involved. The bill would add "financial gain" to an insider from improper conduct in another business as grounds for removal or prohibition.

Section 106: Disciplinary authority over persons who prepare real estate appraisals for financial institutions. The subcommittee's December 1985 hearings highlighted serious abuses by independent real estate appraisers who submitted inflated and sometimes fraudulent appraisals to financial institutions on loans secured by real estate. This section authorizes the banking agencies to directly discipline appraisers who have willfully or through gross negligence misrepresented the value of real property as collateral for a loan made by any federally insured institution. The agencies could fine (through civil penalties) or suspend or prohibit such appraisers from submitting future appraisals in connection with loans by insured banks or thrifts.

Section 107: Clarification of existing law by specifying that cease and desist orders may include restrictions on specific activities. This section clarifies present Cease and Desist authority by expressly sanctioning the common agency practice of placing limitations on the specific activities of the institution or its employees (for example, restricting an individual's lending authority over certain amounts or over certain industry sectors). Although agency C&D orders frequently contain such provisions, their authority to impose them has not been tested in the courts.

Section 108: Incompleteness of records as grounds for temporary order. This section authorizes the issuance of temporary Cease and Desist orders whenever an institution's records are so incomplete or inaccurate that the supervisory agency is not able to determine its financial condition.

Section 109: Civil money penalties. This section increases the maximum amount for civil penalties and expands the grounds for imposing them. Different civil money penalty provisions are found throughout the banking statutues, most imposing per day maximum fines of $1,000, with some as low as $100. The bill would increase almost all of these maximum amounts to $5,000 (per day). Moreover, except for the OCC, the banking agencies can impose civil money penalties only for violations of prior supervisory orders. Therefore, consistent with OCC's present authority, the bill would enable all the banking agencies to impose such penalties for unsafe or unsound practices or violations of law absent a prior order, provided the agencies publicly give notice of the types of unsafe or unsound practices that could give rise to civil money penalties.

Section 110: Broadening of provisions prohibiting involvement of convicted criminals in banking. At present, persons who have been convicted of a crime involving dishonesty or breach of trust can be penalized if they serve as directors, officers, or employees of financial institutions without the prior written consent of the relevant banking agency. This section would extend this prohibition to any person participating in the conduct of the affairs of the financial institution, including significant stockholders and managing agents. It would also increase the civil penalty from $100 to $5,000 for each day of violation.

Section 111: Public disclosure of enforcement actions required. This section requires public disclosure of the existence of final civil enforcement orders, together with a summary, unless such disclosure would threaten the safety and soundness of an institution, in which case the agency may delay disclosure for a reasonable amount of time. Disclosure of final civil enforcement orders, particularly against insiders, could serve as a deterrent to future insider abuse and alert financial institutions, depositors and investors.

Section 112: Information required to be made available to outside auditors. This section mandates that all federal banking agencies directly furnish to the external auditors of financial institutions copies of examination reports and all proposed and final civil enforcement actions. The subcommittee's investigations have revealed instances (such as United American Bank/Ernst & Whinney) where an institution's external auditor was unaware of the problems in the institution because it did not have direct access to such information.

B. TITLE II—RIGHT TO FINANCIAL PRIVACY ACT (RFPA) AMENDMENTS

Title II is a revision of the bill which you introduced last year. These narrowly-drawn amendments address primarily the inability of financial institutions and supervisory agencies to share with law enforcement agencies sufficient financial information bearing on insider misconduct, because of RFPA.

Section 201: Disclosure of records involving insiders. This provision would exempt from the Act's notice requirements, insiders or co-conspirators who may be guilty of criminal misconduct against a financial institution. Under existing law, the individual under investigation often has access to vital bank records and can alter, destroy, or conceal them if notified that some information has been transferred to a law enforcement agency, usually by way of a criminal referral.

Section 202: Technical amendment relating to production of subpoenaed records. This provision simplifies Justice Department procedures for production and review of financial records subpoenaed by grand juries. The Act's present novel requirement that financial records acutally be returned to a sitting grand jury makes no sense, nor is it the customary practice for other types of subpoenaed records.

Section 203: Exchange of information among supervisory agencies. This amendment would clarify that the Act does not prevent the banking agencies from sharing examination reports and other supervisory information with the SEC as to those institutions owned by SEC-regulated holding companies. Some of the banking agencies conveniently invoke the RFPA as an excuse not to share such information with the SEC.

Section 204 and 205: Technical amendments clarifying (1) the duty of financial institutions to deliver records and (2) the good faith defense available to financial institutions. These two sections address concerns by financial institutions about their duties to furnish information covered by one of the eleven exceptions to the Act's notice requirements; and they expand the scope of a financial institution's good faith defense to any civil liability in providing such information.

C. TITLE III—CHANGE OF CONTROL ACT AMENDMENTS

Section 301: Extension of time to consider change of control notice. This section would clarify current statutory language which is ambiguous concerning time periods for agency review of change of control notices. It would specifically authorize one 30-day extension of time (after the initial 60-day period), at an agency's discretion, with two successive 45-day extensions of time if the notice filed contains incomplete or inaccurate information.

Section 302: Duty to investigate applicants. With the exception of the Federal Home Loan Bank Board, the banking agencies do not conduct thorough investigations of individuals who file change of control notices. (They do request FBI "name checks," but that is all.) As we discovered in the Ranchlander case in Texas (where a convict and his girlfriend obtained a OCC-regulated bank), even a minimal investigation could uncover crucial facts. Accordingly, this section requires the banking agencies to conduct thorough investigations of each acquiring person and to closely scrutinize the factual representations in the notice-application.

Section 303: Public comment on change of control notices. This section requires agencies to make change of control notices public (unless an institution's safety and soundness could be seriously threatened) and to solicit public comment, particularly

from the geographical area affected, on the proposed change of control.

Section 304: Civil money penalty provisions. Willful violations of the change of control acts would give rise to maximum penalties of $10,000 per day, while violations not shown to be willful would be subject to the existing $5,000 per day provision.

Section 305: Investigations and enforcement. This provison would authorize the agencies (1) to conduct investigations, including subpoenaing witnesses and documents, and (2) to seek injunctions or other relief in U.S. district court, in response to violations of this section, particularly by those who acquired control of a financial institution without notice to and approval from a banking agency.

D. TITLE IV—REQUIREMENTS FOR FIDELITY BOND COVERAGE

Section 401: Fidelity bonds required for all insured institutions. Current Federal statutes do not require that banks or thrifts carry fidelity bonds to insure them against employee dishonesty, fraud, or other types of fidelity losses. This section would require (1) that all federally insured institutions maintian fidelity coverage, (2) that the FDIC and the FSLIC set mandatory minimum amounts of such, (3) that the two agencies obtain replacement coverage if an institution fails or refuses to maintain adequate coverage, and (4) that such failure or refusal constitutes grounds for termination of an institution's deposit insurance. These proposed requirements would enable the FDIC and the FSLIC to reduce their losses and help protect the solvency of the deposit insurance funds.

E. TITLE V

Section 501: Annual report to Congress. Each banking agency would report annually to Congress the following information: (1) statistics on its civil enforcement actions (including amounts of civil money penalties), (2) the number, nature, status, and disposition of criminal referrals to State and Federal authorities, and (3) a description of other enforcement initiatives against insider abuse. With few exceptions, we found such information to be incomplete and rarely aggregated, hindering oversight.

□ 1310

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. LEVINE of California) to revise and extend their remarks and include extraneous matter:)

Mr. GONZALEZ, for 60 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. FRANK, for 60 minutes, on June 11.

Mr. WOLPE, for 60 minutes, on June 11.

EXTENSION OF REMARKS

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

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

Mr. DANNEMEYER.

Mr. BADHAM.

Mr. COURTER in three instances.

Mr. MOORHEAD.

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

Mr. ATKINS.

Mr. ANDERSON in 10 instances.

Mr. GONZALEZ in 10 instances.

Mr. BROWN OF California in 10 instances.

Mr. ANNUNZIO in six instances.

Mr. JONES of Tennessee in 10 instances.

Mr. BONER of Tennessee in five instances.

Mr. HAMILTON.

Mr. LEVINE of California in five instances.

Mr. LEVIN of Michigan.

Mr. CHAPPELL.

ADJOURNMENT

Mr. LEVINE of California. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 11 minutes p.m.), the House adjourned until tomorrow, Tuesday, June 10, 1986, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

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

3661. A communication from the President of the United States, transmitting a proposal to withdraw a request for supplemental appropriations for fiscal year 1986 for the Department of Labor, fiscal year 1987 appropriation language for the Environmental Protection Agency, and amendments to the request for appropriations for fiscal year 1987 for the Veterans' Administration, pursuant to 31 U.S.C. 1107 (H. Doc. No. 99-232); to the Committee on Appropriations and ordered to be printed.

3662. A letter from the Acting Secretary of the Air Force, transmitting additional information on the IR Maverick Program, which has exceeded its baseline unit cost by more than 15 percent, pursuant to 10 U.S.C. 139(b)(3)(A); to the Committee on Armed Services.

3663. A letter from the Assistant Secretary of Defense (Comptroller), transmitting a listing of contract award dates for the period July 1, 1986 to August 31, 1986, pursuant to 10 U.S.C. 139(b); to the Committee on Armed Services.

3664. A letter from the Director, Defense Security Assistance Agency, transmitting notification of the Department of the Air Force's proposed letter of offer to Japan for defense articles estimated to cost $50 million or more (Transmittal No. 86-36), pursuant to 10 U.S.C. 133b (96 Stat. 1288); to the Committee on Armed Services.

3665. A letter from the Chief, Program Liaison Division, Office of Legislative Liaison, Department of the Air Force, transmitting notification of Air Force plans to deactivate the 6594th Test Group, Hickam Air Force Base, HI, by September 30, 1986, pursuant to 10 U.S.C. 2687(b); to the Committee on Armed Services.

3666. A letter from the Secretary of Energy, transmitting the quarterly/test sale report on the strategic petroleum reserve (first quarter of calendar year 1986), pursuant to 42 U.S.C. 6245(b) and 42 U.S.C. 6241(g)(8); to the Committee on Energy and Commerce.

3667. A letter from the General Counsel, Department of Energy, transmitting a draft of proposed legislation to terminate certain energy-related requirements, to reduce Federal spending, to ease the regulatory and paperwork burden, and for other purposes; to the Committee on Energy and Commerce.

3668. A letter from the Secretary of Health and Human Services, transmitting a draft of proposed legislation to require the Secretary of Health and Human Services to impose fees under the Federal Food, Drug, and Cosmetic Act for the review of applications for marketing approval for new human drugs, antibiotics, and biological products, and for other purposes; to the Committee on Energy and Commerce.

3669. A letter from the Secretary of Health and Human Services, transmitting the fiscal year 1985 report on the National Cancer Program, pursuant to PHSA section 404(a)(9); to the Committee on Energy and Commerce.

3670. A letter from the Director, Defense Security Assistance Agency, transmitting notification of the Department of the Air Force's proposed letter of offer to Japan for defense articles and services estimated to cost $55 million (Transmittal No. 86-36), pursuant to 22 U.S.C. 2776(b); to the Committee on Foreign Affairs.

3671. A letter from the Acting Assistant Secretary of State for Legislative and Intergovernmental Affairs, transmitting a copy of the original report of political contributions for Robie Marcus Hooker Palmer, of Vermont, 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 Hungary, pursuant to 22 U.S.C. 3944(b)(2); to the Committee on Foreign Affairs.

3672. A letter from the General Counsel and Congressional Liaison, U.S. Information Agency, transmitting a copy of the independent 1986 evaluation of the Cuba Service-Radio Marti Program, pursuant to Public Law 98-111, section 9; to the Committee on Foreign Affairs.

3673. A letter from the Secretary of Housing and Urban Development, transmitting the semiannual report on the activities of the Office of Inspector General (October 1, 1985, through March 31, 1986), pursuant to 5 U.S.C. app. (Inspector General Act of 1978) 5(b); to the Committee on Government Operations.

3674. A letter from the Chairman, Federal Election Commission, transmitting a copy of the Commission's 1985 annual report, which includes a number of legislative recommendations adopted by the Commission, pursuant to Public Law 92-225, sections 307(d)(2) and 311(a)(9); to the Committee on House Administration.

3675. A letter from the Assistant Attorney General, Department of Justice, transmitting a draft of proposed legislation to implement the International Convention on the Prevention and Punishment of the Crime of

Genocide; to the Committee on the Judiciary.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

[Pursuant to the order of the House on June 5, 1986, the following report was filed on June 6, 1986.]

Mr. DE LA GARZA: Committee on Agriculture. H.R. 4613. A bill to reauthorize appropriations to carry out the Commodity Exchange Act, and to make technical improvements to that act; with an amendment (Rept. No. 99-624). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BARNARD:

H.R. 4956. A bill to deter abusive, fraudulent, and criminal misconduct by officers, directors, and other insiders of federally insured and regulated depository institutions by strengthening and standardizing the civil enforcement powers of the Federal banking agencies, by strengthening the change in control provisions, by clarifying and improving certain provisions of the Right to Financial Privacy Act of 1978, and by improving private sector fidelity insurance coverage of depository institutions, and for other purposes; to the Committee on Banking, Finance and Urban Affairs.

By Mr. GINGRICH:

H.R. 4957. A bill to provide for the preservation of and public access to the broadcast recordings of the proceedings of the House of Representatives; to the Committee on House Administration.

By Mr. LEVINE of California:

H.R. 4958. A bill to provide a one-time amnesty from criminal and civil tax penalties for taxpayers who notify the Internal Revenue Service of previous underpayments of Federal tax and pay such underpayments in full with interest, to increase by 50 percent all criminal and civil tax penalties, and for other purposes; to the Committee on Ways and Means.

By Mrs. VUCANOVICH:

H.R. 4959. A bill to remove the Yucca Mountain site in the State of Nevada from consideration as a repository for high-level radioactive waste; jointly, to the Committees on Interior and Insular Affairs and Energy and Commerce.

By Mr. CHAPPELL:

H.J. Res. 649. Joint resolution to designate the week beginning April 12, 1987 as "National Telecommunicators' Week"; to the Committee on Post Office and Civil Service.

MEMORIALS

Under clause 4 of rule XXII,

403. The SPEAKER presented a memorial of the House of Representatives of the State of Mississippi, relative to Mr. Joseph W. Newman's patent application; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. YOUNG of Alaska:

H.R. 4960. A bill for the relief of David A. Burns; to the Committee on Interior and Insular Affairs.

ADDITIONAL SPONSORS

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

H.R. 580: Mr. FISH.

H.R. 1917: Mr. SAXTON, Mr. VALENTINE, Mr. MORRISON of Connecticut, Mr. FUSTER, Mr. GARCIA, Mr. MCGRATH, Mr. RALPH M. HALL, Mr. NICHOLS, Mr. HOPKINS, and Mr. ECKART of Ohio.

H.R. 3429: Mr. RAHALL, and Mr. SCHEUER.

H.R. 3865: Mr. SCHUETTE, Mr. JONES of North Carolina, Mr. BLILEY, Mr. DAVIS, and Mr. LATTA.

H.R. 4014: Mr. WORTLEY and Mr. SMITH of Iowa.

H.R. 4025: Mr. MCCOLLUM and Mr. DONNELLY.

H.R. 4260: Mr. MCKINNEY.

H.R. 4487: Mr. EDWARDS of Oklahoma.

H.R. 4567: Mr. CARPER.

H.R. 4671: Mr. FRANK, Mr. GEJDENSON, Mr. MANTON, Mr. BATES, Mr. STAGGERS, Mr. HEFTEL of Hawaii, Mr. WOLF, Mr. RAHALL, Mr. HUTTO, Mr. HAYES, and Mr. DE LUGO.

H.R. 4860: Mr. COURTER.

H.R. 4879: Mr. SILJANDER, Mr. APPLEGATE, Mr. SYNAR, Mr. TAUKE, and Mr. JEFFORDS.

H.J. Res. 381: Mr. NIELSON of Utah.

H.J. Res. 555: Mr. DORNAN of California, Mr. HUGHES, Mr. KASICH, Mr. SAVAGE, Mr. BLAZ, and Mr. BEDELL.

H.J. Res. 619: Mr. WAXMAN.

H.J. Res. 638: Mr. MATSUI, Mr. ROWLAND of Georgia, Mr. GILMAN, Mr. TRAFICANT, Mr. VANDER JAGT, Mr. RINALDO, Mrs. LLOYD, Mr. HENRY, Mr. CROCKETT, Mr. BONER of Tennessee, Mr. LEHMAN of California, Mrs. HOLT, Mr. NEAL, Mr. LANTOS, and Mr. GARCIA.

H. Con. Res. 333: Mr. DAUB, Mr. SWIFT, Mr. RITTER, Mr. MCCURDY, Mr. EDWARDS of Oklahoma, Mr. LAGOMARSINO, Mr. HENRY, Mr. NICHOLS, Mr. REID, and Mr. PENNY.

H. Res. 461: Mr. COBLE.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

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

H.R. 2591: Mr. SUNDQUIST.

H.R. 4567: Mr. REID.

SENATE—*Monday, June 9, 1986*

The Senate met at 12 noon and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

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

Let us pray.

As the heart panteth after the water brooks, so panteth my soul after thee O God. My soul thirsteth for God, for the living God: when shall I come and appear before God?—Psalm 42:1-2.

Like the psalmist Father God, our hearts cry out for You—for the living God—but we ignore the cry and our hearts languish for the most basic reality in life, the exquisite touch of God. We starve our souls while we satiate our bodies. We immerse ourselves in the temporal, and deprive our spirits of the eternal. We who are made to live forever deprive ourselves of the breath of God and suffocate our souls in the smog of the transitory. Quicken us to our need of You, O Lord, and make us wise to respond for the sake of our spiritual health and our moral strength. In His name who is virtue incarnate. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The able majority leader, Senator DOLE, is recognized.

Mr. DOLE. Mr. President, I thank the distinguished President pro tempore, Senator THURMOND.

SCHEDULE

Mr. DOLE. Just to recap what will happen today, the leaders have 10 minutes each. I shall reserve any time I do not use.

That will be followed by special orders in favor of Senators THURMOND, HUMPHREY, CRANSTON, PROXMIRE, GORE, KASTEN, and QUAYLE for not to exceed 5 minutes each.

Following that, there will be a period for routine morning business not to extend beyond the hour of 2 p.m. with Senators permitted to speak therein for not more than 5 minutes each.

Following morning business, the Senate will resume its unfinished business, H.R. 3838, the tax reform bill. Rollcall votes could occur—I do not have any idea what the distinguished chairman [Mr. PACKWOOD] or the distinguished ranking member [Mr. LONG] have in mind, but there are still opening statements to be made on the tax bill. Somebody could come and offer an amendment or ask for a rollcall, but not after 6 p.m. We shall keep the 6 o'clock curfew in that no rollcall votes begin after 6 p.m. If one starts before 6, we will obviously conclude it. That decision will be made by Senator PACKWOOD and Senator LONG.

I assume it will take all week to dispose of the tax reform bill. Hopefully, we can dispose of it this week. We have a very crowded calendar before the June 27 recess begins. So it is my hope that we might complete action on the measure, say, Thursday night. I assume Senator PACKWOOD would like to push on. I am not certain at this point how many amendments have been filed. I am advised only one as of Friday. If that would continue, we might set a new record here. I doubt that will hold.

It seems to me that many people have had an opportunity to study the tax bill, and I assume there will probably be additional amendments. I agree with the distinguished minority leader, this is a legislative body, and we have a right to offer amendments. We cannot flat out say there will be no amendments adopted. There might be some accepted. I think what Senator PACKWOOD is attempting to underscore is as far as major amendments, that is where he will try to draw the line. I hope that will be met by bipartisan support.

(Mr. STEVENS assumed the chair.)

BACK TO TAX REFORM

Mr. DOLE. Mr. President, whoever said that television cameras would revolutionize the way the Senate does business must be rethinking his assertion after last week's marathon session on the supplemental appropriations bill. Some of last week's viewers may have concluded that this distinguished body represents the ultimate talk show.

In fact, the supplemental bill, while not perfect, is a good one. And now that we've addressed it, there's an even more timely issue requiring our attention. We stepped up to the matter of tax reform last week. We circled it warily, declared our broad support for broad concepts, raised some questions, hoisted a few trial balloons. We heard from the President. No less important, we continue to hear from the American people.

Let me read to you a few paragraphs from letters I've received. A man in Wichita urges immediate action to reduce the Federal deficit and balance the budget without resorting to additional taxes. He goes on to urge a third priority: "Tax reform that is fair and simple without strangling our economy. The present unfair, complicated income tax is terrible, wasteful, expensive, and cannot be described adequately using good language."

A woman from Eureka, KS, is no less outraged. "We recently went to a seminar," she writes, "And the investment speculator giving it bragged about not paying any taxes because of the loopholes in the tax laws. It made me furious. Why has Congress made this possible?"

And finally, there is the Wichita woman who signs herself a "Concerned and upset citizen:"

> Once again, I have had my taxes figured, and feel that I and everyone else that is not rich are paying too much in Federal taxes. If you're rich, you can afford an accountant that knows all the loopholes. If you have lots of money you can afford to pay a brokers' commission and buy tax-exempt bonds and such.

Mr. President, it is no wonder the American people are ready for real tax reform. We are talking about the average American man and woman who are out there every day working and trying to pay their tax bill and trying to figure why somebody else down the street or in the next town who can afford tax shelters will pay less than people who work every day.

They work 2 hours and 39 minutes of every 8-hour day just to pay off their taxes. That is twice as long as he or she will work to pay his or her housing bill and three times as long as it takes to feed the family, a family of four or five people. So I suggest that it is not just the level of taxes which makes our constituents a little upset; it is the inequality built into the current system, inequality that we seek to remove on this bill on a bipartisan basis.

Let me underscore, as I am certain we should in every moment, that this is not a partisan effort. This bill passed the Senate Finance Committee unanimously, 9 Democrats, 11 Republicans. The distinguished minority leader has projected there might be 100 votes for this bill in this Chamber. That is everyone if they are all here—every Democrat, every Republican.

I know that some would like to restore full deductibility for IRA's. That may be the first assault on the bill. I do not quarrel with those. I think IRA's are a good program, but so are lower tax rates and so are some of the other provisions that are in the bill now. We shall come to that and I assume Senator PACKWOOD and Senator LONG are prepared with overriding

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

logic that will defeat any such amendment.

□ 1210

We also have those who would like to restore full sales tax deductibility but again I urge my colleagues that both of these matters can also be addressed in the conference, where they keep the IRA's as is in the House bill and you have full deductibility of the sales tax.

It would be my hope that we can make those choices if necessary or make certain modifications, and I believe some should be made in the IRA's. But I believe they can be made in a conference setting without depriving anyone in this legislative body of having their rights impaired, depriving anybody of the right to offer the amendments, debate the amendments, whatever.

In the first spring I ever spent in this city I heard John Kennedy declare that "To govern is to choose." Now we, too, must choose. We must choose between satisfying a wealth of special interests or serving the public interest, between genuine reform and some half-hearted tinkering with a system universally regarded as too costly, too complex, and too much the captive of sharp operators like those complained about in my constituent letters.

In both statute and spirit, we claim to embody democratic values. The time has come for us to practice some economic democracy as well. That means everyone paying a fair share, no more, no less. It means a system simplified and a government ordered to live within its own means. That is what the people want and that is what we should deliver, not only in our discussions but in the final product of the tax reform bill, the final product on the budget resolution and anything else we seek to accomplish in the U.S. Senate.

As I indicated earlier, sometimes there are partisan differences, sometimes there cannot be bipartisan support for certain legislation, but I will accept marginal bipartisan support. It seems there are some people who do not care a hoot about politics, but we have a rare opportunity to speak with one voice in the Senate, one strong bipartisan voice. In my view that is all going to happen. We are going to finish this bill, finish the conference report, and have it on the President's desk by Labor Day as he expressed we might have in his radio message on Saturday. If we can accomplish that and a few other things this year, we will have a good year in this second session.

RECOGNITION OF THE MINORITY LEADER

The PRESIDING OFFICER. Under the previous order, the Democratic leader is recognized.

FAIR TAX REFORM FOR THE MIDDLE CLASS

Mr. BYRD. Mr. President, I join with the distinguished majority leader in not only predicting that this will be a vote of 100 to nothing, if every Senator is in attendance, but in also working for that kind of outcome. I want to see a vote of 100 to zero. I will certainly do everything I can to that end.

I think we have to keep our eye on the middle class as we debate this bill. Six million taxpayers have been taken off the tax rolls in the Finance Committee. That is at the lower income levels.

Now, the wealthy will get some reductions. But it is my understanding that the take-home pay of the middle class will be proportionately less than is accorded to the very high-income levels—I am talking about the wealthy in particular—in this bill.

Now, if that is the case, then we ought not to just give this bill a lick and a promise and say let the conference handle it. I am not on the Finance Committee, but I do believe that the middle class in this country has borne the tax burden in the heat of the day and over the years: The middle class sends its own kids to college; the middle class helps the lower income people to send their children to college; the middle class pays the bills for rental programs; welfare programs, health programs, food stamps. The great middle class is the backbone of the Nation, and it has shouldered the main individual tax burden.

This bill is a good bill. It is a tax reform bill. It is real reform, if I may underline the word "real" as I use it in a descriptive sense. But we must just be doubly sure that the middle class gets the fair shake which it deserves in this bill. If the middle class, indeed, is not getting its share, if it is, indeed, taking home a disproportionate share, if its take-home pay is disproportionate to that of the very wealthy, then if that is the case, let us do what we can to fix it.

I think we ought to examine the bill. I do not feel that if the bill is not passed by Thursday or Friday of this week anybody has suffered a defeat. I presently have no amendment that I intend to offer, I do not say, I will not offer one, but I have no intention at the moment because I have not heard enough of the debate.

I feel that it is our duty to take a good look at the bill. I want to hear the debate on the bill. The debate will be enlightening. I hope—now that we have televised coverage of Senate debates—the American people will be able to have a much better understanding of the important step that is being taken here toward reforming the tax system. The American people know that the Tax Code is complex, they know it is unfair in some ways, and they want reform. The tax bill will probably be the most important piece of legislation that will come out of the 99th Congress. I do not find fault with the distinguished majority leader's continued beseeching that we pass this bill and pass it quickly, but I am constrained to find some minor disagreement at least in the idea that we need to do it by Thursday of this week. More so do I find myself in some lack of accord on the idea that we ought to pass it as quickly as possible here, get it down to the conference, and let the conferees resolve all the issues.

There will be a House bill in conference. There will be a Senate bill in conference. But I do not subscribe to the idea, never have I subscribed to the idea, nor will I ever subscribe to the idea, that the Senate ought to simply roll over and play dead, make a few good speeches and just leave it up to the conferees to rewrite a bill and do our work for us.

Of course, I agree that the conferees will write the final product. That is what I call the third House.

We have the House of Representatives, which some of us like to refer to as the lower House. I suppose that reference may come out of history and out of the fact that when Congress first met in 1789, the other body was on a lower level. The Senate was on the second floor and was referred to as the upper body.

But there are the two Houses. And then the third house is when the conferees from both Houses meet to resolve the differences in the two bills, because those differences have to be resolved so that the product that is sent to the President is agreed on between the two Houses precisely in every word, comma, semicolon and dash, every punctuation mark, that on every jot and title both Houses are in full agreement. That is done in the conference committee. Of course, there will also be big issues resolved there.

But to say that 100 Senators should just gloss over this bill, let us roll it on, let us get through by Thursday and possibly be out on Friday, let the conferees handle the work at the other end, that is not my idea of legislative responsibility.

I will not be a conferee. Normally, a whole committee is not chosen by the Senate to act as conferees on the part of the Senate. But the Senate makes that decision by order of the Senate and should the Senate in its wisdom decide that all members of the Finance Committee should act as confer-

ees on the part of the Senate, fine, that might be a good idea. That is not for me to say. In the event that were to happen, however, there would only be 20 Members of the Senate in conference. In other words, one out of every five Senators would be in conference with the other body.

Now so much for that. I am for a 100-to-nothing vote on this bill. It is bipartisan. It came out of the Finance Committee by a vote of 20 to nothing. That is like Lindbergh's flight over New York City in 1927 when he was on his way across the Atlantic, the Spirit of St. Louis came across New York City, according to the newspapers, "at the terrific speed of 100 miles per hour."

Well, this bill came out of the Finance Committee at about that speed, 100 miles per hour, and I say let us pass it.

I do not envision any amendment, Mr. President, as being a "killer" amendment on this bill. Whether an amendment is "major" or "minor" does not make any difference. It is what the content of the amendment is. If it is "major" and the content is such that the Senate should adopt the amendment, it should do it. If it is "minor," and the Senate should adopt the amendment, that is fine. It is up to the will of the Senate.

My main interest in this bill is to see what happens to the middle-class citizens in West Virginia, for example, the smoke stack industries in West Virginia. How do those people come out?

It is the middle-class Americans who are the people who are entitled and who deserve some tax relief at this time, and I believe they are going to get it under this bill.

Mr. President, do I have any time remaining?

The PRESIDING OFFICER. The distinguished Democratic leader has 2 minutes remaining.

Mr. BYRD. I thank the Chair. I will use these last 2 minutes to make reference to a very important matter that I think needs some attention.

THE SALT II ACCORDS

Mr. BYRD. Mr. President, President Reagan announced on May 26 that there would be no undercutting of the SALT II accords. I think the President made the right decision at this time, because as to the central systems that are included in the SALT II accords, if we are going to undercut the limits on those central systems, and the Soviet Union, from everything I can hear, is living up to the limits, then it is in our interest from a national security standpoint that we not undercut those accords, certainly at this time. I would hope we do not even talk about undercutting the accords before a summit, hopefully, which will occur in this country subsequent to the elections, I would suppose. But it is surely not in our interest militarily at this point to see those ceilings broken because the Soviet's production lines are geared up; they are ready to go.

Our production lines are not geared up; we are not ready to go. And if we are just going to summarily throw these SALT II accords into the trash basket and say, "We will have no more to do with it; we are all done with this," why, then, I think we are being very unwise from a number of standpoints because the Soviets can break out quickly from the central systems. I am talking about the intercontinental ballistic missiles, the submarine-launched missiles, and land-based missiles. I am talking about all these things, because all of them are in the ceilings. Once the Soviets break out from under the accords whereas they are allowed to put only 10 warheads on a single missile, they could then put 30 on their SS-18's. The ceilings also apply to launchers. It is certainly not in our interest, because over the next 3 or 4 or 5 years, the Soviets' production lines are geared up now and ready to go. For us to say at this time, "Let us abolish the ceilings; let us forget about the accords; we are not going to live up to the limits," would just be cutting our nose off and not helping the looks of our face because the Soviets are ready to break out immediately. As long as they are living within the ceilings, it would not be in our interest to make such an unwise and hasty decision.

Second, and finally, I would say that it is very symbolic for the positive atmosphere which developed in the first summit to continue. I think the summit at Geneva was good. I believe that the President did himself well. I think that it was good for our side, good for the other side, and I would hope that we would not just cast cold water, as it were, on the possibility of another summit later this year.

After all, if we are going to have a summit, what are we talking about from the standpoint of benchmarks? If we are going to lower the ceilings in another summit, we lower the ceilings from what? We are talking about the SALT II accords. If we have another summit, we would hope to be able to lower those SALT II ceilings. We would lower the future ceilings in any future accord or in any future treaty from those ceilings that are set forth in the SALT II accords. We have to have a benchmark and that is the only benchmark of which I know. If we are going to just go helter skelter at this point and say the accords are off, all bets are off, and engage in an arms race, what is the benchmark if we have a summit later? Let us hope for a second summit and let us hope that the Soviets will stop waffling and agree to a summit date. Let us hope that we will not poison the chances for a summit late this year by all this talk about ditching the SALT II accords.

Mr. President, I thank the Chair and, of course, all of us will have more about these matters later.

□ 1230

RECOGNITION OF SENATOR THURMOND

The PRESIDING OFFICER. Under the previous order, the Senator from South Carolina, the distinguished President pro tempore, is recognized for 5 minutes.

TEXTILE EMPLOYMENT AND IMPORT FIGURES

Mr. THURMOND. Mr. President, the bad news for the American textile and apparel industry continues to pour in as foreign imports continue to flood our country. The latest figures released by the Department of Commerce show that imports of textiles and apparel were up 28.3 percent this April over April of 1985. For the first 4 months of 1986, imports of these products are up an astonishing 26.4 percent over the first 4 months of the record-setting year of 1985. Unfortunately, it looks like the 1986 imports will break all previous import records.

Mr. President, these figures are convincing evidence that imports are running wild. For months we have been hearing that steps were being taken to bring the situation under control. Yet, the figures speak for themselves—foreign companies and foreign workers steadily increase the flow of textile products into our Nation, apparently without fear that we will enforce our rights to stop them.

Mr. President, these unrestrained imports are shattering the hopes and dreams of many American families. Throughout the country, hard working people are losing their jobs because of the influx of foreign goods. It almost seems as if jobs have become our largest export item. A recent article in the Charleston Evening Post reported the latest Labor Department textile employment figures. They show that in seven southeastern States employment in the textile industry has declined by 9,300 jobs in the past year. My home State of South Carolina alone showed a drop of 4,400 jobs from the first quarter of 1985 to the first quarter of 1986. The April figures reflect a loss of 600 more textile jobs in South Carolina. These losses have placed textile employment in the State at a record low since recordkeeping on textile jobs began after World War II.

During the past 5 years over 25,000 South Carolina textile workers have lost their jobs. It does not take a genius to figure out the reason for these job losses. Without a doubt, the

culprit is the unimpeded growth of imports.

Mr. President, the textile and apparel industry has been ranked by the Defense Department as second only to steel in importance to national defense. One out of every 10 manufacturing jobs in America is in this industry. We cannot and will not stand idly by and watch the demise of one of our Nation's most important industries. Last month 70 Senators and 302 House Members signed a letter to President Reagan supporting a stronger Multifiber arrangement to deal with the past 5 record years of textile and apparel imports. Swift, decisive action is necessary to stop the flow of unfair imports and preserve American jobs. Two million Americans still employed in this industry are depending on it.

Mr. President, I ask unanimous consent that an article from the Evening Post of Charleston, SC, dated June 2, 1986, entitled "South Carolina Leads Region in Textile Decline" be printed in the RECORD.

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

SOUTH CAROLINA LEADS REGION IN TEXTILE DECLINE

ATLANTA (AP).—Textile employment in the Southeast dropped in the first quarter of 1986, with the sharpest drop in South Carolina, the U.S. Labor Department reported.

The government counted 481,500 textile jobs in Florida, Georgia, Alabama, Tennessee, Kentucky, South Carolina and North Carolina. The total was 1,600 less than the figure for the fourth quarter of 1985 and 9,300 below the first quarter 1985 level.

South Carolina showed the biggest drop compared to the same period a year earlier, dropping 4,400 jobs to a total of 102,200.

The April unemployment figures for South Carolina showed that the state lost 600 more textile jobs. Those losses placed the state's textile employment to 101,500, a record low job total since record-keeping on textile jobs in the state began after World War II.

Robert David, executive director of the South Carolina Employment Security Commission, said the April losses were further evidence of the need to control textile imports into the country.

Textile plant production workers averaged 40.7 hours of work per week, down 2.4 hours from the first quarter of 1985. The average gross hourly wage of $6.75 was up 21 cents from the previous year.

ORDER OF PROCEDURE

The PRESIDING OFFICER. Under the previous order, the Senator from New Hampshire is recognized for not to exceed 5 minutes.

Mr. HUMPHREY. Mr. President, other Members have been waiting longer than I. I would be happy to yield to them if either are in a hurry this afternoon.

Mr. CRANSTON. If the Senator would not object, I would appreciate it if I could be recognized.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that I might be recognized following Senator CRANSTON.

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

RECOGNITION OF SENATOR CRANSTON

The PRESIDING OFFICER. The Senator from California is recognized for not to exceed 5 minutes, after which the Senator from New Hampshire will be recognized.

Mr. CRANSTON. I thank the Senator from New Hampshire for his graciousness.

NO INCREASE IN FEDERAL EXCISE TAX

Mr. CRANSTON. Mr. President, the best kind of tax is a tax that never gets imposed. One tax that fortunately never was imposed is a 54-percent increase in Federal excise taxes on a host of commonly consumed products. The Senate Finance Committee actually had seriously considered such a proposal during its deliberations over tax reform.

As we all know, an excise tax on consumer goods, like a sales tax, falls most heavily on families in the middle and lower income brackets. Over a period of 5 years, the tax hike the committee considered would have extracted up to $75 billion from those families. And they would not have known what hit them!

A Federal excise tax on consumers—the technical form of the Federal sales tax—would hit the poor consumer with a double-whammy: It not only would be unfair, it would be secret.

In the case of a State or local sales tax, at least the consumer knows what is being charged: The sales clerk or the sales slip tells you the amount of the tax.

Not so with a Federal excise tax on consumer purchases. It is included in the basic price of the product. Not even the clerk knows how much tax is being charged. Only the manufacturer and the Treasury know.

Moreover, the manufacturer—under the committee's original proposal—would have had to pay income tax on the excise taxes he was collecting from his customers for the Treasury! How is that for a bummer of an idea?

The committee finally thought so too. To its credit, the Finance Committee dropped the excise tax proposal and went on to a much better idea: The Packwood tax bill.

The Packwood bill is defective in a number of ways which I hope to be able to correct. But by and large, the committee did a noteworthy job in lowering rates, closing some insupportable tax loopholes, and removing millions of low-income workers from the tax roles. And one of the best things they did was not increasing excise taxes on consumers.

Mr. President, I yield the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

RECOGNITION OF SENATOR HUMPHREY

The PRESIDING OFFICER. Under the previous order, the Senator from New Hampshire is now recognized for a period not to exceed 5 minutes.

AMENDMENT TO ELIMINATE TAX EXEMPTION FOR ABORTION CLINICS

Mr. HUMPHREY. Mr. President, during the debate on the tax bill which will soon commence, Senators are going to be asked to make some very important decisions. But I daresay that no decision will be more important than that which Senators will be asked to make when Senator ARMSTRONG, Senator HELMS, and I offer an amendment that seeks to eliminate the tax-exempt status of abortion clinics.

I speak now in advance of the bill, Mr. President, to alert Senators and interested parties in the hopes that they will have a greater opportunity to familiarize themselves with this important amendment before it is pending.

Mr. President, Congress has long exempted from taxation certain nonprofit organizations. Engaging in certain types of activities entitles organizations to tax-exempt status. Those exempt from taxation are organizations operated exclusively for charitable purposes, religious purposes, educational purposes, scientific purposes, literary purposes, for purposes of testing for public safety, for purposes of fostering national or international amateur sports competition, or for purposes of preventing cruelty to children or animals.

Organizations which qualify on the basis of these criteria enjoy a privileged status in our society. They are privileged because they pay no taxes on their income. It may come as a surprise to some Senators and to many of our citizens to learn that among the many organizations which enjoy this privileged status of paying no tax on their income are many which perform abortions.

□ 1240

Congress has granted tax exemption to certain activities, Mr. President, as a way of encouraging those activities. Let us remember what kind of encouragement that constitutes. It is a subsidy. Congress has chosen to subsidize certain organizations who perform certain kinds of activities as a way of encouraging those activities. It is a subsidy. It is just as much a subsidy as a cash disbursement in the like amount from the Treasury. It would have the same bottom-line effect that the Treasury would have with a cash disbursement—or that a tax exemption of the same value has which is exactly the same effect on the bottom line at Treasury. And more importantly may I point out it would have exactly the same effect on the organization which benefits by such privilege—namely, a subsidy, and namely an encouragement to continue engaging in that kind of activity.

Mr. President, I hardly need remind my colleagues that the Congress on many occasions over the last 7 or 8 years has refused to provide for taxpayer financing of abortions. We have adopted Hyde amendment language to many, many pieces of legislation. In other words, the Congress has said if its citizens want to procure an abortion that is their business, but Congress and the taxpayers have no obligation to subsidize it.

Not only has Congress repeatedly refused the subsidization but the Supreme Court has upheld our refusal to subsidize abortion. Nonetheless, Mr. President, as I have pointed out, abortion today continues to enjoy a very real and concrete form of subsidization at the expense of the taxpayers which incidentally or not incidentally applies approval by the taxpayers and by Congress of that activity.

Of course, we all know, irrespective of our views on the fundamental issue of abortion, that the overwhelming majority of American citizens do not want their dollars used to pay for their abortions, and I suggest by the same logic they do not want any other kind of subsidy at their expense extended to the providers of abortion.

How does it happen, Mr. President, that the Congress and the taxpayers are subsidizing abortion through tax-exempt status for such organizations? Did Congress pass a law authorizing the tax exemptions for abortion providers? No. Did the IRS through its own regulations provide for that kind of granting of tax-exempt status? No. It happened by virtue of a 1976 internal memorandum, Mr. President, that enormously important social policy was set by an internal memorandum.

Now, we seek to overthrow that memorandum and to tell the Treasury that the Congress does not consider performing of abortion as an activity to be encouraged by the Congress or subsidized by the people of the United States.

Mr. President, I note my time is about to expire. I ask the courtesy of my colleagues to permit me to seek unanimous consent to continue for 2 minutes that I might complete this important statement.

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

Mr. HUMPHREY. I thank the Chair. I thank my colleagues for their indulgence.

Mr. President, without question Congress has the authority, indeed—the responsibility—to determine which activities are fit to be subsidized, and which are not.

Now it is time to make it clear to the IRS that we do not deem performing of abortions an activity fit to be subsidized by the Congress, and by the Treasury, and by the taxpayers.

Mr. President, I began by suggesting that among all of the important amendments which we will be considering over the next week or so in connection with the tax bill, none will be more important than this amendment because by the kinds of activities that we encourage, by the kinds of activities that we subsidize, and Mr. President, by the nature in which our society is defined.

I believe—I am certain in my mind—the American people do not want abortion subsidized either with cash disbursements or with the equivalent tax-exempt status for abortion providers.

Mr. President, I will be speaking further on this amendment in advance of offering it. I solicit the support of my colleagues not on any question of the fundamental nature of abortion, though that is an important question, but on the question of whether we should be subsidizing this, and whether our constituents want us to subsidize this activity.

I thank the Chair.

RECOGNITION OF SENATOR PROXMIRE

The PRESIDING OFFICER. Under the previous order, the Senator from Wisconsin [Mr. PROXMIRE] is now recognized for a period not to exceed 5 minutes.

HOW SALT II INCREASES U.S. MILITARY SECURITY

Mr. PROXMIRE. Mr. President, a recent edition of Current News, a publication prepared for the Defense Department, raises some serious questions about the future of SALT II.

The name of the study was "Will SALT II Survive?" The author, Leo Sartori, is a professor of Political Science and Physics at the University of Nebraska—Lincoln. Sartori credits experts at the Stanford Center for International Security and Arms Control for much of his information.

After reading Sartori's article this Senator comes to the conclusion that whatever SALT II does to advance the cause of arms control and peace is greatly surpassed by its contribution to U.S. military strength vis-a-vis the Soviet Union. We all know SALT II hangs by a feeble, unraveling thread. We know SALT II was recommended by the Senate Foreign Relations Committee to this body by a 9-to-6 vote in 1979. It was never sent to the floor of the Senate.

Until 1981 the United States and the Soviet Union were obligated under international law to abide by the treaty because it carried the status of a signed treaty awaiting ratification. That obligation ended in 1981 when President Reagan said the United States would not ask the Senate to ratify SALT II. But in May of 1982 the President announced in an ambiguous statement that we would abide by the terms of the treaty as long as the Soviets did likewise. About 4 months ago on December 31, 1985, SALT II expired. Professor Sartori concludes that in the period between 1981 and 1985, compliance with SALT II cost the United States exactly nothing. The Reagan administration was able to advance every phase of its military buildup without encountering any restraining pressure from this treaty. In Sartori's words, "the administration would have been hard put to find a way to violate the SALT restraints if it had sought to do so." In 1985 and continuing into 1986 the situation changed but only slightly. Here is how: SALT II more recently imposed some modest restraints. In October of 1985 with the commissioning of the seventh *Ohio* class Trident submarine, the United States was scheduled to exceed the SALT II ceiling of 1,200 MIRV'd launchers. To continue to comply with the treaty the United States would have to eliminate 14 MIRV'd launchers. Moreover as each succeeding Trident boat entered the fleet, the United States would have to eliminate another 24 MIRV'd launchers. The next Trident is scheduled for this summer. Second, this summer the United States will reach the ceiling of 1,320 combined MIRV'd launchers and airlaunched cruise missiles [ALCMS]. Also, coming up 2 years from now is flight testing of Midgetman. This would violate the new-type limitation of SALT II because the MX is the one allowed American new type.

Whereas the United States suffered literally no weapons constraints in the first 5½ years of SALT II from 1979 to late 1985, SALT II substantially limited the Soviets from the beginning.

Some of the limitations could have made a substantial difference in in-

creased strategic power for the Soviets. When the SALT II Treaty was signed the Soviets had 608 MIRV'd ICBM's. They continued to add to their total until they reached the SALT II limit and stopped. Sartori concludes:

> There is no reason to believe that absent the commitment to SALT II, the Soviets would have stopped at just 818.

They did. Sartori also concludes that absent SALT II the Soviets could and would have pushed the deployment of MIRV'd—submarine launched ballistic missiled significantly above their current level.

And here was the most significant restraint SALT II has imposed on the U.S.S.R. Without the limitation of SALT II, the Soviets could and probably would have increased by several thousand the number of nuclear warheads on their strategic missiles. It would be a cheaper and more efficient way of deploying their nuclear arsenal than building more launchers. The Soviets without their SALT II agreement could have increased the rate of production of their backfire bombers. As Sartori concludes:

> From the beginning, the burden of adhering to the treaty has fallen almost exclusively on the Soviet side.

On Friday this Senator called to the attention of the Senate a meticulous analysis of the alleged violations by the Soviets of SALT II in an article written in the New York Times by Charles Mohr. The article convincingly demonstrated that any Soviet violations of this treaty are of no real military significance.

It is easy to see why only 1 of the 5 Joint Chiefs of Staff has been reported to hold the view that dropping all restraints of the SALT II Treaty would be militarily advantageous to the United States. Mr. President from a strictly military standpoint as well as for the future of arms control and world peace, we should not permit SALT II to die. We should revive it. We should ratify it. We should extend it.

MYTH OF THE DAY: DAIRY PRICE SUPPORT PROGRAM IS A FAILURE

Mr. PROXMIRE. Mr. President, the myth of the day is that the Dairy Price Support Program is a failure.

Since June is Dairy Month, I think now is an especailly appropriate time to lay this myth to rest.

The Dairy Price Support Program was established in 1949 to help ensure that American consumers enjoy dependable supplies of dairy products throughout the year at reasonable prices.

Does the Dairy Price Support Program work to achieve these goals? You bet it does. Let us look at the facts.

The Dairy Price Support Program provides a market stability which has enabled U.S. dairy farmers to make continuous gains in productivity. Since 1950, dairy farmer productivity—as measured by man-hours required to produce 100 pounds of milk—has increased—not doubled, not tripled—but twelve-fold.

Prices for dairy products have stayed consistently below increases in the overall Consumer Price Index. In the 1982-1985 time period, for example, the CPI increased by 11.4 percent, compared to a 4.5-percent increase for dairy products.

The average national retail price for a half-gallon of milk was less than a penny higher in 1985 than in 1982. And, as I said, it actually takes less than half the time today—as compared to 1950—for the typical American worker to earn the money needed to make purchases like a half-gallon of milk, a pound of butter, and a half-gallon of ice cream.

Americans spend about 15 percent of their disposable income on food. This is the lowest percentage of any major nation in the world. About 12 percent of that figure goes for dairy products.

The successful operation of the Dairy Price Support Program over the years means that American shoppers can walk into their grocery stores every day in every city across the country and find the shelves stocked with fresh milk and dairy products.

Mr. President, it is very important to note, too, that dairy farmers themselves take responsibility for helping to pay for the Dairy Price Support Program when there is a serious imbalance between milk supply and demand. Recent examples include the Milk Diversion and Dairy Termination Programs, where dairy farmers financed substantial portions of the costs of these programs designed to help bring supply more evenly in line with consumption.

Dairy price support cuts have been shown not to serve a useful purpose. Faced with two 50-cents-per-hundredweight price support reductions in 1985, dairy farmers were forced to produce more in an effort to maintain their cash flow and preserve their farms. From October 1980 through 1985, there were three price support cuts totaling $1.50 per hundredweight. During this time, farm milk prices dropped 7 percent, while farmers' costs increased 15 percent. And what about the average retail price of whole milk? It increased 8 percent.

Taxpayers, consumers, and farmers alike benefit from keeping a viable Dairy Price Support Program intact. To say that this program has been a failure is truly a myth. The data I have cited portray the reality of the Dairy Price Support Program, which richly deserves the continuing strong support of the Senate and the American people.

RECOGNITION OF SENATOR KASTEN

The PRESIDING OFFICER. Under the previous order, the Senator from Wisconsin [Mr. KASTEN] is recognized for a period not to exceed 5 minutes.

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

THE TAX BILL

Mr. KASTEN. Mr. President, the bill before us today is truly revolutionary. It takes power away from Washington, and gives it back to the American people. The tax policy will no longer be used to dictate the economic life of our country.

□ 1250

Mr. President, this legislation allows every American to keep more than 70 percent of every dollar earned. Only 6 years ago, Uncle Sam claimed up to 70 percent for himself.

It reaches the goals of simplicity and fairness we set out when some of us embarked on this path, embarked upon this direction, more than 2 years ago. Now this is real tax reform!

I listened to the Democratic leader earlier speaking in favor of tax reform. I listened to the words of the Senator from Louisiana, Senator LONG, the ranking Democrat on the tax-writing committee, last week, saying that he believed it was possible we could have near unanimous support.

Mr. President, I believe today it is possible to predict that this tax bill may pass the Senate with the unanimous vote of the Senate. This would, indeed, be historic.

This bill embraces many of the principles of the "fair and simple tax" plan that Congressman KEMP and I introduced earlier in this Congress.

Like Kemp-Kasten, this bill recognizes the need to reduce tax rates dramatically and the beneficial effect such a bold move will have on our economy.

Like Kemp-Kasten, this bill removes thousands of low-income Americans from the tax rolls, and gives them a boost up to reach that first rung of the ladder of economic progress and success.

Like Kemp-Kasten, this bill eliminates hundreds of tax loopholes in the current Tax Code, ensuring that every corporation and every individual pays their fair share.

This proposal is good for families, it is good for working people, and it is good for our Nation.

Yet, it is not perfect, and I believe it can be improved here on the Senate floor. I am concerned about the impact of the IRA changes on savings, the loss of the deductibility of charita-

ble contributions for nonitemizers, and the change in the treatment of capital gains.

But I commend the chairman of the Senate Finance Committee for getting such a historic tax package out of committee.

The chairman is a true believer and a real leader on tax reform, and the American people are the ones who will gain.

Now the Senate has a chance to complete the revolution. I urge my colleagues to join me in supporting this package and fighting any attempt to increase the tax rates.

I believe we will prove ourselves equal to the task and maybe even achieve a unanimous vote on tax reform in the U.S. Senate.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

RECOGNITION OF SENATOR QUAYLE

The PRESIDING OFFICER. Under the previous order, the Senator from Indiana [Mr. QUAYLE] is recognized for not to exceed 5 minutes.

SALT II

Mr. QUAYLE. Mr. President, I would like to discuss the President's decision last week to not extend the SALT II Treaty.

Last week there was a barrage of criticism of the President. That criticism will be studied and debated. It is being debated in the House of Representatives. It is being debated around the country.

Many have said that this decision, in effect, kills the arms control process or has set it back considerably. I disagree. In fact, if we really want to have a genuine arms control process and see an arms control agreement reached, we simply are going to have to begin with a new arms control foundation.

I believe that that foundation is the one that the President has put forward over these years to see a reduction rather than an increase of nuclear weapons that we've seen under SALT.

That is the direction that the President wants to take this country—toward real reductions and I strongly support it.

Let us look at some of the specific considerations that are going to be debated on the continuation of the SALT II Treaty.

First of all, everybody in the Senate, and the American public, knows full well that this treaty was never ratified by the Senate. The treaty was not ratified by the Senate because it did not have the support of the Senate. The reason it did not have the support of the Senate was because by and large this treaty gave a clear advantage to the Soviet Union. It gave a clear advantage to the Soviet Union in first strike, hard target kill weapons. They have that advantage now. The treaty insures that advantage.

It is also disadvantageous to the United States because we are trying to move toward second-strike missiles, like the cruise missiles carried on our bomber force. We are limited to 120 long-range cruise missile-carrying bombers under SALT II. That is a position that the President will not comply with later on this year.

Many people in this Senate have argued that we ought to get away from first-strike destabilizing weapons like the MX and go to destabilizing missiles like the cruise missile. I have heard the merits of cruise missile debated for a long time. I am a strong proponent of both deploying and improving such weapons. But now, no, we can only have approximately 130 cruise missile-carrying bombers. Even conventional cruise missiles that could be substituted for nuclear weapons are severely restricted under SALT II, Mr. President, as the Presiding Officer knows full well, being the head of our delegation to Geneva. You cannot tell the difference between a nuclear tipped and a conventional tipped cruise missile. Therefore, they are counted the same.

SALT II also is a disadvantage to the United States because, under SALT, we cannot have a sound mixture of offensive capability and defensive capability in our forces. SALT in fact, is premised on MAD, and MAD on there being no missile defenses.

If people are really serious about continuing SALT II, though, I suggest that perhaps at some time, the majority leader might just want to bring it up for discussion, for debate, and see where the votes are. If two-thirds of the Senate vote for the SALT Treaty, then obviously, the United States has to be bound by that. But if two-thirds do not vote for it, obviously, the treaty fails for insufficient support. I think it is a rather disingenuous argument that has been going around this Capitol for the last few days that, somehow, we are going to impose SALT II requirements not by the constitutional route of treaty ratification, but by a 51-percent vote in the House and a 51-percent vote in the Senate that will deny the President this opportunity and this flexibility. I believe that would be a serious mistake, and I assume that Senators would see this as an intrusion on their constitutional responsibility to try to ratify treaties.

An additional concern that I have about our continuing to adhere to SALT is that we know full well that the Soviet Union has failed to comply with the basic requirements of this treaty. The Soviets have violated SALT time and time again. Yet, for some strange reason, many people want to have unilateral compliance with this treaty. In other words, the United States of America would have to comply with this treaty but the Soviet Union would be operating under whatever interpretation they want to give to it and they would be able to continue to violate the treaty—to establish a double standard.

Where would our credibility be in negotiating treaties, not only with the Soviet Union but with any country, were we to come down and say, well, we are going to live up to the obligations and concerns of a treaty, but you do not have to?

That would be utter nonsense. Yet many are advocating just this when they call for compliance for the United States to SALT without the Soviet Union having to comply. Basic contract law tells us that if you are going to have a contract, if you are going to have an agreement, if you are going to have a treaty, then you had better have compliance and it had better be a two-way street.

But focusing on our behavior rather than the Soviets' is not unusual. For some strange reason, it seems that we are always in the wrong. Blame us first; we are the ones that are somehow responsible for the problems in the breakdown in the arms control processes. Yet, we are the ones who have been pushing for a genuine arms reduction proposal. The Soviet Union is the one that has been the obstructionist in that process. They are the ones who have, in fact, put sand in the gears to prevent a genuine arms control proposal by this administration from going forward.

Mr. President, it also has been argued that somehow, the SALT Treaty will restraint the Soviet Union and if we take the SALT limits off, the Soviet Union will just go like gangbusters in the development of ICBM's MIRV'ed warheads, SLBM's fighter planes, you name it; that strategically, they will just go forward and there is no way in the world the United States could even come close to catching up. I think that is not a valid argument for a number of reasons.

One, we will do what is in our best interest. Two, the Soviets do not need any more first-strike hard-target weapons to target our fixed assets. They already have thousands of these weapons that put all of our fixed assets at risk. If they want to go ahead and spend more and more, fine, let them.

It is not going to do any good. They already have such capability to put at risk our fixed targets with their first-strike hard-target killer weapons. We do not have that capability; they do.

In fact, Mr. President under the terms of the treaty itself, the Soviet Union, if it wanted to, could produce several thousand more warheads—several thousand more warheads could be produced if they wanted to under the SALT II Treaty. The reason that is the case is that SALT II focused primarily on launchers, rather than on the missiles' ability to carry warheads. And we know full well that the missiles' warheads are what impose and inflict the nuclear disaster that we are trying to prevent. So even by the terms of SALT alone, you can have escalation of thousands more warheads.

The Soviet Union has decided not to do this for a number of reasons. If, in fact, the treaty is now no longer complied with by the United States as it is not being complied with by the Soviet Union, I dare say they will not do what they could already have done in the past. So, make no mistake that SALT is somehow imposing a restraint on the Soviet Union. They selectively violate what they want to. If they want to violate the launcher limits, they would violate that if they found it not in their best interest to go ahead and comply.

Finally, Mr. President, I believe it is really just time that we cleared the decks and offered the Soviet Union an incentive to have negotiations for sound arms control. There is very little incentive right now as long as the United States will stick with an unratified treaty that, even if it had been ratified, would have expired in 1985. If in fact they think it is to their advantage and if in fact compliance with SALT II is to the Soviet Union's advantage, what incentive do they have to negotiate a new treaty when, under a new treaty, you would have a reduction of weapons rather than an increase in weapons that we have had for this past decade and a half?

So I believe it is simply time that we cleared the decks and put our arms reduction proposals forward as we have, that we continue to push them and the Soviet Union will push their proposals without having to rely upon a treaty which, the Secretary of State has said quite correctly, is obsolete. Then we can go forward. Certainly, at some time in history, this treaty would be obsolete. I concur with the Secretary of State that it is obsolete now. It was negotiated back in the mid-seventies. Technology has changed since then, military and political theories have changed since then, alliances have changed since then. It is time we changed our approach to try to come up with an arms control proposal that will provide for peace and deterrence that the Nation wants.

So, it is time, Mr. President, to establish a new foundation for arms control. We cannot rely upon an unratified and violated treaty. We must have a new beginning that will focus on reduction of these weapons, a beginning that will provide for greater deterrence and security, a beginning that will provide for peace and stability in this world. Those are sacred issues with the American people, as they should be.

The American people believe in a strong and secure national defense, and they want to have adequate security, because they know that security is essential to peace and prosperity. So, Mr. President, the time to begin is now, to establish a new foundation for arms contrrol, to get a legitimate treaty that, in fact, can be ratified by this body and put into law that will work, that will be fair, will be equitable, and will provide for peace.

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

The PRESIDING OFFICER (Mr. MURKOWSKI). Will the Senator please withhold?

Mr. QUAYLE. Yes; I will, Mr. President.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will be a period for the transaction of routine morning business not to extend beyond the hour of 2 p.m., with statements therein limited to 5 minutes each.

AFGHANISTAN

Mr. THURMOND. Mr. President, I rise today, as I have in the past, to commend the Afghan people for their struggle to rid their nation of Soviet domination. Since 1979 the Soviets have tried military to crush the Afghan freedoms, but have not succeeded. Furthermore, the Soviets have attempted to destroy the native Afghan culture and educational system. Afghan children are being relocated to the Soviet Union to be indoctrinated with Soviet propaganda and to subvert native Afghan culture and national pride. This insidious invasion is too difficult to combat. Less courageous people would succumb to this aggression, and allow their culture to be annihilated. However, the Afghans are continuing their efforts not only with weapons, but also by educating their people.

In the June 2, 1986, issue of Insight magazine, James Morrison reported on methods that members of the Afghan resistance are utilizing to counter Soviet attempts to destroy the Afghan culture and educational system.

Mr. President, I ask unanimous consent that the full text of this informative article be inserted in the RECORD.

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

EXILES FIGHT FOR CULTURAL SURVIVAL

(By James Morrison)

In the Afghan capital of Kabul, Najibullah, the new leader of the Soviet-backed government, promises to wage an even bloodier war against the anticommunist resistance. But in the rebel-held countryside, another war is being fought with books and tape recorders—against illiteracy, against the destruction of the country's culture and educational system by the Soviet occupation.

Its voice is that of a 3-year-old girl sending her tape-recorded blessings to the mujahideen, the Muslim "holy warriors" of the resistance who—vastly outgunned by superior Soviet weaponry—are fighting the invaders to a standstill. "Greetings to you," she says. "Go and fight the infidel Russians. When I grow up, I will have a gun and kill the Russians myself. God be with you."

Its voice is also that of a talking tree, in a storybook written for the children of the war. The tree speaks of the importance of preserving trees in a countryside being devastated by the Soviets' scorched-earth policy. "My most vicious enemy today is the Russians," the tree says.

Since the Soviets invaded Afghanistan in 1979 to prop up a faltering communist government that took power in a coup a year earlier, they have waged one of the most brutal wars in Afghan history, creating some 5 million refugees, according to the U.S. State Department's annual human rights report. "The Soviets' central and long-term objective appears to be to absorb Afghanistan into the socialist system by reshaping that country's traditional Islamic society into the Soviet mold as they did in central Asia in the 1920s," the report said.

"The Russians are teaching the children to hate the mujahideen," Sabahuddin Kushkaki, head of the Afghan resistance's literacy campaign, said at a recent Washington news conference. Because of that, he explained, a group of educated Afghan exiles has launched a counterattack, intent on building an educational infrastructure for a new Afghanistan after the mujahideen victory they are convinced will come.

Afghanistan has often been the target of foreign invaders, from Alexander the Great to Genghis Khan, from the British to the Soviets. "They feel if they can sustain this war for seven years, they can sustain it for as long as there is one Afghan left to fight," Kushkaki said of the rebels. "History has taught them they cannot be defeated.

"We feel the people who are running the war will be the people who will run the country. We want to teach them to read and write and teach them about the war," Kushkaki said.

Armed with a $180,800 grant last year from the U.S. National Endowment for Democracy and with the help of educators at the University of Nebraska's Center for Afghanistan Studies, Kushkaki and his colleagues have so far distributed 75,000 books, trained teachers and opened 10 schools in guerrilla territory. "They are not buildings where bells ring and children come to school," he said. "Classes could be in a mosque, under a tree or in someone's house."

Operating from headquarters in Islamabad, Pakistan, they wrote or rewrote 60 textbooks, some of which were in use before

the communist takeover. The books are smuggled into Afghanistan by the rebels along the same routes they use to bring arms and supplies to their camps. "The subjects in many of the old textbooks were no longer relevant. You cannot isolate yourself from your environment," Kushkaki said. "They will not accept books that do not teach the children how to survive."

The messages from the little girl on the tape recorder and the talking tree in the storybook are part of a larger campaign, he said. It is designed to reflect the realities of war and preserve an Afghan culture threatened by the Soviets' policy of Russification—the systematic destruction of the Afghans' ancient ways and the indoctrination of Afghan children in Soviet schools.

The government closed all but 50 of the 1,900 village schools operating before the communist coup and is sending many children to the Soviet Union for instruction. About 1 million children in Afghanistan are without any schooling, according to Kushkaki. Along with opening their own elementary schools and training teachers, Kushkaki's Cultural Council of Afghanistan Resistance is distributing cassette tapes to counter Soviet propaganda, which runs 18 hours a day on the radio and five hours a day on television.

The center has also acquired six video cameras and trained Afghans to operate them. The group wants to record the war for the outside world and to create a documentation center. "Its significance cannot be overstated," Kushkaki said. "Most of the published materials in Afghanistan, whether it be textbooks, historical documents, religious books, museum articles or other materials representing Afghan society, culture, values and tradition have been systematically destroyed."

VENICE CONSULATE BUILDING

Mr. PRESSLER. Mr. President, several weeks ago I placed in the RECORD a letter I wrote to the State Department asking for comment on certain information I had been given regarding the sale of the former U.S. consulate building in Venice, Italy.

I have received a response from the department and ask that it be printed in today's RECORD. Wake Forest is a fine university, and I am pleased to see that the department has determined that all aspects of its acquisition of this property satisfy the highest standards of public accountability.

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

U.S. DEPARTMENT OF STATE,
Washington, DC, May 15, 1986.

Hon. LARRY PRESSLER,
Chairman, Subcommittee on European Affairs, Committee on Foreign Relations, U.S. Senate.

DEAR MR. CHAIRMAN: The Secretary of State has asked that I reply to your letter of April 9, 1986, inquiring concerning the sale of the former United States Consulate property in Venice, Italy to Wake Forest University. You express your concern that this property is being sold for a fraction of its market value, and ask that the Department consider taking steps to prevent completion of the sale. We believe the transaction should go forward for the following reasons.

The United States Consulate in Venice was closed in 1963, and the premises were unoccupied until 1971, when Wake Forest entered under a lease arrangement. Wake Forest has occupied the premises continuously since that time, using the premises for its overseas study program in Italy.

Sale of the former United States Consulate property in Venice, Italy to Wake Forest University for a sales price of $250,000 was specifically authorized by the Congress in Public Law 93-264 of April 12, 1974 (Attachment A). To carry out this authorization, the Department entered into a sales contract with Wake Forest in November 1974 (Attachment B), providing for payment of the sales price of $250,000 in installments. Wake Forest completed these payments in 1978.

Final transfer of title to the property from the United States Government to Wake Forest University has been delayed for a considerable period, due initially to now-resolved uncertainties over tax liabilities and then to the need to satisfy various requirements for Italian Government approvals. When the tax questions were resolved in 1983, all the documents required under Italian law to transfer title were completed and executed by the parties before an Italian notarial official, but registration of the title in the property to Wake Forest has been suspended under an escrow-type arrangement pending receipt by Wake Forest of authorization from the Italian Government to complete the purchase. The Italian Government's file on Wake Forest's request to purchase is in the Foreign Ministry for final review prior to the issuance of the final authorization required to complete the title transfer.

The former Consulate property is considered an historic building under Italian law. The Department understands, however, that this designation arises principally from its location on the Grand Canal and not from its historic importance of architectural significance. The valuation estimate cited in your letter, suggesting that the property may be worth as much as $40 million, appears greatly excessive. The Department's Office of Foreign Buildings appraised the property in 1973 at approximately $250,000 to $350,000. The Department is informed that a reasonable current estimate might range from one to four million dollars. But in view of the use and alienation restrictions imposed by Italian law on Grand Canal properties, any attempt to estimate market value would be necessarily speculative.

The Department has no information to support the allegation that was reported to you that the sale is opposed by any Italian entity, private or public. In the course of the reviews required by Italian law, certain preliminary objections were raised to the sale, notably by the Venice municipal government, which initially felt that use of the premises for educational purposes by Wake Forest might be inconsistent with the city's intended reservation of Grand Canal properties for residential use. The city's plans were subsequently modified, and its objection withdrawn. To the Department's knowledge, there is no current opposition to the sale on the part of any agency of the Italian Government, nor are we aware of any private Italian opposition to the sale.

The Department has received letters from private Americans suggesting that the property be reserved for use as consulate premises. The Department has no current plans to reopen a consulate in Venice, and in fact severe budget constraints have required us to move to close seven consular posts, including Trieste.

From a legal standpoint, the Department equitably relinquished ownership of the former Consulate property when Wake Forest completed payment of the purchase price in 1978. Neither the 1974 sales contract nor the 1983 title transfer documents reserved to the United States any right to revoke or terminate the agreement to sell. In the absence of compelling noneconomic concerns, any effort by the United States Government to frustrate the sales contract through diplomatic communications with the Italian Government would raise grave legal issues.

It should be noted that this sale in no way provides a windfall to Wake Forest. Both the legislation authorizing the sale and the sales contract provide that Wake Forest must give the Department a right of first refusal to repurchase the property for the $250,000 sales price if Wake Forest should cease to use the property.

I hope this information satisfies your inquiry.

With best wishes,
Sincerely,

JAMES W. DYER,
Acting Assistant Secretary, Legislative and Intergovernmental Affairs.

PUBLIC LAW 93-264

An act to authorize sale of a former Foreign Service consulate building in Venice to Wake Forest University

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of State is hereby authorized to sell, by quitclaim deed, to Wake Forest University the former consulate office building and residence at Rio Torre-Selle and Canal Grande, in Venice, for the sum of $250,000, subject to such terms and conditions as the Secretary shall prescribe not inconsistent with the provisions of the Foreign Service Buildings Act, 1926. Such $250,000 shall be applied or held pursuant to section 9(b) of such Act of 1926.

(b) Wake Forest University shall not lease or otherwise alienate this property except in accordance with the terms of this Act.

(c) If the university determines that the property is no longer required and wishes to dispose of it, the university will offer the property, by quitclaim deed, to the Secretary of State at a price of $250,000, granting a one-year option at that price, and may only dispose of the property to a third party after written notice from the Secretary of State that he does not wish to exercise the option, or after the expiration of the year's option without its being exercised by him. In the event the Secretary shall exercise the option, he shall have one year from the date of exercise in which to make settlement. If the university has made capital improvements to the property during its ownership, such improvements shall be evaluated by the Secretary, and paid to the university in addition to the $250,000 price stated above in compensation therefor.

(d) Wake Forest University shall provide suitable office space for United States Government employees on official business in Venice at any time such space is requested by the American Embassy in Rome or the American Consulate in Milan, in accordance with arrangements to be determined by the parties prior to transfer of title under this act.

CONTRACT FOR SALE OF THE AMERICAN CONSULATE PROPERTY IN VENICE, ITALY

This Contract is made the —— day of ——, 1974 between the Government of the United States of America, through the Secretary of State of the United States of America, acting by Orlan Clemmer Ralston, Deputy Assistant Secretary for Foreign Buildings, hereinafter called "the Vendor", of the one part, and Wake Forest University of Winston-Salem, North Carolina, acting by James Ralph Scales, its President, hereinafter called "the Vendee", of the other part.

Witnesseth: The parties hereto, for the considerations hereinafter mentioned, and in compliance with the authorities granted by Public Law 93-264, dated April 12, 1974, agreed as follows:

1. The Vendor agrees to sell and the Vendee agrees to buy, upon the terms hereinafter appearing, all that piece or parcel of land located in the Commune and city of Venice, Sestiere Dorsoduro, at S. Gregorio, Calle S. Cristoforo Nos. 699-699/A-699/b-700, all recorded as follows in the cadastral records:

"Comune and Section of Venice—Sheet No. XIV, Map 2081 (Two thousand and eight one) house with storage place consisting of three floors and twelve rooms, at Calle S. Cristoforo, Nos. 699-699/A-700, taxable income 11,900 lire."

2. The purchase price is U.S. $250,000, payable as follows:

$70,000 within ten days following signature of this contract by both parties; at which time the lease held by the University is considered terminated.

$45,000 per annum, together with 8 percent interest on the unpaid balance, payable annually in advance on the anniversary date of the $70,000 payment, or, at the option of the Vendee, the unpaid balance may be paid in full in advance at anytime without prepayment penalty.

3. The Vendee shall not lease or license this property to a third party unless the Vendor is advised of the proposed disposition of the property at least 6 months in advance of such disposition in writing, through the American Embassy in Rome.

4. It is understood and agreed that if the Vendee determines that the property is no longer required and wishes to dispose of the property, the Vendee will offer the complete property, by quit claim deed, to the Secretary of State, at a price of $250,000, on a one year option to repurchase at that price. In the event the Secretary of State shall exercise the option, he shall have one year from the date of exercise in which to make settlement. If the Vendee has made capital improvements to the property during its ownership, such improvements, excluding normal maintenance and repair, provided they are documented by description and amount of expenditure by the Vendee, shall be evaluated by the Secretary of State, acting thru the American Embassy at Rome, and the total current value of such improvements will be paid to the Vendee in addition to the $250,000 sales price, in compensation therefor. The Vendee may only dispose of the property to a third party after written notice from the Secretary of State that he does not wish to exercise the option or after the expiration of the year's option without it being exercised by the Secretary of State.

5. The Vendee hereby agrees to provide suitable office space, rent free, to United States Government employees on official business in Venice, at any time upon reasonable advance notice by the Consulate at Milan or the American Embassy at Rome, in accordance with arrangements to be determined by the parties within two months following signature of this agreement.

6. The Vendee hereby assumes all maintenance and repair and operating expenses, including charges for utilities, gas, heat, oil, electricity and water. The Vendee also agrees to the payment of all legal fees, notorial charges, registration charges, taxes of any kind on the property and any other fiscal charges incurred in connection with this sales agreement and with the conveyance of the property to the Vendee.

7. All insurance premiums and all taxes or assessments levied or assessed on the said property and accruing before title transfer hereunder shall be paid by the Vendee.

8. When full payment of the $250,000 is made by the Vendee, the U.S. Government will transfer to the Vendee a quitclaim deed and all previous title documentation on the property. The title transfer must take place in Venice, Italy, and will be subject to all local laws and requirements. The title transfer must include the rights on repurchase as expressed in paragraph 4, above. The title transfer must also include the mode of payment expressed in paragraph 2, above.

9. The risk of loss or damage to the premises by force majeure or other causes until the conveyance of title is assumed by the Vendee.

SHUTTLE REPORT

Mr. DOLE. Mr. President, today members of the Presidential Commission on the Space Shuttle *Challenger* accident present their report to the President. At a White House ceremony this afternoon, several Senators, including our distinguished astronaut colleagues JOHN GLENN and JAKE GARN, join the President at this important event. We are certainly pleased the Commission has completed its work and we look forward to reviewing it. It is an indepth report that will require detailed study by the experts. And the Senate is doing just that.

I must say I was caught in traffic and missed the report but I arrived in time to congratulate the members of the Commission for their oustanding job.

I do believe it is a very good report. There will be hearings starting tomorrow, I understand, in the Commerce Committee. Senator DANFORTH, the chairman of that committee, will preside over those hearings.

But I believe that we should withhold judgment until we have all the facts available. There are some conclusions drawn in the report. It is my understanding the President responded to a reporter that he supported the report. It will lead to a number of major changes at NASA. So I primarily wish to congratulate members of the Commission, particularly the chairman, Bill Rogers. Many of us have known Bill Rogers over the years. He was an outstanding public servant, and certainly this is an act of public service that will affect not only the future of the space program but, I think, will certainly be a matter of great interest to all Americans.

Mr. President, we all, of course, were deeply saddened by the loss of the *Challenger* and its crew on that fateful day. It was a personal loss to all of us, and particularly to the dedicated men and women directly involved in the shuttle project. Since that time, NASA has taken some hard knocks.

But it would seem to me this is sort of maybe hanging in the balance at this point and, before we rush to judment and everybody starts pouncing on NASA and our finding fault with that person, we want to keep in mind that this is an outstanding program and it is a matter, I think, of great pride to all Americans over the years and we need to move ahead as quickly as we can. NASA, with the support of Congress, should move very quickly to correct the problems—and there are problems—outlined in the Presidential Commission and get the shuttle program moving again.

In my view, until we have time to digest it, and until we hear from the experts, we should hold our fire—let us not rush to judgment. Our space program is hanging in the balance. The Commission indicates that the Nation's worst space disaster was a combination of faulty space age hardware and poor management at the Nation's space agency. The report contains about a dozen major findings and recommendations concerning the agency and the shuttle program and will say that *Challenger's* seven astronauts died because hot gases escaped from the seam of the shuttle's right booster rocket, triggering a chain reaction that ended in a gigantic fireball. These are grim accounts that demand the most careful deliberations we can muster.

Mr. President, all Americans were deeply saddened by the loss of the *Challenger* and its crew on that fateful day. It was a personal loss to all of us, and particularly to the dedicated men and women directly involved in the shuttle project. Since that time, NASA has taken some hard knocks; there have been numerous charges aimed at NASA. Some of them may be deserved, others may be just the product of political rhetoric. That's why today's report is important. It gives us the opportunity to develop an unbiased evaluation of what really happened on January 28.

But, Mr. President, as devastating as the *Challenger* loss was, it should not be allowed to blur our vision of the future, nor should it sour our taste for discovery. We have come a long way—together—to become the world leader in space exploration. NASA has helped fill the Nation with pride and has helped give us the practical benefits of technological advances. I believe that NASA should, as soon as possible,

begin production of a fourth orbiter to replace the *Challenger*; a project incorporating the recommendations of the Commission, but also embodying the high expectations of a nation ready and willing to push into outer space. The space shuttle is the Nation's door to outer space; long launch delays will only mean that important commercial, military, and scientific payloads will also be delayed. NASA, with the support of Congress, should move quickly to correct the problems outlined by the Presidential Commission and get the shuttle program moving again.

The grief over the loss of the *Challenger* seven will be with us always, but the best tribute we can make is to reach again for the heavens.

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

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

RECOGNITION OF SENATOR GORE

The PRESIDING OFFICER. Under the previous order, the Senator from Tennessee [Mr. GORE] is recognized for not to exceed 5 minutes.

Mr GORE. Thank you, Mr. President.

THE STRATEGIC DEFENSE INITIATIVE

Mr. GORE. Mr. President, this is the 10th in a series of floor speeches that I have been making on the strategic defense initiative.

In earlier comments I have discussed the importance of the so-called Nitze criteria—especially the concept of cost effectiveness at the margin—for assuring that rational of economic standards will be applied before any defense is actually deployed.

In theory, cost effectiveness is a method for estimating whether it would be more expensive for us to sustain a strategic defense against Soviet countermeasures than it would be for the Soviets to pay for the countermeasures themselves. What this technique allows us to do is watch out for a situation in which the Soviet Union could undermine a vast United States investment in SDI for a relatively small investment of their own in countermeasures.

Typically, the administration has yet to decide what cost effectiveness would mean in practice when applied to SDI, and is already looking for an easy out. The name of that easy out is "affordability," which in plain language means that we should be prepared to pay any amount within our means for SDI given its transcendent importance.

Well, transcendent or not, there are limits past which we cannot afford to pay for SDI if we want the rest of our military forces to be kept up properly, and if we intend to get the national debt under control.

In this speech, therefore, I will take up the more earthbound question of how much SDI might actually cost and whether it is by any stretch of the imagination within the means of this Government.

□ 1400

The only figure with any solidity at all, and therefore the logical starting point, is $27 to $30 billion, which is the administration's estimate of the cost of strategic defensive research over a period of about 7 years. Indeed, this is the cost of SDI, since that program will not actually produce a defense, but merely the scientific and technological wherewithal to decide if such a defense is feasible. Or at least, so we are told by the administration.

This sum of $30 billion alone rivals the cost of developing, producing and operating many big ticket weapons. It already—that is, at current levels—is pressing very hard on funding for any other kind of military research and it is going to press much harder in the future.

It is very important to understand, however, that even this enormous sum only applies to those forms of research pertinent to defense against intercontinental missiles. Moreover, within this category, what we would be paying for is primarily work addressing, in the first instance, what I have been calling "SDI 2;" that is, a defense of limited capacity, as compared to the promised final product—an ultimate defense.

Even so, the figure is grossly misleading, because it excludes other forms of research indispensible for SDI, which the administration is getting under way elsewhere.

There is, to begin with, the NASA Program for development of a TAV, transatmospheric vehicle. Granted, that this program is being presented as the Orient Express—the next great leap in passenger transportation. But the fact is that 80 percent of its funding comes from the military, because this project is a fundamental necessity for SDI. Why? Because at existing costs per pound of placing objects in orbit, there is no possible way the United States can afford even the transportation costs for emplacing the equipment and fuels required for SDI. The estimated cost to devise a test vehicle is $3 billion.

Then there is the air defense initiative, whose precepts are still being worked out. ADI, as it is called, will have much the same relationship to Soviet air-breathing weapons, the SDI has to their ballistic missile forces. In other words, ADI will have as its goal, the objective of finding the means to shoot down any Soviet bomber or cruise missile before it can reach targets in the United States. That includes, I presume, an ability to deal even with Soviet applications of Stealth technology.

This is truly a formidable—one would rather say, preposterous—objective. But it is also unavoidable within the context of SDI, for two reasons: first, because without it, SDI cannot fulfill its pledge to protect the population; and second, because without it, SDI cannot even undertake to protect itself. What the costs will be is purely a matter of conjecture, even for research alone. One omits here the possible costs for actually procuring and operating the kinds of equipment required to do the job.

Further on, but clearly present in the shadows, is work on antitactical ballistic missile technologies; for dealing with the kinds of shorter range weapons that threaten our forces in Europe, and, of course the Europeans themselves. An ATBM capability would be for NATO, what SDI is for the continental United States. Conceptually, the development of such a capability is not needed for SDI. Politically, however, it is likely to be unavoidable unless we wish to do without Allies in the future. No ones knows what research for such systems might cost.

Final, and even further out, one can anticipate the need to develop counter-counter measures, including elaborated antisatellite systems for defeating any anti-SDI weapons the Soviets might put into orbit.

We then come to the threshold of the reality of producing, deploying and operating all of this hardware. Thus far we have just talked about research. And again, there are virtually no numbers worthy of consideration. Except perhaps for some of the estimates now beginning to emerge as to the type and number of satellite battle stations, monitoring systems, ground-based interceptors, and the like, needed to realize one or another defense architecture, as it is called.

The architectures themselves are still classified, and in any event, one can only make guesses as to cost, based on the costs of such things as intelligence collection systems—again, a classified number. But former Secretary of Defense Harold Brown has said that a grand total on the order of $1 trillion might well be what we find at the bottom of the bill. And I do not think he is exaggerating for effect: He is estimating with some care.

What can one conclude from all this? First, that the costs for this kind of research will likely impoverish

other aspects of our defense work. Second, that vitally needed investment in conventional forces will be drained away. Third, that the scale of these costs will ultimately threaten the substance of this Nation.

Mr. President, I yield the floor.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

TAX REFORM ACT OF 1986

The PRESIDING OFFICER (Mr. SYMMS). Under the previous order, the Senate will now resume consideration of the pending business, which the clerk will state.

The assistant legislative clerk read as follows:

A bill (H.R. 3838) to reform the Internal Revenue laws of the United States.

The Senate resumed consideration of the bill.

Mr. PACKWOOD addressed the Chair.

The PRESIDING OFFICER. The chairman of the committee is recognized.

Mr. PACKWOOD. 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. PACKWOOD. Mr. President, I ask unanimous consent that the order of the quorum call be rescinded.

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

Mr. PACKWOOD. Mr. President, we had many opening statements, last Wednesday. I was encouraged to see that in this Chamber both liberals and conservatives, Republicans and Democrats, those representing principally rural States and those representing principally urban States all spoke in favor of the bill in its general concept and preferred to have no amendments.

I was very encouraged when we were at the White House for breakfast last week with the President that both Senator LONG and Senator BYRD indicated that they hoped this bill might pass 100 to nothing. It is very encouraging to have those statements coming from the Democratic minority leader, Senator BYRD, and the ranking member on the Finance Committee, Senator LONG.

Since it has been 5 days since we have had the opening statements, I would like to review briefly why the Finance Committee has attempted to come forth with the bill which is now before us.

We should go back and trace the history of the income tax. We did not have one in this country for the better part of a century and a quarter. It was initally held to be unconstitutional by the Supreme Court. We then passed a constitutional amendment which allowed an income tax to be levied. Most people are really unaware that up until almost World War I the bulk of the Federal revenues in this country were raised from either excise taxes or tariffs. We managed to run the whole Federal Government on those two sources of money. No income tax, no nationwide sales tax, other than a few of these excises, no real property tax at the national level, no personal property tax at the national level, no income tax, corporate or individual.

Then in 1913, we passed a corporate and an individual income tax. The rate for corporations was 1 percent. The rate for individuals, for most individuals, was 1 percent, but if you had an income of $500,000 or above, the rate was 7 percent.

Well, it is no wonder, therefore, at that stage, apart from deductions for State taxes paid and one or two other very minor deductions, we had no personal dependent deductions, no medical deductions, no charitable deduction, no differentiation for capital gains, because, frankly, nobody cared. If you made $1 million, and very few Americans did, but assuming you did, you were in the 7-percent tax bracket. You paid $70,000 to the Federal Government and you had $930,000 left. From that you could make whatever donations to charity yo wanted or whatever investments you chose.

An interesting thing happened in 1917. When World War I started, we suddenly had a great need for money that we never had before. We raised the rate rather significantly. The top individual rate in 1917 went to 67 percent. Bear in mind it had been only 7 percent 4 years earlier, but because we were trying to win World War I and we needed the money, and we did not believe in excessive debt financing in those days, we raised the rates.

□ 1410

A 67-percent rate is high enough to make a world of difference. If a person made $1 million and he paid $670,000 of it to the Federal Government, he might be less inclined to be generous to charity than if he paid only 7 percent to the Federal Government. So we put in the charitable deduction. It said you could deduct your contribution to charity before you figured your tax.

World War I ended. We kept the rates relatively high, did not bring them down. So in 1921, we added the capital gains tax. The rate was 12.5 percent for capital gains.

Then, during the 1920's, interestingly, we started to lower the rate of tax. It had actually reached a high of 73 percent. We started to lower it, but even though we started to lower it again, we did not get rid of the deductions.

As a matter of fact, we started adding other deductions.

What happened over the years is that people eventually got hooked. They began to think that they could not live without the deductions: Charities could not exist unless people could deduct the charitable contribution from their tax; venture capital would not invest in risky ventures unless they had a capital gains differential.

Each group has their own special tax interests, and they are perfectly well-meaning groups—when you go through the list of witnesses that appeared before our committee, by any stretch of the imagination, they do not fall into the normal definition of what people think of as the greedy special interests. The National Conference on Catholic Charities? I have never heard of them referred to as a greedy special interest. They appeared.

The League of Theater Producers in New York were worried about continuation of legitimate theater in this country.

The National Association of School Boards were worried we would take away the deduction for real property taxes. The National Collegiate directors were worried that, at an 80 percent level on entertainment allowance, many college town businesses would not buy as many tickets as they had been buying and that the colleges would not have as much money to spend on men's sports and women's sports. These are organizations that no one in his right mind calls greedy or a special interest. But in every case, they were worried about something.

Again, none of these interests is evil or greedy. Most of them are trying to further what most Americans would say is good. We think it is good if you give to your church; we think it is good if you join the YMCA or play basketball there each week. We think it is good that you support the Boy Scout camp that you enjoyed when you were a child. We encourage health insurance, we encourage charitable deductions, we encourage everything through the code.

We got to the point where we were making all kinds of business deductions through the code. And we were worried about the kind of business deductions we should continue to make. As you look at the code, you will see preferences existed at one time for real estate, then dropped off, then increased a little.

Senator LONG, our distinguished minority leader on the committee, who has been in the Senate since 1948, will tell you that in his career, he has voted three times to put in the investment tax credit and three times to take it out. Every time, it was done at the request of a President in a tax

reform bill. He loves to humorously say, "Now, you just tell me: When was it tax reform and when was it not tax reform?" He even says in one particular situation he voted to put the investment tax credit in and voted to take it out under the same President.

So we have had these fluctuations of favoritism, whether it be for social policies like health insurance or for business investment policies.

Last summer, however, we had 36 days of hearings in the Finance Committee, and those hearings went from 2 to 6 hours a day. At the end of those hearings, I asked one of the staff to put together for me a list of the witnesses and the groups they represented. Not the testimony; I had had an opportunity to read the testimony. I just wanted their names and whom they represented. I tried to go through that list to see if I could find any interest group—and I mean that in the best sense, not the worst—in America that was not represented. I could not find one.

Sometimes you could not have everybody testify, so rather than having somebody from General Motors, somebody from Ford, somebody from Chrysler, and somebody from American Motors, you might have one person representing the automobile industry. But I could not find an interest group that was not represented—not low-income women, not high-income tax shelters, not bankers, not labor, not charities, or ballet societies—they were all there.

What we discovered is, first, the interest groups were afraid of losing their preference because they have had it so long they cannot imagine what it would be like to be without it. Second, they would be afraid that they might lose their tax preference but their competitor might keep its preference. A good example—coal and oil and nuclear and hydro and natural gas are all alternative methods of generating electricity. All of them in one form or another have some preferences in the Tax Code. Sometimes they are identical preferences for all the industries, but on other occasions, they are not. Each business within any particular industry is afraid that they might lose their tax preference which would put them at a competitive disadvantage. So first, they fight tooth and nail to keep every preference they have. They are used to it, they like it, it is the devil you know rather than the devil you do not. So they fight to keep it. Second, they fear they might lose theirs but somebody else who is a competitor does not lose his.

The general public, who we are trying to help, is inclined to more or less say, "Sure, sure, when the bill is all done, I will look at it and see if it helps me or not." So as we are going along passing amendments one at a time, trying to knock down privileges, so people of immense wealth will pay more tax. However, when you are trying to knock out those special privileges in the law that allow the General Dynamics and General Electrics, that make billions of dollars and pay no taxes—those groups that we are attempting to bring into the tax system to have them pay taxes are naturally reluctant to be brought in. You start to do it and immediately out go the telegrams to your constituents from the Washington office of whatever group you may be offending. Back come the letters, telephone calls, and telegrams from these people and none from the general public.

What we hoped to find was a method of changing the code that would allow us to lower the rates so far but to lower it principally by closing loopholes.

□ 1420

The only way we could finally do it at the end was to almost close all loopholes on individuals. I mean almost all, whether it is passive losses in real estate, which is a tax accountant's term for artificial losses, paper losses, as they call them, or investing in cattle feeding operations or investing in greyhounds. They have wonderful ads; you can own your own greyhound. I do not know if people investing have ever seen a greyhound race or not, but you can own your own greyhound and get an up-front advantage and set it off against your income.

We closed almost all of those. And by hitting them all, some were not able to say, "We are losing our advantage but you are letting other tax shelters keep theirs." By bringing them all down, we raised almost $50 billion in this bill which we could use to then lower individual rates.

Second, we looked at the business side and we shifted taxes that are currently on individuals to business to the amount of about $100 billion. The shift of income is especially notable in the minimum tax. Under current law, the corporate minimum tax over a 5-year period will raise about $2.5 billion. Under the Senate bill, over a 5-year period it will raise about $35.5 billion. That gives you a rough idea of the magnitude of the loopholes we closed on the corporate side.

With that we are able to take roughly $150 billion and use it to reduce individual rates. And here is where I want to be careful so that everyone who is listening to this debate understands. First I am going to talk about averages, and you want to be careful because no one is exactly average. If you have ever spoken to an audience and you were to say, "Will everybody here who is average please raise their hands," nobody raises their hand. Nobody thinks they are average. Averages are aggregate numbers where you add everybody together. I suppose in theory if you stand with one foot on a block of ice and one foot in some hot coals, on average the temperature is all right. But that is only on average.

On average, every individual tax group classification—and that means zero to 10, 10 to 20, 20 to 30, 30 to 40—that is the way the Internal Revenue Service and Treasury break them down—every single group gets somethings of a tax cut. The lowest income groups get the highest percentage tax cut. It is greatest for those in the zero to 10, next greatest in 10 to 20, next greatest in 20 to 30, next greatest in 30 to 40. But every group on average gets some cut.

There are two exceptions that you can say without any question do not get a tax cut. The first are corporations that have been paying no taxes and making profits. They will pay taxes. And that is not even an average. You can simply say now under this bill it is impossible, if you are a profitmaking corporation, to escape taxes. If you are a corporation and you are making profits, we do not care what the law has been in the past; you will pay taxes now.

Second very, very wealthy individuals who have been sheltering their income in a variety of legal, and I want to emphasize legal, tax dodges that have been put into the law over the past 20, 30, 40, 50 years will pay tax. If they have been sheltering their income, if they have been making $100,000, $150,000, $200,000 $250,000 and paying less taxes frequently than somebody that makes $20,000 or $25,000 or $30,000, those wealthy individuals' taxes will go up. But for the rest of the Americans on average this bill is a boon.

First, about 6.5 million working poor are taken off the tax rolls altogether. These are people who are making about $12,000 a year, $12,500, $13,000. They are right at the poverty line. It is absolutely outrageous that people making that amount of money should be paying Federal income tax. They will be off the tax rolls. And I want to emphasize these are not people on welfare. These are people who are working. They are more often women than men. They are often doing household work and they are making $12,000, $13,000 a year. They are often heads of households with children. They will be taken off the tax rolls.

Second, I have already talked about the effective corporate minimum tax that guarantees that never again will we see stories about multimillion dollar profit corporations paying no taxes.

Third, we have closed down $50 billion in individual tax shelters.

Fourth, we have been able to lower the rates to two rates for individuals, 15 percent and 27 percent. And again I am going to speak in terms of averages

and I am going to speak in terms of how much income you make, not what tax lawyers call taxable income or adjusted gross income.

If you go out and you ask somebody who is working at the mill, "How much do you make?" they might say, "$6.50 an hour," or they might say, "$18,000 a year." They do not say, "Well, my taxable income is." So for a family of four that does not itemize, that takes their personal exemptions, which we now raise to $2,000 under this bill, $2,000 for the man, $2,000 for the wife, $2,000 for each of the children—and we raise the standard deduction for that family to $5,000—for the average family of four that does not itemize, they will have to be making $42,500 before they go above the 15 percent bracket. That is roughly 85 percent of all the taxpayers in this country who will be at the 15-percent level. People who are now paying 25, 30, 35 percent are going to have their taxes go down to 15 percent.

Fourth, as far as the tax rate for corporations is concerned, the maximum rate is now 46 percent. The maximum rate under this bill drops to 33 percent. The way we were able to do that is with the investment rax credit. It is almost a dollar-for-dollar exchange. We eliminated the investment tax credit for business. We used the money that that produces for the Government to offset the lowering of the rates from 46 to 33 percent. And most businesses think that that is a fair tradeoff.

Next in terms of simplicity, because we have wiped out many deductions and because we have lowered the rate to 15 percent, many more people will now find it more advantageous to just take the short form, the standard deduction and their personal excemptions, than to itemize. Currently about 60 percent of the taxpayers do not itemize. They just take the short form. It is estimated that under this bill about 80 percent of the taxpayers will not itemize; they will file the short form. So that is a move toward simplicity.

So overall what I can say about this bill is that, one, it is fair on average to every working person.

Two, it closes the loopholes for those individuals who for years have escaped paying any or very much in the way of taxes by using tax shelters.

Three, it lowers the rates dramatically for individuals and corporations.

Four, it insures that those great corporations of extraordinary wealth and immense profits that have paid no taxes will pay taxes.

Now, Mr. President, that is a good bill. It is a bill that I am proud the Finance Committee reported. It is a bill that I am proud the Senate is considering but, more importantly, this is a good, this is a fair, this is an equitable bill for America. I hope that the Senate will pass it unscathed and let us go to conference with the House, with the most dramatic, probably the most radical but without question the most fair piece of legislation that has gone through this Congress in the last half-century. I yield the floor.

Mr. BOSCHWITZ addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota [Mr. BOSCHWITZ].

Mr. BOSCHWITZ. Mr. President, I just appeared on the floor and I listened to my friend and colleague from Oregon speak about the tax bill, for which he has such great responsibility, and a tax bill that I intend to vote for when it comes to final passage in the Senate. As he knows, and as I have said to him privately, I have joined the vast number of people who have congratulated him for bringing this bill to the floor because I must say that I never expected, as a Senator, to vote for a bill that had just two tax brackets, that had just two rates, that had a maximum rate of 27 percent.

□ 1430

Having been an entrepreneur and a taxpayer for many years, together with my family, if the tax law is supposed to make the entrepreneur and the citizen just bring his pants up a little faster and draw them up and hit the floor running a little harder in the morning, I think this tax bill is going to achieve that.

If the tax bill is to really make the wheels of industry and the wheels of the economy turn and flow so that, as Jack Kennedy used to say of the economy, as it gets better, all ships ride with the tide, I think they never had an opportunity to participate in a tax bill that will do more of that than the tax bill that the distinguished Senator from Oregon, together with his colleague from Louisiana and their colleagues, have brought to the floor of the Senate.

If it does go through the Senate unscathed, the Senator from Oregon knows that I would hope that in the area of capital gains, it would get a little scathed, either in conference or perhaps here on the floor; because, as he has indicated, the history of taxation in the United States is that capital gains, except, I think, at the very beginning, when the rate on all income was very low, 6 or 7 percent—except at that very beginning, capital gains have always been given, for good cause, a different kind of treatment.

This particular bill does not distinguish between a long-term capital gain or investments that are made for the creation of new businesses and new jobs—it does not distinguish between that and an exchange that might take place on a futures contract on a commodities exchange in Chicago or on a stock exchange elsewhere. I think certain preferences should be given them.

While this particular bill lowers the rates for individual taxpayers and for corporations, except, as the distinguished chairman has pointed out, for those who have been able to have tax preferences, tax shelters, tax loopholes—call them what you will—who have been able to protect or shelter all their income, they will pay more, and justifiably so. Frankly, I do not think that a top of 27 percent will particularly injure them. As a matter of fact, I think they will be energized by that rate.

Nevertheless, in the case of capital gains, the rate goes up from 20 percent to 27 percent, which is a 35-percent rise. For a married person with an income between $75,000 and $145,000, the rate goes to 32 percent, which is a 60-percent increase in the capital gains rate, with no distinction being made for a capital gain of a long-term or short-term duration, wherever that is made.

I say to the chairman that I think that is not so bad. I think it would not be so bad in the event that the asset were over a period of time so that in the event the asset was lowered in value by inflation, that would not be taxed as ordinary income, or in the event there be an exclusion of 25 or 26 percent, so that the 20 percent we presently have on capital gains would be retained.

I will talk to the chairman and to the other Senators about that as we proceed on this tax bill, because I think that is a particularly good tax policy.

The chairman stated at the beginning of his speech that people began to think—I believe those were the words—that they could not exist without these tax preferences; and I agree that they can exist very well without those preferences. Many thought that certain types of activities would not change unless those tax preferences existed. I share the chairman's opinion that those kinds of economic activities will be oiled, will be heightened, because of lower tax rates.

Every time we have had tax rates lowered, people in the highest brackets have paid more dollars in taxes. Every time we have had tax rates lowered, people in the highest brackets have paid a larger share of their income and a larger share of the total tax take of the Federal Government than they did under higher rates.

When I went into business as a young entrepreneur in 1963, the top tax rate was 91 percent. Ninety-one cents of every dollar, after you got to a certain bracket, went to the Federal Government. Then the State government took a little nick.

In the case of Minnesota, they took 14 percent of the remaining 9 percent.

So that the taxpayer who was particularly productive, kept about 6.5 percent or 7 percent of everything he earned. Anyone who would not shelter his income to take advantage of whatever loophole he could find would be a fool under those circumstances. So the idea of using loopholes really was brought about by the higher tax rates.

In 1963, at the suggestion and proposal of then President John Kennedy, rates came down to 70 percent on unearned income and 50 percent on earned income.

Interestingly, in an article that appeared in the Wall Street Journal in 1978, they traced the collections in dollars from the people in income brackets of $100,000 and above, and the increase in dollars paid by those folks was really remarkable.

The same thing happened again in 1981, when this President lowered the rates from 70 percent to 50 percent.

I know that probably the Joint Tax Committee and its computers have not factored this in, but I would suggest that we are going to receive a very large increase in revenues from the people in the highest brackets and that many of them, as the Senator from Oregon pointed out, who have not assumed their fair share of the tax burden will now do so. I suggest that they will do so very willingly; that is, it no longer will be in their interest to shelter their income.

Twenty-seven percent—and it goes all the way back to dollar No. 1, with the exception of deductions—but 27 percent plus the 14 percent for the remainder, in the case of a Minnesotan, would amount to approximately 37 percent. I suppose that Minnesota, like other States, will now lower its rates in response to this bill, so that perhaps 35 percent will be the total income tax take.

The experience over the years, as reported by the Treasury, indicates that people simply do not shelter or do not shelter as much. So I think that is a very positive aspect of this Tax Code.

I know there will be amendments with respect to the IRA's. I know there will be amendments or discussions about lengthening the transition period for the deductibility of passive losses, losses that were incurred by taxpayers who operated under the scope of the code as they then found it.

I know there will be some suggestions about capital gains. I will be particularly active with respect to capital gains and the deductibility of passive losses, seeking to get a little longer transition period for those losses. But, win or lose on those issues, I am going to vote for this tax bill.

I see in the Chamber the three principal actors in the business of taxation: the Senator from Louisiana [Mr. LONG], who has had the longest association with this; Senator PACKWOOD; and the majority leader. They have brought us the truest tax reform within my experience as a legislator, which is of relatively short duration, or as a businessman.

As I look back on my career as a businessman and entrepreneur, I think this would have energized me and would energize others like me.

□ 1440

I say, in conclusion, that if the tax law is to energize investment, if the tax law is to energize the taxpayer to go out and make the wheels of the economy turn, indeed, I have seen no finer piece of legislation than this piece of legislation that has been brought to the floor by the distinguished chairman of the Finance Committee and his associate, Senator LONG, and the majority leader and others. So I congratulate them.

While I will discuss with them the ideas of passive losses and phasing in of those and the ideas of capital gains and perhaps also the retirement accounts, nevertheless, in the final analysis this is the finest tax bill that I have ever seen. This is the first real tax reform measure that I will have had the occasion to vote upon in the 7½ years that I have been here in the Senate, and I am very pleased to be part of the Senate at this time with this bill before us.

I yield the floor.

Mr. PACKWOOD. Mr. President, I thank my good friend from Minnesota. He had a few comments about capital gains.

Let me talk about capital gains for a moment because we had a fair number of witnesses talk about it and the need for what they call the differential, that the people will not invest in risky business if the return is no greater than investing in a safe business.

One witness testified many times on behalf of the capital gains differential. He has also testified over the years in favor of consumptions taxes, value-added taxes, which I oppose. It is neither here nor there. He favored lowering the individual rates.

I said to him let us say Mr. Jones: "Mr. Jones, you favor a value-added tax?"

"Yes."

"And you are in favor of using it to lower the individual rates?"

"Yes."

"But no matter how low we lower them you think there has to be a differential between the regular and capital gain rate in order to get people to invest?"

He said, "Yes."

I said: "What would happen if we got the individual rates down to zero? Would there then be a differential if you had no income tax at all? Why would people invest in risky ventures rather than safe ventures?"

What did they do prior to 1921? There was no capital gains tax prior to 1921 in this country. You want to know what the risky ventures were? Andrew Carnegie said "I can make steel rail cheaper than it is being made." He formed United States Steel with no capital gains and in a very short time cut the cost of steel rail by 88 percent. It was probably the key that allowed Mr. Hill and Mr. Harriman to race across the country competing with each other to build those great railroads. Or the original John Rockefeller when he said, "I can cut the cost of kerosene" and managed to cut it in 18 months by 63 percent. That was a venture capital operation as was Ford Motor.

Why would anybody put money in Ford or United States Steel or Standard Oil of America in those days when they were risky and you could just as well put your money in the local bank or haberdashery or something else where you assumedly would be guaranteed a safe return?

I think the reason you put in those ventures is because, first, you had a trust and a faith in the person who was managing them that they were going to make money; second, you knew that if you hit you would make great money and so you were willing to run the risk that you might hit, you might lose, in the hopes that if you hit it big you won big.

As a matter of fact, the railroads are a good example. More people lost money in this country on the railroads than made money. The Hills and the Harrimans made it by the pot full. But all of our States, and especially the Western States, because that is where the great race was to go across the continent, are strewn with old tracks and old locomotives and narrow-gauge railroads and people that went bust and people that lost their shirts because they hoped to hit it big and hit nothing.

So, can we do without a capital gains tax in this country? I think we can if the rates are kept low enough and this is a pledge to the Senate. There was a tipping point. And you could see it in the committee. We started out trying to get a rate of 25 percent. We could not because to get that rate we would have to put a limit on the deductions of State income taxes or State and local real property taxes, and we would not and did not do that. You gradually see it going up—25, 26, 27.

When we hit 27, that was the point at which a number of members said, "You go up one more point and I have to insist upon a differential for capital gains." If you put in the differential then you lose money and you have to raise the rates to get more money and you raise the rate so you have to raise the capital gains differential, and it goes up like this.

I noted in the Wall Street Journal on Friday that Martin Feldstein, who previously had been somewhat critical of this bill, now says this bill will be better for capital formation than either the current law or the House bill, and that makes almost 100 percent in accord of what we call the principal economists of this country today. They think this bill will be great for capital formation overall. You balance off the loss of the capital gains, on the one hand, versus the reduction in the corporate rate and better depreciation than we have under current law. I do not mean just the House bill. I mean better depreciation under the current law.

So from the standpoint of business venture in this country this bill will work and it will work without a capital gains differential so long, and this is critical—there is going to be an amendment offered on the floor—as we do not go above that 27-percent rate.

If we do, if we go to conference, we have to stand firm on that rate because if we do not, if we go above 27, we are going to unwind not just the capital gains elimination but dozens of other things in this bill that are premised on the fact that people will be best motivated when they invest in enterprises they know or in managers they trust and invest in things that will return a profit on their money, not just return a tax loss.

So I am deeply appreciative of the comments of my good friend from Minnesota and delighted to have his support. I will be happy to talk with him about the issues he is concerned with, but I hope we can pass this bill as it is, with no amendments, get it to the House and see what we can do in conference.

Mr. DOLE. Mr. President, I would just like to thank all of our colleagues on the floor today, and I would hope—and I think it is the hope of the managers—we might complete action on the bill this week.

I do not think that is an exceptional request because if we start early tomorrow and stay not late but get in a full day tomorrow, Wednesday, Thursday, and, if necessary, Friday, it seems to me we might be able to complete action on this bill, and it would really help the leader in working out the schedule for the balance of the period before the June 27 recess.

Mr. PACKWOOD. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. PACKWOOD. Will the Chair tell me to date how many amendments we have on file on this bill?

The PRESIDING OFFICER. The Chair will state there is one amendment currently on file.

Mr. PACKWOOD. That is very encouraging. We filed this bill during the recess. We have not been in session all last week. We started discussion on this bill on Wednesday, and only one amendment has been filed.

I know that Senator LONG, who worked these bills much longer than I have, is surprised there is only one amendment filed to date.

Another thing our reading clerk told me last week it is very significant not only is there only one amendment filed, but when he went out in the anteroom there were no lobbyists. They are gone. They by and large have given up on this bill and they realize the Senate is serious in trimming loopholes and making sure corporations pay taxes and those of wealth pay taxes.

In response to the majority leader, I think there is a good chance we will finish it relatively soon and, speaking for myself, I am ready for amendments.

Mr. DOLE. I certainly thank the distinguished chairman.

As I indicated earlier this morning, we would honor no record votes after 6 o'clock, but if there are Members who have amendments, I am certain both Senator PACKWOOD and Senator LONG will be perfectly willing to entertain those amendments.

□ 1450

Mr. KENNEDY. Mr. President, I do not want to interfere with the orderly consideration of the tax reform legislation but, anticipating that there is just one pending amendment and no one is prepared to speak on it, I would like to take just a moment of the Senate's time on a different matter.

COMMENDING THE BOSTON CELTICS ON WINNING THE NATIONAL BASKETBALL ASSOCIATION CHAMPIONSHIP FOR 1986

Mr. KENNEDY. Mr. President, I send to the desk a resolution and ask for its immediate consideration.

The PRESIDING OFFICER. Is there objection? If there is no objection, the clerk will report.

The assistant legislative clerk read as follows:

A resolution (S. Res. 422) commending the Boston Celtics on winning the National Basketball Association Championship for 1986.

Whereas, on June 8, 1986, the Boston Celtics won the National Basketball Association Championship for 1986;

Whereas, since 1946, under the leadership of Red Auerbach, the Boston Celtics have won 16 World Championships, three times as many as any other team in the history of the National Basketball Association.

Mr. KENNEDY. Mr. President, I ask unanimous consent, as wonderful as it is, that further reading of the resolution be dispensed with.

Mr. LONG. Mr. President, I object. [Laughter.]

The PRESIDING OFFICER. Objection is heard.

The clerk will continue to read the resolution.

The assistant legislative clerk resumed reading as follows:

Whereas, in winning forty home games and losing only one home game during the 1986 regular season, the Boston Celtics have set a new National Basketball Association record for regular season home court victories;

Whereas, K.C. Jones, in his third season as coach of the Boston Celtics, has won his second world championship and has won more than sixty games in each of his three seasons;

Whereas, Larry Bird of the Boston Celtics was named the Most Valuable Player in the National Basketball Association in 1986 for the third consecutive season;

Whereas, K.C. Jones, Larry Bird, Dennis Johnson, Robert Parrish, Kevin McHale, Danny Ainge, and Bill Walton have made the Boston Celtics of 1986 one of the greatest professional sports teams of all time: Now therefore be it

Resolved, that the Senate of the United States of America joins with basketball fans in Massachusetts and across the nation in honoring the Boston Celtics for winning the National Basketball Association Championship for 1986.

Mr. KENNEDY. Mr. President, in my 24 years in the U.S. Senate, I have had numerous occasions to congratulate the Celtics on their many championships, and I am as pleased and proud today for the Celtics and for all their fans as I have ever been.

Through the years, we have seen great Celtics teams with great players such as Bill Russell, K.C. Jones, Bob Cousy, John Havlicek, and Dave Cowens.

But this 1986 Celtics team will rank in history with the best of the Celtics and with the greatest professional sports teams of all time.

Only an outstanding team could have beaten the Houston Rockets in this champship series. The Rockets deserve great credit for their own highly successful season, and they have extraordinary promise for the future.

Basketball fans around the world are well aware how Celtics President Red Auerbach lights up a victory cigar at the end of each Celtic win to let the world know that the Celtics are in command. Yesterday, Red lit up another championship cigar. The Celtics are champs again, and I commend them for their incredible season.

I hope that the Senate, in its good judgment and sound wisdom, will accede to passing this resolution this afternoon.

Mr. DOLE. Mr. President, I watched the game. Is there any way I could be included in that resolution. [Laughter.]

Mr. KENNEDY. This, like the tax bill, is nonamendable.

Mr. DOLE. Mr. President, I was advised the Senators from Texas might want a rollcall, so we better vote before they arrive.

Mr. LONG. Mr. President, I am satisfied that the Senator is entirely correct in what he said. The Celtics are truly one of the great teams of all time and they deserve a commendation in the resolution to be heaped upon them. I am happy to vote for the resolution.

● Mr. MITCHELL. It gives me enormous pleasure to join in cosponsoring this resolution to commend the magnificent Boston Celtics for a superbly won victory in the NBA championship series.

Maine joins in celebrating the performance of New England's team. Regardless of the differences that may divide New Englanders on other issues, we are a region united when it comes to the Celtics.

Sunday's victory over the Houston Rockets vindicated New England's faith in the Celtics. It gave us an unmatched performance by Larry Bird. It was a fitting finish to a recordmaking series of wins for the Celtics this season.

As a dedicated Celtics fan, I salute Larry Bird, the most valuable player; Kevin McHale; Robert Parish; Dennis Johnson; Danny Ainge; Bill Walton; K.C. Jones; Red Auerbach; and all of the Celtics—past and present—for the 16 flags which fly over the parquet floor of the Boston Garden. This may be the best one yet. Long may they reign.●

The PRESIDING OFFICER. If there is no further debate, the question is on agreeing to the resolution.

The resolution (S. Res. 422) was agreed to.

The preamble was agreed to.

Mr. KENNEDY. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

TAX REFORM ACT OF 1986

Mr. PACKWOOD. Mr. President, I could not resist noting that we have just congratulated, justifiably, the Celtics. It brings to mind a wonderful story that BILL BRADLEY, one of the principal sponsors of the tax reform bill, tells about when he started to play basketball for the New York Knicks some time ago, and it illustrates how the tax law affects everything. In BILL BRADLEY's younger days as a great player for the New York Knicks during their championship season, he said that when he went to work, as he called it, all he wanted to do was to be paid well to play basketball. And the first thing his agent—he said, "I didn't know you had to have an agent"—the agent said was: "How do you want to be paid?" He said, "Well, I want to be paid well." "No, do you want to be paid up front or in deferred compensation or a retirement plan or with a whole host of tax shelters?"

BILL said that that was his first experience in realizing how you could shelter what was then a relatively good-sized income. So I guess we all learn, in one way or another, the Tax Code and its intracacies and its favoritism.

Senator BRADLEY was humorous in the Finance Committee one day when we were talking about retirement plans, how many different ones exist—Keough plans, 401(k)'s, Social Security, IRA's. He said, "I will go you one better. How many people here have an NBA pension plan." And he has an NBA pension plan. I did not ask him how much it was, but my hunch is it may dwarf all the other pension plans he has put together.

But it just shows that the Tax Code involves everything every place, even the Boston Celtics.

Mr. BOSCHWITZ. Mr. President, what a shame to return the Senate to more mundane considerations than basketball. I certainly hope that my friend, the Senator from Massachusetts, does not bring all those basketball players here. I am about 6 feet 2 inches, but I always feel somewhat set back when I see these guys come along and they are about 6 feet 10 inches or 7 feet, and even more these days.

I did not follow the basketball series, the tournament. Unfortunately, Minnesota teams, in recent years, have not participated in virtually any tournaments, but our time is coming.

□ 1500

If I may, I will return for a moment to the more mundane issue of capital gains, and the differential that the Senator from Oregon spoke of, and noted risky ventures prior to 1921 were taken despite the fact that there were no capital gains tax and no differential. There were no taxes at all prior to 1913, and back in the last century when Harriman took those two streaks of rush across the prairies with the Union Pacific. He did so in the spirit of entrepreneurship.

I think whether one is a basketball player or railroad builder, under present circumstances, 27 percent is going to look a great deal better. I venture to say the taxpayer who gets those contracts are going to shelter a great deal less. That, of course, is what we are all about.

But yet will people invest in those risky businesses, the Senator from Oregon asks. I would suggest that people, of course, will continue to invest in risky businesses whatever the rate of tax is simply because they are entrepreneurial by nature. But the question is, where? And we both know people not only shelter their income but will move for the sake of sheltering their income. Many Minnesotans certainly show up in Florida, particularly in their older years because we have such a high rate of tax in Minnesota, and there is none at all in Florida.

I would suggest to my friend from Oregon that this bill really does not intend to raise tax rates but yet, in the case of capital gains, it does, and the rates have to be competitive not only with other parts of this code, but with other nations. I think the bill makes us very competitive internationally as far as the individual is concerned.

As I understand it, there is no country in the world other than perhaps Hong Kong that has a lower rate of taxes for the individual. However, with respect to capital gains, there are many countries that have no tax at all, or have a tax that is substantially lower, and most of the large industrial nations would be included in that—that have either no capital gains tax or have a capital gains tax of 5, 6, or 7 percent, and that certainly the emphasis could well be placed to some degree in those nations as well.

There are other considerations—political considerations, considerations as to stability, and so forth. But the incentive could be well placed to invest elsewhere, and our code cannot just be looked at within the scope of our 50 States. The incentive to invest elsewhere is being heightened because again I say the capital gains tax, while all other rates are coming down, are going up 35 percent with the 27-percent level, and are going up 60 percent at levels when they reach 32 percent.

I agree that Marty Feldstein feels—I have talked to him about this bill on a number of occasions—it is a stimulative bill. I believe he would vote for it if he were a Member of the Senate on the floor and looked at in final passage. The question is, though, whether or not it can be improved. I think that he feels in this area as he has written also—I did not see the one last Friday, but I have seen other articles that he has written suggesting that in the case of long-term capital gains, we should have some preference, which is the word I am trying to get away from, but that we should have some advantage, perhaps.

So while I do not think capital investment will end at 27 percent or 37 percent or at any percent because people want to invest their money—as long as the spirit of competition is out there, they are going to do that. Yet, if we want them to take the kind of risks that will create a job or have a long-term impact on our economy, we have to consider that in this economy, we want them to invest; and, that it is this economy on the long-term basis even where those gains are eroded by inflation over the years—and when you take that into account, the tax is even higher—where those gains should

occur—in this country to the benefit of this economy—and that investors should be encouraged to invest here.

I think there is a good purpose foq having long-term capital gains provisions, and I will continue to talk about that on the floor of the Senate.

Again, I think no matter what we say about this bill, Packwood II, Packwood bill, whatever it happens to be called, that it is my kind of legislation.

I thank the Chair.

If I may, before yielding the floor, I will say to my good friend, the Senator from Oregon, do not issue any challenges to lobbyists about not being here because we may have more of them around than you want in that case.

Mr. PACKWOOD. That is good advice. I would withdraw the remark from the RECORD if that were possible.

I really in all seriousness, I see the Senator from West Virginia is on the floor, and he is about to speak. But I think just based upon the comments we have had on Wednesday, comments that I have received, phone calls and messages over the 5 days that this bill has been introduced, we may have one or two close amendments. I am not even sure of that. But I do expect this bill to be passed in a shorter time than a normal tax bill, and I think it will be passed relatively unscathed or unscarred from the way it has come to the floor.

I yield the floor, Mr. President.

Mr. MATSUNAGA addressed the Chair.

The PRESIDING OFFICER (Mr. NICKLES). The Senator from Hawaii.

Mr. MATSUNAGA. Mr. President, the two certainties of life are taxes and death, they say which constantly face us. The only difference between the two is that death does not get worse every time the Congress meets. [Laughter.]

Mr. President, I do not believe that any Member of this august body will disagree with the observation that our present Tax Code has turned this great society of ours into would-be tax avoiders and evaders. There was a time when American workers used to invest their savings in business to share in the profits; today investments are made in tax shelters to avoid the payment of Federal taxes. This trend must be reversed if we are to realize the full potential of this greatest system of government ever devised by the minds of man. It is high time that we, the elected leaders of the American people did something in this regard.

The pending measure, H.R. 3838, as amended by the Finance Committee, offers us that opportunity and challenge. Its adoption will mean that American taxpayers will once again be investing in business for profit, not to avoid the payment of taxes.

Mr. President, the bill before us, as reported by the Finance Committee, represents tax reform in its truest sense, it meets the tripartite tests of simplicity, fairness, and efficiency.

It meets the test of simplicity by eliminating the 14-brackets in individual tax rates and replacing them with only 2 brackets, removing a hodgepodge of deductions and preferences and lowering the maximum corporate tax rate from 46 to 33 percent.

It meets the test of fairness by removing from the tax rolls 6 million taxpayers who are struggling to earn a living wage, lowering the tax on the individual taxpayer from a maximum of 50 to 27 percent and one lower bracket of 15 percent, and by imposing that 15 percent lower rate on 80 percent of the individual taxpayers.

□ 1510

It also shifts the tax burden from the individual taxpayer to the corporate taxpayer by imposing a minimum tax of 20 percent on corporations which would otherwise pay no taxes as under our present law.

As has been pointed out earlier by the chairman of the committee, we would be taking $100 billion off the shoulders of the individual taxpayers and shifting it to the corporate taxpayers, principally on corporations which, although making billions of dollars in profits, paid no taxes in the immediate past years.

H.R. 3838, as amended by the Finance Committee, meets the third test of efficiency by eliminating loopholes to the extent that it will be much easier to administer and enforce.

All in all, Mr. President, passage of the tax reform bill as reported by the Finance Committee will mean that business decisions will once again be made on the premise of making a profit, not to avoid the payment of taxes. I believe this will tend toward making this great free enterprise society of ours develop its full potential. For that reason alone, Mr. President, I believe the tax measure before us deserves the support of this body.

Mr. President, I yield the floor.

Mr. ROCKEFELLER addressed the Chair.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, the Senate begins debate on tax reform with a great deal of resolve and momentum. The measure approved by the Finance Committee is truly a remarkable achievement. And the enthusiastic response it has received all across the ideological spectrum reflects an understanding of just how much has been accomplished.

For decades, despite widespread public dissatisfaction with the tax system, efforts at genuine "reform" got nowhere. And the idea that the Finance Committee would produce a landmark tax reform bill would, until recently, have been dismissed as wishful thinking.

But the Finance Committee—with a stunning unanimous vote—proved the cynics wrong. Dismayed by the prospect of a bill that would live up to the fond expectations of the lobbyists and the worst expectations of the public, the committee decided to start over. Instead of a bill that protected all sorts of special tax breaks, the committee embraced the option of fundamentally changing the system.

I support this bill and consider it a vast improvement over the tax system we now have. The current tax system deserves both the frustration and the anger people feel about it. It is riddled with provisions for special treatment that produce enormous inequities.

We do not have a system that treats people with similar incomes, with similar family and economic circumstances, alike. We do not have a system that forces the wealthy to pay a fair share. What we have is a system that is a plaything for tax lawyers and accountants, and a nightmare for everyone else; and a system that is inordinately concerned about easing the tax burden on the wealthy few.

Thanks to the Finance Committee's work, the Senate now has the chance to answer questions that have troubled tax paying Americans for years:

Why should we stand for a system that treats you better if your income comes from investments, rather than from working?

Why should we stand for a system that encourages wealthy people to seek out tax shelters, to put their money into deals that give them tax breaks without necessarily producing anything this country needs?

Why should we stand for a system that can be manipulated if you have hired the right lawyers and accountants?

If we cannot defend such a system—and we cannot; no one can—it is time that we change it.

History shows that we cannot change it in a piecemeal fashion. Going after one loophole at a time is self-defeating; the loophole would not be there in the first place if it did not represent an interest powerful and single-minded enough to protect it. Tinkering with the Tax Code has occassionally produced benefits for a large part of the public: the child care credit, for instance; or the favored treatment of IRA's. But for the most part, tinkering with the code has simply opened the door to new forms of special treatment—leaving the code more complex and more unfair. Change will only occur through radical surgery, and that is what the Finance Committee has performed.

I support this bill because of who stands to gain:

It provides badly overdue relief for low-income Americans, allowing 6 million Americans at the poverty level to escape the Federal income tax burden. Most working and middle-income people, whose income comes from wages, should benefit. People who do not itemize their deductions—as three-fourths of all taxpayers in my State do not—will be much better off: they'll get a higher standard deduction, higher personal exemptions, a lower tax rate—and they will not miss the loss of deductions they were not taking anyway. People whose major deductions are their mortgage, and their State and local income and property taxes, should also come out ahead. And anyone in the 15-percent tax bracket—which is expected to include 80 percent of all taxpayers—should find that their tax cuts are worth more than the loss of a particular deduction.

And I support this bill because of who stands to lose:

More than 30,000 Americans who earn over $250,000 a year pay less than 5 percent in taxes—less than people earning the minimum wage. The profitable corporations—including General Electric and General Dynamics—who have paid no taxes in recent years. A tough minimum tax, coupled with the eradication of many tax shelters and loopholes, will insure that wealthy individuals and corporations pay their share of America's tax bill.

The Finance Committee bill produces far more winners than losers. But ultimately, I support this legislation because our country stands to be the biggest winner.

Taxes are the price we pay for running our government, for doing the things that we have decided we need to do. But under the current, unfair system, people are increasingly angry and reluctant to pay for what our country needs. The system hinges on voluntary compliance, but its stunning inequity has produced enormous cynicism, widespread evasion, and a growing underground economy beyond the reach of the IRS. People who pay their fair share of taxes feel like suckers, knowing so many people do not. A simpler, fairer tax system will be a breath of fresh air for our country; it can only enhance public confidence in our Government and the support for the important functions it performs.

Our country wins in another way as well. The main impetus for this tax reform effort has been the quest for fairness. But we need more than fairness from a tax code, as fundamental as that is. In my view, the major thrust of the Senate bill will improve economic efficiency and make our industrial performance more competitive.

It is essential to the health of our economy that investments be productive ones. A tax system that prompts people to look for tax shelters—to make investments based on their immediate tax advantages rather than their future value—is a serious competitive disadvantage that we cannot afford. We have all deplored the loss of productivity attributable to what Robert Reich has termed "paper entrepeneurialism"—where money is made by shuffling assets, and manipulating the tax laws, rather than through productive activity.

For far too long, we have neglected our industrial strength, too often choosing instead to build unneeded office buildings and shopping malls because there was a tax advantage to doing so. In my view, this bill should lead to improved investments—and should stop the drain of our energies and resources into ventures which really do not contribute to our Nation's wealth.

The Senate bill's approach to tax reform does not, candidly, make the income tax structure more progressive. While striving for more equivalent treatment of taxpayers at the same income level, the bill does not explicitly seek improvements in the vertical equity of the tax system, and I wish that it had.

Arguments over progressivity tend to ignore the point that the present system—even with its set of graduated tax rates—is not really progressive. While the top tax rate of 50 percent currently applies to taxable incomes $172,250—joint returns—the effective rates of tax paid by the wealthy are often much lower. As I noted earlier, by one estimate, at least 30,000 taxpayers with earnings of at least $250,000 a year paid no more than 5 percent of their income in Federal taxes—a smaller percentage than many of those earning only the minimum wage would have to pay.

The Senate tax proposal to compress the rate structure to just two brackets does not, actually, make the system less progressive than it is now. At the same time, it would improve the fairness of a proportional rate structure by making it much tougher for wealthy people to reduce their taxable incomes and avoid paying anything close to a reasonable share.

With corporate taxes, the Senate bill generally takes a less sweeping approach. But, reflecting the elimination of the investment tax credit and some other changes, the top corporate rate is brought down—from 46 to 33 percent. And new provisions for a tougher minimum tax would prevent profitable corporations from escaping taxes altogether.

Naturally, I have been concerned about what particular corporate tax changes could mean to West Virginia's industries—especially while the State's economy remains so distressed. But compared with both the House-passed bill and the Reagan administration's tax proposals, the Senate Finance Committee has been sensitive to the situation of our basic industries: It did not alter the depletion allowance which is vital to the coal industry. In general, the depreciation schedules, which matter a lot to capital-intensive industries, are more generous than current law.

There is also a very important provision that will help the steel industry adjust to the loss of the investment tax credit. Since the Senate bill represents an overall shift of roughly $100 billion of taxes from individuals to corporations, many businesses will wind up paying more tax. But there is no reason to think that the bill would harm West Virginia's dominant industries or otherwise burden sectors on which we have placed our hopes for future growth.

Undeniably, there will be problems with any comprehensive measure. I have questions about parts of the tax bill and difficulties with particular provisions. But on balance, I am very impressed with the package—and do not want to see it torn apart by amendments on the Senate floor.

The risk, I think, is that tax reform will unravel and encounter the same sort of resistance from affected interest groups which has doomed such efforts in the past. Those with the strongest stakes in the status quo tend to like the tax system the way it is. That is natural. They are the natural enemies of tax reform and can be counted upon to fight off change. Previously, piecemeal attempts to rid the Tax Code of particular loopholes have simply crumbled once the interest groups began to press their case.

To me, the lesson from the past is not to start down the road of picking and choosing among special privileges to protect in the Tax Code. As my colleague from New Jersey [Mr. BRADLEY] has so powerfully argued, the success of tax reform depends on a thorough weeding out of the preferences in the system in exchange for genuine reductions in tax rates. While those who stand to lose their tax breaks will protest, the promise of a better deal for most other taxpayers makes it much harder for interest groups to gang up and defeat the bill.

Consequently, I do not favor amendments that would appreciably alter the composition of the Senate bill. Although I disagree with particular provisions—such as the repeal of the deduction for State and local sales taxes, or the full taxation of unemployment insurance benefits—I think the potential for damage from amendments is much greater than the potential for improvement. Specifically, I do not plan to support amendments which seek to restore various provisions of existing law—which typically benefit a

minority of taxpayers—at the expense of higher taxes on everyone else.

It is somewhat ironic that we should be moving toward truly meaningful tax reform with the partnership of the Reagan administration. This, after all, is the administration responsible for the massive tax cuts enacted in 1981—which both shredded the revenue base of the country and were totally devoid of fairness. The big beneficiaries of the Reagan tax cuts were those who needed them least: Wealthy people saw their taxes slashed as the administration fought hard to bring the top marginal rate down.

But far from trying to broaden the tax base and remove preferences available primarily to the rich, the 1981 act prompted even greater manipulation of the tax system. Spurred by liberalized depreciation rules for real estate, for example, tax shelters have actually proliferated since 1981. These are big deals, to which well-to-do people make large annual payments in order to reap the advantages of the tax write-offs. The writeoffs, in most of these cases, represent paper losses: The investors have not really lost money, but can use the writeoffs to keep their taxable income way down.

Since 1981, inequality in America has been on the rise. We have seen budget cuts for the poor; stiff payroll tax increases for working people; but a lower top rate and an abundance of new tax shelters for the wealthy. Altogether, under the Reagan administration, effective tax rates on the wealthy have fallen while average Federal tax rates on families at the poverty level have quintupled. Corporate income taxes, meanwhile, dropped drastically from 12.5 percent of Federal receipts in 1980 to 9 percent in 1985.

But I am convinced the Senate tax bill does more than patch up the damage to the income tax structure that has occurred under President Reagan, and the administration deserves credit for reversing course. Under the Finance Committee's bill, for example, the estimates of corporate taxes would once again reach 12.5 percent. I have already spoken of the advantages to low-income and working Americans, and the greater degree of equity that will result from this package. The legislation before us is ambitious: it does not balk at sacred cows and settle for tinkering with the Tax Code.

The chairman of the Finance Committee, Mr. PACKWOOD, deserves enormous credit for shepherding this bill through the committee to options for fundamental reform and for having the courage to come forth with a superb product.

As so many others have, justifiably, I should like to pay a special tribute to the extraordinary efforts of our colleague from New Jersey, BILL BRADLEY. Ralph Waldo Emerson once wrote that "if a single man himself indomitably on his instincts, and there abide, the huge world will come round to him." Emerson's famous student, Henry David Thoreau, later observed that one man plus the truth makes a majority. Those observations describe as well as any that I can think of the remarkable impact the Senator from New Jersey has had on this issue which touches all Americans.

I am under no illusions that this bill can pass the Congress entirely unscathed. But I honestly think our position will be stronger if this package can be held together, and would hope, as far as possible, that necessary modifications and adjustments can be made in conference. Looking ahead, I am excited about the prospects of this bill—and fully expect the result to be a substantial improvement over the tax laws we have now. And I think all of us who move this bill forward can take pride in helping to transform a much-disliked system into one that is fair and simple and worthy of widespread public support.

I thank the Chair. I yield the floor, Mr. President.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

□ 1530

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

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Idaho.

Mr. SYMMS. Mr. President, my position on tax reform has been very clear from the outset. When the committee went to Berkeley Springs, when the distinguished chairman got us all together to get away from everyone where we could really talk about what is it we were trying to do, trying to accomplish for the country and the American people, my suggestion to the chairman was that we should start out on the basis of integrating the entire Tax Code, corporate and individual side, very similar to the bill that Senator DECONCINI and myself introduced 2 or 3 years ago that we have had pending before the Congress. It is patterned after the Hall-Rabushka plan that was developed at the Hoover Institute at Stanford University in Palo Alto, CA. It has a lot of work into it, a lot of economists have worked on it, in order to simplify the code, integrate the code, and have an income tax system in this country that got it right down to below 20 percent. So that we could really start out with a code. I recall at Berkeley Springs I suggested to the committee in a closed room that we could put a thermometer on the wall in the Finance Committee, kick out all the preferences, simplify the code, have an income tax code that we could do on one page what the American people want. Every time one of us came up with a preference that we thought was best for our State—the distinguished Presiding Officer might look at oil and gas production and this Senator might look at deep hardrock mines and there might be another preference some other Senator would think was the single most important one—if he offers that amendment we paint on the thermometer how much higher the tax rate has to go to all Americans as we put preferences back in the code. I recall that the Secretary of the Treasury at the meeting quipped, in a one-liner, "If we did it that way, we might get up even above 50 percent," if we let everybody think what he thought the most important preference in the code is.

However, the point I wanted to make is that my idea of how this should be done was to start at the lowest point possible and try to restrict exceptions and keep the tax rates at an all-time historic low, which would be below 20 percent.

Now, when the committee's first draft came out, I immediately became outspoken in my opposition to it because I did not think it met President Reagan's criterion of fairness. It certainly did not appear to me that it was going to add to growth, and to call that simplification was stretching the English language at best, Mr. President, and would come close to not having truth in labeling if we tried to call that simplification. It was a business-as-usual pattern of tax reform which would have disrupted, in my view, the lives of the American people unnecessarily and done very little good toward the goal of fairness, of equity, of a tax system that was more easily understood and of lower tax rates.

Now, I think the chairman of the committee, the distinguished Senator from Oregon, saw the light and deserves the commendation of not only his colleagues in this body but Americans from one end of this country to the other for his willingness to strike out on a more bold and more dramatic path than was business as usual here in Washington. With the support he received from the distinguished ranking member from Louisiana, he tried to make a real effort at tax reform, what could truly be called tax reform.

When they came out with the suggestion to reduce the rates and have just two levels on the individual side and the corporate of 33 percent with the old battle cry of 15-27-33, it had a siren call to it that caught the attention of the American people. I find in my State people are much, much more favorable to the words "tax reform" now with the little bit of information that has gotten out over the Packwood

proposal than they were in the last 2 or 3 years of Treasury I, of Treasury II, of H.R. 3838. This bill, this Packwood proposal that I am happy to have helped vote out of the Senate Finance Committee, has truly attracted the enthusiasm and excitement of the people in my State and other States around the country, and I commend the chairman for doing something that we can actually say is tax reform.

Now, that does not mean there has not been some complaints about certain areas of the bill. There is a little misunderstanding in some cases, and part of it is a sincere concern on the part of the taxpayers and the citizens of my State and other States.

One of those that we hear the most of and had more phone calls on than any other issue since I have been in this body was on the IRA.

Now, I have long been a supporter of savings through IRA's and for an effort for people to be able to supplement their pension program, whether it be solely Social Security or working in some other pension program, but to give the American people the opportunity, the liberty, the security to be able to save for their own future and save for their own pension and, so to speak, allow for a private funded pension for each American.

I am happy that we were able to retain the deduction in the committee for those people who only have Social Security and no other pension form, that they are able to keep their IRA as their sole retirement so they have that in addition to Social Security.

It is important that people understand that. We have a lot of people in Idaho who work for either small businesses or they are self-employed farmers, small business people who have no pension program in the company they work for or in the businessplace where they work, so they will still be able to retain their IRA's. All other people will be able to keep the inside buildup in their IRA's.

I hope, Mr. President, that we will be able to figure out a way that some IRA deduction will be maintained so we can keep that savings investment. But the problem the chairman has stated very well on the floor. There is no Santa Claus. How are we going to pay for it? We have a problem, if we want to keep the rates down to 15 and 27 percent on the individual side, of where to come up with the money. But the people in my State like the IRA's, and if there was some way we could keep it within this envelope and have a small deduction for the first 5 years and then go back to the full $2,000 after the 5-year envelope of the bill, this Senator would be inclined to look at ways we might support that. It would cost a lot less money if we could do it that way.

Mr. President, the farmers and the loggers and the miners in my State have not shared in the recovery that is evident throughout much of the rest of the country. Business in my State is more depressed than at any other time in my memory. Nevertheless, people are being asked to give up important preferences like investment tax credit, capital gains rate, income averaging, and so forth.

But in spite of this, the basic industries in the State of Idaho in general support the bill and are generally favorable to what we are trying to do because they believe, as I, that we need a tax system that is fair, that is equitable, more easily understood, and will encourage work, savings, and investment. They, like many Americans, support the bill for one simple reason. They think this bill is truly historic tax reform. Most persons that you talk to—and I am sure the distinguished Senators on the floor have had the same experience I have when they go home to their constituents or talk to people around the country—do not object to paying some taxes as long as they believe they are paying taxes under a system where everyone is paying their fair share. That is key to what it is we are trying to do, that we have a system where everyone is allowed the privilege of participating in helping pay for those necessary items of Government.

Now, if we could restrain the spending habits of Congress, it would be a lot easier to accomplish the other, but we have enormous pressures put on us to spend money for this and spend money for that. If we could restrain the spending side of this equation, the tax reform side could come along a lot easier because there would not be the demand for the revenue. But the American people see the rates of 15 percent and 27 percent and they think, no matter how high an income they could reach, they will be able to keep 73 cents of every dollar they earn. People view that as generally fair. They see people making decisions for economic reasons, not for tax reasons. People tell me that this is going to stimulate a lot of growth, not only in Idaho but other States. They see it as fair.

□ 1540

They see high-income taxpayers in the future not going to be able to shelter their income, that those people will also be paying taxes like everyone else. People tell me they see that as fair.

For people with a similar income paying a similar tax, they see that as fair.

Mr. President, last week when I was home, I was in Glenns Ferry, ID, where there is a new potato dehydrating plant. They have over 100 people working in that plant—good people, hard workers, as good workers as you can find anywhere in the world and they are working for minimum wage, of $8,000 a year, for 40 or 45 hours a week. That is low pay. There are a lot of people like that in some of the Western States where economies are depressed, working for minimum wage or slightly over minimum wage. Those people will not be asked to pay any Federal income taxes, only their Social Security tax. They will not be asked to pay income taxes.

I think that is an important point in this bill: that the people at the bottom end of the income scale, who are very glad to have those jobs, want that company to make it. They are giving extra effort to see that they put out a good product, which they are. But those people will not be paying taxes at all, and I think that is encouragement. They see that as fair.

The increased standard deduction will reduce by one-third the number of people itemizing deductions. People think this would be much more simple and much more fair. People see credibility returning to our tax system because everyone will be paying their fair share.

Mr. President, there are several areas with which I think we will have some problems, and I do not have the answers to those problems at this time.

The distinguished Senator from Minnesota mentioned the problem of the differential on the capital gains rate, and I thought the distinguished chairman made a very good point: that at a 27-percent tax rate, it may be about the breaking point. If I had my "druthers," I would have a tax system where we had a differential between the capital gains rate and the highest rate. But, as the chairman pointed out, compared to what?

We have a historic opportunity here to pass a tax bill that will reduce the tax rates from where they were just a few years ago, on the top end at 70 percent, to the top end of 27 percent; and, probably more important, 85 percent of the American people will be paying 15 percent of their income in taxes and will get to keep 85 cents of every dollar. That is worth a considerable tradeoff.

Maybe, as the chairman says, at the 27-percent rate the capital gains differential is not quite so much. I would like to study those numbers a little more, and I hope we will have a good debate on that issue when the distinguished Senator from Minnesota brings it to the floor, as to where those numbers are going. The Finance Committee and the Joint Tax Committee gave us numbers showing that the capital gains portion of this bill, changing the rate from 20 to 27 percent, will raise $220 billion over the next 5 years. Whether that is true or not will remain to be seen, but it is the best estimate. I have gone down those

numbers, and I am looking at them, and I think that needs exploration, but we have time to work that out.

Mr. President, I have mentioned the IRA's and the capital gains differential. Another issue of great concern is the issue of retroactivity. We need to look at it more carefully. At the last hour, before the Finance Committee finally got together, some of us were objecting to the question of retroactivity and passive losses because of a matter of equity. We had encouraged people to make investments in a certain fashion under the tax bill, and now we are changing the rules in the middle of the game. We did get a 4-year transition rule, which did some good—maybe not enough, but it did some good to ease the crash from the current set of rules by which people are doing business. It will soften the blow, I should say. But I think it is changing the rules in the middle of the game, and that is a serious problem.

There again, in the last decade we have had five major changes in the Tax Code that have had a substantial impact on American business, on investment, and on savings. The matter of retroactivity is a case in point. The retroactive aspect of this provision is a problem in that we are again changing the rules of the game before the ink is dry from the old rules.

I listened to the distinguished Senator from Minnesota's discussion of this. It is not easy to try to come to the conclusion that the chairman of the committee has come to, to finally get to where we are now, and not have someone help to pay the way for this. There is no Santa Claus, as the committee chairman has said.

Perhaps there is some way this committee can come out with some form, in the conference or even here on the floor, to ease the transition rule, yet not upset the apple cart, so that we might at least have some consideration to how it could be worked out. I think the distinguished chairman has gone around this merry-go-round, up and down, back and forth, and looked at ways to pay for it, and each time he has come to the conclusion that there is not a Santa Claus.

I think there are some items in the bill that are drastically important, in my view, to my State: the timber and natural gas portion of this bill; the agriculture portion of this bill; the fact that the committee bill has an amendment, which was my amendment, that does not include exploration and development costs in developing mines into the category of a preference that would go under the minimum tax.

That is very important in my State. It is important to employment in the State. It is important to the national security of the United States of America, so that we can try to encourage a hard-rock mineral industry in this country and preserve the ability to be able to produce some of these critical minerals in this country.

Those items are also very important, and I would hate to see us come on the floor and start offering amendments and all of a sudden find out that some of the reasons why we had a 20-to-0 vote in the committee are being dealt away in a process of trying to pay for it.

So, as one Senator, I compliment my friend from Oregon. I think he did a remarkable job. He turned apathy for tax reform across this country into enthusiasm for tax reform across this country. I think it was a bold approach. It was an approach I advocated at the outset; but if we are going to do it, let us do it so that it is dramatic enough so that we can have a rate reduction which people will be able to recognize as truly a rate reduction across the board, that will remove a lot of problems people have with the Tax Code.

A lot of the problems people back home have is in making decisions based on tax-motivated ideas rather than on profit motivation and actual return on investment.

□ 1550

If we continue to reduce tax rates in this country, the question of the so-called tax shelters will eventually take care of themselves because at a certain point people will simply invest money based on the market, based on profitability, based on future expectations, based on efficiencies, and they will not be investing money based on tax motivation. So I think we have gone a long way toward that. It is true that it is always difficult to make the transition, to jump from this side of the river to the other side of the river. But this bill makes a good first step that I think the Finance Committee, which I am happy and proud to be on, can be very proud to this point.

I hope our colleagues will think very carefully about the ways that they have tried to alter the bill. The distribution in the bill is very good and I have to compliment the staff of the Senate Finance Committee and the chairman and others on the committee for working out the distribution the way it is.

Every time you change one of these points, if we change the capital gains differential, which I personally have a preference to do that I would like to see, it will change the distribution and it upsets the balance of this bill. So every one of these things have the other side of the point. There is no easy way to make any major substantial alterations to this bill.

I hope that our colleagues will study this carefully. I hope we can have a very good, expeditious, and a lively debate on many of these issues in this coming week, or however long it takes to act on this bill, and then have a very strong vote for it from the Senate's position that the chairman will be able to go to conference and give the American people what I think they want, which is fairness, equity, and a step closer toward simplicity.

I yield the floor.

Mr. PACKWOOD. Mr. President, I thank my good friend from Idaho.

There are indeed many parents of victory. I think everyone on the Finance Committee regards this a victory. Senator SYMMS is one of them.

He talked about the Hall-Rabushka plan for the better part of 2 years, I would say.

He was the first one who got me interested in this with that little book they put out on the plan.

Mr. SYMMS. If the chairman will yield, I compliment the chairman. He is one of the few people I got interested enough to read the book. I compliment him for that.

Mr. PACKWOOD. It is a good simple plan. The concept is easy to understand. Indeed it would make tax forms simpler than they are now, without in any way saying where we may end up years hence, although I would like to think if we pass this we will get a good code and we will keep that code for 5 or 10 years and not be tinkering forever. But Senator SYMMS has been a principal progenitor on the Finance Committee of the Hall-Rabushka plan. He deserves credit for many of the ideas in that plan. Senator SYMMS put forth many ideas. We moved forward much faster in tax reform than we would have without his presence.

I think the Senate ought to know of the extraordinary contribution he made.

Mr. SYMMS. I thank the chairman.

Mr. BAUCUS. Mr. President, I am proud to be 1 of the 20 Senators on the Finance Committee who voted for this bill. Under the leadership of the chairman of the committee, Senator PACKWOOD, we developed a bill which I think is very worthy and deserves the support of American people.

The last time the Senate considered comprehensive tax reform was during the summer of 1954, when Dwight D. Eisenhower was President, Joe DiMaggio was married to Marilyn Monroe, and there was no major league baseball team west of Kansas City.

Since then, America has changed many times over. The baby boom has come and gone. And we have become a computerized, high-tech society, measuring time in nanoseconds.

Congress has responded to a changing America by constantly adjusting the tax system.

We have passed a steady stream of 17 major tax bills, from the Small Business Tax Revision Act of 1958 to other tax legislation, with strange

sounding names like "ERTA," "TEFRA," and "DEFRA."

We have piled exemptions on deductions on credits.

As a result, the Tax Code has become a flabby mass of overlapping incentives, covering everything from accelerated depreciation to zero coupon bonds. And we have become loophole junkies, afraid to start a business or make an investment without first consulting a tax advisor.

It is no wonder that other countries are increasing their productivity faster than we are.

In Japan, for example, the brightest students become engineers and build better products. In America, they become tax lawyers and build better tax shelters. If this continues, the Japanese will corner the market on machine tools, computers, and cars, and we will corner the market on empty high-rise office buildings.

But the problem does not end there.

The tax system has become so complex that the average taxpayer feels like a sap. He is not only paying taxes for himself. He is also paying for the guy down the street who has discovered some fancy new loophole, and for the giant corporation downtown that is not paying any taxes at all.

THE FINANCE COMMITTEE BILL

It is obviously time for an overhaul.

It is time to slim the Tax Code down and bring it into line with the priorities of the 1980's and 1990's.

The Finance Committee bill does this.

It cuts individual and corporate tax rates sharply.

It reduces tax preferences by $423 billion.

It takes millions of the working poor off the tax rolls.

It tightens the individual and corporate minimum taxes so that every wealthy individual and profitable corporation pays.

It imposes tougher reporting and enforcement rules to catch tax cheats.

It reduces incentives to invest in counterproductive tax shelters.

And it makes it possible, once again, for most Americans to figure out their own taxes at their kitchen table.

All-in-all, the bill finally gives us a tax system that looks like it was designed on purpose, rather than one that looks like it was thrown together like a junk heap.

Essentially, it will begin to restore lost public confidence in our tax system and in our Government.

THE IMPACT ON MONTANA

When we consider such sweeping legislation, we must consider its impact on the Nation as a whole.

But we also must consider its impact on the States we represent.

In Montana, the average taxpayer has an adjusted gross income of $17,000 per tax return. Under this bill, a family of four earning $17,000 gets a 20-percent tax cut. Overall, Montanans' individual Federal taxes will decline by 11 percent. At a time when our economy is depressed and many Montana families are struggling to survive, that lower tax bill is good.

But what about our State's basic industries?

First and foremost, Montana is an agricultural State. Agriculture produces most of our income and most of our jobs.

On balance, the Finance Committee bill will have a positive effect on agriculture.

For example, according to the Congressional Research Service, the bill will reduce the effective tax rate on agriculture.

At the same time, it will drive out many of the tax shelters that have distorted the agricultural economy. For example, several corporations in our State have engaged in tax-motivated sodbusting that destroys fragile Montana rangeland. Several provisions of the Finance Committee bill eliminate the incentive for sodbusting.

Montana also depends heavily on timber, mining, oil, and gas.

The House tax bill would have had a devastating impact on these industries, by repealing long-standing tax provisions like the deduction for timber maintenance expenses and for mine depletion.

The Finance Committee bill rejects the House approach and retains these long-standing provisions so important to the development of natural resources.

Finally, Montana is a small business State.

Only 13 businesses in our State employ more than 500 people. But over 18,000 businesses employ 50 or fewer people.

Small businesses today pay high taxes. They will benefit from lower individual and corporate rates in this bill. In addition, they will benefit from provisions that double the amount of business equipment that can be expensed each year. They will benefit from provisions that simplify payroll taxes. They will benefit from provisions that reform the rules for recovering attorney's fees in IRS lawsuits. And they will benefit from provisions that permit self-employed people to deduct one-half of their health insurance costs.

Simply put, the Finance Committee bill is the best small business tax bill ever written.

IMPROVING THE BILL

However, even a bill as good as this one can be improved.

I hope that we can make two modest improvements.

The first is to retain an adjustment for people with volatile incomes, such as farmers and ranchers.

□ 1600

The Finance Committee bill repeals income averaging, on the theory that the flatter rate schedule eliminates the need for averaging. Well, that is true. But some taxpayers with volatile incomes still will pay a much higher tax than taxpayers with steady incomes. For example, a family of four with an adjusted gross income of zero the first year, and $50,000 the second, would pay almost twice as much tax as a family of four earning $25,000 a year.

This problem could be solved by permitting taxpayers who meet current income averaging tests to carry unused standard deductions and personal exemptions forward against the 27-percent bracket.

The second improvement is to restore a broadbased savings incentive. The Finance Committee bill repeals the universal IRA deduction. I understand the committee's concern about IRA's. But I think that the committee's decision was unwise.

For America to compete with Japan and other foreign competitors we need more investment capital for business expansion. However, our personal savings rate so necessary for the investment pool, is the lowest of any industrialized country.

The universal IRA can be a powerful device for increasing savings. We should give it a chance to work.

Therefore, I urge that we retain the universal IRA, but convert it into a tax credit. The necessary revenue could by raised by a scaled-back version of the House bill's floor under itemized deductions. That way, we can retain a broad-based savings incentive while making the bill more progressive than it currently is.

CONCLUSION

I hope that we can make these improvements.

But even if we are unable to, I still will strongly support the bill. It is not perfect. After all, in a representative democracy with majority rule, by definition, no bill is ever perfect.

But it is a monumental achievement. It makes the tax system much more simple. It makes it much more fair. And it makes the wealthy and the wealthy corporations pay their share.

I applaud Senator PACKWOOD and Senator LONG for their leadership. I applaud the other Senators who have worked so diligently in this direction, particularly Senator BRADLEY, from New Jersey. For years all of them and many of us have been talking about this kind of true tax reform. For years. Now we finally have a chance to vote for it.

Mr. President, I strongly support this bill and I urge Senators to support this bill as aggressively as they possibly can.

Mr. PACKWOOD. Mr. President, I also thank my good friend from Montana. In the year-and-a-half I have been chairman of the Finance Committee, I think he has been the most diligent member of the committee in terms of committee attendance. When we sat through those 36 hours of hearings last month, I do not think Senator BAUCUS missed very many days or very many hours. We both had discovered that it was an extraordinary way to actually learn the bill and learn the issues. And he did not miss, I do not believe, a markup in all the markups we have had, either public markup or some of the private meetings we had with Members.

I want to thank you very much for everything you did to get us this far.

Mr. BAUCUS. Mr. President, I thank the Senator from Oregon. The Senator from Oregon actually did attend all the hearings, and heard all of the witnesses. As he has said, that is one of the reasons we have this bill. After listening to all of the entreaties and all of the various groups that came before our committee asking for their share of Federal revenue, it became apparent to all of us, and particularly to the chairman of the committee who knew much more about the Tax Code and had listened to more of the witnesses, that the best way to solve the problem was to dramatically simplify the code, dramatically lower the rates, dramatically broaden the base, and quite dramatically cut back on those tax shelters and paper losses that are the primary reason a lot of Americans have begun to lose faith in our Tax Code and to some extent in our Government.

I think that the chairman of our committee has done a first-rate job. A lot of credit can be spread around here, but the primary credit goes to the chairman of the committee. Were it not for his bold change in direction—we would not be here today.

Mr. PACKWOOD. Mr. President, I thank my friend. I will accept those compliments, with the appreciation that all of us in this business get blamed oftentimes for things that are not our fault, so, on occasion, I think we get credit for things that are totally not of our doing.

I know every man—there are no women on that Finance Committee—but every man on that committee, to a lesser or greater extent, deserves some portion of the credit for the success. Because, in the end, every one of them was pulling in the same direction, and that is how we got to where we are.

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.

□ 1610

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

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

Mr. NICKLES. Mr. President, I rise today first to make a couple of comments on the tax bill. But initially I would like to compliment the chairman of the Finance Committee for the outstanding work that he has done in putting together a very complicated, and I think a very good, tax reform proposal. I use that word "reform" guardedly because I have seen a lot of proposals that have that as a label but would be hard pressed to be called reform, and would be certainly hard pressed to be known by any type of nomenclature of simplicity in any regard whatsoever.

I also compliment the chairman, Senator PACKWOOD, because of his knowledge in this area. He, like very few Senators—and I would add to that list Senator LONG of Louisiana—have a great deal of knowledge about the Income Tax Code. I think a lot of times part of the problems that we have developed over the years is that the Tax Code is very complicated, it is very difficult to understand, it takes a great deal of study, a great deal of time, and a great deal of effort to be able to comprehend a lot of the issues that are involved.

Senator PACKWOOD especially I have noticed when I have talked to him on several issues did not need to go to his staff. He was able to respond immediately about what was in the bill, what was in the proposal, what are the pluses and minuses, and on a lot of these issues there are pluses and minuses.

There are two sides to a lot of these issues. But he has had the personal dedication to this issue to learn about it enough on his own that he does not need to refer to staff, and he has actually made a very strong commitment. I think he has done a very good, if not an outstanding, job of putting together a very positive program.

Mr President, it was not too many years ago, in fact 1980, when we had income rates that ranged from 14 to 70 percent. I remember making the statement prior to coming to the Senate that I personally did not think that we should have tax rates that exceeded 50 percent. I did not think that the Federal Government was ever entitled to take over half of what anybody made in peacetime. Actually, if the Government took over half of what an individual is making, they were confiscating that persons freedom. They were actually requiring by law that you would, work for the Government more than you would actually work for yourself. I think certainly that is an infringement on personal freedom.

We have made some positive changes in the 1981 tax bill. We reduced the maximum tax rates back down to 50 percent. We reduced the rates, if I remember, from 14 percent to 70 percent down to about 11 to 50 percent. That was a positive move. We made a lot of other changes in the tax bill in 1981 that were also positive. We eliminated the inheritance tax between spouses so if an individual passed away their surviving spouse would not have to pay one dime of Federal inheritance tax. That was probably in this Senator's opinion one of the most positive aspects of any of the tax changes that have been made in the last 6 years.

I learned about that personally the hard way. My father passed away some time ago, and we had a small manufacturing company. We had to sell part of it just to pay the inheritance taxes. I thought that was wrong. I thought Government policy was to protect our property, and not to confiscate it. That is exactly what the inheritance tax did.

We created the exemption level for inheritance tax. I believe next year it will be up to $600,000. A person's property could be up to this amount before their survivors would have to pay any inheritance tax whatsoever; a very positive change for small business, a very positive change for agriculture, and for farms because we had lots of cases where individual properties had to be sold so their survivors could pay inheritance taxes. We changed that in 1981. Those were good changes.

I think the changes that we are looking at in the tax bill that we have before us has some very positive changes as well. Again, I compliment those on the Finance Committee who worked long hours, and went through some difficult trials. I think they overcame those trials and ordeals, and came up with a very positive bill.

Whether it could go under the title of tax reform, I say yes; tax simplification, I would question. The present tax bill that we have before us is over 1,500 pages. We look at the committee report which is 1,100-plus pages.

So, yes; it is positive reform. It brings the rates down 15 to 27 percent. I think that is positive. The 15-percent rate, Mr. President, is for most Americans. Most people are aware of where the cutoff was, 29 to 30, but that is adjusted gross income. Actually, when you add back the standard deduction of $5,000 and $2,000 personal exemption for a family of four, the maximum tax rate, or before you would get into the 27-percent tax bracket, would be $42,300.

Again, I go back to my days prior to coming to the Senate, and I ran a manufacturing company, a small machine corporation. We had a lot of people who were making maybe $5 an

hour, or $8 an hour, $9 an hour, whatever. Almost all of those people unless they had significant outside income, their maximum tax bracket will be 15 percent. As a matter of fact, for married families I think, or family of four I think, over 80 percent of those families will have a maximum tax bracket of 15 percent. Again, that is a very, very positive initiative.

The people who are working and receiving $8 an hour know exactly what the marginal tax brackets are, because when they work an extra hour, they work overtime. They are paid time and a half, and they know exactly what the marginal rates of taxation are. Fifteen percent is less than what they are presently paying.

So they are going to like this tax bill. It is going to restore their incentive to work more. It is going to restore their incentive to save. It is going to restore their incentive to produce.

The same thing for the corporate level. We had a corporate rate of 46 percent. This bill moves that corporate rate down to 33 percent. In other words, instead of telling corporations trying to make decisions, well, for every dollar of profit that you make, the Federal Government is going to be taking 50 cents of it, or 50-some percent of it, now the corporation is going to be able to keep two-thirds of it.

I cannot help but think that is going to restore a lot of incentives for corporations to get out, expand, and grow. I ran a corporation not too many years ago when we were looking at a timetable and thought, well, do we want to expand, or do we want to build another plant. At the time it was not worth it. At the time we were saying "No." If we made any money, the Government is going to take half of it right off the top. On the personal level they would take up to 70 percent of it. It was not worth it, after-tax-wise. Why mess with it? Your headaches could double but your after-tax take-home certainly did not double.

So, again, a lot of incentive, and a lot of initiative was just stifled if not suffocated by an overburdensome Tax Code.

The Tax Code presently is over 18,000 pages. The IRS regulations implementing that Tax Code is over 10,000 pages. So certainly, we have a lot of work to do. I think we can make some positive moves in the right direction.

I was a manufacturer in trade before coming to the Senate. We used to take advantage of investment tax credits. Anybody buying machinery or equipment took advantage of investment tax credits. I stated it then. I will state it today: To give those businesses a shorter time to write off their investment would mean they would trade that. I would trade it. And you do not need investment tax credit. That helps you when you are making money. But if you are not making money—and right now we are in some difficult times in our State—and you are wondering when you will, again we should give that lower rate. And I think it will offset it.

Also it eliminates some of the inequities. Those who have not made money do not really need to take advantage of it. For those who do they do.

Again, I think we have made some positive steps in this bill. I compliment the authors of it. That does not mean there are not some problems still in the bill. I mentioned investment tax credits and dates. I look at the effective dates. I see we repealed the investment tax credit on January 1, 1986. But the corporate tax rates are not reduced until July 1987.

□ 1620

So we take away one of the benefits but it is 18 months later before we give the lower rate. I personally would hope that we would be able to make the tax rate reduction for corporations from 46 to 33 at the same time we make the repeal of the investment tax credit. Whether the investment tax credit date is moved back to July or maybe January 1 of 1987, or the rates are adjusted accordingly, I do not know, but I think they should be done at the same time.

I am also concerned about some of the other retroactive provisions in the bill. I would hope that we would look at those. There have been legitimate business decisions made on the previous code and this is going in and taking some of those away. At the same time, we need to be able to make sure that individuals and some corporations are able to deduct real out-of-pocket losses.

I am also concerned about a possible provision, and we are working trying to get more information on that, which concern retirees and the retirees possibly having to pay taxes on their retirement income when, in effect, their retirement income had to have their contributions after taxes to their pensions. Now we are talking about, or at least I am interpreting some of the law, through I will work on this with Senator PACKWOOD and others, we are talking about them paying taxes on their initial dollars received from their retirement plan.

Take, for example, an individual who contributes to a pension plan and he has paid taxes on his pension. In other words, those were after-tax dollars that he used to contribute to the pension plan. Now we are talking about possibly making him pay taxes on the receipt of his after-tax dollars again.

The only way he would get all of his money back, if I understand it, is he would have to live out whatever the actuarial age might be.

You might have a situation where—the Senator from Oregon might understand me better—an individual might begin retirement and begin his retirement pay at age 65. He may have contributed to his retirement system for several years, again using after-tax dollars. He may have personally put in $10,000 and he might be receiving $5,000 a year. That person might die at age 67 and only have received $10,000 back. I think it would be unfair for that individual to have to pay taxes on his retirement benefits until after he has received all of his pretaxed retirement earnings. In other words, I think he should be able to receive his money back that he has already paid taxes on before he is mandated by law to pay taxes on his retirement income.

One other thing that was left out of the Senate bill, which I think needs to be added and which I plan to add on the Senate floor, is the repeal of the windfall profit tax. Again, we are talking about a major overhaul of the tax bill. We are trying to make more industries more equal. There is only one industry in the United States that has a windfall profit tax. This Senator was not here when it was passed and I think had I been here we would have been able to stop it. It is a bad tax, a bad policy, a bad energy policy. It is probably the most anti-free-enterprise piece of legislation that has passed in congressional history. It has nothing to do with profits whatsoever. It is only on domestic production, not on imports. So we encourage imports and discourage domestic production. That is not fair.

It is not based on profit. It is based on whatever the dollar increment prices are and right now the prices are so low nobody is paying. But if the price increases above the threshold of $19.40, for every dollar increase the Federal Government gets 70 cents. That makes no sense. Certainly now is the time to repeal it. It should have been repealed before. Now is the time to do it and I hope we will be successful in an amendment to do so.

Compared to the House bill, and comparing this bill to the House bill as it relates to the national resources industry, this is a very positive bill. The House-passed tax bill would be disastrous for the oil and gas industry. It did away with percentage depletion oil and gas except stripper wells. It did away basically with stretched-out intangible drilling costs over a much longer period of time, 26 months. The present law allows nonrecoverable expenses, as it should. This is a very positive bill.

I will conclude with one final comment. I heard the chairman echo this.

In talking to the American people about taxes, and I have had several business forums and tax forums across

my State in the last several months, and I have had a lot of people tell me that they do not need a tax break but what they need is a break from Congress passing more tax changes. I hope we will be able to follow up on that and give the taxpayers some rest from the continual year after year after year of tax changes. We changed the Tax Code in 1981, in 1982, in 1983 and in 1984, and we were working on it in 1985 but did not quite get through it because it is such a complicated piece of legislation. I think people do need a break away from continual changes and massive overhaul of the Tax Code. I am hopeful we will be successful.

In conclusion, we are passing a very good, comprehensive proposal which includes the repeal of the windfall profit tax and I hope we can give the people a break from further changes in the Tax Code. I yield the floor.

Mr. PACKWOOD. In response to the Senator's remarks, basically, if this bill passes in the form that it is, it will remain relatively inviolate for a period of time. It is such a radical change that I think many people will say, "Whew, I never thought we would get here. Let's try it a while and see what happens." So I am encouraged.

I think probably the de facto result of what the Senator wants will indeed occur when we pass it.

Before concluding, I want to say to the Senator from Oklahoma I do not know of any Senator who is so tenacious in representing his State as he has been, in talking to me, writing to me, talking to me on the floor involving problems in Oklahoma, whether it is windfall profits, tax credit for a particular company, or anything else. If anybody can be called paying attention to the details of his State, it is the Senator from Oklahoma.

Mr. NICKLES. I thank the Senator.

Mr. HUMPHREY. Mr. President, I, too, want to offer my congratulations to the chairman of the Finance Committee and its members for doing what appeared to be the impossible as of a few weeks ago.

While the bill may not be perfect, it certainly goes a long, long way toward rationalizing our Tax Code, rationalizing the blow on economic resources in our economy. That is all to the good. I think it will prove to be very beneficial medicine, and I hope 2 or 3 years down the road when we have some emperical evidence on which to base decisions that will go even further, that we will further close and eliminate these loopholes and even further reduce personal tax rates.

Mr. President, the bill is not perfect, as everyone knows, although I suppose we all have a different opinion on why it is not perfect.

One of the omissions which troubles this Senator is that the bill does not propose to address an egregious wrong which, in the opinion of this Senator, exists in the Tax Code as current law. Of course, there is no real fault on the committee that the original bill before us did not address the matter. It simply was not raised in the committee. But I and a number of Senators intend to raise it on the floor by means of an amendment which we will be offering later this week. Senator ARMSTRONG, Senator HELMS, and I hope to have other original cosponsors in that effort.

Mr. President, I am not now offering an amendment, but I do want to ask unanimous consent that the amendment be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered. (See exhibit 1.)

Mr. HUMPHREY. Mr. President, I stated that in my opinion there exists in the Tax Code an egregious wrong. What is that?

It is this, Mr. President: Presently, certain organizations which perform abortions enjoy tax exempt status under the Tax Code. Why is that wrong? Because Congress should not be encouraging abortions.

Yes; we see it in various ways. Some see it as a necessary evil that abortions are available and the Supreme Court says it is a right. We are not contesting that point. The point we are contesting is that Congress should not be subsidizing the performance of abortions. The American taxpayer should not be made to subsidize the performance of abortion.

We have been over and over this point many, many times in the past. The Senate, over and over again, has adopted language in various bills that make it clear that Congress does not want taxpayers' dollars used to pay for abortions; that is to say that Congress does not want abortions subsidized at the expense of American taxpayers.

It is no secret at the same time that the overwhelming majority of American taxpayers, while they may disagree on the fundamental issue of abortion, by and large do not want their taxpayers' dollars by any means used to pay for abortions. So we have cut off the flow of Federal dollars to abortion in a sense, but there still remains a large loophole in the Tax Code that permits the subsidization of a performance of abortion. That loophole is the granting of tax-exempt status to certain organizations that perform, finance, or make facilities available for the performance of abortion.

Consistent with the Senate and consistent with the position of Congress on this issue in seeking to cut off Federal subsidies for abortion, several of my colleagues and I shall offer an amendment that will do just that.

Mr. President, there are some 3,000 providers of abortion in the Nation. Incidentally, about 82 percent of abortions are performed in clinics. The rest, of course, are in hospitals. Of all of the abortion providers, some 3,000, somewhere between 30 and 50 percent are tax exempt. It is very difficult to get the exact number, but somewhere between 30 and 50 percent are tax exempt. The amendment would apply to these.

There are, of course, other abortion providers. Many hospitals and clinics are owned by State and local governments. State and local governments do not pay taxes to the Federal Government, so our amendment would not apply to State and locally owned hospitals. Other hospitals and clinics are for-profit institutions. They pay taxes. But our amendment is not directed to those institutions. Our amendment will be directed to those institutions which are non-Government—which is to say private—which today enjoy tax exempt status under the Tax Code. The amendment would simply eliminate the tax exemption for private nonprofit organizations which perform abortions, which finance abortions, or which provide facilities for the performance of abortions.

It would accomplish one other important step, Mr. President. It would eliminate the tax deductibility of private and corporate contributions to such organizations. That is, individuals or corporations who wish to make a contribution to organizations that perform, finance, or provide facilities for the performance of abortion would no longer be able to deduct these contributions in any way from the Federal taxes.

Mr. President, Congress clearly has the authority, the right, and, I suggest, the responsibility—I would insist the responsibility—of deciding which activities the Federal Government will subsidize, which activities the Federal Government will encourage by means of those subsidies. We have done it over and over again in the case of taxpayer financing of abortion. Not only have we done it, not only have we cut off Federal funding of abortion, but in so doing, we have been upheld by the Supreme Court in a number of contexts.

The reasoning of the Supreme Court, I think it is fair to say, could be paraphrased this way, that it is no attack or limitation on the exercise of a right for Congress to refuse to subsidize that right. We are not here attacking that right, though many of us would in other ways on other occasions. We are not proposing with this amendment to attack the right; we are proposing to end this Federal taxpayer subsidy of this activity.

Mr. President, I shall be speaking further on this subject, as will some of my colleagues, in advance of offering the amendment. It is now printed in the RECORD as of today. I hope we

have answered some of the fundamental questions about the amendment. We shall attempt to answer others as they are raised.

Let me say this finally: The effect would be for those who wish to continue performing abortions, financing abortions, or providing facilities for the performance of abortions—for those who wish to continue in their present mode, to lose their special tax status. Other hospitals who perform abortions and all of the other procedures generally associated with hospitals may want to incorporate separately their abortion performing service so the whole spectrum of other hospital operations will remain tax exempt and contributions to such operations tax deductible.

Mr. President, I thank the Chair and yield the floor.

EXHIBIT 1

At the appropriate place in title XVII, insert the following new section:

SEC. . DENIAL OF TAX BENEFITS FOR ORGANIZATIONS WHICH PERFORM, FINANCE, OR PROVIDE FACILITIES FOR ABORTIONS.

(a) DENIAL OF TAX-EXEMPT STATUS.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

"(m) DENIAL OF EXEMPTION FOR ORGANIZATIONS WHICH PERFORM, FINANCE, OR PROVIDE FACILITIES FOR ABORTIONS.—An organization shall not be treated as described in subsection (a) if such organization performs, finances, or provides facilities for any abortion, except where the life of the mother would be endangered if the fetus were carried to term."

(1) DENIAL OF ELIGIBILITY FOR CHARITABLE CONTRIBUTION.—

(1) INCOME TAX.—Section 170(c) (defining charitable contribution) is amended by adding at the end thereof the following: "For purposes of this section, such term does not include a contribution or gift to or for the use of any organization which performs, finances, or provides facilities for any abortion (within the meaning of section 501(m))."

(2) ESTATE TAX.—

(A) IN GENERAL.—Section 2055 (relating to transfers for public, charitable, and religious uses), as amended by section 717, is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

"(g) DENIAL OF DEDUCTION FOR CONTRIBUTIONS TO ORGANIZATIONS WHICH PERFORM, FINANCE, OR PROVIDE FACILITIES FOR ABORTIONS.—No deduction shall be allowed under this section for a transfer to or for the use of any organization which performs, finances, or provides facilities for any abortion (within the meaning of section 501(m))."

(B) TECHNICAL AMENDMENTS.—

(i) Subparagraph (E) of section 2106(a)(2) (relating to transfers for public, charitable, and religious uses from taxable estates of nonresidents not citizens) is amended by striking out "section 2055(e)" and inserting in lieu thereof "subsections (e) and (g) of section 2055".

(ii) Subparagraph (F)(ii) of section 2106(a)(2), as amended by section 717, is amended by striking out "section 2055(g)" and inserting in lieu thereof "section 2055(h)".

(3) GIFT TAX.—Section 2522 (relating to charitable and similar gifts), as amended by section 717, is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (f) the following new subsection:

"(e) DENIAL OF DEDUCTION FOR CONTRIBUTIONS TO ORGANIZATIONS WHICH PERFORM, FINANCE, OR PROVIDE FACILITIES FOR ABORTIONS.—No deduction shall be allowed under this section for gift to or for the use of any organization which Performs, finances, or provides facilities for any abortion (within the meaning of section 501(m))."

(C) EFFECTIVE DATES.—

(1) ABORTIONS AFTER DATE OF ENACTMENT.—The amendments made by this section shall take into account only abortions (within the meaning of section 501(m) of the Internal Revenue Code of 1954 as added by this section) performed after the date of the enactment of this Act.

(2) SUBSECTION (a).—The amendment made by subsection (a) shall take effect on September 30, 1986.

(3) SUBSECTION (b).—The amendments made by subsection (b) shall apply to estates of decedents dying, and transfers, after September 29, 1986.

Mr. SIMPSON. Mr. President, I shall remark very briefly on the comments of my friend from New Hampshire, the senior Senator (Mr. HUMPHREY). That will obviously be a very contentious effort when it comes before us and always has been. It is something that seems to gum the machinery up when we get to abortion in a legislative body. It always will. It will be very contentious when it comes up this time.

We have a serious problem with religious institutions—hospitals, nonprofit hospitals operated by religious institutions—that will certainly face the loss of their tax-exempt status. It will be a serious debate and be very interesting for the Senate to consider as we always have a lot of anguish, a lot of pain, a lot of heavy debate when we come to anything that has to do with abortion. It will come again.

Before we conclude our activities today, I want to commend my fine colleagues on the Finance Committee, particularly Senator PACKWOOD. I have not had the opportunity on the floor to say what a remarkable man he is and how he helped recruit me for this job. If I had known then what I know now, who knows? He is a superb gentleman and we are very fortunate to have him in this role. I am looking forward to his leadership and stewardship as we process the tax reform measure. It is a historic effort, and a bipartisan effort.

It is just as important to BOB DOLE as it is to Senator LONG, who leaves this Chamber this year, his last year in the Senate after serving here for nearly one-fifth of the entire history of the U.S. Senate. I commend Senator BRADLEY, who came here when I did. We have really a remarkable case of Senators who will lead us in this debate.

I personally shall be paying very close attention to BOB PACKWOOD, the chairman; to RUSSELL LONG; to BOB DOLE; to MALCOLM WALLOP, my great friend from Wyoming; to LLOYD BENTSEN; to BILL BRADLEY. We had best heed what they have to share with us about what happens when we begin to tinker with the machinery of this bill.

Finally, we get away from "business as usual" in the Tax Code and get to true tax reform. I was on the road during the Memorial Day recess, holding town meetings and visiting with various groups, as we all were. Our constituents know what we are doing. They are aware of what we are up to in the U.S. Senate. I think there is an enthusiasm for this measure. They may not have a detailed understanding, but they believe that it is simplification and they are ready to do it only if we protect those tax rates.

The 15 percent and the 27 percent, taking away the array of rates from 11 percent to 50 percent, 14 of those—those things have been shared with you all.

□ 1640

In conclusion, Mr. President, we want to cast a wary eye on those who are going to participate in this debate for "the little guy." We are going to get the whole load on that again from various sources. We always talk about that person here on the floor and we take care of the big guys. We do that in agriculture while we wail and "ganash" our teeth, which is better than gnashing, and we do that especially in agriculture—ghastly to watch—always doing something for "the little guy" and then the money goes to the biggest, heaviest hitters in America. We do that with veterans' benefits; we do it with medical care; we do it with Social Security. We are always taking care of "the little guy" and we take care of the big guys in royal fashion.

Now, finally, we get to tax reform and we are going to take care of the little guy. We knock 6½ million of them off of the tax rolls. That is pretty good taking care of the little guy, I think. And then we also kind of hammer the big guy—minimum tax rates, 20 percent on the rich, 20 percent on corporations. That is what we are told we want to do. I am ready to do that. But I think that the little guy is going to come off pretty well here, only if we protect this very delicate package. Any tinkering with it is going to endanger it, and when you endanger it you are going to change things for the little guy.

We are going to get to that IRA debate, and Senator BRADLEY will be speaking on that, Senator PACKWOOD and many others. But the huge per-

centage of IRA's is used by those with gross incomes above $40,000, and that I think is hardly anyone's true definition of the little guy. I am going to be listening to that debate carefully because I think, in the long run, even though you lose deductibility if you are in a rate now of 30 or 35 or 40, whatever it may be, you are going to be better off on that sharply reduced tax rate of 15 and 27 percent, which is certainly lowering the value of that deduction as compared to current law.

Keeping the tax deferral, keeping the inside tax buildup, I will not go into those technicalities. Those will be covered well. One of the things we lose in my own State is the sales tax deductibility. In a State like mine where we have no income tax, that is disturbing and yet if you look where the committee has taken us, we raise the standard deduction to $3,000 for single filers, $5,000 for joint filers. We get the personal exemption up to $2,000. So really, unless you are the "consumer of the year," that is not going to be very beneficial, if you take the standard deduction. And I think that is important to remember.

If the figures are correct as to those who itemize, that advantage is only to the high-income, big-spending taxpayers who benefit most. I think in 1984, less than 25 percent of the sales tax revenues collected by States were claimed as itemized deductions. I think we want to remember that.

So the time has come. It, indeed, has been said by everyone this is not a perfect bill, so that must thrill the sponsors. And it is not. There is no such thing as perfect legislation. It is odd to me how our constituents expect perfection from us, especially those who do not have any perfection in their own lives.

It is a great adventure. You expect perfection in legislating but you do not have it in your own life and the more you do that the more you attempt to shuffle that off on the Congress. I always say that there is no such thing as the perfect bill, the perfect crime, the perfect mother, and the perfect father, the perfect child. That is not the way it is. And it never will be here because, you see, we have about the same percentage of lightweights and heavyweights and doers and shakers and show horses and workhorses as you do in the general population right in your own hometown because, after all, it is a representative Government. You would not want to leave out any of those people among the 100 of us. So we should keep track of that, too.

I will be paying close attention and I will be listening carefully to what the Finance Committee is sharing with us, and I am going to support this chairman. I am going to support these 20 people who served this Nation admirably in the package they put together and that had nothing to do with what party they are in. I think they have done a superb job and I hope many of us will stay right with them as we go through this exercise, and it will be indeed a spirited debate.

Now, I believe the Senator from New Jersey may have a comment. I see he has brought with him some extraordinary charts and I am ready to hear about those, too. I will. My friend from New Jersey.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. Mr. President, I thank the distinguished acting minority leader, the Senator from Wyoming, for his comments about the bill and for his thoughtfulness about what it means to the country and about the difficulty in attempting to get the kind of support that was manifested in the Finance Committee by a 20 to 0 vote in reporting this bill to the floor of the U.S. Senate. The fact is tax reform means that everyone is going to benefit in terms of getting a tax break and a better chance to prosper. If you are going to do balanced bill and get the overwhelming support that was manifested in the Finance Committee vote, then you clearly need to provide benefits for all taxpayers.

And so, Mr. President, I decided to take the floor—I did not intend to speak—at this lull in the debate to return to a chart that I brought to the Senate last week when I made my opening statement on this tax reform bill. I would like to refer to the chart simply because I think it is terribly important that we understand who the taxpayers in America are, who is paying the taxes, and what this bill does for each of these groups of taxpayers.

As a matter of reference, let us just quickly go over this chart in order to etch in our minds who are the taxpayers.

As you see on this chart, this is income class zero to $10,000 in income. Those are who we refer to in this country as the people who are living in poverty. Now, oddly enough, about two-thirds of them are kids under 25 years of age, and another large percentage are elderly women living alone; about 32 percent of the total taxpayer population falls into the category of zero to $10,000. And we tried to depict in this drawing that they are in the hole. They are having a difficult time.

□ 1650

As we move up the chart, we find that 21 percent of the taxpayers, or about 21 million taxpayers, earn between $10,000 and $20,000. They are the backbone of the country; they are working class. They are still in the hole, but they are surviving, and they are beginning to climb out of the hole.

If we move up the income scale, we get to income class $20,000 to $40,000. Thirty-two percent of the American taxpayers fall in this class, or about 32 million Americans. As you can see depicted in this particular drawing, these middle-class taxpayers are out of the hole, but they are right on the edge. They do not have a lot of margin for error. A serious illness, a catastrophe of one kind or another, three kids to send to college in 5 years, or whatever, and they could indeed be back in the hole once again.

The important point to be made by these three frames of the chart is that 85 percent of the American taxpayers earn under $40,000 in income—85 percent.

The median income in America—that means 50 percent of the taxpayers had more and 50 percent less—is $23,450.

As we move up the scale, we see that 12 percent of the American people are in the $40,000 to $75,000 income category. From $75,000 to $200,000 is about 3 percent. In the $200,000 category, as you can see by the man on the top of the hill, are less than one-half of 1 percent of all the taxpayers in this country.

We have 32, 21, 32, 12, 3, and ½ of 1 percent. Eighty-five percent of all taxpayers earn under $40,000 in income.

Mr. President, what does this bill do for the 85 percent of the taxpayers who earn under $40,000 in income?

Let us take a family earning $20,000. What is their life like? They live in rental housing, more than likely. It is no doubt not air-conditioned. Their idea of entertainment is not the three-martini lunch. Their idea of entertainment is going to a public park or to the public playground or to the public beach. They eat more potatoes than meat. They drink beer instead of wine. They ride the subway and the bus to work. They believe in America. They hope their children will have a better life.

Not surprisingly, Mr. President, this group, the $20,000 family, in most cases claim no itemized deductions. They do not have any loopholes to use. They claim no itemized deductions. Well, what does this bill do for that $20,000 family? What this bill does is double the exemption for each dependent, each child, and gives a much more generous standard deduction.

In other words, what this bill does is raise the threshold before that family has to pay any income tax. It raises the threshold before they get any taxable income. It is a remarkable achievement. At the same time it does the doubling of the exemption and raising the standard deduction, it helps that $20,000 family.

What does it do for the people deep down in the hole? It takes 6 million of them off the tax roles.

One of the sad aspects of our tax system is that in the last 6 or 8 years, more and more people in this category pay more tax than do some people at this category of income. That is no longer the case here. We have taken 6 million people off the roles, and that $20,000 family gets a doubling of an exemption and a much improved standard deduction, which means that less of their income is taxed—and that, by the way, taxed at a lower rate than in the current system.

Let us take another family. Let us take a family earning $35,000. More than likely, they own their home, but they probably have 15 years on the mortgage. This $35,000 family lives with a very strict budget. What might that budget allow them to purchase? It would allow them to purchase for dad a suit every 3 or 4 years, maybe a couple of dresses for mom every 2 years, and allows them to get a new TV set every 10 years, a new refrigerator every 17 years, a new toaster every 33 years. They are not going to be too concerned about the loss of the consumer-interest deduction, because they do not buy that much. They are not going to be hurt by the loss of the IRA, because many of them have absolutely no stocks, no bonds, no financial assets. They are just trying to make it; and if they get some extra dollars in the course of the year, they are going to buy a used car.

So, Mr. President, what does this bill do for that family earning $35,000 in income? First of all, the bill provides lower rates of tax. Some individuals in that class could be as high as the 28 percent or 33-percent tax rate under the current system. They are going to be in a 15-percent tax rate under this bill.

In addition, if they do not take advantage of the standard deduction, they will be able to itemize their deductions for mortgage interest and for property taxes, which, for the great majority of the American public, is the only real investment they have—their home. At the same time, that family earning $35,000 will be able to continue receiving their health benefits tax free.

So, Mr. President, there is no doubt that this is a good bill for the $20,000 to $40,000 income class, and particularly for the $35,000 family to whom I have just referred.

Let us move the income level. Let us move up to the family that is on level ground. It is starting to run; no worry about falling off the edge. They are in pretty good shape, no hole on the horizon. What does this bill do for that family, and who is that family?

More than likely, a family earning $75,000 is a two-earner couple. In fact, at income levels of $75,000, the majority of taxpayers are in a unit that is a two-earner couple. Interestingly, when you get above $85,000, you do not have two-earner couples. Usually, one works and the other stays home or does other things.

What does the bill do for the that family? What it does is lower the tax rate so that they will keep more of the money they earn. It reduces the marriage penalty. It essentially tells them that because of the reduced marriage penalty and the lower tax rate, in order for them to achieve economic security, they will not need to invest in tax shelters. All they have to do is concentrate on what they do best, which is their profession.

One might even make the argument that this is the classic yuppie family. Even if they were going to pay more taxes, $100 or $150, in year 1, in years 2, 3, 4, and 5, in the long run, in the midterm, they would be much better off with the reform system of the lower rates of tax and a much reduced marriage tax penalty.

So, Mr. President, in coming before the Senate today, I want to do several things in this lull in this debate, and that is to try to get people to focus on who the taxpayers are and how this bill benefits each income class.

□ 1700

Mr. President, we are going to hear a lot of amendments offered on the floor. These will more than likely be amendments that are thought to be important by the authors of the amendment and by the proposers of the amendment.

There will be attempts to try to change the bill in one way or another. Ultimately at some point in the debate the proponents of the amendment will say, "And what this means to income class $30,000 is this, $100 less or more in taxes or $120 or $130, or $140 or whatever."

Whatever they say, remember that is a snapshot of year 1. That simply says that if this bill were in effect next year, given the tax returns that we have available from 1983, how many winners and losers would there be and where would they be, among which income classes.

What it fails to say is what will happen in year 2, 3, 4, 5, 6 and on out. That is what this bill addresses most directly.

What it means in terms of mid to long term is that you have reformed the tax system. You have finally eliminated some of those $400 billion loopholes, allowed the economy to function more efficiently and the market to allocate resources, and for each one of those income levels you have provided some hope that they can control their own destiny. For the poor, for the low-income person, you have given them hope that if they work hard they will be able to pull themselves out. For the fixed-income elderly you have given them hope that they will be able to get by. For the young couple that had the dream of home ownership you have given them the hope that they will indeed own their own home. For the unemployed workers you have given them hope that a more efficient economy will mean a higher income growth and a prospect of another job on the horizon.

So, Mr. President, I hope that we will entertain all of the amendments that will be offered seriously, and I know the distinguished chairman of the Finance Committee, Senator PACKWOOD, who has been the stalwart here and who has really provided, I think, unparalleled leadership on this issue in the body, will listen to all of the amendments and make his arguments. I hope ultimately we will be guided in part by what this chart tells us about who the taxpayers are in this country and not forget what this bill does for each of the income categories depicted on this chart, nor lose sight of the opportunity that it presents for the long-term economic health of this country.

I yield the floor.

Mr. PACKWOOD. Mr. President, once more let me thank my distinguished colleague from New Jersey who has taken the lead on this 3½ or 4 years ago. I have listened to him with some trepidation as he described how he first tried to explain this Bradley-Gephardt plan in an attempt to explain that indeed you could reduce taxes but you had to give up some cherished deductions. The initial reaction we got from the people was why can we not lower the taxes and close the loopholes.

You have to explain that some of the loopholes that are very, very well identified, and indeed we are closing many of those in this bill, unfortunately produce only a teeny-weeny bit of money on occasion, and if you really wanted to get the rates down, you had to talk about tax shelters and minimum taxes and a variety of other things that produced great quantities of money. If you are going to lower the bulk of the peoples taxes significantly or even a bit, you are going to have to close loopholes that upper-income taxpayers use and close them as close to completely as possible.

Senator BRADLEY was the first one to see that. He deserves extraordinary credit. I think because of his leadership and a few others from the start 3 and 4 years ago, the rest of us have seen the light and I hope before a fortnight is out we may have this bill through the Senate.

Mr. SIMPSON. Mr. President, I thank the chairman of the committee and Senator BRADLEY.

I have never abrogated my legislative function, but I will be much like those in the coliseum, I think, during

the vote and if I see Senator BRADLEY and Senator PACKWOOD going like this—indicating—I will go that way. If I see them going like this—(indicating—I may well go that way.

I will be listening intently to the debate as I hope all of us in the Chamber will do.

Mr. GORTON. Mr. President, the tax reform measure which the Finance Committee has recommended to us is one of the most far-reaching, fundamental, and important bills the Senate has debated in years. As a result of that committee's willingness to pursue the kind of real tax reform that cynics had dismissed as politically unrealistic, we now have the opportunity to address an issue which ranks in importance with many of the great debates that this Chamber has addressed throughout history. In the days ahead we can continue the Senate's tradition of being the nation's great forum.

As I talk to my constituents about this bill, it is clear that there are parts of which enjoy widespread support, and other parts which engender strong opposition. Most often this is expressed in terms of support or opposition for one or another specific part of the bill. Sometimes it is expressed as concern over the economic impact of the bill as a whole. But in all of these discussions, one troubling observation keeps recurring—something that goes beyond the pros and cons of any individual provision; beyond even the economic impact of the bill as a whole. That is this: I have seen a growing conviction among my constitutents that our current income tax is fundamentally unfair; that it permits too many people to avoid paying their fair share of taxes; and that the burden of this tax avoidance is being transferred to the working man and woman, the wage earner, the taxpayer who does not have accountants and lawyers to search out every loophole in our current Tax Code.

This growing contempt for our Tax Code constitutes a serious threat to our country, which relies heavily on a tradition of voluntary compliance with the tax laws. I am deeply troubled by this, for I see in it an unrest that reaches to the very roots of our Government's claim to legitimacy. If we do not act to restore confidence and credibility to our Government's tax system, by establishing once and for all that those who ought to pay taxes are going to pay taxes, then I fear that our tradition of voluntary compliance with tax laws will soon be lost. Could we survive this? Yes, I suppose we can. But only at an incalculable moral cost. The people will bear the burden of taxation willingly, and regard their Government as their own, if they are convinced that the burden of paying for that Government is apportioned fairly. It is our job to see that this is accomplished. We must convince our constituents that we are not going to permit our Tax Code to be treated as some kind of grand lottery—a game of chance in which the rich and lucky can escape taxes while the working, middle-income taxpayer get stuck with the bill.

On this issue, at least, the bill recommended by the committee is a major step in the right direction. By imposing a stiff minimum tax it ensures that large corporations and wealthy individuals will no longer be able to avoid paying taxes through the wholesale exploitation of tax preferences. By repealing or restricting a wide range of tax shelter provisions, we will distribute more fairly the burden of paying for Government, and simplify the Tax Code considerably. And by taking 6 million poor people off the tax rolls completely, we will satisfy a basic criterion of fairness: People living in poverty should not be paying taxes, especially while wealthy people are escaping them. Under this bill that injustice of current law will be remedied.

I do not pretend that passing these provisions will stop the erosion of confidence immediately. It is too late for that. But passing at least these basic fairness provisions is essential to accomplishing this goal eventually, and it is time that we got started on this job.

There are other counts, however, on which I have serious reservations about this bill. For a bill whose principal appeal is to a sense of fairness, this bill has several serious defects. The bill's unjustified repeal of the State and local sales tax deduction, coupled with its retention of that deduction for other types of taxes, is especially unfair and discriminatory. It lacks any basis in equity or rationality. I oppose it, and want to see it changed. Similarly, I am troubled by retroactive application of a tax on investment income. Though I support the goal of this new proposal, it seems unfair to me not to permit previously made investments to be taxed under the laws in effect at the time they were made. Even the proposed capital gains provisions are applied in a curiously discriminatory fashion.

I also have other questions about the impact of this bill. One of our policy successes in recent years seems to have been the universal IRA. It may well be unwise to impose new limits on the IRA, which could be so significant a factor both in helping plan for retirement, and in raising our national savings level.

Over the next several days I expect to have opportunities to address and to hear debated these many other specific parts of the bill. I sincerely hope that the improvements that I have outlined can be incorporated into the bill, because I believe that the core of this bill is a dramatic improvement over current law. The bill provides us with an historic opportunity to create a dramatically more fair and effective Tax Code than we have at the present time. I intend to work toward that end.

ROUTINE MORNING BUSINESS

Mr. SIMPSON. Mr. President, I now ask unanimous consent that there now be a period for the transaction of routine morning business to extend not beyond 5:15 p.m.

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

MESSAGES FROM THE HOUSE

At 12:08 p.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House has passed the following bill, with amendments, in which it requests the concurrence of the Senate:

S. 2251. An act to authorize the Administrator of General Services to convey property to the District of Columbia, and for other purposes.

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 and Mr. LAXALT):

S. 2529. A bill to amend title 28 of the United States Code to provide for retired magistrates to be recalled to service and to provide a retirement system for U.S. magistrates equal to the retirement system for bankruptcy judges; to the Committee on the Judiciary.

By Mr. SPECTER:

S. 2530. A bill for the relief of Rocco A. Trecosta; to the Committee on the Judiciary.

By Mr. GRASSLEY (for himself and Mr. DENTON):

S. 2531. A bill to amend title 11 of the United States Code to make nondischargeable any debt arising from a judgment or consent decree requiring an individual debtor to make restitution as a result of a violation of State law; 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. KENNEDY (for himself, Mr. KERRY, and Mr. MITCHELL):

S. Res. 422. A resolution commending the Boston Celtics on Winning the National Basketball Association Championship for 1986; considered and agreed to.

By Mr. SIMPSON (for Mr. DOLE (for himself and Mr. BYRD)):

S. Res. 423. A resolution to direct the Senate Legal Counsel to represent William Gallinaro and Philip Manuel in the case of

"People of the State of California v. Robert Corenevsky"; considered and agreed to.

By Mrs. HAWKINS:

S. Res. 424. A resolution commending Colonel Ricardo Montero Duque for the extraordinary sacrifices he has made to further the cause of freedom in Cuba, and for other purposes; to the Committee on the Judiciary.

By Mr. ABDNOR (for himself, Mrs. KASSEBAUM, Mr. ANDREWS, Mr. PRESSLER, and Mr. EXON):

S. Con. Res. 146. A concurrent resolution on the Essential Air Service Program; to the Committee on Commerce, Science, and Transportation.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. THURMOND (for himself and Mr. LAXALT):

S. 2529. A bill to amend title 28 of the United States Code to provide for retired magistrates to be recalled to service and to provide a retirement system for U.S. magistrates equal to the retirement system for bankruptcy judges; to the Committee on the Judiciary.

RELATING TO RETIRED MAGISTRATES

Mr. THURMOND. Mr. President, I rise today to introduce a bill on behalf of myself and Senator LAXALT to amend title 28 of the United States Code to provide for retired magistrates to be recalled to service and to provide a retirement system for U.S. magistrates equal to the retirement system for bankruptcy judges. Since the creation of the U.S. magistrate system in 1968, Congress has recognized the important role that magistrates play in our Federal courts and has passed legislation to expand their duties and authority.

With the steady growth of litigation in our Federal system, which fast approaches epidemic proportions, it seems both appropriate and desirable to provide asurances that this country has an adequate numer and high caliber of magistrates. Indeed, I believe this bill will ensure that we continue to recruit and maintain the quality of judicial officers which we initially envisioned and have continually sought in enacting and subsequently expanding the magistrate system. Briefly, I would like to review the history of that system.

When Congress replaced the U.S. commissioner system with the magistrate system in 1968, it abolished the practice of payment of fees and compensation and instead established a salary schedule; also, terms were extended from 4 to 8 years. District court judges, who appoint magistrates, were permitted to expand the duties assigned to magistrates, to include service as special masters, supervisors of pretrial and discovery proceedings, and triers of cases involving certain misdemeanors. At that time, magistrates and their staff were made subject to regular civil service retirement benefits.

In 1976, Congress amended the Magistrate Act to clarify and expand the power of district courts to assign responsibilities to magistrates, such as all nondispositive pretrial matters and any duties "as are not inconsistent with the Constitution and laws of the United States." The power for the district courts to experiment with new and expanded uses of magistrates proved quite successful, and, in 1979, Congress further increased the magistrates' jurisdiction. Magistrates are now allowed to try any civil case, with consent of the parties and district court approval, and any judgment or order entered by a magistrate is appealable directly to the circuit court. Misdemeanor jurisdiction was broadened to include all Federal misdemeanors, regardless of fine, even for jury trials.

The expansion of the powers and jurisdiction of magistrates has reflected the recognition of Congress that magistrates are necessary and capable officers at the "front line of Federal justice." In acknowledgement of their important present and future role in our Federal system, I am introducing this bill to provide retirement benefits commensurate with those enjoyed by our bankruptcy judges. If the Federal district courts are to continue to utilize magistrates to the extent which Congress intends, we should adopt measures to ensure the continued high quality of these judicial officers.

By Mr. SPECTER:

S. 2530. A bill for the relief of Rocco A. Trecosta; to the Committee on the Judiciary.

RELIEF OF ROCCO A. TRECOSTA

● Mr. SPECTER. Mr. President, I am introducing today a private relief bill on behalf of Mr. Rocco A. Trecosta, a teacher in the Department of Defense Overseas Dependents Schools.

This bill will provide Mr. Trecosta with up to $10,000 in retroactive pay benefits which are properly due him.

Mr. Trecosta's claim is based on a U.S. court of appeals decision which held that the Department of Defense had improperly implemented pay-setting procedures which fix the basic compensation for teachers in the military department. *March* v. *United States*, 506 F. 2d 1306 (D.C. Cir. 1974). The March court directed the Department of Defense to calculate teachers' salaries on the basis of the current salaries being paid to teachers in comparable stateside school systems.

March was brought as a class action, and out of a total of approximately 23,000 potential plaintiffs, four individuals, one of whom was Mr. Trecosta, were specifically excluded from recovery under the judgment. Three of the four were excluded because they chose not to be members of the class. Mr. Trecosta, in contrast, was excluded from recovering under March because he had brought an identical claim in the Court of Claims 3 years prior to March. The Court of Claims had decided Trecosta's case on cross motions for summary judgment, and had issued a brief order denying his claim. *Trecosta* v. *United States*, 194 Ct. Cl. 1025 (1971). In March, the court of appeals noted the Trecosta decision, but disagreed with its conclusion.

Thus, but for Mr. Trecosta's prior suit in the Court of Claims, he would have been considered part of the plaintiff class in March, and would have recovered for his underpayment. Even those individuals who opted out of the class action, and thus could not share in the judicial recovery, were permitted to recover through administrative payments made in recognition of March. Trecosta, denied this as well because of his prior suit, is thus the only individual out of 23,000 whose timely and identifiable claim had been refused. The cruel irony, of course, is that the subsequent decision in March makes clear that Mr. Trecosta's challenge to DOD's payment practices was meritorious and should have been upheld.

Mr. Trecosta's situation is extraordinary and equity demands that Congress provide private relief. It should be emphasized that no preferential treatment will be accorded to him by this bill—the relief proposed is limited to the relief granted to the identically situated March plaintiffs. The judgment is limited to $10,000 gross compensation, with appropriate deductions for Social Security, Federal Employees Group Life Insurance, income tax, and similar rights and obligations. The Comptroller General of the United States has recommended that this private relief be granted.

Mr. President, the enactment of the bill I propose today will rectify a great wrong which has plagued Mr. Trecosta for many years, and I call upon my colleagues to support this measure.

I ask unanimous consent that the full text of the legislation be printed in the CONGRESSIONAL RECORD as if read in full here today.

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

S. 2530

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, the Secretary of Defense is authorized and directed to settle, adjust and pay, the claim for backpay of Rocco A. Trecosta, an employee of the Department of Defense Overseas Dependent Schools, by the same method and to the same extent as if Rocco A. Trecosta were a member of the plaintiff class in *March* v. *United States*, 506 F.2d 1306 (D.C. Cir. 1974). Such claim shall be

payable from applicable appropriations of the Department of Defense and shall be limited to $10,000, from which shall be deducted all applicable deductions, including deductions for Civil Service Retirement, Social Security, Federal Employees Group Life Insurance, and Federal income tax withholding. Such payment shall be in full satisfaction of all claims of said Rocco A. Trecosta against the United States for backpay in connection with his service as a teacher in the Department of Defense Overseas Dependent Schools.

SEC. 2. No part of any amount authorized by this Act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, any contract to the contrary notwithstanding. Violation of the provisions of this section is a misdemeanor punishable by a fine not to exceed $1,000.●

By Mr. GRASSLEY (for himself and Mr. DENTON):

S. 2531. A bill to amend title 11 of the United States Code to make nondischargeable any debt arising from a judgment or consent decree requiring an individual debtor to make restitution as a result of a violation of State law; to the Committee on the Judiciary.

BANKRUPTCY ANTIFRAUD ACT

Mr. GRASSLEY. Mr. President, I rise today to focus the Senate's attention on a glaring loophole in our Federal Bankruptcy Code. It's a loophole wide enough to drive a truck through. It lets convicted felons and consumer ripoff artists thumb their noses at State efforts to collect restitution for ill-gotten gains.

Let me give you an example from a recent court case called Robinson versus McGuigan. A few years ago, a New Haven woman was convicted of defrauding Connecticut's Welfare Department out of nearly $10,000 in phony payments. As part of the judgment, she was ordered to make restitution payments to the State. After making a few payments, the woman sought to simply avoid the debt by filing a bankruptcy petition. The Bankruptcy Court agreed and allowed the debt to be discharged.

The State attorney general appealed the decision, but the Second Circuit Court of Appeals recently overruled Connecticut's efforts at restitution. Based on the plain meaning of the Bankruptcy Code, the court really had no choice.

Judge Mansfield's concurring opinion in the Robinson case expresses dismay at the result that follows from this unintended loophole—especially when the law so carefully excludes back taxes, student loans, and child support payments from discharge in bankruptcy. Judge Mansfield summed it up when he wrote:

The convicted criminal will simply use bankruptcy to escape the obligation to make restitution payments ordered by the court.

Judge Mansfield went on to say he hoped Congress would remedy this unfortunate loophole by amending section 523(a)(7) of the code to make these restitution payments nondischargeable in bankruptcy. I agree with Judge Mansfield, and that's why I'm offering this legislation today.

But the Robinson case is bigger than fraud by welfare queens or other criminal matters. In fact, it can make meaningless the enforcement of any State court restitution order, especially in consumer protection cases.

As a result of this bankruptcy loophole, our States' top law enforcement officers can be left with empty judgments—not even worth the paper they're printed on.

I have just received a letter supporting legislation on this issue, signed by the attorney's general of 15 States: New York, California, Illinois, North Carolina, Texas, Alabama, Missouri, Indiana, Connecticut, South Carolina, Massachusetts, Ohio, Tennessee, Washington, and my own State of Iowa. I ask unanimous consent that this letter be entered into the RECORD at this point.

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

DEPARTMENT OF JUSTICE,
June 4, 1986.

Hon. CHARLES E. GRASSLEY,
Chairman, Subcommittee on Administrative Practice and Procedure, Committee on the Judiciary, Washington, DC.

DEAR SENATOR GRASSLEY: As Attorneys General, we are keenly aware of your concerns relative to the "loophole" in federal bankruptcy law which may allow a convicted felon to avoid making court ordered restitution. *See Robinson* v. *McGuigan*, 776 F. 2d 30 (2d Cir. 1985). We are in agreement that the *Robinson* decision has serious implications for state law enforcement efforts and we strongly urge Congress to remedy this problem. We fear that the *Robinson* decision could be used by debtors to discharge all types of restitution, including consumer and environmental-related compensation for the state, as well as criminal restitution.

The difficulties faced by our consumer protection attorneys in litigating unfair and deceptive trade practices cases graphically illustrate the problems created by the Bankruptcy Code. For some time now, our attorneys have had to do battle on two fronts in order to obtain restitution for victims of consumer fraud. First, our attorneys file petitions in state court under our consumer protection statutes. After either lengthy state court litigation or a default, consumer fraud defendants frequently seek haven at the second front, bankruptcy court, in order to avoid repayment of ill-gotten gains. Unfortunately, many of these defendants are successful in achieving their goal.

They succeed primarily because the Bankruptcy Code does not expressly designate as nondischargeable consumer fraud or any other types of restitution orders. Instead, the Code only provides that debts "for money * * * obtained by false pretenses, a false representation or actual fraud * * *" may be declared nondischargeable after the filing of a complaint and a hearing. *See* U.S.C. §§ 523(a)(2)(A) and 523(c). Courts have interpreted this exception to discharge to require proof of common law fraud. Although principles of collateral estoppel may apply in dischargeability proceedings, *Brown* v. *Felsen*, 442 U.S. 127 (1979), many consumer protection statutes do not require proof of common law fraud. Our offices are thus placed in the position of having to relitigate cases in bankruptcy court, proving all the elements of common law fraud, or allow the discharge to take place. Res judicata does not apply because a claim of nondischargeability is considered to be separate and distinct from a claim of consumer fraud. Id.

Allowing consumer fraud defendants to relitigate their fraud in bankruptcy court has sent a clear message nationwide. The message has been that these defendants should defend (or preferably default)[1] in state court and let the bankruptcy court decide the fraud issue anew. After a sufficient delay, the state may lack the resources necessary to pursue a mandatory dischargeability proceeding. Absent a change of venue back to the state where the fraud was committed, our attorneys are forced to travel to wherever the debtor filed. It makes no difference that these debtors have availed themselves of the privilege of doing business in our state. They have been told by the bankruptcy courts that they need not accept the concomitant responsibility.

A myriad of other roadblocks, including the expense of local counsel (or the imposition upon our fellow Attorneys General) and the unavailability of witnesses, often forecloses any hope of recovery. Because our consumer protection cases often involve hundreds of thousands of victims, each victim could be required to testify as to their reliance on the defendant's false representations and their resultant damage. If the individual claims are small, the case fails.

As if the "loopholes" noted thus far were not enough, the United States Court of Appeals for the Eighth Circuit held in *In Re Cannon*, 741 F.2d 1139 (8th Cir. 1984), that the Missouri Attorney General lacked standing to challenge the dischargeability of a consumer protection restitution order. Thus, the Attorney General was foreclosed from protecting the viability of a consumer fraud restitution order he had obtained. The individual victims were told to proceed alone with their dischargeability complaints. The decision in Cannon has even been used to estop Attorneys General from challenging debts which were believed to be based on fraudulent practices but which had not yet been made the subject of a consumer protection lawsuit. Our authority to enforce court orders for restitution in state consumer protection cases (and perhaps to initiate such cases after a bankruptcy filing) was annihilated by Cannon.

In sum, the bankruptcy law gives a green light to those who perpetrate consumer frauds or other violations of state law for which restitution to the state is a court-ordered remedy. The law either prohibits our efforts entirely or demands multiple litigation. The victims which consumer protection statutes were designed to protect are left to their own devices. Individuals cannot

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[1] If a consumer fraud defendant defaults in state court, the principles of collateral estoppel, cannot be applied to avoid relitigation. In this respect, the bankruptcy court law actually encourages consumer fraud defendants to ignore our state court actions.

afford to pursue restitution on their own; nor is it cost effective for them to do so.

A simple "Exception to Discharge" amendment to 11 U.S.C. § 523 and a corresponding amendment to § 1328(a) would change the course of enforcement of restitution orders nationally.

We applaud your efforts to correct the bankruptcy law and we will assist you with this legislation in any way possible.

Sincerely,

Thomas J. Miller, Attorney General of Iowa. State of Alabama, Charles A. Graddick, Attorney General; State of California, John Van de Kamp, Attorney General; State of Connecticut, Joseph Lieberman, Attorney General; State of Illinois, Neil Hartigan, Attorney General; State of Indiana, Linley E. Pearson, Attorney General; State of Massachusetts, Francis X. Bellotti, Attorney General; State of Missouri, William Webster, Attorney General; State of New York, Robert Abrams, Attorney General; State of North Carolina, Lacey Thornburg, Attorney General; State of Ohio, Anthony Celebrezze, Attorney General; State of South Carolina, Travis Medlock, Attorney General; State of Tennessee, W. J. Michael Cody, Attorney General; State of Texas, Jim Mattox, Attorney General; State of Washington, Kenneth O. Eikenberry, Attorney General.

Mr. GRASSLEY. Mr. President, I expect that the National Association of Attorneys General will also soon approve a resolution of support for this bill at their upcoming convention.

Simply stated, Mr. President, my bill would remove the safe harbor that has sheltered the fraudulent. It would allow our State attorneys general to protect consumers without one hand tied behind their backs by the bankruptcy code.

Similar legislation, H.R. 3742, has been introduced in the other body. I urge my colleagues in both the House and Senate to waste no time filling the gap created by the Robinson case.

At this point, Mr. President, I yield the floor.

ADDITIONAL COSPONSORS

S. 1525

At the request of Mr. PELL, the name of the Senator from Michigan [Mr. RIEGLE] was added as a cosponsor of S. 1525, a bill to amend the Elementary and Secondary Education Act of 1965 to provide grants to local educational agencies for dropout prevention demonstration projects.

S. 1654

At the request of Mr. STEVENS, the names of the Senator from North Dakota [Mr. ANDREWS], the Senator from South Dakota [Mr. ABDNOR], the Senator from Washington [Mr. GORTON], the Senator from Iowa [Mr. GRASSLEY], the Senator from Wisconsin [Mr. KASTEN], the Senator from Indiana [Mr. QUAYLE], the Senator from New Hampshire [Mr. RUDMAN], the Senator from Idaho [Mr. SYMMS], and the Senator from Arizona [Mr. GOLDWATER] were added as cosponsors of S. 1654, a bill to amend title 18, United States Code, to provide for criminal forfeiture of proceeds derived from espionage activities and rewards for informants providing information leading to arrests in espionage cases.

S. 2050

At the request of Mr. METZENBAUM, the name of the Senator from Arizona [Mr. DECONCINI] was added as a cosponsor of S. 2050, a bill to notify workers who are at risk of occupational disease in order to establish a system for identifying and preventing illness and death of such workers, and for other purposes.

S. 2186

At the request of Mr. MURKOWSKI, the names of the Senator from South Carolina [Mr. HOLLINGS], and the Senator from Virginia [Mr. WARNER] were added as cosponsors of S. 2186, a bill to exempt any amounts available to provide certain benefits to veterans with service-connected disabilities from any requirement for sequestration of funds under part C of the Balanced Budget and Emergency Deficit Control Act of 1985.

S. 2209

At the request of Mr. DOLE, the names of the Senator from Hawaii [Mr. INOUYE], and the Senator from Kansas [Mrs. KASSEBAUM] were added as cosponsors of S. 2209, a bill to make permanent and improve the provisions of section 1619 of the Social Security Act, which authorizes the continued payment of SSI benefits to individuals who work despite severe medical impairment; to amend such act to require concurrent notification of eligibility for SSI and Medicaid benefits and notification to certain disabled SSI recipients of their potential eligibility for benefits under such section 1619; to provide for a GAO study of the effects of such section's work incentive provisions; and for other purposes.

S. 2273

At the request of Mr. KASTEN, the name of the Senator from Tennessee [Mr. SASSER] was added as a cosponsor of S. 2273, a bill to amend the Internal Revenue Code of 1954 to deny the tax exemption for interest on industrial development bonds used to finance acquisition of farm property by foreign persons.

S. 2305

At the request of Mr. KENNEDY, the name of the Senator from Vermont [Mr. STAFFORD] was added as a cosponsor of S. 2305, a bill to amend title IV of the Public Health Service Act to require the Director of the National Cancer Institute to make grants and enter into contracts to support research on adoptive immunotherapy for cancer.

S. 2326

At the request of Mr. HEFLIN, the name of the Senator from Alabama [Mr. DENTON] was added as a cosponsor of S. 2326, a bill to protect the name and marks of the Alabama Space Science Exhibit Commission.

S. 2335

At the request of Mr. DENTON, the name of the Senator from Virginia [Mr. WARNER] was added as a cosponsor of S. 2335, a bill to protect U.S. citizens from terrorism.

S. 2401

At the request of Mrs. KASSEBAUM, the name of the Senator from Virginia [Mr. WARNER] was added as a cosponsor of S. 2401, a bill to prohibit the manufacture or distribution in, or the importation into, the United States of certain firearms.

S. 2444

At the request of Mrs. HAWKINS, the name of the Senator from West Virginia [Mr. ROCKEFELLER] was added as a cosponsor of S. 2444, a bill to reauthorize the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, the Community Services Block Grant Act, the Dependent Care State Grant Program, and for other purposes.

S. 2494

At the request of Mr. BRADLEY, the names of the Senator from Maine [Mr. COHEN], and the Senator from Iowa [Mr. HARKIN] were added as cosponsors of S. 2494, a bill to amend title XVIII of the Social Security Act to modify the limitations on payment for home health services under the Medicare program to conform regulations; to assure that all legitimate costs are taken into account in calculating such limitations; to provide affected parties an opportunity to comment on revisions in Medicare policies; and to require discharge planning procedures.

SENATE JOINT RESOLUTION 314

At the request of Mr. QUAYLE, the name of the Senator from Kansas [Mrs. KASSEBAUM] was added as a cosponsor of Senate Joint Resolution 314, a joint resolution to designate the week beginning July 27, 1986, as "National Nuclear Medicine Week."

SENATE JOINT RESOLUTION 343

At the request of Mr. D'AMATO, the name of the Senator from Maine [Mr. MITCHELL] was added as a cosponsor of Senate Joint Resolution 343, a joint resolution designating the week of September 21, 1986, through September 27, 1986, as "Emergency Medical Services Week."

SENATE JOINT RESOLUTION 345

At the request of Mr. DOLE, the names of the Senator from Florida [Mrs. HAWKINS], the Senator from Kansas [Mrs. KASSEBAUM], the Senator from North Dakota [Mr. ANDREWS], the Senator from Ohio [Mr. GLENN], the Senator from Vermont

[Mr. STAFFORD], and the Senator from Virginia [Mr. WARNER] were added as cosponsors of Senate Joint Resolution 345, a joint resolution to designate the week beginning November 9, 1986, as "National Reye's Syndrome Awareness Week."

SENATE JOINT RESOLUTION 348

At the request of Mr. GLENN, the name of the Senator from Virginia [Mr. WARNER] was added as a cosponsor of Senate Joint Resolution 348, a joint resolution to designate the week beginning November 24, 1986, as "National Family Caregivers Week."

SENATE JOINT RESOLUTION 350

At the request of Mr. LUGAR, the names of the Senator from Vermont [Mr. STAFFORD], and the Senator from Alabama [Mr. HEFLIN] were added as cosponsors of Senate Joint Resolution 350, a joint resolution to designate 1987 as "The National Year of the Americas."

SENATE CONCURRENT RESOLUTION 145

At the request of Mr. STEVENS, the names of the Senator from Wyoming [Mr. WALLOP], the Senator from South Carolina [Mr. THURMOND], the Senator from North Dakota [Mr. ANDREWS], the Senator from Hawaii [Mr. INOUYE], and the Senator from California [Mr. CRANSTON] were added as cosponsors of Senate Concurrent Resolution 145, a concurrent resolution to encourage State and local governments and local educational agencies to require quality daily physical education programs for all children from kindergarten through grade 12.

SENATE RESOLUTION 413

At the request of Mr. DENTON, the name of the Senator from Ohio [Mr. GLENN], was added as a cosponsor of Senate Resolution 413, a resolution to recognize the devotion of Bob Hope to the United States on his 83d birthday.

AMENDMENT NO. 1823

At the request of Mrs. KASSEBAUM, the names of the Senator from Utah [Mr. GARN], and the Senator from Wyoming [Mr. SIMPSON] were added as cosponsors of amendment No. 1823 intended to be proposed to S. 100, a bill to regulate interstate commerce by providing for a uniform product liability law, and for other purposes.

SENATE CONCURRENT RESOLUTION 146—RELATING TO THE ESSENTIAL AIR SERVICE PROGRAM

Mr. ABDNOR (for himself, Mrs. KASSEBAUM, Mr. ANDREWS, Mr. PRESSLER, and Mr. EXON) submitted the following concurrent resolution; which was referred to the Committee on Commerce, Science, and Transportation:

S. CON. RES. 146

Resolved by the Senate (the House of Representatives concurring), That the Essential Air Service (EAS) Program should be maintained for the 10-year period of which it is authorized:

● Mr. ABDNOR. Mr. President, today I am submitting a concurrent resolution expressing the sense of Congress that the Essential Air Service [EAS] Program should be maintained for the 10-year period for which it was authorized.

A similar resolution was authored and introduced in the House of Representatives by the distinguished gentleman from Arkansas [Mr. HAMMERSCHMIDT], who is the ranking minority member on the House Public Works and Transportation Aviation Subcommittee.

Mr. President, as a member of that particular subcommittee during my service in the House of Representatives, I strongly opposed airline deregulation—knowing full well that it would adversely affect air service to rural States and small communities. However, airline deregulation occurred and those of us who opposed it were assured that the Essential Air Service Program would protect those communities across America which were adversely affected by airline deregulation. This program currently provides funding to nearly 50 small air carriers which serve nearly 150 communities in 40 States.

Here in the Senate, the distinguished chairman of the Senate Transportation Appropriations Subcommittee, Senator ANDREWS and the distinguished chairman of the Commerce Aviation Subcommittee, Senator KASSEBAUM, have assisted in assuring the integrity of this program to protect air service to small communities and rural States.

Since 1981 the Reagan administration has endeavored to eliminate this program. Those of us who believe that this commitment to rural and small town America should be kept have been successful in opposing such efforts. We have reduced the cost of the EAS Program from $100 to $33.6 million in fiscal year 1985. However, the commitment was made and the commitment should be kept and the concurrent resolution which I submit today reiterates our support for this vital transportation program.●

SENATE RESOLUTION 422—COMMENDING THE BOSTON CELTICS

Mr. KENNEDY (for himself, Mr. KERRY, and Mr. MITCHELL) submitted the following resolution; which was considered and agreed to.

S. RES. 422

Whereas on June 8, 1986 the Boston Celtics won the National Basketball Association Championship for 1986;

Whereas since 1946, under the leadership of Red Auerback the Boston Celtics have won sixteen world championships, three times as many as any other team in the history of the National Basketball Association;

Whereas in winning forty home games and losing only one home game during the 1986 regular season, the Boston Celtics have set a new National Basketball Association record for regular season home court victories;

Whereas K.C. Jones, in his third season as Coach of the Boston Celtics, has won his second world championship and has won more than sixty games in each of his three seasons;

Whereas Larry Bird of the Boston Celtics was named the Most Valuable Player in the National Basketball Association in 1986 for the third consecutive season;

Whereas K.C. Jones, Larry Bird, Dennis Johnson, Robert Parrish, Kevin McHale, Danny Ainge, and Bill Walton have made the Boston Celtics of 1986 one of the greatest professional sports teams of all time; Now therefore be it

Resolved, That the Senate of the United States of America joins with basketball fans in Massachusetts and across the nation in honoring the Boston Celtics for winning the National Basketball Association Championship for 1986.

SENATE RESOLUTION 423—AUTHORIZING REPRESENTATION BY THE SENATE LEGAL COUNSEL

Mr. SIMPSON (for Mr. DOLE) (for himself and Mr. BYRD) submitted the following resolution; which was considered and agreed to.

S. RES. 423

Whereas, in the case of *People of the State of California* v. *Robert Corenevsky,* Case No. C-55447, pending in the Superior Court of the State of California, Orange County, the defendant has commenced proceedings to obtain the testimony of William Gallinaro and Philip Manuel, former employees of the Senate Permanent Subcommittee on Investigations;

Whereas, pursuant to sections 703(a) and 704(a)(2) of the Ethics in Government Act of 1978, 2 U.S.C. 288b(a) and 288c(a)(2) (1982), the Senate may direct its counsel to represent former employees of the Senate with respect to subpoenas issued to them in their former official capacity;

Resolved, That the Senate Legal Counsel is directed to represent William Gallinaro, Philip Manuel, and any other former employee of the Permanent Subcommittee on Investigations who may be the subject of proceedings to require them to testify in the case of *People of the State of California* v. *Robert Corenevsky.*

SENATE RESOLUTION 424—WELCOMING COL. RICARDO MONTERO DUQUE TO THE UNITED STATES

Mrs. HAWKINS submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 424

Whereas Colonel Ricardo Montero Duque, after spending twenty-five years in a Cuban prison, was released on June 8, 1986;

Whereas Colonel Montero was one of only two remaining prisoners in Cuba who was a member of the Brigade 2506, which conducted the Bay of Pigs operation in April 1961;

Whereas Colonel Montero has demonstrated a deep commitment to the causes of freedom and the Cuban nation and has made extraordinary sacrifices for his commitment to these causes;

Whereas the United States continues to stand for the restoration of freedom and democracy in Cuba; and

Whereas the United States continues to honor and commend those who have sacrificed in the effort to restore Cuba's true expression of its national will: Now, therefore, be it

Resolved, That the Senate hereby welcomes Colonel Ricardo Montero Duque to the United States and commends him for the extraordinary sacrifices he has made to further the cause of freedom in Cuba.

● Mrs. HAWKINS. Mr. President, I rise to submit a resolution to extend the welcome of the Senate to a true hero. Col. Ricardo Montero Duque is one of the six battalion commanders who participated in the Bay of Pigs operation of April 1961. As one of the leaders of the 2506 Brigade, Colonel Montero has been forced to spend the last 25 years of his life in prison in Cuba. He is a person who has made extraordinary sacrifices to further the cause of freedom in a nation that has seen the rights of its people crushed under the heel of a brutal totalitarian dictatorship. Yesterday, Cuban authorities finally allowed Colonel Montero to be released. He arrived at Homestead Air Force Base in Florida yesterday morning. I hope now that Colonel Montero is free to speak about the nature of the government on the island of Cuba, that the people will listen to his story.

Mr. President, I believe that it is very important for this body to express its appreciation and support for the efforts of people like Colonel Montero who have put themselves at great personal risk in the cause of freedom. My resolution is such an expression of appreciation for Colonel Montero. I encourage my colleagues to join me in extending a warm welcome to Ricardo Montero Duque and expressing our appreciation for his determination and strength in furthering the goals we all share for the future of Cuba and the causes of freedom and democracy.●

AMENDMENTS SUBMITTED

TAX REFORM ACT OF 1986

MATTINGLY AMENDMENT NO. 2058

(Ordered to lie on the table.)

Mr. MATTINGLY submitted an amendment intended to be proposed by him to the bill (H.R. 3838) to reform the internal revenue laws of the United States; as follows:

Insert at the appropriate place in title XVII, the following new section:

SEC. . MORATORIUM ON TAX LEGISLATION.

(a) FINDINGS.—The Congress finds that—

(1) constant and conflicting policy changes in the Internal Revenue Code of 1954 (hereinafter referred to as the "Tax Code") make it difficult for individuals to properly plan for the future.

(2) constant and conflicting policy changes by the Congress retard capital formation by increasing the risk of a project,

(3) constant and conflicting policy changes by the Congress place undue burdens on individuals and businesses by requiring utilization of financial resources to anticipate such changes and modifications in the Tax Code,

(4) the Internal Revenue Service is drained of limited resources in trying to adapt to changes in the Tax Code,

(5) one of the greatest burdens placed upon small businesses is the completion of paperwork to comply with the Tax Code, and constant changes by Congress unnecessarily compound this paperwork burden,

(6) any tax reform legislation passed by the Congress should stimulate economic growth, encourage investment, promote capital formation, expand job opportunities, and encourage savings, and

(7) the American taxpayer deserves certainty in the tax treatment of economic decisions.

(b) POLICY.—It is the policy of the Congress that the provisions of the Internal Revenue Code of 1954 which are added or amended by this Act remain unchanged for at least 5 years in order to provide stability for the American taxpayer and the private sector.

ADDITIONAL STATEMENTS

COMMUNIST CHINA—ARMS MERCHANT FOR THIRD WORLD

● Mr. GOLDWATER. Mr. President, in several statements in the Senate preceding approval, by congressional inaction, of the military avionics sale to Red China, I indicated that a primary reason for my opposition to the sale is the involvement of Peking as a major supplier of the Third World arms race, contrary to United States foreign policy interests. Lacking the foreign exchange needed to acquire advanced Western weapons systems and technology, Red China is and has been actively seeking to raise currency by pushing its present military inventory in the international arms bazaar, without regard to who buys the arms or what damage is done to peace and stability in areas of vital importance to the United States.

Oblivious to past known foreign arms transactions exceeding well over $4 billion by Red China, the administration had made it official Government policy to induce Peking to escalate its sale efforts in the Middle East, South America and elsewhere in order to find the $550 million in cash required to purchase the advanced avionics our Government wants Peking to have so that it can upgrade its fighter aircraft. Also, as Peking modernizes its military forces with American arms, this releases much of its older equipment for sale abroad.

Confirmation of these disruptive arms dealings by Communist China appeared this month in the authoritative annual military study published by the International Institute of Strategic Studies in London. As reported by the Washington Post on June 7, the institute concludes in its most recent issue of the Military Balance that Red China has sold $1.6 billion of arms to the radical Government of Iran alone. Then to further unleash the dogs of war, Peking has peddled its weapons to Iraq, becoming a supplier of each combatant in the same war. Clare Hollingworth of the London Sunday Telegraph first exposed these identical activities a year ago, giving strong credence to the accuracy of the reports. The meddling of Peking in the gulf war is matched by its attempts to unload arms on Marxist regimes in Africa and stir up the arms race in South America.

No matter that Chinese Communist officials have openly announced their design to finance military modernization by exactly such blatant intervention in Third World problems. No matter that Peking has loudly denounced United States air strikes in Libya as "state terrorism" and voted to condemn our Government in the U.N. Security Council.

This Congress and this administration seem prepared to coddle and kowtow before Red China no matter what Peking does. A myth has arisen that Red China supports Western strategic interests and no matter how often Chinese Communist officials themselves deny it, and prove otherwise, we hold onto this wishful thinking.

Red China is selling arms to one of our worst enemies and kindling arms races in places where the powder keg is already smoldering. By selfishly exploiting the enmities within impoverished countries which are desperate for food and necessities of life rather than weapons of war, Communist China is manipulating the misfortunes of others at the risk of creating greater international disturbances. Unfortunately, the U.S. Government is foolishly contributing to this state of affairs by giving Peking increased reason for accelerating its foreign arms sales activities.

Mr. President, when I charged that Red China was involved up to its ears in the Third World arms race, it seemed that on one believed it or would listen. Perhaps now that the same facts are being reported in the Washington news media, they will be noticed and acted upon.

The first thing the administration should do is to come to its senses and suspend all arms sales agreements with Communist China until we have proof of the source of payment. We should insist that no U.S. arms transfers be financed by Peking out of any

part of the gain extracted from its exploitation of the turmoil in developing nations. Second, we shoud insist that Peking stop supplying arms to terrorist nations and adversaries of the United States before we will allow the sale or transfer of any American arms for Red China to go forward.

Mr. President, I ask that the recent article in the Washington Post and an earlier report in the Wall Street Journal discussing the role of Communist China as an arms merchant for the Third World may each appear in the RECORD.

The material follows:

[From the Washington Post, June 7, 1986]

CHINA SELLING MORE ARMS TO IRAN, STUDY SHOWS—INSTITUTE CITES $1.6 BILLION IN RECENT PURCHASES, SAYS IRAQ ALSO A CLIENT

(By Daniel Southerland)

PEKING, June 6.—China, despite repeated denials, is selling weapons in large and increasing quantities to Iran, diplomats said here today.

The diplomats said the weapons have increased in quantity and value over the past year or two.

The diplomats did not have a total dollar value for the weapons sold, but they said an estimate of $1.6 billion in recent sales, a figure that appeared in the latest issue of The Military Balance, 1985-86, published by the International Institute of Strategic Studies in London, was credible. The sales were agreed to early last year, the London institute said.

The institute said China had also sold weapons to Iraq, which has been locked in a costly, protracted war with Iran, thus making China, like North Korea, a supplier to both sides in that war.

Not long ago, estimates of China's total arms sales to all overseas customers came to little more than $1 billion. But the Chinese have been moving agressively in this field, selling not only to Middle Eastern countries but also seeking markets throughout the Third World. Their latest target for overseas arms sales appears to be Latin America.

The institute listed China as a primary supplier to Iran, providing the Iranians with J6 interceptor jets, T59 tanks, artillery and surface-to-air missiles under an agreement that it said was concluded in March 1985.

The report said Iran also received arms, supplies and spare parts from Israel, North Korea, Eastern Europe, Argentina and Switzerland, among other countries. It said Iran also buys materials on the open market in Western Europe.

"Some Chinese weapons have been identified in Iranian service," the report said.

It said Iraq "has apparently received arms from Egypt, the Soviet Union, China, North Korea, France, Portugal and Brazil."

Chinese weapons are cheaper and easier to operate and maintain than weapons sold by western nations, making them a more attractive buy for many Third World countries.

The Chinese have been denying reports of arms sales to Iran since the early 1980s. The latest denial came at a regular press briefing in Peking on Wednesday. Foreign Ministry spokesman Ma Yuzhen, when asked about the report, recalled earlier denials and said China "strictly abides by the principle of neutrality in the Iran-Iraq war."

But both western and Asian diplomats in Peking have said in the last year that they were certain China had been selling conventional weapons to Iran for several years. They said the purpose appeared to be twofold: to earn foreign exchange for China's economic modernization program and to assure Chinese influence in a key part of the Middle East.

A western businessman here knowledgeable about the arms industry has said that if the Chinese can continue to increase their overseas arms sales they will earn more foreign exchange and will be in a better position to buy sophisticated military equipment from abroad of the type that they cannot yet produce themselves.

According to a report published in The Washington Post in the spring of 1984, China began secretly supplying arms to Iran by way of North Korea sometime after mid-1982. Diplomats said late last year that this channel continued to be used possibly along with others.

By funneling arms through North Korea, the Chinese could deny making direct arms deliveries to Iran.

Arms deliveries to Iran from China from 1982 to 1984 were said to include fighter planes, tanks, artillery pieces and light infantry weapons. In April 1984, the Chinese Foreign Ministry denied that China was selling arms to Iran by way of North Korea.

[From the Wall Street Journal, June 17, 1985]

YOUR FRIENDLY CHINESE SMALL ARMS MERCHANT

(By Clare Hollingworth)

PEKING.—In the past year, China has made an unprecedented and little-noticed entrance into the world-wide arms trade. As the producer of reliable, sturdy equipment at competitive prices, it is likely to carve out a sizable chunk of the global market for small arms in the next few years. Armaments will become increasingly important foreign-exchange earners for China.

Last year Peking sold $1.66 billion in weapons, accounting for nearly 7% of the country's total export earnings. It is now the world's fifth-largest arms merchant after the Soviet Union, the U.S., France and Britain. Although almost one-third of the goods—such as trucks for towing guns—could be classified technically as meant for civilian use, they were sold for military purposes. Exports are handled by China North Industries Corp. (Norinco), an organization established in the early 1980s by the powerful Military Affairs Committee, which is under the direction of Deng Xiaoping, China's leader.

Mr. Deng, pragmatic as always, convinced the commanders serving on the Military Affairs Committee that it would be wiser to sell arms to the Third World than to give them away as China had done in the past. He argued, with reason, that China's mines, grenades and rockets were second to none, while its wide range of artillery, mortars, automatic rifles and pistols was desirable because the weapons were long lasting, light, simple to operate and easy to transport.

Mr. Deng stressed that the foreign currency earned by selling China's wide range of conventional infantry weapons would enable the People's Liberation Army to purchase the sophisticated communications systems and other high-technology equipment the army urgently requires from the U.S., Western Europe and Japan. He ordered the country's top arms experts to be released from other duties to set up Norinco. But even Mr. Deng did not expect the spectacular results that have been achieved so quickly.

Like every other nation selling arms, China tends to be secretive about its clients, but it is clear that it has already sold considerable quantities to Pakistan, North Korea, Albania, Zaire, Sudan, Tanzania, Egypt, the Gulf States and Algeria, as well as to other African and South American countries, and to rebels battling the Soviets in Afghanistan and guerillas fighting the Vietnamese invaders of Cambodia.

Western military experts say—though the Chinese deny it—that in March Norinco signed an agreement with Iran to sell it $1.6 billion in weapons over the next two years. The reported contract includes 12 F-6 fighter aircraft, 200 T-59 tanks, and antitank guns and rocket launchers. Earlier reports, also unconfirmed, claim that China has already sold hundreds of tanks to Iraq with North Korea acting as the middleman. (Several Western diplomats who served in Iraq have reported seeing Chinese tanks there.)

In the new Industrial Region of Inner Mongolia and Shanxi, I recently visited a large and impressive plant that produces China's main battle tank—the T-69. The parts are produced and assembled in nine separate factories. Production is controlled by an elaborate computer center. Near the tank plant are a modern steel plant and a large truck and tractor factory.

A few hundred kilometers away, workers produce the 122-mm howitzer and the 130-mm rocket launchers that were so conspicuous in the National Day parade in Peking last Oct. 1. The engineers said the designs of their weapons were "all Chinese," stressing that they hadn't modernized or adapted Soviet weapons.

(The same engineers have created a highly successful spinoff for civilian use by utilizing the machine tools used to produce gun barrels to make the lengthy narrow steel tubes oil drillers need. This equipment used to be imported into China at considerable expense.)

Other technicians were keen to show me their new designs for a 180-mm rocket launcher and for antitank guns. They discussed their efforts to increase the range of the new rocket and claimed, with truth, to have overcome the problems in the accuracy of firing caused by the vibrations of the truck transporting the rocket.

Farther south, I watched the F-5 training aircraft and the F-7 fighter being produced at a large plant known as the Aircraft Corporation. Seven large factories there make the parts and assemble these subsonic aircraft, which are widely used in China and exported to Egypt. These and other aircraft are outdated but officials maintain they are being upgraded.

Another plant produces motorcycles for civil and military use. There are four types of motorcycles being manufactured for civilian use, and one extra-fast model for military purposes.

The few foreign experts who have observed Chinese units operating the new weapons Norinco is offering are impressed. These weapon systems have gone through years of experimentation at company, battalion and regimental levels in the field. For example, one German officer said that the soldiers need neither rigorous training to use the antitank guns and rocket launchers, nor great physical strength to move and assemble them.

Chinese attempts to secure industrial cooperation with the Soviet Union are dependent on the state of their general relation-

ship. Moscow's assistance is necessary if Soviet-constructed factories are to be modernized. China could then step up its exports of defense equipment as well as refurbish some domestic army divisions.

In any event, Chinese weapons are effective, accurate and reliable in action. They should appeal to developing nations, which do not need—and cannot afford—more sophisticated equipment.

Brazil is one of the countries most likely to be affected by China's entry into the arms market. Not only has Brazil been selling the small arms its produces, it also has been acting as a middleman for countries that do not want to come out into the open in the arms trade. In 1984, Brazil sold about $2 billion in arms and equipment. West Germany, which sold about $1 billion in defense equipment last year, will also be affected by Chinese competition.

China is eager to attract more buyers and is increasingly aggressive in its sales techniques. Norinco now boasts a first-class exhibition hall near Peking where clients may view many of the weapon systems offered for sale. Officials stress that all their "systems are simple, robust, efficient and, even more important, cost effective." Norinco recently has opened branches in Canton, Tianjin, Shanghai, Dalian, and the Shenzhen special economic zone near Hong Kong. It is producing slick color brochures in English and French about its products.

As an arms merchant, China will not in the foreseeable future rival the superpowers. It lacks the know-how required to make the high-level sophisticated military equipment produced by the Soviets, the Americans, the French and the British. As a seller of small arms, however, China already has made a profitable entry into the business and its share of the market is likely to increase.●

REV. ALLAN BOESAK

● Mr. LEVIN. Mr. President, earlier today I was pleased that 14 of our colleagues joined with Randall Robinson of TRANSAFRICA to extend a welcome to Rev. Allan Boesak, a leader in the fight for freedom in South Africa. As we expected, Reverend Boesak brought with him a passionate message of hope and fear—hope for freedom and human dignity for all South Africans, fear that the government in Pretoria will not allow that freedom or dignity to be achieved without even more bloodshed and violence.

While we do not yet have a transcript of Reverend Boesak's comments, I do want to share with my colleagues some remarks prepared for my introduction of him. I hope that they communicate a sense of the stakes in the current struggle. And I hope they suggest even a fraction of the admiration and respect I have for the men and women—both here and in South Africa—who have joined with Reverend Boesak in fighting for change in that troubled land. Mr. President, I ask that the text of my remarks may appear in the RECORD.

The remarks follow:

INTRODUCTION OF REV. ALLAN BOESAK

Reverend Boesak, I want to welcome you and thank you for being here today. Your presence demonstrates, I hope, your belief that the Congress cares; the presence here of members and staff demonstrates, I believe that we are determined to do what we can to deal with the crisis in South Africa and improve American policy in both the state and region.

I would like to thank Randall Robinson of TRANSAFRICA who was gracious enough to accommodate my office and 13 of my colleagues in the Senate, and Congressman Gray and a number of his colleagues in the House in making Reverend Boesak's visit here today possible. Our efforts in the Congress are strengthened and supported by the fine work that he and his organization have done to make the public aware of the problems in South Africa.

Allan Boesak, of course, has long been aware of those problems. He has lived with them for all of his 40 years. As a young man, he found a refuge from the inhumanity of the system by turning to religion. His mind moved by words of love and visions of understanding, he studied theology at the Theological University in Bellville, South Africa. In time, he left South Africa to pursue advanced degrees. He studied at the Union Theological Seminary in New York City, and at Colgate-Rochester Divinity School. In 1976 he was awarded a Doctorate in Theology at the Theological Academy of Kampen in the Netherlands, and in 1984 he received a Doctor of Divinity degree from Yale University.

Since 1976, Reverend Boesak has been in the forefront of the fight for freedom and racial justice and harmony in South Africa. It hasn't always been easy. And recently it has gotten harder.

Reverend Boesak is a prominent theologian in the Dutch Reformed Mission Church in the Republic of South Africa. He is Chaplain at the University of Western Cape, the Peninsula Technical College, and Bellville Training college for teachers, and serves as pastor of the Mission Church in Bellville. In August, 1982, Dr. Boesak was elected President of the World Alliance of Reformed Churches, an organization representing 150 member churches in more than 75 countries, with a total membership of over 70 million people. He also is Senior Executive Vice President of the South Africa Council of Churches.

Dr. Boesak is founder and patron of the United Democratic Front (UDF), a broad, multiracial coalition of South African Civic associations, student bodies, youth, labor, and church groups, formed in 1983 to oppose the South African government's new constitution. The UDF has become the most prominent vehicle of peaceful protest in South Africa.

Through his work in the church, Dr. Boesak has emerged as "the articulate new theological voice for the Black people of South Africa." He has played a leading part in defining a meaningful role for the Church in South African society. Consider just one example of Dr. Boesak's and the Church's role in attempting to promote social change. On August 27, 1985, one day prior to a planned march by thousands of South Africans to deliver a message of solidarity to imprisoned Nelson Mandela, Reverend Boesak was detained by the police in Cape Town, under Section 29 of the Internal Security act, which provides for interrogation of people suspected of involvement in, or having knowledge of, the planning or commission of an act of "terrorism."

Dr. Boesak knew that might happen. Before he was detained, while the demonstration was still being planned, he sent a message to the Minister of Law and Order stressing that the march was conceived as a peaceful demonstration of a "deepfelt conviction." Reverend Boesak ended his message with these words: "Please restrain the police and give non-violent action a chance."

Since that plea, since that request to give non-violence a chance, more than 1,600 people have been killed, at least 8,000 have been detained, including over 2,000 children younger than 16—hundreds between the ages of 8 and 12.

As a theologian and as an activist, Reverend Boesak has struggled with the problem of evil and the need to confront it, to defeat it, without being overcome by it. Here is what he has said:

". . . the problem with non-violence is if it does not bring tangible results that the people can see and that can actually give them hope, then this very philosophy which can be such an incredible contribution to a more human and meaningful society even in South Africa, this very philosophy becomes an ally of the oppressor."

"Inevitably, there's going to be much more repression, there's going to be much more bloodshed. I only hope that even in the midst of this there will be people in my country who will cling to the dream of a society where reconciliation will still be possible and where something that is human and worthwhile can still be salvaged from the mess in which we find ourselves. I, for one, refuse to give up hope."

I too refuse to give up hope. But I must confess to being discouraged from time to time. We have become so used to using terms like "crisis" to describe conditions in South Africa that the word loses its force. But we now have a scheduled confrontation due to take place later this month.

On June 16, we will mark the tenth anniversary of the Soweto uprising. Ten years since 600 young blacks were killed. Ten years since the police shot into a crowd of human beings who had gathered in an effort to secure their rights as human beings. Ten years.

And what has changed in those years? Blacks are seeking the right to commemorate that slaughter; and the government reacts by banning all public meetings and protest demonstrations.

But I know, and you know, and Reverend Boesak knows, and the government in Pretoria knows that those demonstrations will take place. And all their ban does is give them a "legal" cover for an illegal and immoral restraint on human freedom.

But that is what happens all too often. Look at another example.

For years many of us have called for freedom for Nelson Mandela. Artists wrote songs calling for it; politicians filed resolutions demanding it; the Senate voted for it. And now there are stories circulating which suggest that the government in Pretoria is considering it.

The government may free Nelson Mandela—while awaiting events on June 16th and passing new laws prohibiting public demonstrations?

The government may free Nelson Mandela—without requiring him to sever his connections with the ANC while, at the same time, the same government bombs suspected ANC centers in neighboring lands?

The government will hopefully free Nelson Mandela. But how will they try to use Nelson Mandela.

We know—we know—that if Mandela is freed there will be ceremonies, there will be

speeches, there will be mass meetings—and there will be violence if the government wishes it.

We have seen it before. The Philippines freed Benito Acqino—and killed him when he used that freedom to return to his homeland. How will a similar government—the South African government—respond when Mandela uses his freedom?

Would any answer to that question—even a violent answer—really surprise us? Could it shock us coming from a government whose police forces have killed—killed—over 200 black children in the last year and have tortured and maimed thousands more? Could it be unexpected when that government has introduced legislation granting itself the authority to detain people for up to six months without bringing any charges against them?

No, we ought not be surprised if freedom is linked to repression. But we ought to be ready to try to prevent it.

Those of us who have fought for Mandela have an obligation to continue to seek his freedom and a responsibility to do everything we can to make sure that his life as a free man is long, peaceful and prosperous.

One person who may help us discharge those twin responsibilities—both in regard to Mandela and the context of our larger policy toward South Africa is Reverend Allan Boesak. Like us, he too has a twin responsibility—the responsibility of a Christian theologian and a charismatic activist.

Those are never easy burdens to bear—ask Martin Luther King or Bishop Tutu—but Reverend Boesak has borne them with dignity and effectiveness. He has borne the burden of jail, borne the personal attacks on his character, borne the brutal treatment which is the reward for seeking freedom in South Africa.

He will not be jailed for speaking today. He will be listened to. We welcome him here and want to hear his views on the situation in South Africa and how he thinks America ought to respond to those needs.●

POLITICS AND WEAPONS SALES

● Mr. MATHIAS. Mr. President, last week the Senate was engaged in one relatively minor aspect of the vast international commerce in weapons and military equipment. To put our own role in perspective and to prepare ourselves for the next chapter, it is important to take a comprehensive view of these transactions.

John Newhouse has written an informed and valuable article on this subject in the June 9, 1986, issue of the New Yorker. Every Senator will find it interesting reading and essential to an understanding of a complex issue.

I ask unanimous consent that it be printed in the RECORD.

The article follows:

[From the New Yorker, June 9, 1986]

THE DIPLOMATIC ROUND: POLITICS AND WEAPONS SALES

(By John Newhouse)

Relations between the friendliest of countries occasionally become agitated, but never more so than when their governments are competing to sell weapons to some other government. The bigger the sale, the frothier relations become. In a world as prone to violence as ever, and with technology begetting weapons of constantly increasing competence and destructive power, the stakes for venders of arms are vast and compelling; they involve huge sums of money and the prospect of long-term supplier-client connections from which a stream of benefits—financial and political—will flow. Typically, a contract covers not just the weapons to be delivered but also support systems and spare parts that, over the "life cycle" of the weapons, may amount to more than double their original purchase price and will deepen the political ties inherent in the deal. Also, the vendor usually provides people to train the buyer's military forces in the operation and maintenance of the equipment, most of which, these days, is very complicated and becoming more so. Because the training programs are usually long term, the visiting technicians may become a strong presence and, as such, another source of political influence for their government.

A company competing to sell weapons abroad can rely on its government to do everything within and often beyond reasonable bounds to win. Indeed, governments usually take the initiative in the more politically sensitive—hence crucial—aspects of the transaction. Presidents and prime ministers will play leading roles and display formidable determination to prevail by whatever means. The well-being of their defense-related industries, not to mention many thousands of jobs, may depend, or seem to depend, on winning a given contract. France and Britain are the West's second-largest and third-largest sellers of arms. (America leads the field commandingly.) In both countries, unemployment is the major issue, and both must export to sustain their armaments industries. Traditionally, at least thirty percent of all French-made weapons are earmarked for export; many are really designed for the overseas market instead of reflecting the needs and preferences of the country's own military forces. Britain is nearly as export-conscious.

The Soviet Union aside, America is the largest buyer of arms as well as the largest supplier of them—a dual preeminence that is very hard on French, British, and other venders. They have trouble competing with the United States for sales, because so many customer countries feel, in varying degrees, that their security is linked to the United States, and thus prefer to buy weapons from the American shelf. And then, even though America is the largest supplier of arms to Western Europe, European venders find penetrating the American market to be nearly impossible; it is an American domain. This absence of what in Western military circles is called "two-way-streetism" has been a continuing sore point with Europeans—especially the British and the French. But recently, in two epic head-to-head battles with one another, France and Britian each captured an enormous contract—one of them larger by far than any that either country had ever landed. Astonishingly, one of the prizes, France's, lies within the heavily defended American sanctuary; the other, a rare but exalted British triumph, amounts to an invasion of what in recent years has been another American preserve—Saudi Arabia's Air Force.

Most of what led to these improbable outcomes was known only to a small circle of senior people in government and industry in the countries directly involved, and to some of their diplomats. Among the closely involved people were two heads of state—President Francois Mitterrand of France and King Fahd of Saudi Arabia—and Britain's Prime Minister Margaret Thatcher, who was much the most active and visible of the major players and was continuously at the center of both transactions, partly because her strong relationship with President Ronald Reagan was thought to be of pivotal importance to both; her role linked the deals. Reagan was also heavily involved, because much of the action swirled around his office; but he wasn't made aware of most of it, and his role in both affairs was a passive one.

The Saudis were buying advanced combat aircraft, and the American Army was buying something even more advanced—a mobile communications network that would resist jamming and allow commanders to stay in constant touch with their units by cellular telephone, even when the units were on the move during a major battle. The Army was ready to spend four and a half billion dollars on this equipment, which was already being used by the British, French, and Belgian Armies. The Saudi aircraft deal appeared to be worth at least five billion dollars, and has turned out to be worth much more. The actual amount of money involved has now reached the equivalent of seven billion dollars, and the overall figure may eventually be as much as twenty billion, making it much the largest arms sale ever. The value of the orders and the allure of the American and Saudi markets assured a brace of richly inventive struggles between the French and the British.

Misinformation added to the intensity, with each side often misled about the strength of the other's position and each victimized by rumors about its rival's tactics and their effects. Each affair became a mirror image of the other. The French were convinced that they had won the Saudi deal, and at one stage did seem to have won it, but they somehow lost it to the British, who had expected to win the American Army's order but lost it. Each side has since been conducting a serious post mortem on what went wrong with the campaign to win the order it lost. The French still don't know what to make of their loss of the largest order that ever lay within their reach; the conspirational view comes easily to them, but the elements of conspiracy in this case are at best dimly seen. As for the American order, the British are discovering that blunder, miscalculation, and appalling ignorance lay behind their failure, which seems to be a commercial equivalent of the military fisaco in 1956, when they invaded Egypt during the so-called Suez crisis.

In buying British, the Saudi Royal Family is refashioning the link with its original patron and protector; an affinity between the British and the Saudis dates to the First World War. "They have much in common," a British authority on Saudi Arabia says. "Both are slow to give friendship, but, once given, it is forever." And an American who knows the Saudis equally well says, "We stole the Saudi connection from the British at the end of the war." The initial American connection with the Saudis was made in the early nineteen-thirties, when the Saudis sold some oil concessions to Standard Oil of California for a few hundred thousand dollars. The Saudis were then earning foreign exchange from a declining trade in pilgrimages to Mecca and Medina—the holy places of the Hejaz, a stretch of desert on the western shore of the Arabian Peninsula. By the end of the Second World War, the American oil companies and their government had dis-

covered that Saudi Arabia contained about twenty-five percent of the world's known oil reserves.

In February of 1945, President Franklin D. Roosevelt, on his way back from the Yalta conference, met with King Ibn Saud, the lofties figure of his country's short history. Roosevelt didn't tell Winston Churchill, a fellow-conferee at Yalta, about this unscheduled stop until the day before the conference ended. Churchill, too, was planning is see Ibn Saud, but Roosevelt reached him first. He and Ibn Saud got on well—so well, in fact, that Roosevelt assured his host that he would do nothing about the Palestine question without clearing it with Saudi Arabia. (The Saudis, at least, considered Roosevelt's language a commitment, whereas the State Department version was that F.D.R. had promised only to keep Ibn Saud informed of his intentions.) Moreover, Roosevelt's gift to Ibn Saud—an airplane—impressed His Royal Highness far more than Churchill's gift of a Rolls-Royce.

By the early nineteen-sixties, the Saudis had decided that they liked airplanes. They went from the camel to the airplane with nothing in between, as some have noted. They had little choice. As the country became richer and more of a presence regionally, the need for air defense grew. An area the size of the United States east of the Mississippi cannot be defended with an Army that is limited in size by a population estimated at between eight and twelve million. Nor is it clear, or even likely, that this Army of only thirty-five thousand men can reliably defend what it is supposed to defend—the oil fields and the holy places. (Also, many Arab sheikhdoms and kingdoms, including Saudi Arabia, tend to neutralize an army's mischief-making potential by having a well-armed—possibly better-armed—paralled force. If the army has tanks, this praetorian guard usually has the anti-tank weapons.) Along with air power, the Saudis sought a solid American connection, mainly because they reckoned that the United States could and probably would protect them from marauders. They were beginning to educate their children in America, and they also assumed, rightly or wrongly, that American technology was the best in the marketplace.

They were, in short, casting their lot with America. What seemed to make the most sense was building an air force mainly of American airplanes—an attitude encouraged by people around President John F. Kennedy. They offered to sell the Saudis military aircraft, but then pulled back when Israel and its allies in Congress objected. Washington consulted the British, who know the Saudis best, and a solution was found: Britain, not America, would sell the airplanes—specifically, interceptors called Lightnings to the Saudis and, with the money earned from the sale, buy somewhat more advanced American aircraft for themselves. The Saudis, who were then naive and less experienced in the ways of big powers, never knew that their force of Lightnings had been fetched by an Anglo-American deal.

At first, the Saudis lacked people to fly the Lightnings or to keep them ready to fly. Britain solved the first problem: the Royal Air Force had a surplus of pilots at the time, and a number of them took on the job of flying the Lightnings and training Saudi pilots. The maintenance role fell to a skilled immigrant work force composed mainly of Koreans and Filipinos. The training program, which continues to this day, was very successful; Saudi pilots are now judged the equal of any in the entire region except Israel's. But Saudis haven't taken to maintenance as they did to flying; immigrant workers continue to do most of that. "The Saudis are still the victims of their traditions, and regard themselves as warriors and lovers, not mechanics." an American specialist says.

In the late nineteen-sixties, with the Saudis even richer and becoming even more of a regional presence, Washington decided that their main defense connection should be with the United States Air Force.

They were encouraged to buy an American aircraft called the F-5, and this became the workhorse of the Saudi air arm. In the mid-seventies, however, the American Air Force told the Saudis that they needed something more advanced, and suggested that they buy one of three different American-made combat aircraft. Here is worth noting that in their sometimes successful, sometimes unsuccessful efforts to buy American military aircraft the Saudis are reacting to strong recommendations, and even pressure, from the American Air Force. The Saudis don't usually seek equipment until their American patron has convinced them that they need it; in all such deals, including the most controversial of them, it is not the Saudis but the American Air Force that pushes hardest. The Saudis chose the F-15, a high-performance airplane that is as ideally suited to aerial defense as any in the world. The Air Force was urging the Saudis to buy a hundred and ten of them, but the Saudis demurred, saying that they had neither the pilots nor the mechanics to absorb more than sixty—the number they asked for. The Administration of President Gerald Ford agreed to the sale but, with the 1976 elections lying just ahead, didn't want to confront the issue that it was bound to create by seeking congressional approval. Thus, in 1977, the new Administration of Jimmy Carter had to deal with it. The Carter people decided to fulfill the commitment to the Saudis which they had inherited, and to take on a large hostile bloc in Congress. A bruising battle ensued, and, rather to the surprise of most of those who were doing head counts in the Senate, the sale of sixty-two F-15s was approved on May 15, 1978, by a vote of fifty-four to forty-four. However, the approval was hedged with constraints: equipment such as bomb racks and external fuel tanks, which can turn defensive aircraft into strike aircraft, would not be made available to the Saudis even if they wanted them. And Howard Baker, who was then the Republican leader in the Senate, insisted that Saudi F-15s must not be based at Tabuk, which since the second century has been a strong point guarding the approaches to the Arabian Peninsula but is also the only Saudi airbase near Israel, whose military aircraft fly over it from time to time.

The revolution in Iran that brought Ayatollah Khomeini and his band of fanatics to power, and then the outbreak of war between Iraq and Iran, with the prospect of Iranian military pressure on the eastern shore of the Persian Gulf, created a new and graver threat than any the Saudis have known. They agreed with the American Air Force that they needed another string to their bow—specifically, the Airborne Warning and Control System, or AWACS, a radar-laden and astonishingly capable surveillance airplane. In early 1981, the Saudis asked to buy five of them, along with six tanker aircraft. The entire package was worth eight and a half billion dollars, but it, too, mobilized Israel and Israel's congressional partisans; they were aware that by then the Saudis were also seeking the proscribed bomb racks and fuel tanks for their F-15s, as well as highly sophisticated air-to-air missiles. The Carter Administration had never fully recovered from the F-15 struggle and, like Ford's, chose to avoid becoming embroiled in a major row over Middle East arms sales before a Presidential election. The AWACS issue was going to have to be dealt with by the Reagan Administration, which quickly decided to approve the Saudi request for the AWACS, the aerial tankers, the external fuel tanks, and the air-to-air missiles. Through most of 1981, the White House and Congress quarrelled over the Saudi arms package; Reagan's people won the battle, as Carter's had three years earlier, but they paid an equally heavy price and, like their predecessors, were left with no appetite for a return engagement. Moreover, none of the five AWACS sold to the Saudis have been delivered—the first delivery is scheduled for the end of June—and Senator Alan Cranston, a senior Democrat from California, appears to be leading yet another effort to kill the deal. The domestic American strife that accompanies the Saudis' requests for arms, together with the attacks on the Kingdom which the requests set off in Congress and in the press, are an irritant in American-Saudi relations. Israel and Egypt obtain more military aid from America than other countries do, but, unlike the Saudis, don't have to pay cash for most of the weapons they get; also, the agreements governing arms transfers to Israel and Egypt are not encumbered with conditions on where the weapons may be based and how they may or may not be equipped.

The Saudis feel that their importance to America equals that of any of their neighbors, and should be more clearly reflected in their relations with Washington. They have also come to feel that their need for weapons matches that of their neighbors to the east and west. Within two years of the vote on the AWACS, they had decided that they did need the forty-eight additional F-15s the Air Force had urged them to buy. The Saudis don't contemplate attacking anyone, if only because they are afraid of most of their principal neighbors. But they do want to be able to defend themselves, and the F-15, because it is mainly a defensive aircraft as distinct from a strike aircraft, still seemed ideally suited to their needs. Also, the Saudi Air Force, which was growing familiar with the F-15s and wanted more of them, had become another élite. Its people, unlike those in the Army and the Navy, are highly trained and self-confident. And because they are a professional élite group they may be less sympathetic to the traditions of the Royal Family than the other services are. There is even some fear of the Air Force as a potential kingmaker. "It has a somewhat dodgy history," a British expert says. He was referring to an incident in the early nineteen-sixties—during Egypt's war in Yemen—when a few disaffected Saudi princes declared themselves a separate government. Some Air Force officers joined their modest rebellion, which the regime quickly squashed.

Although the F-15 was the first choice of the Saudis, they were also debating the merits of two other airplanes—one British and one French. They felt that they needed options, because it was far from clear that the Reagan Administration would take on the burden of trying to steer another Saudi aircraft buy through Congress. Britian's

candidate was the Tornado, which, unlike the F-15, is a strike aircraft, and is one of the most capable offensive weapons made anywhere. (Actually, the Tornado was jointly created by Britain, West Germany, and Italy, but the British version was the one being considered by the Saudis. German policy has generally forbidden sales of arms—except naval vessels—to Third World countries.) France's candidate was the Mirage 2000, another high-performance, defensive airplane, which in one version does have some strike capability. The two airplanes are considerably different: the Tornado weighs about fifteen tons, has two engines, and costs more than the Mirage 2000, which weighs about half as much and has one engine. Some of the Saudis who assumed that additional American planes wouldn't be available were tilting toward the Tornado, because it was the more advanced as well as the more menacing of the available aircraft. Britain's Ministry of Defense and the British Aerospace Corporation, which makes the Tornado, were doing what they could to encourage the tilt. The argument went: If you have the money, why not buy the most advanced airplane? The British also argued that the better part of defense lies in being able to deter an attack; a potential aggressor, they said, will be deterred more by your ability to injure him than by your defenses. To pin down the point, they said, "Just look at the Israelis." The Tornado, however, is said to have worried some members of the Saudi hierarchy; it was one thing to have inoffensive toys in the form of modern aircraft being flown about the desert by hot-blooded young pilots, and quite another to give these same pilots the capability of actually attacking another country and perhaps starting a war. In any case, everyone, including the British and the French, understood that the Saudis would continue to buy American airplanes if they could. If not, they would buy British or French—in which case the British would rely on their old tie with the Saudis, the presence of their training program, and the attraction of a strike aircraft. The French, who had been selling a lot of equipment to the Saudi Army and Navy, would try to exploit these new ties and also the attraction of an airplane that was less costly and better suited to traditional Saudi purposes.

On all sides, it was clear that Washington would do nothing about the Saudi request until after the 1984 Presidential election. Early in December, just a month after the Reagan landslide, Secretary of Defense Caspar Weinberger went to Riyadh to propose an arms package to King Fahd. The offer covered the additional F-15s, and was supported by a letter from Reagan to the King. The Saudis saw the letter as a solemn Presidential commitment. I asked a State Department official whether the letter had committed Reagan to selling more airplanes. "The commitment was made by Cap Weinberger in Riyadh," he replied, adding that the letter was "warm but fuzzy." (Documents involving price and other matters were drawn up and signed later.) And did Weinberger's visit commit the United States to selling the additional F-15s? "Yes, we were absolutely committed," he said. "There was a strong desire in the Pentagon to make this happen. Cap is the senior Saudi desk officer over there. He's very pro-Saudi, and his attitude was 'Damn the torpedoes, full speed ahead.' The N.S.C."—the National Security Council staff—"wasn't opposed but was very mindful of Congress. State wanted to go ahead with the sale, but was more concerned than Cap with the pitfalls in Congress." This comment recalled conversations that I had with other American diplomats at the time of Weinberger's trip. Two of them told me then that the Administration probably wouldn't do much about the peace process in the Middle East, but that from Reagan on down it was fully committed to selling arms to Saudi Arabia and Jordan. Still, when I asked a senior Israeli figure about this he said there wouldn't be any arms sales to these Arab states, because Israel's friends in Congress were more than strong enough to block them. He observed that some members who had voted for the AWACS sale had just lost their seats in the November elections.

The sale of the F-15s was to have been announced during a state visit by King Fahd in February of 1985. It wasn't. In January, a few weeks after Weinberger's trip, Robert (Bud) McFarlane, who was then chief of the N.S.C. staff, had alerted a few key people to difficulties on Capitol Hill. "Bud read the problem, and he read it early," one closely involved figure says. Later in the month, the Administration announced a halt in arms sales to Middle Eastern countries while it made a "comprehensive review" of the needs of Israel and the moderate Arab states. Secretary of State George Shultz wasn't giving up, however. He wanted to sell the airplanes, but he wanted something, in return—specifically, a Saudi commitment to support a peace initiative that King Hussein had launched. Washington has often tried to maneuver the Saudis behind a moderate Arab peace initiative; the tactic has never succeeded, and probably never will. Saudi princes are too easily intimidated by immoderate neighbors and their potential sources of support within the Kingdom. Their reluctance is reinforced by Washington's own unwillingness to take political risks for such steps. Saudi princes look for a consensus to join but won't take part in creating it. Moreover, they resent American efforts to link arms sales to the Palestine issue or any other issue. They see the main threats to their security as lying to the east—on the Persian Gulf. Shultz was saying to them, in effect, "If you support Hussein's initiative, we will support you. We need you." The Saudis were saying, in effect, "But what about you? You yourselves haven't supported Hussein openly, and you seem ambivalent. Meanwhile, there is a hot war in the Persian Gulf. We have to be able to discourage the Iranians from spreading it. Yes, the peace process is important, but we have real enemies." It was a circular dialogue. "The professionals at State all thought the linkage was stupid," one of them says.

In late May of last year, Prince Bandar bin Sultan, the Kingdom's high-voltage Ambassador to Washington, was in London talking with Mrs. Thatcher about a possible purchase of Tornadoes. A senior American diplomat called from Washington and asked Bandar to talk with one of his deputies, who happened to be in Paris and would come to London. The meeting was arranged, and the American told Bandar that the F-15 deal could go forward provided that the Saudis agreed to support a parallel arms sale to Jordan and, what's more, help the Jordanians pay for it. Bandar reported the offer to King Fahd, who declined to tie Saudi defenses to anyone else's. Back in Washington, Bandar met separately with Shultz and McFarlane, each of whom, I'm told, disavowed any intent to link the two arms deals. Bandar then asked for and got a meeting with Reagan, who echoed Shultz and McFarlane. Whatever else was said, the linkage notion was dead, and so, it appeared, was the American commitment to sell the F-15s. Washington then tried putting together a different arms package—one shorn of the F-15s. "At that point," according to an American diplomat, "the Saudis said, 'We have to defend the Peninsula, and must therefore buy European. How do you Americans feel about that?' We hesitated, amd then said go ahead." Bandar was informed by McFarlane of the Administration's position. Despite a solemn American commitment—not to mention a monumental deficit in America's trade balance—the Saudis were being advised to spend many billions of dollars for someone else's airplanes. They said that they wanted a letter from Reagan authorizing them to withdraw from the agreement and buy elsewhere. In July, Reagan wrote such a letter to Fahd. I asked a senior State Department official why the Saudis had asked for the letter. "They wanted no misunderstanding between the Administration and the Kingdom," he said.

The British and the French had not been just idly observing this curious drama. For nearly two years, each of them had pressed the Saudis to choose its airplane if the F-15 deal should fall through. "When Cap was in Riyadh, both the British and the French were there in strength," says an American who was also there, "I remember one afternoon when the chief of staff of the R.A.F. and an equally senior Frenchman were in adjoining bunkers watching a demonstration by the Saudi Air Force." The British weren't optimistic. They regarded the French as better arms merchants. They considered Mrs. Thatcher their own best salesperson but not an equalizer. Actually, the French do outperform the British in the small-services department: they provide clients with bodyguards, they waive immigration procedures, and they manage press coverage—especially on state-owned television—very effectively. The Saudis are made to feel more welcome in France than in Britain or America. In 1980, the French sold six warships, twenty-four helicopters, and a number of missiles to the Saudi Navy, thereby upsetting the Pentagon's plan to train and equip it. Four years later, France won a tough competition with America for the Saudi purchase of a missile-defense system. The later deal was valued at four billion dollars, and was the largest up to then ever obtained by any European arms supplier. But the aircraft purchase was the sweepstakes event, and here the British had taken an early lead over the French. In January of 1984, the British Defense Secretary, Michael Heseltine, went to Riyadh and met with his counterpart, Prince Sultan bin Abdul Aziz, who is a full brother of King Fahd. London and Washington both consider Sultan very pro-French. He nonetheless expressed a strong interest in buying Tornadoes, and even signed a nonbinding letter of intent. The British began to think that they, and not the French, might win the prize of prizes if it turned out that the Saudis couldn't buy American. "We made a lot of progress in the early months of '84," a member of the British sales team says. Then they sensed the tide turning against them and in France's favor.

The tide did seem to turn in April, while

King Fahd was vacationing on the Côte d'Azur. Fahd takes a geostrategic view, and likes discussing world issues as much as regional politics. "I knew him when he was Crown Prince," a French diplomat says. "He spends most of his time talking about East-West relations and strategy." Fahd had been put off by the manner in which both Washington and London withdrew forces from Beirut a few weeks before. It looked to him as if the Americans and the British had just cut their losse and, in some disorder, run from a situation they had agreed to stabilize. The French stayed longer and left in good order—even with a bit of fanfare—and thus impressed Fahd. Charles Hernu, who was then France's Defense Minister, flew down from Paris to meet with Fahd, who talked about modernizing his Air Force and expressed an interest in the French airplane. Fahd then went to Paris and continued the discussion with Mitterrand. A bizarre situation was—or seemed to be—developing. "At that point, Fahd had three countries thinking that he would buy their airplanes," an American insider says. And a British banker says, "It was a Saudi cock-up. There was Sultan, who had signed a letter of intent to buy British, and there was his King, who was undertaking to buy French." Actually, Fahd hadn't gone nearly that far, and the Frensh set about retrieving Sultan and anchoring his support for their airplane. They think that he supported their bid to the very end. Others disagree.

The French had some other Saudi connections, who were less prominent but very useful. One of them was Akram Ojjeh, a picaresque Syrian-born Saudi national who lives in Paris and has amassed a huge fortune by acting as an agent in arms sales—mainly French sales. The role of agent in these deals has acquired some notoriety, because a commission of between three and seven percent on a multibillion-dollar transaction is a figure to pause over. However, the agent in Saudi matters is normally a front man, and a share—probably a large share—of what he earns is routed to the Royal Family, sometimes through one of the less visible members or through a trusted individual.

This practice is more than a way of expanding the private wealth of family members; it allows princes with large responsibilities to acquire resources for their official domains without going through the Saudi bureaucracy. The job of the concealed prince or the trusted individual is to see that the financial ins and outs of a given deal are well managed and that the money generated by the commission and other fees goes where it is supposed to go.

Ojjeh had made a connection with a man named Khalid bin Abdul Aziz al Ibrahim, who is an unofficial adviser to Fahd and is the brother of his most recent wife and clear favorite. "Ibrahim was the entry into the Royal Family," a closely involved French figure says. Wafiq Said, another Syrian-born Saudi national, also had an important role. Said is Cambridge-educated, based in London, and was for a time associated with Ojjeh. Both are close to Sultan. At first, it seemed that Ojjeh and Said would back the same side, but they split, with Ojjeh helping the French and Said the British. Said arranged Sultan's letter of intent to buy the Tornado, according to a British banker, who described the struggle between the two agents as "titanic."

Ojjeh and his French client felt that they held the high cards. Their airplane was cheaper on the open market, the King seemed to be leaning their way, and a link to the Ibrahims had been established. They doubted whether the Saudis would buy a strike aircraft, and so did the British. I asked a member of the British sales team about that. "I go flat no's for two years," he said. "They didn't want to be seen by the world as having an offensive capability." The Saudis had even invested some money in the development of the French airplane. "Around Christmas of 1984, we were told that France had it won," a key Whitehall figure says. In the spring of 1985, when it looked as if the Americans would renege on their commitment to Fahd, the French judged that the British were soundly beaten. In fact, the French were by then being outflanked, and by mid-July it was they who were beaten, although they didn't know it. "All the Saudi defense people favored the French airplane and were telling the French what they wanted to hear," a French authority says. "A few people did see the handwriting on the wall when the Saudis cancelled a meeting in May between Sultan and Hernu."

Britain's triumph was engineered by Prince Bandar. He did it by forging a link between Fahd and Mrs. Thatcher that was stronger than any of France's links. Wafiq Said helped, but Bandar, because he now has more influence with Fahd than anyone else, was able to take charge of the affair and shape the outcome. Bandar, at thirty-six, is as interesting as any diplomat in Washington or perhaps anywhere else. He is a son of Sultan (the fourth of his seventeen children) and a nephew of Fahd. He is linked to another powerful clan through his marriage to Princess Haifa bint Faisal, a daughter of the late King Faisal. As a child, Bandar caught the eye of his remarkable grandmother Hassa bint Ahmad al Sudairi, the sixth wife of Abdul Aziz, the sovereign who was known in the West as Ibn Saud, and who is the Saudi Arabian equivalent of George Washington. She had ten children by the great King—seven sons and three daughters. Her sons are known as the Sudairi Seven, and include the King and the Defense Minister—Fahd and Sultan—along with the Minister of Interior, the Governor of Riyadh, and other notables. Hassa bint Sudairi created an exceptional degree of cohesion within her family and kept the sibling rivalries of her exalted sons well under control. She insisted that they either dine or lunch together in Riyadh every day. She saw to Bandar's advancement as she had to her sons'. He was a pilot before becoming a diplomat, having graduated in 1968 from the British Royal Air Force College, at Cranwell. He later took advanced training with the United States Air Force, and also obtained a master's degree in international relations from Johns Hopkins. Although he is normally Ambassador to Washington, a job he acquired in 1983, Bandar has become Fahd's chief diplomatic troubleshooter and negotiator, and he shuttles between Riyadh and major capitals. He normally operates at the highest levels, bypassing foreign ministers and dealing instead with their principals. He is probably the only Saudi notable who has had a tête-à-tête meeting with a Soviet official; that was a dinner with Anatoly Dobrynin, the recently departed Soviet Ambassador to Washington. Bandar is highly intelligent and, many say, a born politician. He has a light touch. In the early days of the 1984 Presidential primaries, he was asked by an American acquaintance what he thought of America's method of choosing a leader. "After watching your selection process for a while, I think you could describe me as a born-again monarchist," he replied.

Bandar meets privately with Mrs. Tatcher at frequent intervals. Just how frequent is hard to say, because the Saudis have asked No. 10 Downing Street to keep a lid on that sort of information. A British banker who tracked the aircraft deal told me that in 1985 Bandar and Mrs. Thatcher met six times that he knows of. In April of 1985, on returning from a trip to the Far East, Mrs. Thatcher made an unscheduled stop of five hours in Riyadh, and had a long talk with the King. Bandar, I'm told, orchestrated the meeting, advising Mrs. Thatcher about subjects to take up with Fahd and alerting him to the subjects she might raise. Encouraged by Bandar, Fahd, the geostrategist, began to see in Mrs. Thatcher the sort of European ally he might be able to rely on. He admires strength, and she had shown hers in the Falkland Islands War and in most of the other difficulties she had confronted. Her special relationship with Reagan was a major plus in Fahd's view; he is thought to have calculated that buying British would give him better, if indirect, access to Reagan on issues of importance in the Middle East. "It was her resolve to be firm with Reagan on those issues which made the difference," a well-placed Whitehall figure says. In France, where Fahd had detected strength a year before, he had begun to see uncertainty, with the distinct possibility—now a reality—of Mitterrand's having to share power with the opposition.

In May and June, Bandar spent a great deal of time in London. The French were still working hard at selling their airplane, and were keeping more people in Saudi Arabia than the British had there. Although the exact date can't be fixed, Fahd's decision to buy British was probably made in the early summer. In late July, the Saudis sent a team to London to negotiate an agreement. Bandar was scheduled to meet with Mrs. Thatcher to pin down a few key points at this time, but he was delayed in Riyadh. Instead, he saw her several days later in Austria, where she has taken a brief holiday in each of the past two years.

Although her rule at such times is no visitors, she made an exception for Bandar. An American diplomat told me that during this meeting Bandar was assured that the Tornadoes bought by the Saudis would be fully equipped and not subject to any of the restrictions that Washington had attached to the F-15 purchase. I asked this diplomat if he saw anything odd in an Ambassador to Washington acting as his country's chief negotiator with the head of another government. "It may seem anomalous to us, but not to the Saudis," he said. "They see these matters in personal terms. Bandar has the King's confidence, so why wouldn't he be doing this job?" I asked another American insider what had befallen the French bid. "The French were on hold until after the American elections, and they never understood that," he said. "Then, when it became clear that the United States was out, the British were in. The French were kidding themselves, or the Saudis were kidding

them. The Saudis are very good at bottom lines. If you want to bolster the American connection, then buy British."

"The loser never goes public," says one of the French personalities involved in the affair. The pivotal factor, he agrees, was the Bandar-Thatcher combine, but he also thinks that Wafiq Said was very important (although Fahd, in a letter to Mrs. Thatcher, proposed that whatever agreement they reached should be strictly between their two governments and exclude agents). I asked people whether the French had lost ground with the Saudis by showing reluctance to accept payment for their airplanes in oil. The British are being paid with oil. The general view was that the French had some trouble with the Saudis on this point, but not enough to have affected the outcome. And everyone agrees that the French, unlike the British and the Dutch, are not adept at oil trading.

The deal was struck on September 26th—about eight weeks after the Saudi team arrived in London for a negotiation that took a remarkable and mysterious course. Two days before the contract was initialled, Britain's chief of air staff was told that the Saudis were buying not just forty-eight Tornadoes, as had been envisioned, but twenty-four additional planes, which were designed mainly for an air-defense role. And they also ordered sixty trainer aircraft. A deal of already awesome proportions had ballooned into something colossal and without precedent. Few people know why the Saudis abruptley decided to buy the eighty-four additional aircraft, and none of those who do are talking about it. Also, with the world awash in oil, which the British produce, too, it seemed odd for the British to be bartering airplanes for oil. But it wasn't a pure barter agreement—not be compared with swapping two geese for one pig. The Saudis will deliver oil to two companies—British Petroleum and Shell—that will refine it and sell it on the world market. Her Majesty's Government will then be paid by the companies monthly. The Saudis benefit by acquiring a guaranteed market for their oil worth several billion pounds sterling. And Britain loses nothing from being paid by the oil companies. The arrangement, although complex, is ingenious.

For a brief moment last year, Bandar slowed the frantic pace of his activities and resumed being a pilot. He wanted to fly the Tornado, and did. The British supplied a nice touch by arranging to have a classmate of his from Cranwell—an R.A.F. pilot who had been his closest friend there—introduce him to the airplane and show him how to fly it. (The British, like the French, had overlooked no detail.) In September, just a few days before the announcement, France's leadership was still trying to save the day by various means, one of which was sending Jacques Mitterrand, the President's brother and the former president of Aérospatiale, the country's largest aircraft company, on a mission to the Royal Family. I asked one of the British for his net impression of the episode. "We haven't had so much fun since Agincourt," he said.

Agincourt it wasn't. Britain's victory was bittersweet, for it exactly coincided with a major defeat in a different arena at the hands of the French. And the defeat became all the harder to take as its causes—ignorance, and some hubris—became known. The stakes were several billion dollars and a possible foothold in America—ordinarily the fastest horse on technology's track, a maker and seller of products more rarefied than most things it can buy from others. The contract for what the United States Army chooses to call Mobile Subscriber Equipment, or M.S.E., was said to be the largest ever given to a foreign company. Politically and symbolically, it created a duel between France and Britain. In the end, however, three-fourths of the money and the work were conferred on the American partner of the victorious foreign firm.

The equipment being bought will link for the first time all the Army's units—twenty-six divisions and five corps. It is a network of communication nodes, computers, and ultracomplex software, plus an automatic switchboard that allows any user of the system to be in touch with whomever he chooses, even under the most extreme battlefield conditions. The British and the French began working on such a system about twenty years ago, and a few American companies followed suit some years later. The European projects succeeded, but the Americans hadn't come close to solving the software problems when, about five years ago, the Army became seriously interested. Normally, the Army would have bought American after underwriting a development program costing hundreds of millions of dollars and lasting somewhere between five and ten years. Such was the expectation of some American companies who were hoping to take part.

Even by Pentagon standards, the Army's bureaucracy moves slowly. Ground forces must be able to operate in mud and worse, and equipping them is more complicated than equipping the Air Force and the Navy, which operate in thin air and open seas. By the time the Army decides what to buy, technology has usually moved on and made the purchase obsolete.

James R. Ambrose, a former Ford Aerospace executive, who was appointed Under-Secretary of the Army in 1981, has begun to change things, and he is earning a reputation for high-quality management. "Ambrose is the most astute Under-Secretary they've ever had," an insider says. "He is far more impressive than anyone above or below him." Ambrose decided against investing a lot of time and money in ritual development projects. His Army's need for up-to-date communications was no less than that of its British an French counterparts, both of which were getting them. In 1984, the Army asked for bids on a contract to build the system. None of the American companies responded, and that surprised Ambrose, who told me that he had expected bids from Motorola and A.T.&T.

The Anglo-French competition was already under way. Plessey, a big electronics company in Britain, had build a system that it called Ptarmigan—for the Arctic bird. And Thomson CSF, France's state-owned electronics behemoth, had created a rival system. Thomson took the well-worn acronym path by naming it RITA—for Réseau Intégré de Transmissions Automatiques. Each company knew that it would need an American partner to neutralize political resistance to making a deal of such magnitude with foreigners. In 1983, Plessey joined forces with the Rockwell International Corporation, an aggressive company that builds the B-1B bomber, the space shuttle, and other big defense-related systems. Thomson, after flirting with A. T. & T., aligned itself with GTE. Unlike Rockwell, GTE operates mainly in the civilian market, but the military work that it does do consists mainly of developing communications for the Army. Rockwell offered Plessey intimate knowledge of the Pentagon and its ways. GTE offered Thomson a close association with the Army communications people, at Fort Monmouth, New Jersey. The Plessey-Rockwell tandem began working together sooner and appeared to be much the stronger of the two, partly because of Rockwell's greater experience in this kind of competition but mostly because the Anglo-American relationship does have special qualities that are supposedly reinforced by the Thatcher-Reagan connection. The Plessey-Rockwell people considered Mrs. Thatcher their high card.

The bidding would proceed in two stages. A preliminary bid had to be submitted on October 1, 1984, and reviewed by the Army. Then, on August 1, 1985, a so-called best and final bid would be submitted, with the government's decision expected shortly thereafter. The first submissions were mountainous piles of paper containing cost and performance data. And these were strongly influenced by a major difference between the two sides. Having developed the Ptarmigan system independently, Plessey felt that Rockwell, its partner, should function as a subcontractor. Thomson and GTE worked out a much different relationship. Thomson had created RITA, but GTE had developed systems with similar components and, unlike Rockwell, was on familiar turf. The French and the British both knew that victory in the American market would require sacrifice, meaning that the lion's share of the action would go to the American partner. (Ambrose says, however, that he hadn't expected the amount of "U.S. content" the French and the British were offering.) But they worked out the division of labor differently. Plessey, if it was victorious, would transfer its Ptarmigan technology to Rockwell, which would build most of the system. Thomson and France's Defense Ministry, on the other hand, swallowed a mountainous portion of national pride and offered to let GTE build the major part of RITA—a new RITA—with its own components, including the automatic switch that is the heart of the system. Thomson's computers, its software, and a few other items would become part of a hybrid system dominated by GTE's equipment. Thomson's calculation, probably a good one, was that GTE might not throw its full political weight behind RITA on any other terms.

France's decision gave GTE a big advantage over Rockwell. GTE knew the costs of building its own equipment down to the last penny, and had enough experience with communications to be able to make good cost estimates. But Rockwell hadn't the least idea of what it might cost to build Ptarmigan in America and, lacking experience with some of this technology, had more difficulty in estimating the costs.

Also, Plessey is widely described as having been unwilling to divulge all its detailed costs, even to Rockwell. "That's absurd," a senior figure at Plessey says. "The U.S. Army officials had the entire Plessey cost breakdown. They got it from Her Majesty's Government." A British diplomat who followed it all closely disagrees. "Plessey was holding back on costs, even though it was being urged not to," he says. The uncertainty about costs created a problem between Plessey and Rockwell. In the bidding on defense contracts, uncertainties inspire caution of a kind that dulls the competitive spirit and makes cost estimates rise. Rockwell is thought by many who followed the affair to have hedged against uncertainty by implanting a large "fudge factor" in its

cost estimate. An American businessman who observed the proceedings says, "When you've never built a product, you tend to feed pessimistic assumptions about costs into your calculations. Being conservative in this game is being pricey. It sends a signal through the whole organization and affects price calculations all the way down the line. The effect is to pyramid costs."

The early bidding was followed by field tests of the two systems. Ptarmigan was demonstrated twice—once in West Germany and then on Salisbury Plain. RITA was demonstrated only once, but over a larger area. Two thousand French soldiers were maneuvered over a region of eastern France which is roughly the size of Rhode Island—about as large as the area an Army corps might defend. Observers included five American generals and several congressional staff members, who roamed the area by jeep and helicoptor watching Army evaluators try to "crash" the system by pushing it to various extremes. They never succeeded. The demonstration was a great success, and the observers liked being able to call their offices in Washington from jeeps in what seemed the middle of nowhere. The Ptarmigan demonstrations were just as successful. According to Ambrose, the two systems performed equally well. Since the British had argued all along that Ptarmigan had an edge, I asked Ambrose about that.

"On balance Ptarmigan had a bit more attraction," he said. "But it was the sum of pluses and minuses. The British had some pluses, but not enough to justify a significantly larger price. They had some minuses, too—on the technical side. We called them close to even."

Since either system could do the job, the only real issue should have been the price the Army would have to pay. But everyone knew that if all things were equal the British would beat the French. The Thomson-GTE forces felt they had to be ten per cent "better"—cheaper—in order to overcome Plessey-Rockwell's political advantage. Actually, the ten-percent calculation was too low. In the light of what happened, the British would have won if their entry had been only ten percent higher than France's. But it was higher by more than seventy percent. The Thomson-GTE bid was four billion three hundred million dollars; Plessey-Rockwell's bid was seven billion four hundred million. The Thatcher Government is still trying to work out how so absurdly large a gap in the prices could have developed. The answers aren't all in, but it does seem that Thomson and GTE did everything right, while their competitors did nothing right. The French, having stifled pride once, did it again by putting GTE in charge of the effort to win the competition; their American partner, they reasoned, would do better at selling a French brand name in the American market. Moreover, Thomson, a state-owned company, persuaded its government to stand aside from the fray and not intervene, even if provoked. The French government agreed—a decision that turned out to be as shrewd as it was unnatural. On the Plessey-Rockwell side, the situation was quite different. Plessey is judged in London to have done too much and Rockwell too little. "Rockwell took us for a ride," a British diplomat says. "Like other defense contractors, it is fierce at political lobbying, and here it was relying on Mrs. T.'s political punch and feeling that it could afford to be greedy." I asked a British banker who knows the companies well about Plessey. "Plessey doesn't have a good nose," he said. "Its technology is outstanding, but it usually lacks good intelligence. It is badly informed and unreasonably greedy."

Last summer, as the time for best and final bids drew near, relations between Plessey and Rockwell had become "appalling," according to a British diplomat. Plessey was nominally in charge, but Rockwell, because it was supposed to do three-quarters of the work on Ptarmigan, would be making the final bid. And Plessey, I heard, wasn't told the figure the Rockwell actually bid. I spoke on the telephone with Michael Heseltine this spring, shortly after he had resigned as Mrs. Thatcher's Defense Secretary, and asked him why Britain's bid was so high.

"I don't know," he said. "I asked but never got a satisfactory answer."

I then asked if Plessey had known what Rockwell was bidding.

"No," he said. "Nobody did."

British intelligence was in a bad way. It didn't know what the opposition was bidding, or even what Plessey's American partner was bidding. Whitehall was frankly uneasy—although, like the companies, it took comfort from the Thatcher card, which, if necessary, would be played to the hilt. The State Department and the N.S.C. staff tried to avoid becoming mixed up in a battle between major allies. And some effort was made to protect Reagan from the affair. A member of the N.S.C. staff recalls warning a British diplomat during the spring about relying on the Thatcher connection. "I told him that they were whistling in the dark if they thought Reagan would involve himself," he says. "He doesn't involve himself in procurement matters."

Mrs. Thatcher had raised the question of Ptarmigan with both Reagan and Secretary Weinberger during a visit to Washington in February of 1985. She was there again in April, for just a few hours, and again mentioned it. In July, she raised it with Weinberger separately on yet another visit. But in mid-August, about two weeks after the bidding was closed, the French began to hear rumors that RITA was the winner, and that the Army would announce the decision before the end of the month. On August 21st, Thomson drafted alternative press statements—one for good news and one for bad. But the expected announcement wasn't made, mainly because the figures on which the Army was basing its decision were being independently reviewed.

On large contracts, the Office of the Secretary of Defense may, if it chooses, call for an independent audit of the data by its own people. Weinberger called for an audit of the RITA-Ptarmigan bidding.

The audit was aimed at buying time. "Reagan was in a tough spot," a British diplomat says, "His best friend and ally was playing the special-relationship card. He knew, but she didn't, that the price disparity was huge. The affair was highly embarrassing." Moreover, this final stage coincided with stories about Pentagon purchases of six-hundred-dollar toilet seats, and other managerial gaffes. A Presidential commission to look into military procurement had been set up, under the direction of former Deputy Secretary of Defense David Packard. The commission's report was expected to be highly critical. The Administration, however friendly its feelings toward Mrs. Thatcher, could hardly afford to choose Britain over another historic ally if the gap between bids was astronomical, as it clearly was. The British had begun to sense that their bid was high, but they had no idea how high, because no one, including Weinberger, told them. They hit on a two-pronged strategy: Mrs. Thatcher would appeal directly to Reagan, and her Government would propose a somewhat simpler version of Ptarmigan—one that ought to cost a billion or so dollars less.

Mrs. Thatcher's letter, dated August 30th, arrived in Washington on August 30th and reached the President in California the next day. The letter drew on a paper that had been prepared by the Foreign Office and was designed to show that France was a bad ally. It cited de Gaulle's withdrawal from the North Atlantic Treaty Organization's military structure, and various other alleged misdeeds of the French. "It was an astonishing document," says a foreign diplomat who received a copy purely by mistake. The Thatcher letter surprised the Administration by its blunt and rather emotional tone. It began by noting her personal interest in the Army's program as it had been reflected in her conversations with the President and "Cap." She then said she was "profoundly disturbed" that the Army seemed to favor RITA. This, she said, "would simply not be understood" in her country. "People will not understand" how this could happen, she said, given the large amount of American military equipment bought by Britain and in view of British support for the United States "in every way."

The third paragraph said that the Ptarmigan system offered greater capability in proportion to costs, and that if less capability was required the British wanted an opportunity to bid "like for like." The last paragraph said a decision against the British would be "difficult to deal with," and reemphasized Mr. Thatcher's "extreme interest in this program." The Foreign Office, having urged a letter, "was surprised by the tone and content" of this one, according to a British diplomat, who says that Mrs. Thatcher rewrote a milder version that had been submitted to her.

"All hell began breaking loose," one of the American players says. And a senior British diplomat says, "The transatlantic wires were humming. Any of us who had possibly useful contacts in Washington were told to call them, and we did. It was all hands to the pump." A new, wholly unsolicited bid on Ptarmigan arrived, even though "best and final" normally means just that. And the French, having seen the Thatcher letter within two or three days of its delivery, were furious and were tempted to protest. The American Embassy in Paris was strongly urging such a move. But the French government decided to keep faith with its earlier decision against intervening. However, Joe M. Rodgers, a wealthy building contractor from Tennessee who had arrived as Ambassador during the summer, decided to take a hand. On September 12th, Rodgers flew back to Washington on the Concorde (at his own expense). "I didn't go back to lobby for RITA but to make sure that this was decided on the merits," he says. "Our credibility in Europe was at stake. We had said politics wouldn't be involved."

I asked him about the reaction to the letter.

"Outrage," he said. "People couldn't believe it."

The serious concern in Paris wasn't the letter but the prospect of delay. "The longer the delay, the less chance the French had to win," Rodgers says. Specifically, the French worried about the rebid of Ptarmigan, the independent audit, and Weinberger's well-known Anglophilia. However, Ambrose refused to consider the unsolicited British bid

("The bids are in," he said), and twice in mid-September the French were led to expect an announcement. (Someone in Paris told me that conference rooms in the Pentagon had been reserved twice for that purpose.

(It is this kind of detail—reserving a conference room—on which industrial intelligence is built.) At that point, the audit was the real problem. Bids like these involve assumptions about exchange rates, future costs of spare parts, and other variables. Games of various kinds can and sometimes are played with the assumptions. The audit of the RITA-Ptarmigan bidding managed at one point to narrow the difference in the two figures from three billion one hundred million dollars to six hundred million. "The Pentagon's numerology was being turned upside down," says a senior American diplomat who tracked the affair. "They were coming as close to cooking the figures as is legally possible." The audit made an already tense and volatile situation even more so, but in the end it changed nothing. It was completed on September 20th, and although its results were never made public, the gap of three billion one hundred million dollars must have been upheld, because it is the figure that Ambrose eventually cited. But the completion of the audit did not hasten the decision. The British fought back. The enemy, they wrongly assumed, was an unreasonable Army bias in favor of RITA. Remarkably, they were still unaware of the huge difference in the bids. Mrs. Thatcher and her Government had been badly misled. She based her letter on an impression that Ptarmigan had a broad technical edge (which was an exaggeration) and—more important—that Britain's bid, if a trifle higher, was nonetheless competitive, and this was obviously quite wrong. Questions arise. Since neither Plessey nor the Ministry of Defense knew what Rockwell had bid, how could either have assured Mrs. Thatcher that the bid was competitive? And why was Her Majesty's Government so incurious? Why didn't some part of its official apparatus uncover the awful truth of Britain's position?

On Saturday, September 28th, McFarlane arrived at London's Heathrow Airport and was driven directly to Chequers, the Prime Minister's official country residence, to brief her on talks in Washington with Soviet Foreign Minister Eduard Shevardnadze. The talks had dealt mainly with the Reagan-Gorbachev summit conference to be held in Geneva in November.

The Administration was planning to invite European leaders to a "mini-summit" dinner in New York in late October; its purpose would be to discuss the Gorbachev encounter, McFarlane, in his conversation with Mrs. Thatcher, didn't disclose this plan. He flew on to Paris later that afternoon to give Mitterrand the same briefing. Again, he didn't mention the dinner. By Monday morning, news of it has been leaked to the press. Mitterrand was furious that McFarlane hadn't alerted him. And Mitterrand was the only invitee who declined the invitation, although he almost certainly would not have accepted on such abrupt notice even if he had been forewarned. I asked a British diplomat if the British had also been upset about not being told in advance about the dinner. "No," he said. "Bud may have felt he didn't have the authority to discuss it; the President may not have fully committed himself to it when Bud departed. We didn't think anything of it." But French diplomats worried that Mitterrand's "snub" of Reagan's invitation might help Britain and undermine RITA. The State Department had a different worry. Gorbachev would be arriving in Paris on October 2nd for a four-day official visit—his first to a Western capital since he became leader. Shultz, I'm told, asked Weinberger to delay any announcement of the Army's contact award until Gorbachev left Paris. He wanted to avoid the risk of Mitterrand's making an unfriendly comment about the United States in a pre-summit environment with Gorbachev himself present.

Another reason for delaying an announcement—an announcement favoring the French, at least—was the British Conservative Party's annual conference, which was being held in mid-October. Washington says that No. 10 Downing Street made clear its hope that no bad news would be announced before Mrs. T.'s Party conference. The British demur, saying that they merely asked for advance notice of any bad news, so as to be able to prepare a reaction to it. Although the State Department had avoided becoming involved in the RITA-Ptarmigan affair, it did have an interest to avoid allowing a decision to be delayed indefinitely.

American diplomats were horrified by the prospect that the French might lose after winning on the merits. But the British had by no means given up when Mrs. Thatcher met privately with Reagan on October 23rd, the day of the mini-summit dinner in New York. He had not replied to her letter, and never did. His people, aware that a decision in Britain's favor wasn't in the cards, were fearful that Mrs. Thatcher would raise the matter with him once again, and word was passed asking her not to.

It was all over. The final decision had been made by Weinberger, Britain's foremost advocate. Still, the British couldn't, or wouldn't, accept the fact that they had lost to the French in Washington, a town where they normally run rings around the French and everyone else. On Monday, November 4th, they made a last but futile try to reopen the bidding on some new basis. And on the following day Weinberger called Heseltine and gave him the bad news. Heseltine then informed Mrs. Thatcher. Both were described to me as surprised, and very emotional—a reaction that struck me as peculiar, since the handwriting had been on the wall for some time. I asked Heseltine about that.

"Until the game is lost, you must believe you are winning," he replied.

I asked about the decision itself.

"I think Cap took the only decision he could take, given the figures being discussed," he said.

The French and the British were both amazed by the size of the of the gap in the bids when the formal announcement was made. "It stupefied us," an official of France's Defense Ministry says. Within a few days, Heseltine had ordered an inquiry into what went wrong. In Washington, everyone agrees that the French helped their cause by not intervening politically at any point. I asked Ambrose about intervention. "Beyond a certain point, political activity raises questions about the procurement process," he said. "Mrs. Thatcher's letter came after the bidding was closed. That is why it was wrong. The government can't operate if it is going to buy goods and services for some reason other than function."

Actually, the French government normally intervenes in arms deals with at least as much brio as any other. It responded to the exceptional circumstances of this affair by adopting exceptional restraint.

Just after the decision was announced, GTE staged a victory celebration in Boston's Faneuil Hall. It was a raucous affair, according to one attendee, with an anti-British spirit that matched the hall's tradition.

Ambrose doesn't see the RITA-Ptarmigan competition as an augury of more two-way streetism. "You won't find many opportunities [open to foreigners] for these large, complicated programs," he says. He means that American politics will intervene to prevent the large economies that buying abroad can sometimes make possible.

In the Saudi aircraft deal, the Americans, not the French, were the big losers. You cannot lose what you never had, and the French had never before had even a toehold on the Saudi market for military aircraft. America, after controlling this market, has been obliged by Congress to renege on commitments and abandon it. Congress has since blocked other arms sales to the Saudis. The political cost to America of this odd behavior will exceed the financial one, according to diplomats on all sides. They see a decline in the ability of this Administration and future Administrations to play the role in the Middle East that only America can play.●

CRACK AND CRIME

● Mrs. HAWKINS. Mr. President, there has been well-deserved increase in the attention by the media to the problem of crack, the new cocaine distillate that makes many other drugs look like candy by comparison. The most recent of the stories on the deadly drug appears in this week's Newsweek.

In my view, Newsweek is doing the Nation a public service with the attention and education it is providing on this new threat to our communities—and, in fact, our whole society. There should be no mistake, crack is dangerous not only because of the effect it has on the user, but also because of the crime it engenders.

Mr. President, I commend this Newsweek article to my colleagues and ask that it be printed in the RECORD.

The article follows:

[From Newsweek, June 16, 1986]

CRACK AND CRIME

Cruising the high-crime streets of Boston's Roxbury ghetto, Officers Leo Ronan and Fred Stevens spotted three young men who seemed to be delivering drugs. The courier was carrying a large gym bag; the other two were bodyguards. Ronan and Stevens stopped their car to investigate and the trio took off running. Ronan chased the man with the gym bag, but the suspect got away through the backyards of Roxbury. But the bag, found under a parked car, contained 1,051 vials of crack cocaine worth more that $26,000 and an address list written on the back of a receipt from a five-and-dime store in New York City. The evidence of a New York connection was disturbing and so was the size of the shipment: Ronan and Stevens had stumbled onto the biggest crack bust Boston had ever seen. "We've been lucky so far," said Lt. James Wood, commander of the Boston PD's Drug Control Unit. "But we have to keep it contained or it could blow up like New York."

Or like Los Angeles, Miami, Houston and Detroit—cities where, by every estimation, the epidemic of "crack" or "rock" cocaine has already reached crisis proportions. Crack—smokable cocaine—has suddenly become America's fastest-growing drug epidemic and potentially its most serious. It is cheap, plentiful and intensely addictive, a drug whose potential for social disruption and individual tragedy is comparable only to heroin. Fueled by the 500 percent increase in the amount of cocaine smuggled into this country from South America, the crack craze is spreading nationwide. According to Arnold Washton, a respected drug-abuse specialist who operates a national cocaine hot line, crack and rock are now widely available in 17 major cities and 25 states from coast to coast. Crack has captured the ghetto and is inching its way into the suburbs; its users come from all social strata and all walks of life. Wherever it appears, it spawns vicious violence among dealers and dopers and a startling increase in petty crime: in new York, where crack is now the top-priority drug-enforcement problem, police believe it is the primary cause of an 18 percent jump in robberies early this year.

The police are losing the war against crack, and the war is turning the ghettos of major cities into something like a domestic Vietnam. The analogy is shopworn but apt. The crack trade operates like a guerrilla insurgency and makes an infuriatingly elusive target for police. Dealers—"ounce men," as they are known in L.A.—organize small cells of pushers, couriers and lookouts from the ghetto's legion of unemployed teenagers. They enforce discipline with savage violence, change locations frequently and alter their tactics constantly to foil narcotics agents. Police raids on "crack houses" typically recover too little cocaine to impress prosecutors or the courts: given the logjam in the prisons, most offenders spend little or no time in jail. Undercover investigations aimed at ringleaders often lead nowhere: crack can be manufactured in any kitchen, and the trade in bulk cocaine is highly decentralized. "It's futile," says Det. Ken Wilkinson, a 22-year veteran of the Los Angeles Police Department. "The answer has to be something other than what we're doing.

Like other narcs in other cities, Wilkinson readily compares rock to heroin—and though the two drugs are very different, the comparison is not farfetched. Rock and crack represent a quantum leap in the addictive properties of cocaine and a marketing breakthrough for the pusher. Sold in tiny chips that give the user a 5- to 20-minute high, crack often is purer than sniffable cocaine. When smoked, cocaine molecules reach the brain in less than 10 seconds; the resulting euphoric high is followed by crushing depression. The cycle of ups and downs reinforces the craving and, according to many experts, can produce a powerful chemical dependency within two weeks. While a typical heroin addict shoots up once or twice a day, crack addicts need another hit within minutes—which means that even at $10 a chip, crack addition can be more expensive than heroin. Heroin, moreover, is a depressant, while cocaine is a stimulant—which means that heroin addicts are lethargic and mostly immobile during the high, while crack addicts are likely to be paranoid, and highly active. In Boston, Lt. Wood says, heroin addicts, "are scared of this stuff—and when a heroin addict says something is bad, you know it's bad."

West 107th Street in Manhattan is a fringe neighborhood populated by low-income blacks and Hispanics—and one of New York's open-air drug markets. "One-o-seven, you can get anything you want," says Juan, a skinny 19-year-old. "You get crack, coke, herb, heroin. But crack's the thing. That's what's happening now." The street moves to the furtive sound of illicit commerce. At night, particularly on weekends, West 107th Street sees a steady stream of limos, taxis and out-of-state cars. "Sometimes you get the impression we're in New Jersey," says Deputy Inspector Frank Bihler, commander of the NYPD's 24th Precinct; he jokes about blowing up the bridges and tunnels to keep the suburbanites out. But nobody jokes about the neighborhood young addicts. "They're skinny, dirty and totally obsessed with getting crack," says social worker Joe Stewart. "I see young girls in doorways trying to sell themselves "for the $5 it costs to get high.

It could be anywhere. The drug is the same, the hustle is the same and the cops all say the same things. Selling crack is where the money is, where the action is and where the ghetto's inverted social pecking order begins. "Rock cocaine has taken on the social esteem that being a pimp had 20 years ago," Wilkinson says. "It's just the 'in' thing to do, like wearing Fila running shoes. And these people are very, very into the 'in' thing." The ounce men drive BMW's and Mercedeses, the kids who work as runners and lookouts wear $200 designer-label running suits. By the weary estimate of one of Wilkinson's colleagues on the LAPD, Det. Charles Johns, the rock business is now the largest employer in the Los Angeles ghetto. Although law-abiding neighbors still call in tips by the hundreds, Wilkinson and Johns say the community as a whole is apathetic about controlling the contagion. "You can't expect the police department to stop the tide of rock cocaine when the people aren't policing themselves," Johns says. "Right now they're saying, 'If it's not directly involving me I'm not going to worry about it.' But it does involve them—and their neighbors and their children."

L.A. may be the model for other cities around the country: rock cocaine first appeared there nearly three years ago. Houston has been flooded with it for the past two years, Detroit about 18 months; New York police have discovered the crack crisis within the past six months. They now see crack as their top priority in drug enforcement—and as a damnably difficult problem. The crack business is a cottage industry which needs virtually no technology or central organization, and which is essentially bound together only by vast amounts of cash. Its raw material, cocaine, is smuggled into this country from South America, often through Colombia and Mexico. Since 1980, according to congressional sources, the influx of smuggled cocaine has risen from approximately 25 tons a year to 125 tons a year. The U.S. Drug Enforcement Administration, which concentrates on major traffickers, believes there is a two- or three-tier network of wholesale distributors. Crack dealers, operating just above the retail level, frequently buy no more than a pound or two at a time.

What happens next is best illustrated by a raid in New York last week. A police narcotics squad raided a small crack house in a Bronx apartment and found records leading to the drug ring's factory, which turned out to be in another apartment building next door. They got a warrant and surrounded the building. Two Puerto Rican men were allegedly caught in the act of converting cocaine into crack. The suspects had about two pounds of crack worth about $150,000 in the room. They also had more than 16,000 plastic vials that are commonly used in New York to package crack for sale. The only equipment needed was two glass coffee pots, a hot plate, a pair of scales and a case of baking soda; baking soda is used as a reagent in the conversion process. Luckily, the suspects were caught totally off guard—for they had a small arsenal of loaded weapons that included a rifle, four pistols and two machine guns. It was the biggest crack bust in the city's history—but the "factory," police said, probably served no more than a 10-block area.

A city like New York may have scores of underground factories—and only rarely are police lucky enough to find them. Each factory supplies a handful of crack houses. Each crack house keeps only small amounts of the drug on hand. By restocking their salesmen frequently, dealers prevent police from making large-scale busts. Crack houses are well protected by lookouts and fortified doors; if the police stage a raid, the sellers need only a few seconds to flush their dope down the toilet and evade prosecution. "You can raid a house that's filled with people and has a table covered in crack and drug paraphernalia," says John Hogan, chief of the felony section of the Dade County State Attorney's Office in Miami. "But the place is usually registered under a fictitious name, and by the time the police get in, no one is physically linked to the drugs. You can't charge anyone."

The war between cops and dealers has become an intricate game. In Los Angeles, where police have successfully raided hundreds of rock houses, dealers are sending their sales teams into the streets. Each team consists of a steerer, who screens would-be buyers for security risks, a cashier, who takes the buyer's money, and a third dealer, who hands over the drugs: if a narcotics agent tries the usual buy-bust tactic, the team scatters instantly and leaves the narc empty-handed. "Today you'll find the biggest amount of dealing in rock cocaine is . . . done by street people who are very, very transient," says the LAPD's Lt. Dick Koskelin. "The reason is that we've educated these dope dealers. Every time you make an arrest, they [ask each other], 'How'd you get caught?' So they know the rock-house approach is passé."

There are ominous signs that crack and rock dealers are expanding well beyond the inner city. L.A. police say rock houses are opening up in the San Fernando Valley and in beach-front towns like Venice; in Florida, lawmen report a similar trend. "In the past six months every city, county and almost every little town has been hit by the crack epidemic," says John J. Barbara of the Florida Department of Law Enforcement. "It's everywhere, and it crosses all racial, social and economic boundaries." In the Northeast, police are keeping a wary eye on the crack boom in New York, and there are early indications that New York pushers are branching out. In Texas, rock has recently shown up in Dallas and San Antonio, and a DEA official in Houston says at least some of the dealers operating in rock-infested Houston have migrated down from New York. Houston police got grisly evidence of the New York connection in a double homicide last August. The victims, both Haitians from Brooklyn, were involved in a Jamaican-run rock operation. "The workers in the dope house are being recruited from poor Haitian and American black kids in New

York," says Houston Police Sgt. Steven Clappart.

The most frightening aspect of the crack problem is its exponential growth. In March Sen. Lawton Chiles convened a meeting of local police officials in Florida to discuss the spread of "designer drugs" and was startled to find his audience largely unconcerned by exotic hallucinogens. "He found that crack was on everyone's mind," an aide says. "Crack is a firestorm issue that is overwhelming them and spreading like wildfire across the state. They want and need help." A survey by the National Institute on Drug Abuse indicates that 4.2 million Americans reported having used cocaine within the previous month—but the survey, which dates from 1982, made no distinction between sniffable cocaine and crack. "The growth in the past nine months is alarming," says Arnold Washton. "In September '85 we had not gotten a single call [on the cocaine hot line] about crack. Now, 33 percent of all coke users who call are talking about crack addiction. The explosion has taken place in the past six to nine months. It's a true epidemic."

Outmanned and underfunded police officials point to the abundant supply of cocaine as the root of their problem. As the rising tonnage of smuggled cocaine demonstrates, the DEA's interdiction campaign has so far failed to make much headway against major traffickers—and though few local cops blame the DEA for their problems, they are increasingly angry at Washington. The DEA is "inundated just like we are," says L.A.'s Wilkinson. "My personal feeling is that [federal policymakers are] afraid of stepping on the toes of certain leaders of certain countries. It's obvious to us where the cocaine is coming from." In Detroit, Police Inspector Joel Gilliam makes the same point in more dramatic terms. "In 1941 the Japanese bombed Pearl Harbor and we went to war," Gilliam says. "Today, little white packets are being dropped on this country and nobody gives a damn."

The DEA, meanwhile, tends to regard the spread of crack as a problem for local police. "If you want to call it crack or rock or whatever, it's still cocaine," says Raymond Vinsik, chief of cocaine investigations for the agency. "For DEA it's a matter of getting to the major suppliers and importers and shutting them down. For the local police departments, it is to attempt to limit the availability of cocaine to the street dealers." Another DEA official thinks the media are partly to blame for the crack craze. "We are very concerned about a market being developed because of all the publicity," says special agent Robert O'Leary of the DEA's Washington-Baltimore field office. "We feel it's being accelerated by media hype."

The point is plausible if not persuasive: in New York, for example, crack suddenly became the city's biggest drug problem with very little attention from the press. Crack's lurid appeal as a potent high is part of its rising popularity; conversely, heroin use may be declining because of the addicted population's fear of contracting AIDS from contaminated needles. But at bottom, crack and rock are spreading because cocaine is so widely available in the United States and because the justice system has been unable to thwart the cocaine trade at any level. Police in every city where crack is now a major problem argue that the courts are too lenient with drug offenders, and they may be right. In New York, special narcotics prosecutor Sterling Johnson recently argued for mandatory jail sentences even in plea-bargaining drug cases—and warned that some neighborhoods now have "more crack stops than bus stops." John Cusack, chief of staff of the House Select Committee on Narcotics Abuse and Control, stresses the role of judicial "gridlock." "We are not thinning out the ranks and making any impact. We are not deterring." Cusack says. "As a matter of fact, the opposite is happening. What's the risk? So few are getting caught and the risk of prosecution is so remote that we are encouraging people to traffic."

Art F. was a fortyish San Francisco lawyer when cocaine took over his life. He was both a dealer and an addict. At the peak of his addiction, he smoked $1,000 worth of rock a day. Somewhere along the way he lost his wife, his two children and his Marin County home. "I could see what was happening, but none of it mattered." he says now. "I'd get depressed that I was an addict, but when I'd slip into depression it would lead five minutes later to another pipe. And when I was happy, that would lead to another pipe." It all ended when a San Francisco police narcotics squad kicked down his front door—though even then, his first impulse after being booked was to go home and get high. Today, Art F. is staying straight and trying to rebuild his life. "I only hope the people using it—the kids smoking it—get sick enough that they get into a recovery program." he says. "Otherwise, life is tough and then you die."

Crack's rising cost to the nation is perhaps best measured by its toll on individuals like Art F. Despite its benign reputation, cocaine is unquestionably addictive—and crack is extremely addictive. Researchers are not entirely sure how the addiction takes hold. Unlike heroin, which creates a specific physiological need in the body, cocaine dependency involves the subtle chemistry of the brain itself; both forms of addiction are reinforced by psychological dependence, which as any cigarette smoker can testify, is also very powerful. In one experiment, says Dr. Richard H. Schwartz, medical director of a Virginia drug-rehabilitation center, monkeys allowed an unlimited supply of intravenous cocaine died of convulsions within five days. "They preferred cocaine to life—that's the bottom line," Schwartz says. Dr. Frank Gawin of Yale University is pessimistic that cocaine addicts can truly eradicate their need for the drug. "The best way to reduce demand would be to have God redesign the human brain to change the way the cocaine molecule reacts with certain neurons," Gawin says. "It produces pleasure. That's a very unfortunate accident and I don't know how to solve it."

The implications for national policy are clear. Given the widespread societal acceptance of drugs of all types and given cocaine's immense addictive power, the war against crack will not be won by campaigns to reduce public demand. To be sure, that conclusion contradicts the current line taken by many in the Reagan administration—and it would require bigger law-enforcement budgets at both the federal and local level. But the alternative, as the frustrated street cops know, is far worse.

AN INFERNO OF CRAVING, DEALING AND DESPAIR

(By Peter McKillop)

Looking down on 42nd Street, between Seventh and Eighth avenues, the hub of the crack district in New York's Times Square, is like gazing into the inferno. It is a nonstop choreography of craving, dealing and despair, played out under the glaring neon of the street's once elegant theaters, long since become seedy porn palaces. Times Square is the no man's land of the crack trade, a place where the scavengers, the losers from turf wars in the outlying neighborhoods are forced into the most dangerous and wide-open drug hustle of them all. Despite a citywide crackdown that has "cooled" many other areas of the city, the 42nd Street commerce appeared to be in full cry last week: the junkies with drawn faces begging dimes for their next high, the "runners" acting as lookouts and corralling clients, the undercover narcs on the prowl for a bust.

One of the boldest dealers on the street is "Eare," a big-shouldered Trinidadian wearing gold chains and a diamond-studded bracelet with his name engraved on it, who claims a take of $12,000 a week at $10 per vial of crack. Eare operates as brazenly as a three-card-monte dealer, waving fistfuls of bills around as he deals his drugs at the corner of 42nd and Seventh. One night last week a stretch limo pulled up near his turf with two young couples coming from a prom in New Jersey. While they stood at the car getting their picture taken, the chauffeur bought them some crack and the girls each roses.

Eare is surrounded by smaller fish: sellers, runners and hangers-on. Most are under 25, and many are themselves crack addicts, like Arnold, a runner who smokes $100 worth of crack a night. Some of Eare's henchmen pack supersharp box cutters, for slicing open competitors' faces. Many also wear "knuckle-busters"—rings implanted with tiny razor blades for "sparkups" with marauding dealers from the outer boroughs.

Eare got his start selling angel dust in the street's movie theaters. "Then they came out with this new thing called crack," he says. With $1,600 saved up from his proceeds, he bought an ounce of cocaine, which he turned into $6,000 worth of crack. ("In this business," he observes, using a maxim of the street, "money talks, bullshit walks.") Eare distributes the crack to his 12 to 15 runners, each of whom may pull in about $200 to $300 a day, keeping $1 for every $10 sale. He estimates he will make $250,000 by August, when he hopes to take his profits home to Trinidad.

All too often, a dealer like Eare will spend the money as fast as he makes it. In any case, the prospects for comfortable retirement are dim, If a dealer is not busted by the police, he may be rolled by a competitor, or become addicted himself. Eare says he is prepared to do time in jail, confident that his business will be waiting for him when he gets out. But most likely he is deluding himself. While his legal bills would probably be paid to keep him from testifying against others, he is apt to be replaced on the street the day he leaves.

BLEAK ROUTINE

Eare's only sure legacy is his crack-addicted clientele. They include regulars like Hector, who works the graveyard shift for a private garbage hauler and spends part of his $20- to $30-a-day salary on his drug needs. Hector says he controls his habit. He uses a standard pipe to smoke rather than the slicker water pipes that increase the strength of the hit, and he keeps fit with vitamins and square meals. "I thank the Virgin and God that I always have enough to eat," he says.

But crack is the high point of Hector's bleak daily routine. Each day after work he

emerges from his single-room-occupancy hotel near 42nd Street with a crumpled McDonald's bag containing a Super Cub butane lighter, a glass pipe and a couple of chunks of his favorite drug. Often he makes his way through Times Square to the solitude of a small park at 10th Avenue and 47th Street. Sitting at a chess table surrounded by littered crack containers, he pulls out a small red vial, stuffs a chunk in his pipe and lights it, shielding the flame from the wind. The crack begins to cook. Hector takes a hit, the gray smoke swirling for a moment before he sucks it down his throat. He takes another hit. His eyes bulge slightly and his nose starts to run, but he seems peaceful. He still has another hit left, which he'll smoke tonight before going to work.

Linda, another veteran of the Times Square crack trade. did make a change. An attractive Puerto Rican woman in her mid-20s, she had worked her way up from hustling drugs on the street to running two crack houses—places where addicts come in to relax and "do" crack—for a Colombian coke dealer she met when working in a Times Square movie house. She started as a runner, sending what little money she made to her three children, who now live in foster homes.

Then she moved up to dealing packages, each containing 100 vials of crack. She became a "mule," street parlance for messenger, picking up the drug from crack kitchens in Manhattan's Washington Heights and midtown sections and transporting it to Times Square, where she sold it for $20 a vial. Her sales strategy was cunningly simple: first, get a client hooked by giving him strong, addictive crack, and then the quality could decline a bit. Sometimes she sold Peruvian Rock, a worthless crack look-alike; other times it might be soap or chunks of roasted peanuts.

THE "COOK"

Linda's dealer was impressed with her business savvy, and before long she was running two crack houses, one on 38th Street and another in Upper Manhattan. She also took a hand in cooking and packaging crack. There was a ready supply of drying agents and other paraphernalia available over the counter at nearby smoke shops, like the one just off Times Square where open shelves sag under the weight of crack pipes, computer scales, measuring spoons and butane lighters. Once she cooked the crack, she placed it in molds to dry, then cut it into "rocks" and packaged them for the mules who would spread them around the city.

It was an easy, thriving life for a while. But Linda's rise came to an abrupt halt when the "federales" suddenly swarmed over the crack houses three months ago, confiscating not only the drugs but her expensive wardrobe. Luckily, she was out having dinner with her dealer when the bust came. But he took off to Colombia with $20,000 he had stashed away while Linda, broke and homeless, went back to the streets—this time to sell her body.

Last week she was arrested—the first time ever—for prostitution. She is having troubles with her pimp, she misses her children and she dreams, now, of becoming a social worker. "I know this area better than anyone," she says. "I don't like being out here on the street. It's not me." Perhaps not—but the street is still very much Eare and Hector, and—despite the heavy concentration of police in the area—all the entrenched sociopathy of the crack plague.●

LIABILITY REQUIREMENT CLOSES JAIL

● Mr. KASTEN. Mr. President, a recent article in the Milwaukee Journal presents some of the liability problems being faced by all entities which are required to carry liability insurance. It points to the drastic impact on the city of Greenfield, which has been forced to close its jail due to its inability to meet staffing requirements specified by its liability insurance carrier. The jail would have to hire six full-time employees to meet the insurance company's staffing requirement and the municipality simply cannot afford this additional expense. Forced jail closings are clearly not in the public interest and this is not an isolated incident. Jails across the country, as well as other local government institutions, are facing the same problems. Unless we act soon, this problem will only worsen. I ask that the text of this article be printed in the RECORD. I hope it will stir my colleagues' interest in the urgent need for action against the liability insurance crisis.

The article follows:

[From the Milwaukee Journal, June 5, 1986]

LIABILITY REQUIREMENT CLOSES JAIL

(By Nancy L. Torner)

GREENFIELD.—The City of Greenfield has been forced to close its municipal jail because the city cannot meet jail staffing requirements set down by a liability insurance carrier.

Police Chief Chester D. Kass confirmed Wednesday that he had closed the jail at 12:01 a.m. Sunday, when a new insurance policy took effect. All six jail cells were empty at the time. On average, the jail had held about 150 prisoners a year.

"We had an excellent jail that I was very proud of," Kass said.

When it came time for Greenfield to renew its police professional liability insurance with Gallagher Bassett Insurance Service of Wauwatosa last week, it discovered that to keep its coverage it had to staff the jail with full-time jailers, one man and one women, 24 hours a day.

That staffing requirement had not been included in previous liability insurance policies.

Instead of adhering to the new requirements, Greenfield, which had relied on police officers and other department personnel to keep an eye on prisoners closed its jail.

A random check of several other area police departments indicated that the staffing requirements set down by the insurance company might not be standard.

For example, Wauwatosa Police Chief Roy Wellnitz said Thursday that department personnel were assigned to keep watch over the cells only when prisoners were being held.

When told of the Greenfield policy, he said: "This is new to me."

The closing in Greenfield could be temporary. A meeting is scheduled for next week between Mayor David A. Kaczynski and the insurance carrier to discuss the terms of the policy.

In the meantime, prisoners will be taken to the Milwaukee County jail, which is legally obligated to hold them at no cost to Greenfield, Kass said.

"It does cut into your staffing temporarily," Kass said about officers having to drive prisoners into Downtown Milwaukee.

But he said only one or two trips had been made since the jail closed.

The city learned last week that the policy's underwriter, based in Virginia, had included a provision requiring the municipality to staff its jail around the clock with both a male and a female jailer.

When reached by telephone Wednesday night, Arthur F. Josetti, an insurance agent with the Gallagher firm, said that the person who did the underwriting, whom he declined to name, had gone on vacation after completing Greenfield's policy. He said the new provision was discovered too late to do anything about it before the old policy lapsed. So the city decided to comply with the terms of the new policy until a meeting could be held.

The terms of the policy required the city to maintain the specified staffing level or close.

"On the whole, insurers are feeling they have not been making a profit," Josetti said. Consequently, he said, they are taking a hard look at where their money is going and writing their policies accordingly.

Costing $47,000 for a year, the insurance policy covers the Police Department's legal liability, which could extend to the jail if a prisoner were injured through the fault or negligence of the city, Josetti said.

To staff the jail as specified by the insurance policy would require hiring six full-time people, Kass said.

"We can't do that, obviously, around the clock," Kass said. "We're not big enough to assume that kind of expense just to babysit."

In West Allis, Inspector Ralph Machowski said Thursday that the department did not have jailers, but used its regular officers to keep watch over inmates. He said an officer was available 24 hours a day but would only be stationed at the jail as needed.

The West Allis jail has seven cells. Most inmates are not held long.

Police Chief Alvin J. Berndt of Shorewood said men and women dispatchers were available to monitor anyone held in the village jail.

"We don't have so much of a jail as three holding cells." Berndt said. "We don't hold people long, a few hours at the most."

Women are seldom kept in holding cells, he said. If not released, a woman is sent immediately to the County Jail. Sometimes a man is kept overnight.

Police Chief Norman J. Pollman of Franklin said officers or other police department employee, male and female, were available 24 hours a day to help with jail duties there. The employee would be sent to the jail as needed. Franklin has four cells. Most people are either released within a few hours or sent to the County Jail, Pollman said.

Police Chief Anthony M. Wise of Cudahy said women were not kept in Cudahy jail. If a woman needs to be placed in custody, he said, she is taken to the County Jail immediately.

Cudahy has eight cells, but it is rare for more than three to be occupied, Wise said. Most men are held for only two or three hours, he said, until they can be released or sent to the County Jail.●

USE OF EAGLE FEATHERS IN INDIAN RELIGIOUS RITES

● Mr. GOLDWATER. Mr. President, our native Americans have been living on this land and practicing their religious rites since the dawn of man's memory. The things the Indian holds sacred and important are just as meaningful to him as the religious practices of our own organized religions. Yet, Congress is currently considering legislation affecting the Indians use of eagle feathers which are an integral part of Indian religious rites.

The Arizona State Senate has passed a resolution urging a balance between the needs of our native Americans and the needs of America's resources. I believe that such balance between environmental considerations and the traditions of the original Americans can be achieved. I bring this to the attention of my colleagues and ask that the resolution be printed in the RECORD.

The resolution follows:

SENATE CONCURRENT MEMORIAL 1001

To the Members of the Arizona Congressional Delegation:

Your memorialist respectfully represents:

Whereas, Native Americans desire to comply with the law; and

Whereas, eagles are an endangered species worthy of federal protection; and

Whereas, Native Americans in Arizona use eagle feathers in their tribal ceremonies, in the healing procedures of their medicine men, and in the ceremonies of the Native American churches; and

Whereas, the Endangered Species Act and the Bald Eagle Protection Act currently allow certain exemptions for traditional activities of Indian tribes; and

Whereas, the Congress of the United States is considering legislation which would amend either the Endangered Species Act or the Bald Eagle Protection Act to affect existing requirements for Indian tribes. Wherefore, your memorialist, the Senate of the State of Arizona, the House of Representatives concurring, prays:

1. That, prior to the enactment of any such legislation, the Members of the Arizona Congressional Delegation carefully balance the competing needs of the traditional and time-honored American Indian beliefs and practices with the fundamental need to protect America's resources, as expressed in the Endangered Species and Bald Eagle Protection Acts.

2. That the Secretary of State of the State of Arizona transmit copies of this Memorial to each Member of the Arizona Congressional Delegation.●

BUDGET SCOREKEEPING REPORT

● Mr. DOMENICI. Mr. President, I hereby submit to the Senate the budget scorekeeping report for this week, prepared by the Congressional Budget Office in response to section 5 of the first budget resolution for fiscal year 1986. This report also serves as the scorekeeping report for the purposes of section 311 of the Congressional Budget Act, as amended. I ask that the report be printed in the RECORD.

The report follows:

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, DC, June 9, 1986.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The attached report shows the effects of congressional action on the budget for fiscal year 1986. The estimated totals of budget authority, outlays, and revenues are compared to the appropriate or recommended levels contained in the most recent budget resolution Senate Concurrent Resolution 32. This report meets the requirements for Senate scorekeeping of Section 5 of Senate Concurrent Resolution 32 and is current through June 6, 1986. the report is submitted under Section 308(b) and in aid of Section 311 of the Congressional Budget Act, as amended.

No changes have occurred since my last report.

With best wishes,

Sincerely,

JAMES BLUM,
(For Rudolph G. Fenner).

CBO WEEKLY SCOREKEEPING REPORT FOR THE U.S. SENATE, 99TH CONGRESS, 2D SESSION AS OF JUNE 6, 1986

[In billions of dollars and fiscal year 1986]

	Budget authority	Outlays	Revenues	Debt subject to limit
Current level [1]	1,057.1	980.3	778.5	2,040.1
Budget resolution, S. Con. Res. 32	1,069.7	967.6	795.2	[2] 2,078.7
Current level is:				
Over resolution by		12.7		
Under resolution by	12.6		17.2	38.6

[1] The current level represents the estimated revenue and direct spending effects (budget authority and outlays) of all legislation that Congress has enacted in this or previous sessions or sent to the President for his approval. In addition, estimates are included of the direct spending effects for all entitlement or other programs requiring annual appropriations under current law even though the appropriations have not been made. The current level excludes the revenue and direct spending effects of legislation that is in earlier stages of completion, such as reported from a Senate Committee or passed by the Senate. The current level of debt subject to limit reflects the latest U.S. Treasury information on public debt transactions.

[2] The current statutory debt limit is $2,078.7 billion

FISCAL YEAR 1986 SUPPORTING DETAIL FOR CBO WEEKLY SCOREKEEPING REPORT, U.S. SENATE, 99TH CONGRESS, 2D SESSION AS OF JUNE 6, 1986

[In millions of dollars]

	Budget authority	Outlays	Revenues
I. Enacted in previous sessions:			
Revenues			777,794
Permanent appropriations and trust funds	723,461	629,772	
Other appropriations	525,778	544,947	
Offsetting receipts	−188,561	−188,561	
Total enacted in previous sessions	1,060,679	986,159	777,794
II. Enacted this session:			
Commodity Credit Corporation Urgent Supplemental Appropriation, 1986 (Public Law 99-243)			
Federal Employees Benefits Improvement Act of 1986 (Public Law 99-251)		4	
VA Home Loan Guarantee Amendments (Public Law 99-255)		−51	
Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272)	−4,259	−6,001	765
Department of Agriculture Urgent Supplemental, 1986 (Public Law 99-263)			
Advance to Hazardous Substance Response Trust Fund (Public Law 99-270)			

FISCAL YEAR 1986 SUPPORTING DETAIL FOR CBO WEEKLY SCOREKEEPING REPORT, U.S. SENATE, 99TH CONGRESS, 2D SESSION AS OF JUNE 6, 1986—Continued

[In millions of dollars]

	Budget authority	Outlays	Revenues
FHA and GNMA Credit Commitment Assistance Act (Public Law 99-289)		−380	
Federal Employees Retirement Act of 1986 (Public Law 99-335)			−90
Total	−4,259	−6,428	675
III. Continuing resolution authority			
IV. Conference agreements ratified by both Houses			
V. Entitlement authority and other mandatory items requiring further appropriation action:			
Veterans Compensation	272	185	
Veterans readjustment benefits	91	91	
Compact of free association	205	205	
Special benefits (federal employees)	14	14	
Family social services	100	75	
Guaranteed student loans	6		
Payment to civil service retirement [1]	(37)	(37)	
Total entitlements	688	570	
Total current level as of June 6, 1986	1,057,108	980,302	778,469
1986 budget resolution (S. Con. Res. 32)	1,069,700	967,600	795,700
Amount remaining:			
Over budget resolution		12,702	
Under budget resolution	12,592		17, 231

[1] Interfund transactions do not add to budget totals.

Note.—Numbers may not add due to rounding.

NOMINATION OF WILLIAM F. MARTIN

● Mr. McCLURE. President, on June 6, 1986, the Senate confirmed the nomination of William F. Martin to be Deputy Secretary of Energy. The nomination was favorably reported by the Energy and Natural Resources Committee on April 30, 1986. The vote was 17 to 0.

I would like to comment briefly on Mr. Martin's background and his new responsibilities as Deputy Secretary of the Department of Energy.

Mr. Martin brings to the Department substantial experience in the field of international energy policy. He served as Special Assistant to the President for National Security Affairs, and in that position, he coordinated overall policy for the National Security Council. Mr. Martin first joined the National Security Council in 1982 as an energy and East-West economic specialist. From 1981 to 1982 he was Special Assistant to the Under Secretary for Economic Affairs at the Department of State, and from 1977 to 1981 he worked on the staff of the International Energy Agency.

During his testimony before the committee, Mr. Martin described his general approach to Federal energy policy. He stated:

The experience of the last decade has illustrated the importance of striving for secure and diversified energy sources at reasonable prices. To that end, we should continue to support the economic development

of our indigenous energy base including oil, gas, coal, nuclear power and new and renewable energy resources through reliance on free markets and continued efforts to remove obstacles to the functioning of the market.

As Deputy Secretary of Energy, Mr. Martin will have a major role in formulating and implementing our Nation's energy policies. He will serve with the Secretary in carrying out the responsibilities delegated to the Department by both the Congress and the President. He will also assist the Secretary in representing the Department's views before the public and presenting its policy positions to the Congress.

Mr. President, Mr. Martin is now in a position to begin fulfilling these responsibilities. I am pleased that his nomination has received Senate confirmation.●

PEOPLE DIPLOMACY

● Mr. BOSCHWITZ. Mr. President, I rise today to bring to the attention of my colleagues a very special event taking place this summer—a campaign to promote international peace through "People Diplomacy." "People Diplomacy" is starting in Washington this week and will reach all around the country over the next few weeks. It is a movement based on the belief that if nations simply begin to communicate on a personal level, we will make great strides toward world peace. The theme of the movement, "Peace, Light and Friendship," emphasizes that, regardless of race, religion or political background, people worldwide are more similar than different from each other. It started with 122 Americans who toured Egypt early this year. They felt compelled to share the bonds they developed in Egypt and have arranged to bring their Egyptian tour guide, Mr. Abdel Hakim, to the United States this summer.

Throughout his stay, Mr. Hakim, an Egyptian archeologist who guided Henry Kissinger through Egypt in 1974, will be meeting with Government officials, lecturing at colleges, and meeting Americans in an attempt to bring about understanding between our cultures. Upon his return to Egypt, Mr. Hakim has pledged to continue to promote good will between our two nations by conducting lectures throughout his own country.

One of my constituents, Larry Miller of Minneapolis, is one of the founders of the movement. "The idea was purely spontaneous," he said. "We are just a group of ordinary Americans, a cross-section of the country, who want world peace."

Ordinary? I do not think so. These people are hardly ordinary. They have taken money from their own pockets to promote a cause in which they wholeheartedly believe, and one which has the potential to benefit all Americans.

"People Diplomacy" is a commendable effort and one that I wholeheartedly applaud. I can think of no other issue more important to our Nation's well-being than world peace.●

ODE TO WASHINGTON STATE

● Mr. GORTON. Mr. President, today I should like to share with my colleagues a very thoughtful and entertaining piece of poetry written by Jess Clifford, of Elma, WA. Mr. Clifford, who is 80 years old, wrote the poem in response to a relative's challenge to come up with a better ballad than some being considered for the Washington State song. I believe that Mr. Clifford's efforts and love for Washington deserve to be recognized publicly.

His expressed love for the people and natural resources of Washington State is a true inspiration to those of us familiar with what he writes about. It is a pleasure to be reminded of the fine qualities of the State that Senator Evans and I represent—especially by Mr. Clifford's creative work.

Mr. President, I ask that the poem be printed in the RECORD.

The poem follows:

ODE TO WASHINGTON

There are many fine states in the USA
But there's only one where I want to stay.
Its bounty from nature is nowhere out done,
And the name of this state has to be Washington.
We have scenic vistas by the score
On mountains, plains, and the big seashore.
Other items of interest are easy to find
And here are a few that come to my mind.
There are clam-bed beaches on the ocean strand
And across the Cascades is apple land
Where grow those juicy, gourmet delights
That got their red color from chilly nights.
We ship apples to market by the ton
Where they spread the fame of Washington.
And waving in the breeze, much like the main
Are acres and acres of golden grain.
What to a farmer's sight so neat
As a well-tilled field of ripened wheat.
For from this precious grain 'tis said
Comes the staff of life, a loaf of bread.
Of man-made structures, what a thrill to see
That modern world wonder in Grand Coulee.
It's a mammoth work, the biggest dam
That was ever built by Uncle Sam.
A firm source of power for industries' goals
Is there where the mighty Columbia rolls.
This hydro-power we plainly can see
Benefits all of society.
The tall timber that grows in our Evergreen State
Is really something to relate.
There's the Noble Fir and the Douglas too
Cedar, hemlock, pine and yew
It would be a chore just to number
The mills that hum producing lumber.
And it is gratifying to see
Regard for our ecology.
Public approval has been granted
For many young trees that are being replanted
Which will in time the felled trees replace
And not leave just an empty space.
It's a pleasure to think of the fishing we do
With commercial boats and by sportsmen too.
Many food fish in schools abound
Off Washington's coast and in Puget Sound.
And lurking in our lakes and streams
Are game fish fit for a nimrod's dreams.
It is our pride that no state in our nation
Can boast of more sources for recreation.
There are mountains to climb, lakes and rivers to fish
And if boating and sailing is our dish,
Blue waters beckon from the bay
Where seagulls glide and orcas play.
One may even spot a gam of whales
See them spout and show their tails.
For here in Washington man may be
In touch with nature on land and sea.
I may be biased as I relate
The many good points of my chosen state
But to deny them would simply be folly
So I'll stand up and declare by golly
That the blessings of nature, the good life and clean fun
All come together in this state, Washington.●

NOMINATION OF DAVID B. WALLER

● Mr. McCLURE. Mr. President, on June 6, 1986, the Senate confirmed the nomination of David B. Waller to be Assistant Secretary of Energy for International Affairs and Energy Emergencies. The Committee on Energy and Natural Resources favorably reported Mr. Waller's nomination on April 30, 1986.

Mr. President, during committee consideration of the nominee, the question once again arose as to the benefits that the United States receives from membership in the International Energy Agency, which was established to deal with severe disruptions in international energy supplies. Because of my concerns, as well as those of other members, a briefing of committee members was convened with Allen Wallis, the Under Secretary of State for Economic Affairs, and George Bradley, the Acting Assistant Secretary of Energy for International Affairs and Energy Emergencies.

This discussion emphasized the status of emergency oil stocks among IEA-member countries. Our discussion also reviewed efforts to establish an IEA policy and framework for an early and consolidated stock draw in the event of an international supply disruption.

At this point a brief review of the IEA Agreement would be appropriate. The agreement requires that each member nation maintain a strategic oil stock commitment equivalent to 90 days of net oil imports. This requirement was modified in December 1982 when the IEA Governing Board decided that member countries would undertake efforts not to let stocks fall

below 90 days of oil imports for the preceding 3 calendar years.

However, because of the way that this commitment is calculated this requirement does not necessarily result in 90 days of usable stocks. For example, under the International Energy Program, member nations may satisfy this commitment by a combination of means, including actual oil stocks, fuel switching capacity, and standby oil production. Therefore, a member can be in technical compliance with the agreement without maintaining 90 days of actual usable stocks in excess of minimum operating requirements.

Indeed, Mr. President, 16 out of the 21 IEA-member states now are in technical compliance with the provisions of the International Energy Agreement, but in my judgment, that is not sufficient. We should be seeking full compliance with the spirit of the agreement. In several instances, while technical compliance exists, it is doubtful whether such compliance constitutes 90 days of usable stocks. For example, there are differences in stock availability depending upon whether such stocks are held by and under the direct control of member governments, such as strategic petroleum reserve stocks, or whether such stocks are being held by private companies in excess of their normal practices and under the indirect control of member governments. Similarly, there is a difference between total stocks and those stocks in excess of minimum operating requirements, that is those amounts in the oil production, transportation, refining, and marketing system, that are necessary for its normal operation.

But technicalities aside, the spirit of the IEA Agreement is that the member countries would create a 90-day emergency stockpile upon which the member countries could rely. And it is this spirit of the agreement that the U.S. position on IEA matters should fully support. Moreover, now, when there is a weak oil market, is a particularly appropriate time for IEA-member states to increase emergency oil stock levels. This possibility was specifically recognized in the May 6 Tokyo Economic Declaration, as was the need for continuity of policies for achieving long-term energy market stability and security of supply.

Besides the question of the adequacy of the amount of emergency stocks, issues remain regarding the capability of IEA-member states to use their stocks to meet IEA obligations. The recent AST-5 provided many IEA-member countries with experience through simulation of the drawdown of government held stocks and mandatory company stocks, as well as the introduction of demand restraint measures. Nevertheless, issues remain regarding the adequacy of each country's capabilities for drawing down stocks from the standpoint of its logistical systems, its legal authorities, and its administration procedures.

I raise these concerns at this time, Mr. President, as an indication of areas for priority consideration by the Assistant Secretary. Greater effort is needed to encourage a strengthening of implementation of the International Energy Agreement. While much has been accomplished, much more remains to be accomplished if the spirit of the International Energy Agreement is to be realized. The importance of the U.S. continuing these efforts is reinforced by the continuing political difficulties in the Middle East.●

ST. PAUL'S ICE PALACE

● Mr. BOSCHWITZ. Mr. President, legend has it that long ago, Boreas Rex, King of the Wind, roared down from the icy north and came upon a winter paradise that today we know as Minnesota. Enraptured by the loveliness of its seven hills, he declared St. Paul to be his capital and winter playground.

One hundred years ago, the citizens of St. Paul began to celebrate the marvelous winter season in Minnesota by holding winter carnivals which help people enjoy and ignore the cold weather. This year marked the centennial anniversary of the St. Paul Winter Carnival, and to celebrate the occasion, the people and businesses of the Twin Cities donated their time and money to revive a tradition of past carnivals—the construction of a giant ice palace to celebrate the legendary home of King Boreas.

Perhaps one of the most unique features about this year's ice palace was the fact that it was a "People's Palace," almost entirely funded and constructed from private donations. Over 800 people volunteered many thousands of hours of time during the 2-month period it took to build this magnificent structure entirely out of ice. On February 5, when the Centennial Ice Palace was completed, it stood at over 128 feet in height, the tallest in ice palace history.

The tremendous spirit of those Minnesotans who volunteered to build the palace is truly inspiring. Today, the ice palace has long since melted away, but Minnesotans will always remember that while the palace was erected to commemorate the centennial anniversary of the Winter Carnival, it also served as an important tribute to the voluntarism and community spirit by which it was built.

Of the many corporations, labor unions, and other organizations which helped build the palace, one group of Federal employees from the St. Paul District Army Corps of Engineers was truly outstanding in the ice palace effort. I would like to recognize some of the dedicated individuals from this office, who volunteered thousands of hours of their own personal time.

Bob Fletcher was the chief engineer and chief recruiter for union trades people in the project, as well as one of the project's main supporters. His involvement was critical to the fabulous success of the Centennial Ice Palace. Allen Geisen volunteered his time as head of engineering, and worked tirelessly to ensure the safety of the project and other volunteers. John Kliethermes, head of the construction resource committee, spent long hours securing donations from area business people and labor unions. Mike Osterby worked on the landscaping and layout. Jim Mosner and Sheldon Edd were in charge of construction monitoring and cleanup. Dave Swanson headed up site layout, Kevin Kliethermes did cost estimates, and Charles Johnson recruited and organized supplies. All told, these and other members of the St. Paul office brought the contribution of the Army Corps to almost 2,500 hours!

The voluntary involvement of corps employees on the Centennial Ice Palace demonstrates the strong relationship between their employees and the people of St. Paul. And the entire Winter Carnival once again demonstrates the volunteer spirit and strong community pride for which Minnesotans are so well known—no matter what the temperature.●

SDI AND ARMS CONTROL GO HAND IN HAND

● Mr. WALLOP. Mr. President, some scholars of the arms control process have put forward the argument that the strategic defense initiative is incompatible with arms control. This theory was advanced, inter alia, by Thomas Schelling in a recent article in Foreign Affairs. But it has also been advanced by other arms control proponents and has gotten a grip on the thinking of large segments of public opinion in the Western democracies.

Mr. President, this idea is competely illogical. The most important effect of SDI thus far has been to promote and advance the arms control process. SDI, Mr. President, was the program which succeeded in bringing the Soviet Union to the negotiating table at Geneva for serious talks after years of unproductive negotiations. Without SDI, the Soviets had no impetus to enter into meaningful arms control talks with us.

Mr. President, SDI is at this moment only a research program. The Soviets have been engaged in such research for a long time in a very robust way. Indeed they are in production of major segments of actual ABM devices. Since the advent of our SDI program, they have been motivated to advance the arms control process, if only

to stop us and preserve their own significant advantage.

Mr. President, I ask that a thought-provoking article on the interrelationship of SDI and arms control by Patrick Glynn in the June 2 issue of New Republic magazine be printed in the RECORD. I would flag for the readers the point Mr. Glynn makes about the importance of developing technology to detect ballistic-missile submarines.

The article follows:

STAR WARS AND ARMS CONTROL

(By Patrick Glynn)

On the face of it, few arguments in the debate over nuclear strategy seem less reasonable than the contention that we should eliminate or curtail research on the Strategic Defense Initiative for the sake of arms control. In the first place, the argument runs counter to our recent experience. The chief political and strategic effect of SDI so far has not been in any way to undermine the arms talks but instead to resuscitate them. Even if SDI were not the only reason the Soviets ended their boycott of the arms control negotiations—and doubtless the Soviets had other considerations—it was almost certainly the major one.

But beyond that there are two basic points to consider: SDI is a research program conducted within the provisions of the 1972 ABM treaty; the Soviets are vigorously engaged in the same research. Indeed, the Soviet Union has been engaged in such research for a long time. It would seem, therefore, that to cut back on our research would simply be to risk ceding to the Soviets the advantage in technologies for strategic defense.

Will unilateral restraint on our part inspire reciprocal restraint on the Soviet side? Historically, this approach has a very bad record. When our defense spending dropped and the rate of procurement slowed in the wake of SALT I, Soviet defense efforts did not change. At the beginning of the strategic arms talks, both sides could be relatively confident of the integrity and security of their retaliatory forces. At the end of the SALT II negotiations, ironically enough, one side could not. By the early 1980s, two-thirds of the tripartite U.S. retaliatory force—land-based missiles and bombers—was at least physically vulnerable to a preemptive first strike. The effect of our self-imposed restraint during the 1970s was to permit a substantial shift in the strategic balance.

Perhaps it was wrong to expect the Soviet Union to follow our example. Perhaps the Soviets felt, even after they obviously had begun to edge ahead in certain categories of weaponry, that they were still catching up. It seems more likely that they saw no reason to forswear the goal of superiority, once it came into reach.

But behind the call for a curtailment of SDI lies a broader feeling—namely, the fear that new technologies will lead us to a more dangerous world. We have to admit that this is possible—though exactly how is not so clear. If nuclear missiles were about to rain in on us today, the average person would feel safer knowing that defenses were in place to stop at least *some* of them. And the opposite result is possible: technological advances might conceivably make us safer. For example, defenses capable of destroying 90 or even 70 percent of incoming missiles and warheads in flight would clearly diminish the gross destruction that could be accomplished by nuclear war. Such a defense might provide an answer to the problem of "nuclear winter"; certainly it is the only development on the horizon, technological or political, that holds out any hope of doing so.

But at issue here are in fact two separate questions, which tend to be confused. First, is a world with strategic defenses more dangerous than a world without them? Second, is a world in which the Soviets gain an advantage in defenses against nuclear missiles more dangerous than a world in which both sides stay abreast in defensive research or in which the U.S. stays ahead?

The answer to the second question would seem obvious. Already our land-based missiles and bombers are physically vulnerable to preemptive attack. If technology is capable of developing extremely effective defenses against missiles, it may someday render our submarines detectable at sea. If that were to occur, strategic defenses would be the only means to ensure deterrence. Even in the absence of such a catastrophic development, a Soviet advantage in defensive capabilities, combined with the clear advantage the Soviets now enjoy in counterforce capability, would pose a grave threat. Clearly a world in which we stay abreast or, better, ahead of the Soviets in strategic defense technologies will be safer than a world in which the Soviets gain a unilateral advantage.

To the other question—whether a world with defenses would be more dangerous than a world without them—the answer must be more speculative. From the standpoint of traditional thinking about deterrence and stability, the key issue is simply whether defenses have the effect of reducing offensive-force vulnerabilities. The United States will almost certainly be capable of providing "point defense" of missile sites and command-and-control systems long before it can provide a general defense for cities and U.S. territory. "Point defense" of weapons sites, as arms control theory makes clear, is a stabilizing influence, because it renders one's retaliatory capability more secure against preemptive attack. Indeed, as Thomas C. Schelling, one of the architects of modern arms control theory, pointed out in a recent article in Foreign Affairs, the ABM treaty limitations on point defenses were "incompatible" with arms control "philosphy," because such limits do not by themselves enhance stability. According to Schelling, they arose not from any arms control imperative, but "probably" as a result of "political necessity."

Even under a complete "Star Wars" umbrella, the crux of deterrence would survive. The very fact that even the most advanced and ambitious strategic defense is likely to be no more than 90 to 95 percent effective—if that—means that a few warheads will always be able to get through on both sides. In effect, in terms of gross destruction, nuclear attack under such putative "Star Wars" umbrellas, no matter what the size of offensive arsenals, would still be at least as risky for an aggressor as it was, say, in the early 1950s, when comparatively few atomic bombs existed. Assuming that only a small fraction of the total warheads could get through, one would have, in effect, "minimal deterrence" without the accompanying threat of climatic catastrophe and the corrosive sense of psychological and political vulnerability on the Western side that has attended the regime of "mutual assured destruction." At the same time, the requirement of stability would be met as long as weapons sites were relatively well protected and opportunities for successful preemption—i.e., for utterly debilitating the opponent's retaliatory force—had thereby been removed.

The notion that an attacker would strike first, hoping that his defenses could handle a weakened retaliatory strike, depends on a illogical assumption—namely, that defenses somehow fail to reduce the vulnerability of retailatory forces themselves. At present, people dismiss the "window of vulnerability" phenomenon on the grounds that the Soviet could never be confident of destroying enough of our land-based force to make such preemption tempting—even though our forces are physically entirely exposed. How much more uncertain would the results of such a premptive strike be in the presence of even moderately effective defenses? Indeed, it is difficult to see how one could design defenses that did not multiply the uncertainties involved a planning a preemptive attack.

A more fundamental queston remains: Is it genuinely possible to stop the advance of technology through arms control agreements? What if we succeed in stopping technology only on one side—ours—and not on the other? Bans on research, as everybody knows, will be impossible to verify. But more than that, any limitation on testing and development is likely to work asymmetrically in the Soviets' favor because of the tendency of the United States—and democracies generally—to "over-comply" with arms agreements, even as totalitarian regimes (to put the problem euphemistically) "under-comply." U.S. and Soviet behavior with respect to the 1972 ABM treaty is illustrative. Within three years of the treaty, Congress had voted to dismantle the only existing U.S. ABM site. Between 1971 and 1975, research appropriations for ballistic missile defense were cut by a factor of seven (excluding the operational costs of the one ABM site). Soviet spending and research on ballistic missile defense, meanwhile, continued to grow apace—to the point where the Soviet Union is now building and deploying ABM components in violation of the ABM treaty.

One sees this same asymmetry at work in the present SDI debate. In the same well-known Foreign Affairs article in which McGeorge Bundy, George Kennan, Robert McNamara, and Gerard Smith fervently press the Reagan administration to abandon "Star Wars"—a research program conducted entirely within the bounds of the ABM treaty—the authors make excuses for the Soviet's construction of the Krasnoyarsk radar station, a literal and obvious violation of the treaty. The first major verification trip-wire of the ABM treaty has already been triggered, and Bundy and his co-authors are urging both U.S. condonation on Soviet noncompliance and a curtailment of U.S. ABM research.

More appears to be at stake in this debate than a coolheaded assessment of our strategic needs. One suspects that the choice we are debating is at bottom largely a symbolic difference in moral attitudes. Confronted with what Schelling characterizes as a choice between "Star Wars" and arms control he has argued recently for arms control without SDI, based on what amount to moral grounds. He writes in *Foreign Affairs* that:

"A prudent restraint from aggressive violence that is based on acknowledgment that the world is too small to support a nuclear war is a healthier basis for peace than uni-

lateral efforts to build defenses. I like the notion that East and West have exchanged hostages on a massive scale and that as long as they are unprotected, civilization depends on the avoidance of military aggression that could escalate to nuclear war.

"Most of what we call civilization depends on reciprocal vulnerability. I am defenseless against almost everybody that I know, and while most of them would have no interest in harming me there must be some that would. I feel safer in an environment of deterrence than I would in an environment of defense."

These are striking statements coming from one of the major architects of arms control theory. They suggest something of the moral vision that has always been at the bottom of the idea of "mutual assured destruction." While most of us would agree that we consent to a certain vulnerability in our everyday lives (for example, walking dark streets at night), few of us like it or actively seek it out. Schelling is confusing the effects of civilization with the cause. We consent to vulnerability because of trust, and we trust because a certain order has been established, guaranteed by custom, by law, and ultimately by the jail cell and the policeman's baton. When this order fails to obtain, we understand it as a breakdown of civilization. In Schelling's formulation, the offer of vulnerability becomes the *source* of trust. True, there are relationships in which we gain intimacy and trust by offering vulnerability—with our spouses, our good friends. But the natural distinction between the "private" and the "public" or "political" realms lies partly in the fact that such intimacy is impossible in the latter. Schelling seems to be looking in politics for the kind of satisfaction people are lucky to find in marriage.

It is questionable enough to argue that we must accept as unavoidable the vulnerability of our society to a massive Soviet attack, when research, permitted to go forward, might render this vulnerability entirely avoidable. It is wholly perverse to embrace this state of vulnerability, as Schelling seems to do, as a positive moral good. As a practical matter, in a world where armed tyrannies remain, no nation that takes this view is destined long to survive, let alone to remain influential. Nothing will more quickly spell our doom than if we come to define "civilization" as a condition where liberty and tyranny are equally vulnerable to attack.

SDI is now sustained against a wide array of opponents by the president's prestige and public relations abilities. It is a fact of politics that any agreement to curtail SDI will not simply limit but destroy it. Those like Schelling who believe in mutual vulnerability for its own sake would mount a campaign to finish what the treaty had begun.

It is hard to see how a world with strategic defenses will be more dangerous than the present one. But that is not the choice that policy is probably in a position to make. To prevent strategic defenses from emerging (assuming that this were somehow a beneficial idea), we would have to be able to stop technology in its tracks, and to do so in a way that did not increase the dangers we already face. That means, to be safe, stopping technology from detecting ballistic-missile submarines as well as technologies for strategic defense. Even if this were desirable, it almost certainly cannot be done.

The fact is that in controlling technology, past arms control agreements have had a very mixed record. Schelling points out that at the time of SALT I there were two new technologies to control: ABM and MIRVs. Unfortunately, the treaty managed partly to eliminate only one of them (and not coincidentally, perhaps, the one in which the United States would in the long run have had the clearest advantage—ABM). Commentators have subsequently complained about the absence of a MIRV ban, blaming it on lack of U.S. will. More was involved: any ban of MIRVs would have disproportionately hurt the Soviets because their advantage in "heavy" missiles gave them more warheads after MIRVing. Gerard Smith, the chief U.S. SALT negotiator, observed in his memoir of the SALT I negotiations that it was "far from clear" that the Soviets would have accepted even an attractive offer for a MIRV ban. Clearly, MIRVs contributed to instability; but so did the banning of ABM. It was in fact the *combination* of the ABM limitations (including prevention of effective point defenses) and the failure to ban MIRV that by the early 1980s left U.S. land-based missiles and airfields vulnerable to a preemptive strike into the indefinite future. One can blame either feature of the treaty, but the point is that the problem came from the combination of both, and that this was a characteristic result.

In practice, there is no such thing as a leak-proof or complete arms agreement. Every agreement is destined to overlook some category of weaponry, to leave several new avenues to danger unclosed. SALT I comprehensively limited strategic ballistic missiles, defining them arbitrarily as having a 5,500-kilometer range. Within a few years we faced an incipient crisis in Europe precipitated by a wholly new Soviet missile, the SS-20 uncovered by existing agreements. Its reported range: 5,000 kilometers.

The argument is sometimes made that without SALT things would have turned out worse for the United States. But given that the Soviets managed to ensure the vulnerability of the entire U.S. ICBM force but did so only by keeping their defense spending at a painful 2 to 14 percent of GNP, it is not self-evident that there was much more they could—or were in a position to—do. As a cure for the arms race, at any rate, modern arms control has always been a bit more like Novocain than penicillin: it has treated and disguised the symptoms without affecting the underlying cause.

In short, the choice that is within our power to make is a good deal simpler: it is not whether to stop technology, but whether to permit the Soviets to gain decisive technological advantages. What we confront is not a symmetrical decision between arms control and the Strategic Defense Initiative—though Soviet propaganda, and some domestic critics of SDI, try to make it seem that way. If we hold on to SDI, we can almost certainly keep both SDI and arms control. Agreements should be possible on a number of subjects—for example, not even the Soviets at present make unilateral abandonment of U.S. strategic defense research a precondition for an agreement on intermediate-range missiles. But if we somehow let go of SDI in hopes of advancing arms control, it is not clear that we will ultimately have either. We may have a new arms agreement, it is true; but one wonders what happens next. Any actual agreement will at best achieve reductions only in certain classes of weapons. From the standpoint of real disarmament, a huge amount of work would remain. What will we do the next time the Soviets boycott the arms talks? What will be our new "bargaining chip"? Having abandoned or restricted SDI, will we find ourselves surrendering again to that "heightened fear of nuclear war" that Leslie Gelb chronicled in the *New York Times Magazine* in March 1984? Will there be a new spate of TV movies like "Threads" and "The Day After" predicting nuclear incineration?

At the very least, we ought to be clear about what we will be bargaining away. To trade away SDI is to return, strategically and politically, to the conditions of 1979 to 1983. True, SDI does not yet solve the problem of vulnerability at the root of popular nuclear anxiety, but at least the program holds out some hope of eventualy doing so. And it is necessary at the least to prevent our present and very real vulnerabilities from getting any worse.●

PROPOSED ARMS SALES

● Mr. LUGAR. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $50 million or, in the case of major defense equipment as defined in the act, those in excess of $14 million. Upon such notification, the Congress has 30 calendar days during which the sale may be reviewed. The provision stipulates that, in the Senate, the notification of proposed sales be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is available to the full Senate, I ask consent to have printed in the RECORD at this point the notification I have received.

The material follows:

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, DC, June 6, 1986.

Hon. RICHARD C. LUGAR,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 86-36, concerning the Department of the Air Force's proposed Letter(s) of Offer to Japan for defense articles and services estimated to cost $55 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

PHILIP C. GAST, *Director.*

[Transmittal No. 86-36]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b)(1) OF THE ARMS EXPORT CONTROL ACT

(i) Prospective purchaser: Japan.

(ii) Total estimated value:

	Million
Major defense equipment [1]	$44
Other	11
Total	55

[1] As defined in section 47(6) of the Arms Export Control Act.

(iii) Description of articles or services offered: Two C-130H aircraft, spare parts, and provisioning and technical data.

(iv) Military department: Air Force (SGA).

(v) Sales commission, fee, etc., paid, offered, or agreed to be paid: None.

(vi) Sensitivity of technology contained in the defense articles or defense services proposed to be sold: None.

(vii) Section 28 report: Case not included in section 28 report.

(viii) Date report delivered to Congress: June 6, 1986.

POLICY JUSTIFICATION—JAPAN—C-130H AIRCRAFT

The Government of Japan has requested the purchase of two C-130H aircraft, spare parts, and provisioning and technical data. The estimated cost is $55 million.

This sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Japan; furthering rationalization, standardization, and interoperability; and enhancing the defense of the Western Alliance.

The Government of Japan will utilize these aircraft primarily in a transport role in support of the Japan Self Defense Forces. Japan will have no difficulty absorbing these C-130H aircraft into its armed forces.

The sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be the Lockheed Corporation of Marietta, Georgia.

Implementation of this sale will not require the assignment of any additional U.S. Government personnel; one contractor representative will be required in Japan for approximately one year.

There will be no adverse impact on U.S. defense readiness as a result of this sale.●

Mr. SIMPSON. 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. SIMPSON addressed the Chair.

The PRESIDING OFFICER. The assistant majority leader is recognized.

Mr. SIMPSON. Mr. President, the Democratic leader and I, I believe, are prepared to conclude the business of the day.

DIRECTING THE SENATE LEGAL COUNSEL TO REPRESENT WILLIAM GALLINARO AND PHILIP MANUEL

Mr. SIMPSON. Mr. President, after conferring with the Democratic leader, and on behalf of Senators DOLE and BYRD, I send a resolution to the desk and ask for its immediate consideration.

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

The legislative clerk read as follows:

A resolution (S. Res. 423) to direct the Senate legal counsel to represent William Gallinaro and Philip Manuel in the case of *People of the State of California* v. *Robert Corenevsky.*

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. DOLE. Mr. President, the defendant in a criminal proceeding now pending in a State court in California is seeking to compel the testimony of several former members of the staff of the Permanent Subcommittee on Investigations. In the mid 1970's, the former staff members had participated in subcommittee investigations of Federal drug law enforcement. The crime for which the defendant has been indicted occurred years later in 1981. There has been no suggestion that the former staff members have any knowledge of the crime, and the defendant instead is seeking testimony about matters occurring during the subcommittee's earlier investigations.

Last year the Senate, by Senate Resolution 164, directed the Senate Legal Counsel to represent, in another proceeding, the two former subcommittee investigators who are the subjects of the present applications to compel their testimony. The Senate Legal Counsel asserted on their behalf a privilege under the speech or debate clause, and the U.S. District Court for the Southern District of California last May quashed subpoenas to the two investigators. The current effort to require the testimony of these former Senate investigators presents a similar question relating to the privileges of the Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 423) was agreed to, as follows:

S. RES. 423

Whereas, in the case of *People of the State of California* v. *Robert Corenevsky,* Case No. C-55447, pending in the Superior Court of the State of California, Orange County, the defendant has commenced proceedings to obtain the testimony of William Gallinaro and Philip Manuel, former employees of the Senate Permanent Subcommittee on Investigations;

Whereas, pursuant to sections 703(a) and 704(a)(2) of the Ethics in Government Act of 1978, 2 U.S.C. 288b(a) and 288c(a)(2) (1982), the Senate may direct its counsel to represent former employees of the Senate with respect to subpoenas issued to them in their former official capacity;

Resolved, That the Senate Legal Counsel is directed to represent William Gallinaro, Philip Manuel, and any other former employee of the Permanent Subcommittee on Investigations who may be the subject of proceedings to require them to testify in the case of *People of the State of California* v. Robert Corenevsky.

Mr. SIMPSON. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ORDERS FOR TUESDAY

RECESS UNTIL 10:30 A.M.

Mr. SIMPSON. Mr. President, again after conferring with the Democratic leader, I ask unanimous consent that once the Senate completes its business today, it stand in recess until 10:30 a.m., on Tuesday, June 10, 1986.

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

RECOGNITION OF CERTAIN SENATORS

Mr. SIMPSON. I further ask unanimous consent that following the recognition of the two leaders under the standing order there be special orders in favor of the following Senators for not to exceed 5 minutes each: Senators HAWKINS, CRANSTON, HUMPHREY, PROXMIRE, MATHIAS, DIXON, QUAYLE, SASSER, GORE, and MURKOWSKI.

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

ROUTINE MORNING BUSINESS

Mr. SIMPSON. I ask unanimous consent that there be a period for the transaction of routine morning business not to extend beyond the hour of 12 noon with Senators permitted to speak therein for not more than 5 minutes each.

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

RECESS BETWEEN 12 NOON AND 2 P.M. FOR PARTY CAUCUSES

Mr. SIMPSON. I ask unanimous consent that the Senate stand in recess between the hour of 12 noon and 2 p.m., tomorrow for the weekly party caucuses to meet.

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

PROGRAM

Mr. SIMPSON. Mr. President, when the Senate reconvenes following the recess, pending will be the unfinished business which, of course, is H.R. 3838, the tax reform bill.

The majority leader has asked me to indicate that votes can be expected during Tuesday's session throughout the day.

And it is the intention of the majority leader to ask the Senate to remain in session into the evening hours of tomorrow, Tuesday, to deal with the tax reform issue expeditiously.

Mr. President, we await clearance on the appointment of conferees on H.R. 4515, the supplemental appropriations measure which we wrestled with during last week. There are better words for it, too, I think. The sooner we have those conferees available to do their work, we will be able to complete that. It is a very important measure. There are some expiring appropriations there. Moneys are required at various levels of the Federal Government. With that, we shall wait a few moments to clear the appointment of those conferees.

I suggest the absence of a quorum.

□ 1720

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

APPOINTMENT OF CONFEREES—H.R. 4515

Mr. SIMPSON. Mr. President, after conferring with the Democratic leader and awaiting the comments from our colleagues on both sides of the aisle, because of the importance of the request, I now ask unanimous consent that the Senate insist on its amendments to H.R. 4515, making urgent supplemental appropriations for the fiscal year ending September 30, 1986, and request a conference with the House on the disagreeing votes of the two Houses thereon; and that the Chair be authorized to appoint conferees on the part of the Senate.

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

The Chair appointed Mr. HATFIELD, Mr. STEVENS, Mr. WEICKER, Mr. MCCLURE, Mr. GARN, Mr. COCHRAN, Mr. ANDREWS, Mr. ABDNOR, Mr. KASTEN, Mr. D'AMATO, Mr. RUDMAN—Mr. GOLDWATER for chapter III A only—Mr. STENNIS, Mr. BYRD, Mr. PROXMIRE, Mr. INOUYE, Mr. HOLLINGS, Mr. CHILES, Mr. JOHNSTON, Mr. BURDICK, Mr. LEAHY, and Mr. DECONCINI—Mr. NUNN for chapter III A only—conferees on the part of the Senate.

RECESS UNTIL TOMORROW AT 10:30 A.M.

Mr. SIMPSON. Mr. President, I inquire of the Democratic leader if he has any further business to conduct?

Mr. BYRD. No, Mr. President, I have not.

Mr. SIMPSON. There being no further business, I move, in accordance with the previous order, that the Senate stand in recess until 10:30 a.m. tomorrow morning.

The motion was agreed to and, at 5:37 p.m., the Senate recessed until tomorrow, June 10, 1986, at 10:30 a.m.

EXTENSIONS OF REMARKS

INTRODUCTION OF THE TAX COMPLIANCE ACT OF 1986

HON. MEL LEVINE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. LEVINE of California. Mr. Speaker, today I am introducing the Tax Compliance Act of 1986 which will bring greater equity and efficiency into our tax system. My legislation provides for a one-time amnesty program under which taxpayers will have a 6-month period to come forward to pay all taxes owed to the Government. During this period taxpayers will be exempt from civil and criminal penalties for tax evasion, but will be required to pay all outstanding debts plus interest owed on those debts. Additionally, my legislation increases penalties for all forms of tax evasion.

This legislation will increase tax compliance and will limit the extent to which honest Americans are now paying their disproportionate share of the Federal tax bill. Moreover, without raising taxes, this measure will reduce the Federal deficit significantly. It has been estimated that a Federal amnesty program could raise as much as $8 billion.

I have patterned my legislation after a 1984 California amnesty tax program which provided State residents with an opportunity to come forward and pay all debts to the State without penalty or fear of prosecution. Thousands of delinquent taxpayers participated in the State program which raised over $190 million within a matter of 3 months. California's program succeeded because accompanying the one-time amnesty-promise came tougher, new tax laws and stepped-up enforcement of them.

The California tax amnesty experience is not unique. Eighteen other States have combined temporary amnesty periods with stepped-up tax enforcement provisions, generating nearly $1 billion nationwide. The Federal Government can no longer afford to ignore the fact that tax amnesty is an effective approach to raising revenue and increasing adherence to our tax laws. Unless we try something new to crack down on tax evasion, Federal tax compliance will continue to slip below the already unacceptable rate of 87 percent.

Federal tax evasion has more than tripled in the last decade. The Federal tax gap—the difference between what is legally owed and what is actually paid—now exceeds $100 billion annually. Because this tax gap accounts for more than one half of our Federal deficit, it's about time that we go after the money that is owed to our Government.

Federal tax amnesty should not reward tax cheaters. Like the California law, my legislation requires full payment of all taxes owed plus all interest due. Tax evaders who voluntarily come forward during the prescribed amnesty period should only be granted amnesty from civil and criminal penalties.

In order to discourage future tax evasion, my measure increases penalties by 50 percent for tax evasion and denies Federal contract awards to anyone who has a delinquent tax account. In order to assist the IRS in ensuring additional tax compliance, my legislation provides for increased reporting of all real estate transactions on the local level.

While tax amnesty itself would be granted once, its impact would endure. In California, a large number of individuals and businesses taking advantage of the State amnesty law were placed on the tax rolls for the first time, thus significantly broadening the tax base in the State. If Federal tax amnesty were adopted, the IRS could share with the States information concerning taxpayers newly arrived on the Federal rolls, assuring additional tax compliance on the State and local level.

Many critics of tax amnesty have suggested that such a program of forgiveness would undermine confidence in our tax system. However, as an alarming percentage of the public unlawfully avoids paying any taxes at all already, I am not sure that there is much public confidence in the present system to be undermined. The entire public is fed up with the fact that too few individuals pay their fair share of taxes. Federal tax amnesty will at least ensure that a large share of the public is shouldering its fair share of the Federal tax burden.

The IRS opposes tax amnesty because it claims it is unfair to Americans who pay their taxes on time. However, tax amnesty is nothing new to the Federal Government. It is estimated that the IRS currently forgives tax penalties to the tune of $2 billion a year in the process of settling cases with debtors. If the IRS is willing to waive penalties for thousands of well-heeled and well-represented individuals and businesses, why shouldn't it accord the same rights to the rest of the public?

We have nothing to lose in implementing a national amnesty program, accompanied by stiffer tax penalties and enforcement. The amnesty concept itself would set no new precedent and would only last for a limited period of time. The Tax Compliance Act of 1986 is a responsible measure which, if enacted, will finally convince tax evaders that unless they come clean now, the Government will catch up to them later.

MORRISTOWN DAILY RECORD ON WHY THEY SILENCE SAKHAROV

HON. JIM COURTER

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. COURTER. Mr. Speaker, dictators are as afraid of truth as they are of armed opposition. This is especially true of totalitarian dictators, whose obsession with absolute rule is such that a ragged catechism or a privately printed pamphlet can make them furious.

On May 27, about the time I was leaving the Soviet Union, and leaving behind all of the courageous would-be emigres I met there, the Morristown Daily Record editorial board ran a fine article on what Andrei Sakharov means to the Soviet rulers. They honored his good works as a founder of the Soviet Human Rights Committee, and they explained why in the totalitarian body politic truth is a potentially lethal kind of infection.

I am pleased to enter the Daily Record article into today's RECORD.

WHEN TRUTH IS SUBVERSIVE

In 1980 Soviet authorities banished Andrei D. Sakharov from his home in Moscow to internal exile in Volga River city of Gorky. He has never been charged with a crime and has never stood trail. Once officially revered for his work in the Soviet nuclear program, including the development of the hydrogen bomb, Sakharvo committed the one unforgivable crime in the Soviet state: he acted on the dictates of his conscience. According to a statement from Tass, the official press agency, this meant "conducting subversive activities against the Soviet state."

Sakharov's path to official disgrace and worldwide honor began in the late 1950's when, alarmed by the international perils of radioactive fallout, he tried to effect a halt to testing of Soviet nuclear weapons. In the mid-1970s he helped found the Soviet Human Rights Committee, whose purpose was to monitor Soviet compliance with the humane provisions of the Helsinki Agreement—which the Soviets have blatantly ignored. What immediately precipitated Sakharov's arrest in 1980 was his condemnation of the Soviet invasion of Afghanistan.

Therefore, Soviet authorities have sought to silence Sakharov by depriving him of intellectual sustenance. His whole life having been a splendid expression of his extraordinary mind, Sakharov must endure the privation of company.

He cannot see his friends and colleagues. Other prisoners of the Soviet gulag have suffered extreme forms of physical abuse. But in Sakharov's case, the authorities see intellectual death through starvation as the most efficient means to protect Soviet citizens from infection—the infection of truth.

Those truths—concerning the dangers of the arms race and the right to free expression for all citizens—are often uttered by Soviet leaders. Even Stalin's 1936 constitution guaranteed free speech. The difference is commitment to those principles. Stalin executed millions of his subjects, and Gorbachev presides over an unprecedented military buildup. Sakharov, meanwhile, has lost the most meaningful part of his life by insisting those truths be observed in deeds.

Last Wednesday marked Sakharov's 65th birthday. It is a telling remark about the Soviet Union that this Nobel-laureate and man of peace could not celebrate this day.

Instead, he is shut off from an admiring and respectful world.

DISABLED PEOPLE IN ACTION

HON. DANIEL K. AKAKA

OF HAWAII

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. AKAKA. Mr. Speaker, I would like to share with my colleagues an essay written by a Kauai 17-year-old, Julie Hew. This essay was recently chosen as the first place national winner of the National Journalism Contest sponsored by the President's Committee on Employment of the Handicapped.

The mission of the President's Committee is to provide leadership to achieve maximum employment of people with disabilities by seeking, developing and providing information and by indentifying and promoting training necessary to increase levels and quality of employment. Participants in the contest interviewed people with disabilities in their communities to gather information and to write on the theme "Disabled People in Action."

Ms. Hew's essay describes Mr. Elroy Malo, a man who has struggled with the physical and mental distress of leprosy. Despite the addtional physical limitation of blindness brought on by leprosy, Mr. Malo became an extremely productive member of his community. I think you will appreciate Ms. Hew's sensitive presentation of Mr. Malo's courageous struggles and achievements.

LIVE, LEARN, AND ENJOY

(By Julie Hew)

While slowly dialing the numbers on the telephone, I glanced at the clock. 9:04 a.m. My stomach churned. What am I going to say? Should I greet him cheerfully or seriously? I hope I don't say anything insensitive or offensive. All these thoughts raced through my head as the phone rang.

"Hello," came the warm voice at the other end.

"Good morning, Mr. Malo, this is Julie Hew."

"Oh! Howzit." Instantly I relaxed—this wasn't going to be so difficult after all!

Elroy Malo, a pure Hawaiian leprosy patient, has come a long way from the isolated little community of Kalaupapa where he was sent in October 1947 at the age of twelve. As a young boy, Elroy enjoyed the vast new playground and the escape from labor in the family taro patch. However, the stigma of being a Hansen's disease patient soon set in. The pain of that experience is still deeply embedded.

Hansen's disease or leprosy has been around for centuries. It attacks the nerves of the extremities leaving the fingers and toes to shrivel. Ulcers and sores develop on the arms and legs that are void of feeling and unable to indicate pain or injury. Blindness also occurs in later stages. It is frequently referred to as "the living death" because the disease itself is not fatal, but the victim lives with the physical and mental distress for the rest of his life. Today, 11 million people throughout the world are afflicted with leprosy. Most cases occur in South China, Southeast Asia, India, Central Africa, South and Central America, the Malay Peninsula, and the South Pacific Islands. In Hawaii, the disease is thought to have originated in China when immigrants brought it over in the 1850's. Hawaiians, having been isolated for so long, had little immunity to foreign disease and caught it readily. Until recently, an effective treatment for leprosy did not exist. Thus the patient was forced into isolation from the rest of society. The falsehoods that provide the stigma of leprosy depict those patients as the dregs of society, those who are being punished by God, or inhuman. But leprosy patients are people with a disease, and they have the same feelings, desires and goals as anyone else.

Elroy Malo is an example of how one can overcome his difficulties and make the most of life. Leprosy claimed his body and his sight, but not his brain or heart.

While living on Molokai, and later in Pearl City, Elroy was restricted to the grounds of a school or hospital. He was never allowed to be completely free. By nature, he was energetic and proud, and he came to resent the brand others put on him or the invisible walls that kept him from being like other people. He become very bitter and angry at the world. Rebelling, he refused assistance from his teacher and doctor, and preferred to be alone, drowning his sorrows in alcohol. His depression and negative attitude continued until 1972 when he finally moved out of the hospital. After 24 years of confinement, Elroy was ready to become an active part of the community.

Until 1971, Elroy practiced self-rehabilitation. He taught himself how to use a cane by trial and error—frequently walking into walls and banging sensitive shins. Then he started rehabilitation at Ho'opono School for the Blind and Visually Impaired. In 1972, he began attending the University of Hawaii with three goals in mind: voice training (singing is a great passion of his), learning to speak Hawaiian, and learning to write. School was a test in itself on Elroy's determination and perserverance. He had to take oral exams and tape record lectures, which meant studying twice as hard as everyone else. In 1978 the hard work paid off and Elroy received his Bachelor's degree in Hawaiian language. Two years later he was awarded his teaching certificate.

Now Elroy sits on numerous boards of non-profit organizations, sharing his views as a representative of the disabled. He has been on boards of directors for the Eye of the Pacific, Ho'opono School for the Blind and Visually Impaired, and the Aloha Council (affiliated with the American Council). He was also the representative of the disabled to the Oahu Tenants Association Council, and the second vice president for the association in his building. The Aloha Council engaged him to make speeches at rallies to various groups on his experiences and the importance of the Council. Elroy is also an active participant in the Very Special Arts group that puts on plays by the disabled for the community.

Although he lives by himself in the Hawaii Housing project, Elroy is not alone. In 1982, he was the first blind person from Hawaii to travel to Australia to get a seeing-eye dog. His trip was sponsored by the Eye of the Pacific, and it changed his life. Kieran, his full-time companion helps with traveling tremendously. Sometimes the pair don't end up in their desired location, but those times are rare and Kieran has improved Elroy's quality of life and feeling of independence.

There are approximately 36 million disabled people in the United States alone. Each year 4 million new cases of eye diseases are discovered and ½ a million are diagnosed as "legally blind." Yet Ho'opono is the only school of its kind in Hawaii and there are only 55 throughout the country.

Elroy Malo lives with two disabilities. He has leprosy, and as a result of that is blind, but he hasn't let his physical limitations prevent him from broadening his horizons and helping others.

"Disability" is a label I question. It refers to the lack of ability and connotes incompetence, yet Elroy Malo has the ability to do many things that others cannot. He is not disabled, he is physically limited. Elroy is a special person. Some people with physical limitations are in fact disabled because they believe they are disabled, and they let others tell them so. Elroy's attitude is positive about himself and his capabilities. Being able to accept his situation has helped him overcome his anger and bitterness which in turn helps him lead a productive life.

"Don't let other people's hang-ups stop you from doing what you want," he says, "and don't be afraid to try new things, because someday you'll be happy to say, 'I'm glad I did it' instead of 'I wish I did.' "

Elroy has dedicated his life to helping others through non-profit organizations or by sharing his story so that others may benefit and learn from it. Now, he can demonstrate his courage, determination and a positive outlook on life.

Those of us who are not among the 36 million people with physical or mental limitations sometimes take for granted our everyday abilities. We quickly glance to the clock or use healthy fingers to dial the telephone. Someone like Elroy Malo has to remind us of how precious our good health is. The key to life is your attitude. The willingness to try the new, practice the difficult, face reality, and be optimistic makes an enormous difference. Because of his physical limitations, Elroy compensates by doing as much as he possibly can. He doesn't sit around feeling sorry for himself. He goes out, keeps busy, and has a lot of fun. If we all lived like Elroy, whether healthy or "disabled", and stopped thinking only of ourselves, no one could complain of being unproductive, desolate, or destitute. I admire Elroy Malo most for never giving up and making contributions to a society that at one time looked down on him with scorn. A well-known saying reminds us to "live and learn." Elroy Malor is living, learning, and enjoying it!

DIRECT LEGISLATION

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington Report for Wednesday, June 4, 1986, into the CONGRESSIONAL RECORD.

DIRECT LEGISLATION

Democracy derives its vitality from the participation of its citizens. Ordinarily, citizens participate in making laws only indirectly through their elected representatives. If a representative fails to vote as his constituents want, the voters can elect someone else at the next election. Most of us agree that such representative democracy serves us well and is preferable to the alternatives. But I find many Hoosiers would like more

say on some issues than they get from electing representatives or a president every few years. As one voter put it to me recently, "Why can't I vote on some issues that affect me so much?" This is an understandable desire. Part of freedom is having a hand in deciding issues that touch a voter personally.

The U.S. is one of the few democratic nations that has never used direct legislation at the national level. At the state and local level, however, direct legislation is widely used. The 13 original states used referendums to adopt the U.S. Constitution, and the states have used it extensively since then. Nationwide, there may be as many as fifteen thousand local referendums each year. Most direct legislation is in the form of either an "initiative," which allows any person to draft a statute or constitutional amendment and, after satisfying certain requirements, have it referred directly to the voters; or a "referendum," which permits measures already approved by a legislature to go before the voters for approval or rejection. Every state but Delaware submits proposed amendments to their constitutions to the voters for approval in constitutional referendums, the oldest and most often used form of direct legislation, and the only form used in Indiana. Indiana is one of a handful of states that does not even allow local governments to hold referendums. Direct legislation is more widespread in the western states, perhaps because political institutions and procedures for doing things were not as firmly rooted there as they were elsewhere.

Local referendums on proposals to issue local bonds and raise local taxes to expand public facilities are the most frequent subject of direct legislation. Regulation of public morals and regulation of business and labor are also popular subjects of direct legislation. Since the 1950s, measures dealing with civil rights and civil liberties, such as measures to prohibit school busing or to guarantee equal rights for women, have increased. The most recent development has been an increase in initiatives on environmental protection, such as proposals to regulate or prohibit the development of nuclear power plants and to regulate the use of no-return food and beverage containers. Generally, voters are more likely to approve referendums previously considered and approved by their elected representatives than they are initiatives by unofficial citizens' groups.

The chief objection to using direct legislation at the national level is that many national issues, the budget for example, are so complex that extensive education of the voters would be necessary. Direct legislation on all issues is not desirable or practical in a huge country with millions of voters and a host of complex issues confronting it. Though intended to increase voter participation, direct legislation could, if overused, undermine the legislature's ability to function. Moreover, it would be difficult to select measures to be submitted to the voters. Another concern is that, with low voter turnout, important issues could be decided by a vocal and well-organized minority. Also, wealthy interests able to mount expensive advertising campaigns and the President, with his superior access to the media, would have an advantage in promoting their points of view.

These objections do not mean that direct legislation has no place in modern America. Direct legislation at the state and local level usually produces good results. It has been a good way of overriding legislatures that ignore the popular will, as in the 1978 revolt in California against property taxes, and it might be a useful way to resolve political deadlock on controversial issues. The system can be modified to prevent frivolous proposals or those that would trample on individual rights. Congress has never seriously considered establishing a procedure for direct national legislation, although several proposals for national direct legislation in the U.S. have been made. One proposal a few years ago would have allowed legislation on most subjects to be put before the voters by a popular petition.

I think we should consider the use of direct legislation at the national level and, in Indiana, at the state and local levels. To strengthen democracy we must search for ways to encourage popular participation. People need to feel that they are not voiceless cogs in a vast machine, and that they can be heard where it counts. I do not think voters are too ignorant or lazy to be entrusted with more responsibility than voting every few years for someone else to do the work. By having more responsibility, voters might become more involved. A system for direct legislation, not to mention specific threats of its use, could help keep elected representatives alert to the strongly felt needs of the people. Such a system would have to be carefully crafted. Issues submitted to the people should be the subject of careful deliberation by the legislature and the executive, and should be readily understood by the voters and of sufficient interest to stimulate them to inform themselves. The number of issues submitted for a direct vote should be limited, perhaps to two or three each election. It may be unwise to use direct legislation for technical fiscal or defense decisions.

Direct legislation has limitations and I do not suggest that representative government be diminished. I see direct legislation as a useful supplement to, and check on, representative democracy, not as an alternative to it. Direct legislation should make democracy more democratic and representative government more representative. On some issues, it may be appropriate to return from representative democracy to direct democracy, to bring voters into the decision-making process and to remind us all of their sovereignty.

AID TO THE CONTRAS IS NOT HUMANITARIAN AID

HON. ROBERT GARCIA

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. GARCIA. Mr. Speaker, our colleague from Massachusetts, JOE MOAKLEY recently wrote an insighful essay for the Christian Science Monitor on aid to the Contras.

In his article, he makes a very persuasive case against calling present aid for the Contras humanitarian. This distinction is both important and clear, as JOE'S article aptly points out. I urge my colleague's to take a moment to read his thoughtful essay:

HUMANITARIAN AID VS. CONTRA AID

(By Joe Moakley)

In the debate over aiding the "contra" forces in Central America, an important point has emerged that should be respected by both supporters and opponents of such aid. None of the assistance that has been or may be sent by the United States government directly to the contras can properly be called humanitarian aid.

Many of the church-based and private voluntary agencies that provide relief and development assistance around the world have correctly insisted that all forms of direct aid to the contras violate the longstanding, internationally agreed-on criteria for humanitarian aid.

As stipulated in the Geneva Conventions and Protocol, humanitarian aid must be made available solely on the basis of human need and not for any political purpose; it must be offered impartially to all sides in a conflict; it must go only to civilians and noncombatants; and it must be provided through independent agencies that have not taken sides.

Direct U.S. assistance to the contras cannot meet any of these three basic tests for true humanitarian aid. What we have sent is clearly intended to enhance the combat effectiveness of one faction in a conflict rather than to alleviate suffering among civilians and noncombatants.

When Congress voted $27 million in so-called "humanitarian" aid to the contras last year, one US senator suggested that the contra forces would now be better fed, better clothed, and better shod, and that they would fight better as a result. Such an approach utterly defies the rudimentary meaning of humanitarian aid.

The relief agencies' experience in Central America makes clear that contra attacks, in fact, increase the number of displaced persons and victims of violence and hamper effective delivery of aid.

The false usage of "humanitarian" is further demonstrated by the fact that more than $15 million of the $27 million in aid approved last summer has not been spent in ways that are classified and are impossible to audit through the very government accounting procedures that were mandated in the law. Genuine acts of mercy are not subject to such secrecy.

The ultimate outrage against the concept of genuine humanitarian aid came in March when President Reagan asked for $100 million in renewed assistance to the contras. The White House text of a promised executive order released on the eve of the first vote in March identified ground-to-aid missiles and Green Beret training as forms of "humanitarian" aid.

Blatant manipulation of the term is further illustrated in administration responses to requests to send aid to Nicaragua. While a wide variety of paramilitary gear has been purchased for the contras using the $27 million for "humanitarian" aid, traditional relief agencies have been blocked by licensing restrictions from sending needed, totally nonmilitary supplies into Nicaragua. Oxfam America has been waiting for months for permission to send seeds, agricultural tools, and similar goods for distribution inside Nicaragua through church networks. By contrast, private groups backing the contras received an export license in just four days to send a Huey helicopter to the contras for "humanitarian" purposes.

Providers of genuine humanitarian aid operate in conflict situations at the sufferance of the warring parties, who from a partisan perspective, view the activities of relief workers with considerable suspicion. Misuse and political exploitation of the term "humanitarian," therefore, erodes the integrity of genuine humanitarian aid, adds further danger to the work of bona fide aid providers in conflict situations, and puts at jeop-

ardy the future of those in need whose life depends upon delivery of such assistance. It also increases the risks that many relief workers already face in their efforts to provide true humanitarian assistance.

The time has come to remove the term and concept of "humanitarian" from any aid that Congress may approve in support of the contras. If new funds are voted and the current Nicaraguan Humanitarian Assistance Office in the State Department is asked to administer any portion of the funds, then the office should be renamed so as to delete "Humanitarian" from its title. For those in need in Central America, assistance should be provided through the Red Cross and the United Nations High Commissioner for Refugees under arrangements that fully conform to the traditional criteria for humanitarian aid.

IN HONOR OF TERESA P. HUGHES

HON. MEL LEVINE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. LEVINE of California. Mr. Speaker, I rise today in honor of Assemblywoman Teresa Hughes who will be honored on June 12, 1986, at the 1986 Black Women Achievement Luncheon for her outstanding contributions to education and civil rights. As a former assemblyman myself, I had the privilege of working with Terry in the California State Legislature and she is truly an outstanding woman. I would like to share her accomplishments with my colleagues in the U.S. House of Representatives.

Teresa P. Hughes, a Democrat, was elected to the assembly in a special election in 1975. She represents the 47th Assembly District which includes south central Los Angeles, and the cities of Bell, Cudahy, and Huntington Park.

Born in New York City, she earned a B.A. in physiology and public health, in addition to graduate work in sociology at Hunter College, M.A. in educational administration at New York University, and a Ph.D. in education administration at Claremont Graduate School.

Her professional experience as a former social worker, teacher, school administrator, and professor is evidenced by the variety of her legislation.

Assemblywoman Hughes is the successful author of legislation giving permanent status to substitute teachers in the Los Angeles School District; providing for affirmative action reporting for institutions of higher education; more adequate school finance for local districts; research grants for lupus disease and high blood pressure; landmark antiredlining home loan laws and rehabilitation loans; supporter of unit pricing and other consumer issues; the establishment of Displaced Homemaker Centers; and a pilot program for burglary prevention.

She is former legislative and education consultant to the State commission for teacher preparation and licensing and professor of education at California State University, Los Angeles.

Dr. Hughes is the founder of Awarc Women of California, a member of the California State Employees Association, Coalition of Labor Union Women, a charter member of Amigos de los Crippled Children, and the International Society of Political Psychology, Democratic Women's Caucus, and Delta Sigma Thete Sorority.

Assemblywoman Hughes is chairwoman of the assembly committee on education and serves on the assembly committee on public employees and retirement, the assembly committee on utilities and commerce, and the assembly finance and insurance committee. Dr. Hughes is also a member of the State allocation board.

Assemblywoman Hughes has two children, Vincent and Deirdre Hughes, and is married to Frank E. Staggers, M.D.

It is a pleasure to share Teresa's outstanding accomplishments with my colleagues in the U.S. House of Representatives. I ask that the Members of this body join me in saluting Assemblywoman Terry Hughes.

EDUCATION REFORM TURNS TO REVOLUTION

HON. JIM COURTER

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. COURTER. Mr. Speaker, a recent editorial in the Courier-News highlights a number of positive recommendations coming out of the "1986 Carnegie Corp., Tax Force on Teaching." In the past few years, New Jersey has led the way in providing programs to improve public education. High starting salaries and other incentives will insure that top talent is attracted to the teaching field and that quality educators remain in our public schools.

But the Carnegie task force is calling for far more ambitious reforms, asking even more of our teachers and offering greater rewards in returns. The Courier-News analysis of these proposals, which follows, should be considered by all of our colleagues who share a concern for our children's education:

EDUCATION REFORM TURNS TO REVOLUTION

In recent years, New Jersey has been a leader among the 50 states in improving public education.

To attract and keep better teachers, it has raised the minimum starting salary to $18,500, adopted a "master teacher" program to reward good teachers with annual bonuses, and allowed school districts to hire skilled professionals with degrees in disciplines other than education. It also is asking more of students: Last month, 82,000 freshmen took their first High School Proficiency Test, which they must eventually pass in order to graduate.

Moreover, there's a spirit of innovation in New Jersey's school districts today, evident programs like Plainfield's self-evaluation of its 14 schools and Bridgewater-Raritan's recent teacher exchange, in which seven non-teaching professionals taught classes for a day.

But even in New Jersey, education reform has been incremental, mostly a matter of tinkering with the system. So even here, the report of the Carnegie Corporation Task Force on Teaching is a call to revolution.

In 1910 a Carnegie task force called for tough standards and training for doctors. That report kindled the movement that turned medicine into a respected and highly paid profession. The Carnegie task force of 1986 suggests no less for the teaching profession.

At the heart of the report is a trade-off. It says good teachers should be paid up to $72,000 a year and that teachers should run the schools instead of administrators. In exchange, teachers would have to train themselves to more exacting standards, submit to national certification and be judged by their results.

All told, the task force estimates, its recommendations could raise the national tab for education by 30 percent.

Many parts of the report need to be fleshed out. For instance, what should the national standards for certification be? How should teachers be judged, and how should they be organized to run the schools?

Other parts of the report need to be questioned. For instance, it calls for virtually scrapping four-year teaching degrees. But the goal is to have prospective teachers learn more about their subjects and practical ways to pass their knowledge on to students, less about education theory and history. This might be achieved by revamping four-year undergraduate programs instead of shifting teaching degrees into graduate programs like medicine or law.

Still, it is hard to argue with the outlines of the task force's suggestions.

America has fallen dangerously behind many nations in passing along to its young both technical and social skills, such as science and foreign languages.

We expect New Jersey will again be a leader in this next phase of education reform—and not only because our governor, Thomas H. Kean, was a member of the task force. Necessity will require the states to take charge again because the Reagan administration, still fixated on ideological tangents like school prayer, continues to cut resources for education at the national level.

But the bottom line was well drawn by the chairman of the task force, Lewis M. Branscomb, chief scientist at IBM: "A reform movement that restores our schools to the standards of the 1950s is not good enough. We must design them for the economic and social conditions we will face in the 21st century."

A TRIBUTE TO JOSEPH WILLIAM KESSEL

HON. HARLEY O. STAGGERS, JR.

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. STAGGERS. Mr. Speaker, tonight, in my hometown of Keyser, WV, a celebration is taking place. The celebration is to honor a friend of mine but, more importantly, to honor one of the best friends that education in West Virginia has ever had. His name is Joseph William Kessel, but he is better known to his many friends and colleagues as Joe Bill. Tonight's celebration is to honor Joe Bill Kessel's retirement after 35 years of dedicated service to education and his community.

While I regret that I will be unable to attend tonight's festivities, I do want to share my admiration for Joe Bill with my colleagues. Joe Bill was born in West Virginia on November 22, 1925. He was educated in the public

school system in Keyser, the same school to which he would later dedicate most of his professional career.

He attended Potomac State College, West Virginia University, Marshall University, Shepherd College, Frostburg State College, the University of Indiana, and the University of Michigan. He holds three master's degrees.

After serving his country for 2½ years in the U.S. Navy, Joe Bill returned to Keyser and began teaching at Keyser High School, where he also served as an elementary principal.

He left the school system for a time to work in the private sector, but soon the lure of education became too strong and he returned to the school system as the human resources coordinator at the Mineral County Vocational Technical Center. Three years later, Joe Bill accepted a position at Potomac State College, also in Keyser, as director of student financial aid, veterans' coordinator, and assistant professor of commerce. In 1976, he returned to the Vocational Technical Center as its director, where he has served through this school year.

During these years, Joe Bill served three terms in the West Virginia Legislature where, among his many other assignments, he served as a member of the house committee on education and as legislative representative to the southern regional board.

While the list of his professional memberships, associations, and chairmanships within the community and State are far too numerous to mention, suffice it say that he has been a leader in every sense of the word.

On issues concerning education, I have always found Joe Bill's advice to be sound, his concern for students, faculty, parents, and the educational process unparalleled. In the last decade, vocational education has played a greater and greater role in American education, especially in rural America. Joe Bill has led the Mineral County Vocational Center into the forefront of vocational education in West Virginia and our Nation. His tireless efforts on behalf of education and his leadership abilities are to be commended.

As you enter into your retirement, Joe Bill, I want you to know that we will miss you and respect your retirement as best we can, but we will probably continue to call upon you from time to time. I wish you and your family the very best, and I hope that your retirement years are as fulfilling for you as your example has been for all of those whose lives you have touched.

IT'S THE CELTICS—AGAIN

HON. EDWARD P. BOLAND

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. BOLAND. Mr. Speaker, in the National Basketball Association, it seems the more things change, the more they stay the same.

Yesterday, at home in Boston Garden, the Boston Celtics offered a basketball primer to the Houston Rockets, and in the process won yet another NBA championship. No one who watched yesterday's game, in fact no one who watched the Celtics amass 67 regular season victories and 15 more in the playoffs, could doubt their supremacy. The 16 championship banners which now hang proudly above the Garden's parquet floor are a testament to the fact that, in Massachusetts, where basketball was invented, the game is played on the professional level with a skill unmatched anywhere.

The key to the success of the Celtics over the years has been their ability to blend the skills of individuals with superior ability into a cohesive, team effort. Their guiding force for the last 30 years has been Red Auerbach. This year he, General Manager Jan Volk, and Coach K.C. Jones assembled a team that may very well be recognized as the best in NBA history. In Robert Parish, Danny Ainge, Kevin McHale, Dennis Johnson, the rejuvenated Bill Walton, and the incomparable Larry Bird, the Celtics had the nucleus of a juggernaut that pursued the championship with single-minded determination. To them, and to the rest of the Celtics; Jerry Sichting, Scott Wedman, Sam Vincent, David Thirdkill, Greg Kite, and Rick Carlisle, I want to extend my congratulations on a well-deserved triumph. To the rest of the league, I offer condolences; the new season starts in just 5 months, and the Celtics will be back with the same brand of hustle, skill, and spirit that produces victories, delights their millions of fans, and makes life miserable for their opponents.

THE RETIREMENT OF JOE KULICK

HON. JOSEPH M. McDADE

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. McDADE. Mr. Speaker, I would like to take this opportunity to recognize the achievements and contributions of one of my constituents who has a long and positive record of public service in the field of education.

Joe Kulick, principlal of Middle Smithfield Elementary School in northeastern Pennsylvania, is retiring this week after 47 years in education. Mr. Kulick started his career nearly a half century ago in a one-room school where he not only taught the basics, but also stoked the fire and carried the water. He worked his way up to a two-room school, earned a masters degree in administration and became a full-time principal.

Mr. Kulick has been innovative in his efforts to bring both the community and families into the educational process. Outside the schoolhouse, he has volunteered his time and services to many worthwhile community and charitable activities.

Joe Kulick's dedication and professionalism serve as an inspiration to young people who want to undertake a career in education. His years of service didn't bring him fame or fortune, but Joe Kulick's career can be marked by the lasting imprints he has made in the lives of the students and educators he has encountered during the last 47 years.

I am pleased that the people of East Stoudsburg, PA, will be honoring Mr. Kulick later this week, and I wish him the very best during his retirement.

IN HONOR OF RITA WALTERS

HON. MEL LEVINE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. LEVINE of California. Mr. Speaker, I rise today in honor of Rita Walters, an exceptional woman who will receive the Black Woman Achievement Award at a luncheon in her honor on June 12, 1986. To mark this event, it gives me great pleasure to share a few of Rita's outstanding accomplishments with my colleagues in the U.S. House of Representatives.

Rita Walters has been a member of the Los Angeles Board of Education since 1979, at which time she won the primary election to office No. 1 with 56 percent of the vote. She was reelected in April 1983 with 91 percent of the votes cast. As a member of the board, Ms. Walters previously chaired the committee of the whole and the business operations committee. As of July 1, 1985, Ms. Walters was elected president of the Los Angeles Board of Education. In 1982, she was appointed to serve on the State teachers retirement board and is a member of the California Urban School District Association.

During her tenure on the board of education, Ms. Walters has been a strong advocate of policies to improve the quality and delivery of educational services to inner-city schools. She has fought for parity in per-pupil expenditures throughout the district, as well as for the assignment of experienced personnel in the schools she represents. Ms. Walters recently authored legislation mandating acceptable levels of scholarship for students who pursue extra curricular activities—a measure which has gained national attention as precedent for breaking the tragic pattern of excellence in sports at the expense of education.

Prior to her election to the board of education, Rita Walters, an outstanding professional, served as a dedicated volunteer in educational and civic affairs.

A graduate of Shaw University in Raleigh, NC., Ms. Walters holds a valid State of California elementary credential. She also holds a master of business administration degree from UCLA's Graduate School of Management and was a Bush fellow in the Graduate School of Education, also at UCLA.

In addition to her professional experience in the field of education, Rita Walters is widely recognized for her volunteer efforts and accomplishments with regard to educational policies at the State and local school advisory committees and has represented community interests in presenting testimony before the State board of education, the State legislature, the U.S. Congress, and the Office of Education in Washington.

Most recently Ms. Walters served as a member of a study panel charged with examining secondary school education for the changing workplace for the National Academy of Sciences which resulted in the publication entitled "High Schools and the Changing Workplace—The Employer's View."

Ms. Walter's involvement in community and civic groups has included: NAACP, Urban

League, PTA, Black Leadership Coalition, and the American Civil Liberties Union. She is a member of the Black Women's Forum and serves as a director of the Black Agenda.

Rita Walter's is truly an outstanding individual and most deserving of this special award. I ask that my colleagues join me in saluting this extraordinary American.

ASBESTOS HAS NO PLACE IN OUR PUBLIC SCHOOLS

HON. JIM COURTER

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. COURTER. Mr. Speaker, the presence of potentially hazardous asbestos containing materials in schools is a subject of continuing concern to scientists, public administrators, teachers and parents.

Since the mid-1970's more and more evidence has indicated that children and young adults exposed to the substance may be more susceptible to certain asbestos-related diseases and have a greater lifetime risk than older people of developing such illnesses, due to a longer remaining lifespan during which disease may develop. Furthermore, as children are more active than adults, they tend to inhale and exhale more often, and, consequently, are more likely to inhale greater amounts of asbestos fiber.

Last year $47.5 million was appropriated for funding of asbestos in schools grants or loans. But, as asbestos abatement projects get underway, it is particularly important that strict cleanup procedures be followed. Poorly done abatement work can actually increase asbestos hazards as more asbestos fibers are released into the air during sloppy cleanups than if the asbestos were not touched.

To police these efforts and insure that safe abatement procedures are enforced, Representative FLORIO has introduced H.R. 4311, the Asbestos Emergency Response Act. Central to the bill is a model contractor accreditation plan which insures that cleanup personnel are properly trained in the safe handling of this carcinogen. The initiative has the backing of a large coalition of concerned organizations, and is essential to the future well-being of millions of schoolchildren.

There are 15 million students—nearly a third of the Nation's public elementary and secondary schoolchildren—now exposed to hazardous asbestos, and another 1.4 million teachers and school employees are also at risk. We owe it to these individuals to deal with this serious health problem as we would other emergency situations. I encourage my colleagues to join with me in supporting guidelines for safe and effective asbestos abatement.

PALATKA GEORGIA-PACIFIC PLANT SALUTED FOR WATER POLLUTION CONTROL

HON. BILL CHAPPELL, JR.

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. CHAPPELL. Mr. Speaker, I rise to pay special tribute to the Georgia-Pacific Corp.'s Palatka, FL, paper facility, located in my congressional district, which last week was honored for its environmental achievements at the American Paper Institute and the National Forest Products Association's annual awards luncheon here in Washington.

The Palatka plant received the water pollution control award for development of an oxygenation system that injects pure oxygen into the mill's waste water. The oxygen-enriched discharge is then fed into a slow-moving swamp-fed stream. This process raises the dissolved level throughout the 5-mile segment of the stream affected by the mill's waste water. The system ensures that the oxygen remains in solution, thus maintaining the natural balance necessary for existence of the stream's inhabitants.

Georgia-Pacific spent 2½ years developing this water pollution control project before implementing it in early 1985 with the approval of the Environmental Protection Agency and the Florida Department of Environmental Regulation.

I would like to commend the employees of the Palatka facility, especially its technical director, Bill Baxter, and the project's environmental affairs supervisor, Vernon Adams, for their fine work and commitment to the sensitive environment of the region. It is dedicated individuals such as these that make it possible for our Nation to continue to grow while at the same time ensuring that our fragile ecosystems are protected.

THE 80TH ANNIVERSARY OF THE NICK HARRIS DETECTIVES, INC.

HON. CARLOS J. MOORHEAD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. MOORHEAD. Mr. Speaker, on June 11, 1986 Nick Harris Detectives, Inc., will celebrate its 80th anniversary.

Founded in 1906, Nick Harris Detectives is older than the FBI and the second oldest investigation agency in the Nation. Only Pinkerton's is older.

The agency was established by Nick Harris, son of the founder of the Chicago Daily News. Harris left the Windy City and moved to Los Angeles where he worked as the crime reporter for a major newspaper. Apparently, he didn't have enough impact on crime as a reporter, so he joined the Los Angeles Police Department. Three years later he founded Nick Harris Detectives.

Harris had a showman's flair for promotion and publicity. His network radio program, "Crime Does Not Pay," helped create for Nick Harris Detectives in particular and PI's in general an image of adventure and glamor. The Nick Harris police soon outnumbered the Los Angeles Police Department. Harris' fame and notoriety spread and his investigation agency grew.

Today, Nick Harris Detectives, Inc., is directed by Milo A. Speriglio, a master detective and longtime Nick Harris employee.

Mr. Speaker, I am pleased to recognize the 80th birthday celebration of one of the most colorful and successful detective agencies in the Nation, Nick Harris Detectives, Inc.

IRRELEVANT WEEK—MIKE TRAVIS

HON. ROBERT E. BADHAM

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. BADHAM. Mr. Chairman, what I have to say today may be considered irrelevant but then again that is the whole idea of Irrelevant Week XI, which takes place June 22–29 in my home city of Newport Beach, CA. This special week of enjoyment and community spirit pays special tribute each year to a very special man—the last player drafted in the annual National Football League draft.

This year, Mike Travis, a Georgia Tech defensive back drafted 333d and last by the San Diego Chargers team, will be the focal point of 7 days he will never forget as the community turns out to honor him, Mike is the son of Larry Travis, who is athletic director at Kansas State University. The Travis family, which also includes Mike's mother, sister Laura and brother Scott, lives in Manhattan, KS. Mike, who was an All American at Walton High School in Marietta, GA, is a senior at Georgia Tech majoring in industrial engineering.

Upon his arrival in Newport Beach on June 22, Mike will be greeted by the mayor and will be the subject of a press conference and reception. Other events planned in his honor include a chamber of commerce golf and tennis championship, a tour of the city, a college night rally, a day at Disneyland, a sports hall of fame banquet, and a special superstars competition, topped off by a trip to Reno, NV.

Mr. Chairman, in a world beset with staggering problems, Irrelevant Week brings a ray of sunshine each year to our community because its organizers don't even take themselves very seriously. It is a chance for people to come together in a spirit of pure fun and entertainment, revolving around a small part of one of America's great pastimes.

IN HONOR OF COUNCILMAN ZEV YAROSLAVSKY

HON. MEL LEVINE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. LEVINE of California. Mr. Speaker, I rise today in honor of Councilman Zev Yaroslavsky, a talented and effective legislator in Los Angeles whom I am proud to call my

friend. Zev will be honored by the Boy Scouts of America on June 12, 1986, with the "Good Scout of the Year Award" and there is none more deserving of this tribute. To mark this event, I would like to share some of Zev's outstanding accomplishments with my colleagues in the U.S. House of Representatives.

Councilman Yaroslavsky represents the Fifth Councilmanic District, including the communities of Bel Air, Benedict Canyon, Beverly Glen, Beverly Glen Canyon, Beverlywood, Carthay Circle, Cheviot Hills, Century City, Fairfax, Franklin Canyon, Hollywood, Holmby Hills, Palms, Pico-Robertson, Rancho Park, Roscomare Canyon, Stone Canyon, U.C.L.A., West Pico, Westwood Hills and Westdale.

He was originally elected to the Los Angeles City Council in 1975 with 91 percent of the vote, and reelected in 1981 and 1985, without opposition. A lifelong resident of the district he represents, Councilman Yaroslavsky was born on December 21, 1948, in Los Angeles. In 1971, he married the former Barbara Edelston and they have two children, Mina, age 8, and David, age 3.

Councilman Yaroslavsky was educated in Los Angeles and earned his B.A. and M.A. from the University of California at Los Angeles [UCLA].

Yaroslavsky serves as chairman of the Finance and Revenue Committee and vice chairman of the Grants, Housing & Community Development Committee. He is also a member of the Transportation Committee.

Councilman Yaroslavsky has an endless list of legislative accomplishments. He authored the creation of a pay equity fund to earmark money for the purpose of bringing fairness to the pay scale of female dominated job categories as well as the Freedom of Information Act, the first of its kind in local government.

As chairman of the Finance and Revenue Committee, he has guided the city's finances through its most difficult period in history, maintaining service levels while revenues declined. He authored a city-wide ban on flammable wood roofs protecting the city's hillsides and flatlands. He is the author of the city's "just cause" for eviction laws and the city's comprehensive controls on conversion and demolition of rental housing.

Yaroslavsky led the successful campaign to reform electrical rates, eliminating subsidies for large energy users and rewarding the smallest users and won approval of a revised land use plan designated to reduce damage from rain and floods. The plan made Los Angeles residents eligible for federally-funded low-cost flood insurance. He also won approval of an ordinance banning smoking in supermarkets and instituted tougher restrictions for massage parlors and game arcades to locate in residential areas.

In the area of urban planning, Yaroslavsky is currently working with the Fairfax community in the development of a metro rail plan for the Beverly-Fairfax area. He has called for large-scale building to be halted in the Westwood Village until an environmental review process is prepared and he has sponsored many height limitations to curtail high-rise development.

With regard to transportation, Yaroslavsky instituted and marketed a shuttle bus in Westwood which provides free parking and bus services on Friday nights and Saturdays. He also sponsored legislation which links increased commercial development to the construction of a mass transit rail system.

In the community, Yaroslavsky helped created new senior citizens housing projects and established a multiservice senior center. He has sponsored numerous graffiti paintout programs to beautify the community and won approval of funding to purchase various parks in the LA area.

Councilman Yaroslavsky is an accomplished legislator and most deserving of this special award. It is a pleasure to share his outstanding record with the leadership and Members of the House. I ask that my colleagues join me in saluting this extraordinary American.

THE IMPORTANCE OF BEING EARNEST

HON. ROBERT GARCIA

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, June 9, 1986

Mr. GARCIA. Mr. Speaker, the New York Times yesterday ran an essay by Robert McNamara on the importance of SALT II. Mr. McNamara makes a persuasive case for abiding by the treaty. We are only fooling/hurting ourselves if we scrap SALT II.

In yesterday's Washington Post. David Ignatius also wrote an insightful article on the importance of SALT II for the United States. He states that the Soviets would stand to gain if we scrap the treaty.

As chairman of the North Atlantic Assembly's Civilian Affairs Committee, I have come to appreciate the value of consultation with our NATO allies. It seems that they too believe that ending SALT II would be against our mutual interest.

To my mind, the most compelling arguments are in favor of sticking to SALT II. We must at least attempt to control the escalating arms race if we are to look to the future with confidence and security. By abandoning SALT II, we are leaving ourselves with little hope for a meaningful dialogue on arms control.

I submit Mr. McNamara's and Mr. Ignatius's articles for the RECORD. I hope they shed some additional light for my colleagues on this most important topic.

[From the New York Times, June 8, 1986]

15 YEARS OF ARMS CONTROL DEMOLISHED—UNLESS REAGAN ABIDES BY SALT II

(By Robert S. McNamara)

WASHINGTON.—President Reagan's decision to abandon the second strategic arms limitation accord will, unless reversed, severely harm United States security interests. At present, the SALT limits are the only existing agreed constraints on strategic weapons. Without them, we will face the dangers of a totally unrestricted nuclear arms race.

The SALT II agreement prohibits the Russians from increasing their total number of strategic missiles and bombers. The accord also includes a limit on land-based missiles equipped with multiple warheads—the weapons most feared by the Pentagon. Since the Russians are within two missiles of reaching that limit, keeping the agreement would force them to remove older missiles and dismantle their silos as the new mobile SS-24 missile enters the field. Moscow has already removed from operation or dismantled more than 1,300 missile launchers, 45 bombers and 21 submarines to stay within the SALT limits.

If President Reagan's decision is implemented, those limits will be swept aside. The entire structure of strategic arms control, carefully laid over a period of 15 years by four Presidents—Lyndon B. Johnson, Richard Nixon, Gerald R. Ford and Jimmy Carter—will be destroyed.

Why did those Presidents negotiate on strategic arms? Not because they trusted the Russians. Not to do the Kremlin a favor. They pursued SALT for only one reason—because they believed it to be in the security interests of the United States. They were joined in that belief by their Secretaries of Defense and the Joint Chiefs of Staff. Arms control is the only means we have for containing the Soviet nuclear arsenal. Without SALT, our fears of a Soviet first-strike potential will rise, heightening the danger of nuclear war in times of crisis.

The President's repudiation of "the SALT structure" becomes more ominous when one recalls that SALT includes not only the 1972 and 1979 agreements on offensive forces but also the 1972 Anti-Ballistic Missile Treaty. Secretary of Defense Caspar W. Weinberger has never supported the ABM treaty. He now says that remaining in compliance with it, if it blocks progress on the development of the "Star Wars" anti-missile system, "is something obviously we would be very much opposed to."

SALT was an American initiative, in November 1966, President Johnson and I first proposed to the Russians that we begin working toward limits on strategic forces. We spent a long day at Glassboro, N.J., in 1967 trying to persuade Premier Aleksei N. Kosygin that development of anti-missile weapons woud fuel the arms race and increase the danger of war. Five years later, in 1972, President Nixon was successful in obtaining Soviet agreement to both the ABM accord and the interim agreement on offensive forces. Now the United States is telling Moscow that it has changed its mind. The stage is set for an all-out competition in both offensive and defensive strategic weapons.

Some in Washington perceive President Reagan's decision as yet another negotiating ploy designed to increase American leverage at Geneva. Others see it as an effort to placate hardliners in the Pentagon without completely withdrawing from the SALT agreements.

But the Soviet Union, not unexpectedly, appears to be talking the President at his word. Soviet military leaders will plan for the worst, just as Pentagon military planners would advise President Reagan to do if we were faced with Soviet renunciation of SALT. The President's decision will stregnthen the hand of Soviet hardliners who believe that the United States is seeking strategic superiority. Those hardliners will insist that the Soviet Union cannot wait for the President to come around—and that Moscow must begin planning to day for a huge expansion of weaponry in order to compete in the world without arms control.

The Congressional Research Service estimates that wothout SALT each side could more than double its strategic nuclear weapons by 1992. Some Administration spokesmen now cast doubt on such scenarios; they argue that each side can show restraint without the SALT limits. But given the cur-

rent high level of mistrust between the superpowers, it is far more likely that each country, guided by worst-case assumptions about enemy intentions and capabilities, will substantially expand its forces.

The demise of SALT will also, very likely, undermine the Geneva arms talks. If we are to negotiate deep reductions in arsenals—a laudable goal affirmed by the President and Mikhail S. Gorbachev at last year's summit meeting—we need an agreed upon base line from which to reduce. The SALT limits provide such a baseline; an unrestricted arms race would not.

To justify its decision, the Administration charges that Moscow has violated the SALT accords. The issue of treaty violations is a complicated one. Both we and the Russians have accused the other of such actions. At least some of the Administration's claims appear to be justified. But none of the alleged violations are of major military significance. The correct response should be the one taken by the four previous Presidents—making full use of established diplomatic channels to resolve disputes with Moscow. Responding to Soviet violations by scrapping SALT is tantamount to reacting to an increase in the crime rate by abolishing the criminal code.

Between them, the United States and the Soviet Union already have some 50,000 nuclear warheads, including 22,000 strategic weapons. If President Reagan implements his decision to abandon SALT, the superpowers will intensify an arms race that is far worse than anyone would have dared to predict at the dawn of the atomic age. Why should we risk such a course when we can keep the lid on the competition, while seeking the substantial reductions both sides have proposed?

[From The Washington Post, June 8, 1986]

WITHOUT SALT, THE RACE IS ON—AND THE SOVIET UNION LOOKS LIKE THE WINNER, GOING AWAY

(By David Ignatius)

Who will fare best in a world without the constraints of the SALT II treaty? Will the United States be able to build weapons more quickly and efficiently than the Soviet Union? Or will we be running free in an arms race that we may lose?

President Reagan apparently is convinced that America can win this race and achieve greater security without SALT and its limits. Thus his surprise announcement two weeks ago that the U.S. will no longer feel bound by the "standards contained in the SALT structure" and will instead respond to the "threat posed by Soviet strategic forces."

A gloomier view of our prospects in the arms race emerges from statistics gathered by the Central Intelligence Agency and the Defense Intelligence Agency. This data, summarized in the accompanying tables, shows that with a roughly equal military budget, the Soviets have been able to produce much more military hardware than the United States.

Moscow, in other words, is likely to get more bang for the buck in the arms race that many analysts predict will follow abandonment of SALT II.

This military analysis of life after SALT offers an alternative to the moralizing, pro and con, that tends to dominate the arms-control debate. And it helps answer the one question of overriding importance in the SALT debate. Will the United States be more secure with the treaty, or without it?

Consider the CIA and DIA data, which was presented three months ago in testimony to the Joint Economic Committee. The statistics show that with slightly greater defense spending from 1974 to 1985 the Soviets were able to produce a vastly larger volume of weapons.

The adjourning table marked "Output" documents this startling gap between U.S. and Soviet arms production. From 1974 to 1985, the Soviets produced more than three times as many strategic missiles; nearly 10 times as many surface-to-air missiles; 50 times as many bombers; nearly twice as many fighters; more than three times as many helicopters; more than twice as many submarines; three times as many tanks, and 10 times as many artillery pieces.

There are many reasons for this disparity: Pentagon mismangement, congressional meddling, the military's enthusiasm for "gold-plated" state-of-the art weapons that can only be purchased in small quantities, and the Soviet push during the 1970s to match U.S. force levels.

But the reasons for the gap matter less than the fact that it exists—and may get worse in a post-SALT era. That's because the superpower tensions that drive Soviet weapons spending may lead a skittish U.S. Congress to cut our defense budget in an effort to slow the arms race. There are already signs that President's Reagan's decision to abandon SALT may have precisely that effect. Indeed, only days after his announcement that the U.S. wouldn't feel bound any longer by SALT limits, Reagan was appealing to Congress not to cut spending for the nation's nuclear forces.

OUTPUT—U.S. & SOVIET PROCUREMENT OF MAJOR WEAPONS SYSTEMS, 1974–85 [1]

System	U.S	U.S.S.R.
ICBM's & SLBM's	1,050	3,500
Surface-to-Air missiles [2]	11,700	105,000
Long & Intermediate range bombers	8	400
Fighters	4,050	7,800
Helicopters	2,050	6,500
Submarines	44	110
Major surface combatants	98	90
Tanks	8,400	27,000
Field artillery	2,200	22,000

[1] These numbers represent gross additions to weapons inventories and do not reflect retirements because of obsolescence or SALT restraints.
[2] Does not include naval or portable SAMs.

THE FUTURE—SOVIET PROCUREMENT OF SELECTED WEAPON CLASSES

Weapon class	Estimated 1981–85	Possible 1986–90
ICBM's & SLBM's	800	[1] 700
Submarines	40	50
Tanks	12,500	18,000
Fighter Aircraft	2,400	[1] 2,000
Helicopters	2,500	[1] 2,100
Strategic Bombers	200	210

[1] Although projections suggest lower overall numbers in these categories, the missiles fighters, and helicopters the Soviets will procure during 1986–90 are more complex, capable, and costly than those purchased during 1981–85

Source. CIA & DIA.

The CIA and DIA data make clear that the Soviets are well-positioned for the new arms race. "Most Soviet weapons expected to be delivered to the Soviet forces through 1990 will be manufactured in plants already built and operating," the agencies said in their congressional testimony.

The future imbalance in U.S. and Soviet military procurement is suggested by the accompanying table labelled "The Future," which was prepared by the CIA and DIA before the administration announced its decision to abandon the SALT limits. The table projected that over the next five years, the Soviets would outproduce their already high procurement levels of the past five years in submarines, tanks and strategic bombers. They would produce only slightly fewer strategic missiles, fighters and helicopters, the intelligence agencies noted.

The picture becomes even gloomier when you assumed that both sides have abandoned SALT entirely. A report prepared last March by Rep. Les Aspin (D-Wis.), chairman of the House Armed Services Committee, does just that.

Intelligence data cited by Aspin show that, in his words, "the Soviets have two, inherent advantages that would allow them to spurt forward with force increases faster than we if SALT were undercut."

These Soviet advantages include greater "throw-weight" for their missiles, which would allow them to carry more warheads with their existing arsenal of rockets, and "hot production lines" for strategic weapons. The Soviets, for example, are already producing eight major new strategic systems—two new ICBMs, two new strategic bombers, two new missile-carrying submarines and two new missiles for these subs. The U.S., in contrast, has only three such "hot production lines."

Aspin estimates that because of the production-line disparity alone, Soviet strategic forces could grow by 65 percent by 1989, compared to only 45 percent growth for the U.S., if SALT is scuttled.

The post-SALT danger to the U.S. won't come just from the new weapons the Soviets can build, but from the older ones they don't have to retire. Aspin notes that continued observance of the SALT treaty would force the Soviets to retire more than twice as many missile launchers as the U.S.

Military comparisons like these help explain why the Joint Chiefs of Staff, until recently, were skeptical—on military grounds—about the wisdom of abandoning the SALT II restraints.

The danger for the Reagan administration is that in abandoning SALT II, it could get the worst of all possible outcomes. The administration's announcement could frighten the Congress into cutting U.S. strategic programs; and it could frighten the Kremlin into stepping up Soviet arms spending. In such a world, even the Reaganites might pine for the good old days of SALT.

SENATE COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. This title requires all such committees to notify the Office of the Senate Daily Digest—designated by the Rules Committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL

RECORD on Monday and Wednesday of each week.

Any changes in committee scheduling will be indicated by placement of an asterisk to the left of the name of the unit conducting such meetings.

Meetings scheduled for Tuesday, June 10, 1986, may be found in the Daily Digest of today's RECORD.

MEETINGS SCHEDULED

JUNE 11

9:30 a.m.
Armed Services
Manpower and Personnel Subcommittee
Closed business meeting, to mark up those provisions which fall within the subcommittee's jurisdiction of S. 2199, authorizing funds for fiscal year 1987 for the Department of Defense.
SR-232A

Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To continue hearings on the final report of the Presidential Commission on the Space Shuttle Challenger Accident.
SR-253

Environment and Public Works
Environmental Pollution Subcommittee
To continue oversight hearings on ozone depletion, the greenhouse effect, and climate change.
SD-406

Finance
Business meeting, to consider the nomination of Dorcas R. Hardy, of California, to be Commissioner of Social Security, and S. 1822, to provide for the manufacturing and public distribution of certain copyrighted material.
SD-215

Governmental Affairs
Oversight of Government Management Subcommittee
To resume oversight hearings on alleged Department of Defense subcontractor kickbacks.
SD-342

Select on Intelligence
To hold closed hearings on intelligence matters.
SH-219

10:00 a.m.
Appropriations
District of Columbia Subcommittee
To hold hearings on proposed budget estimates for fiscal year 1987 for the District of Columbia government.
SD-138

Energy and Natural Resources
Business meeting, to resume consideration of S. 2427, to improve the administration of the Federal coal leasing program, and other pending calendar business.
SD-366

Foreign Relations
To hold hearings on the Inter-American convention on commercial arbitration (Treaty Doc. 97-12), United Nations convention on contracts for the international sale of goods (Treaty Doc. 98-9), Inter-American convention on letters rogatory, adopted at Panama January 30, 1975, and additional protocol adopted at Montevideo May 8, 1979 (Treaty Doc. 98-27), Request for advice and consent to withdrawal of a reservation to the 1975 Patent Cooperation Treaty (Treaty Doc. 98-29), Hague convention on the civil aspects of international child abduction (Treaty Doc. 99-11), 1984 Protocols to amend the international convention on civil liability for oil pollution damage, 1969 and the international convention on the establishment of an international fund for compensation for oil pollution damage, 1971 (Treaty Doc. 99-12), Trademark registration treaty (Ex. H, 94th Cong., 1st sess.), and the Vienna convention on the law of treaties (Ex. L, 92nd Cong., 1st sess.).
SD-419

Labor and Human Resources
To hold hearings on the organ transplant task force report.
SD-430

2:00 p.m.
Judiciary
To hold hearings on pending nominations.
SD-226

3:00 p.m.
Foreign Relations
African Affairs Subcommittee
To hold hearings on the nominations of G. Norman Anderson, of Florida, to be Ambassador to the Republic of Sudan, John D. Blacken, of Washington, to be Ambassador to the Republic of Guinea-Bissau, Patricia G. Lynch, of the District of Columbia, to be Ambassador to the Democratic Republic of Madagascar, and to serve concurrently and without additional compensation as Ambassador to the Federal and Islamic Republic of the Comoros, Vernon D. Penner, Jr., of New York, to be Ambassador to the Republic of Cape Verde, and Cynthia S. Perry, of Texas, to be Ambassador to the Republic of Sierra Leone.
SD-419

4:00 p.m.
Armed Services
Military Construction Subcommittee
Closed business meeting, to mark up S. 2132, authorizing funds for fiscal year 1987 for military construction programs.
SR-222

JUNE 12

9:00 a.m.
Banking, Housing, and Urban Affairs
To hold hearings on the nominations of Manuel H. Johnson, of Virginia, to be Vice Chairman of the Board of Governors of the Federal Reserve System, and William F. Ryan, of New Jersey, to be First Vice President of the Export-Import Bank of the United States.
SD-538

9:30 a.m.
Commerce, Science, and Transportation
Business meeting, to resume consideration of proposed legislation to provide for a uniform product liability law to conform with an alternative claim system for expedited recovery of damages by those injured by defective products (text of Amendment No. 1951 to S. 1999), and to begin consideration of the nomination of Patricia D. Dennis, of Virginia, to be a Member of the Federal Communications Commission.
SR-253

Energy and Natural Resources
Public Lands, Reserved Water and Resource Conservation Subcommittee
To hold hearings on S. 2204, to permit the use of park entrance, admission, and recreation use fees for the operation of the National Park System, and S. 2130, to preserve, protect and revitalize the National Park System.
SD-366

Select on Indian Affairs
To hold hearings on S. 830, to expand Indian education programs to include Native Hawaiians.
SR-485

10:00 a.m.
Armed Services
Preparedness Subcommittee
Closed business meeting, to mark up those provisions which fall within the subcommittee's jurisdiction of S. 2199, authorizing funds for fiscal year 1987 for the Department of Defense.
SR-222

Foreign Relations
Business meeting, to consider pending calendar business.
SD-419

Governmental Affairs
Permanent Subcommittee on Investigations
To hold oversight hearings on the enforcement of the Bank Secrecy Act (P.L. 91-508).
SD-342

Judiciary
Business meeting, to consider pending calendar business.
SD-226

Labor and Human Resources
Education, Arts, and Humanities Subcommittee
To resume joint oversight hearings with the House Committee on Education and Labor's Subcommittee on Elementary, Secondary and Vocational Education on illiteracy in America.
2175 Rayburn Building

2:00 p.m.
Armed Services
Strategic and Theater Nuclear Forces Subcommittee
Closed business meeting, to mark up those provisions which fall within the subcommittee's jurisdiction of S. 2199, authorizing funds for fiscal year 1987 for the Department of Defense, S. 2218, authorizing funds for fiscal years 1987 and 1988 for national security programs of the Department of Energy, and proposed legislation authorizing funds for civil defense programs of the Federal Emergency Management Agency.
SR-222

4:00 p.m.
Select on Intelligence
Closed briefing on intelligence matters.
SH-219

JUNE 16

10:00 a.m.
Labor and Human Resources
To hold hearings on the nomination of George R. Salem, of Virginia, to be Solicitor, Department of Labor.
SD-430

1:00 p.m.
Energy and Natural Resources
Energy Research and Development Subcommittee
To hold oversight hearings on the second waste repository site selection

under the Department of Energy's Office of Civilian Radioactive Waste Management.

SD-366

1:30 p.m.
Judiciary
Criminal Law Subcommittee
Business meeting, to mark up S. 1203, to grant railroad police and private college or university police departments access to Federal criminal identification records, and S. 2312, to expand the coverage of the Armed Career Criminal Act of 1984 by broadening the class of predicated crimes that make an armed person a career criminal.

SD-226

JUNE 17

9:00 a.m.
Environment and Public Works
Nuclear Regulation Subcommittee
To hold hearings on S. 1235 and S. 2291, bills to promote more effective and efficient nuclear licensing and regulation.

SD-406

9:30 a.m.
Agriculture, Nutrition, and Forestry
Foreign Agricultural Policy Subcommittee
To resume hearings to review agricultural trade issues.

SR-332

Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To resume hearings on the final report of the Presidential Commission on the Space Shuttle Challenger Accident.

SR-253

Energy and Natural Resources
Public Lands, Reserved Water and Resource Conservation Subcommittee
To hold hearings on S. 2055, to establish the Columbia Gorge National Scenic Area.

SD-366

Finance
International Trade Subcommittee
To resume hearings on S. 1860, proposed Trade Enhancement Act, and a related measure S. 1867, to require the President to submit legislation withdrawing trade benefits provided under the Generalized System of Preferences (GSP) from certain developing countries, including Taiwan, Hong Kong, and Korea.

SD-215

10:00 a.m.
Governmental Affairs
Energy, Nuclear Proliferation and Government Processes Subcommittee
To hold hearings on S. 525, to provide the Secretary of Health and Human Services the authority to conduct epidemiological studies of the health effects of radiation in places of employment.

SD-342

Select on Indian Affairs
To resume hearings on S. 902 and H.R. 1920, bills to establish Federal standards for gaming activities on Indian lands.

SD-106

JUNE 18

9:30 a.m.
Select on Intelligence
To hold closed hearings on intelligence matters.

SH-219

10:00 a.m.
Energy and Natural Resources
Business meeting, to consider pending calendar business.

SD-366

Governmental Affairs
Civil Service, Post Office, and General Services Subcommittee
To hold joint hearings with the House Committee on Post Office and Civil Service on a Postal Rate Commission report on the use and abuse of the preferred mail rate.

SD-342

Labor and Human Resources
Business meeting, to consider pending calendar business.

SD-430

JUNE 19

9:30 a.m.
Commerce, Science, and Transporation
Aviation Subcommittee
To hold hearings on general aviation product liability.

SR-253

Energy and Natural Resources
To hold oversight hearings to review the impact of the explosion of the Soviet nuclear powerplant at Chernobyl on the domestic nuclear industry.

SD-366

10:00 a.m.
Appropriations
Defense Subcommittee
To hold hearings on proposed budget estimates for fiscal year 1987 for the Department of Defense.

SD-192

Finance
Oversight of the Internal Revenue Service Subcommittee
To hold oversight hearings to review activities of the Internal Revenue Service and the Department of Justice relating to the investigation and prosecution of certain tax cases.

SD-215

Small Business
To hold oversight hearings on the implementation of the Prompt Payment Act (Public Law 97-177).

SR-428A

11:00 a.m.
Environment and Public Works
Toxic Substances and Environmental Oversight Subcommittee
Business meeting, to mark up S. 2083, to promulgate regulations for asbestos hazard abatement in the Nation's schools, and S. 2300, to set standards for identification and abatement of hazardous asbestos in Federal and other buildings.

SD-406

4:00 p.m.
Select on Intelligence
To hold closed hearings on intelligence matters.

SH-219

JUNE 20

9:30 a.m.
Energy and Natural Resources
Public Lands, Reserved Water and Resource Conservation Subcommittee
To hold hearings on S. 2266, to establish a ski area permit system on national forest lands established from the public domain, S. 2287, to designate a certain portion of the Great Egg Harbor River in the State of New Jersey for potential addition to the Wild and Scenic Rivers System, S. 2320, to add certain lands on the Island of Hawaii to Hawaii Volcanoes National Park, S. 2351, to revise the boundaries of Olympic National Park and Olympic National Forest in the State of Washington, S. 2466, to designate a segment of the Saline Bayou in Louisiana as a component of the National Wild and Scenic Rivers System, S. 1019 and H.R. 2182, bills to include certain additional lands within the Apostle Islands National Lakeshore in Wisconsin, and S. 2483, to reaffirm that regulation of private property within the Fire Island National Seashore in New York remain a joint activity between the Federal Government and the local government.

SD-366

10:00 a.m.
Finance
Oversight of the Internal Revenue Service Subcommittee
To continue oversight hearings to review activities of the Internal Revenue Service and the Department of Justice relating to the investigation and prosecution of certain taxcases.

SD-215

JUNE 23

10:00 a.m.
Finance
Oversight of the Internal Revenue Service Subcommittee
To resume oversight hearings to review activities of the Internal Revenue Service and the Department of Justice relating to the investigation and prosecution of certain tax cases.

SD-215

2:00 p.m.
Energy and Natural Resources
Energy Research and Development Subcommittee
To hold oversight hearings to review budget requests for the Department of Energy's Office of Energy Research and the Office of Environment, Health and Safety.

SD-366

JUNE 24

9:30 a.m.
Commerce, Science, and Transportation
To hold hearings on S. 1903, and a related measure to improve the safe operations of commercial motor vehicles.

SR-253

10:00 a.m.
Energy and Natural Resources
Water and Power Subcommittee
To hold hearings on S. 1149, to allow State commissions to determine whether to exclude all or part of a rate set by the Federal Energy Regulatory Commission based on construction cost, and related matters.

SD-366

Judiciary
*Administrative Practice and Procedure Subcommittee
To hold hearings on S. 489 and H.R. 3174, bills to allow members of the armed forces to bring claims for damages against the United States for personal injury or death arising out of medical, psychological, or dental care furnished by a Department of Defense hospital.

SD-226

JUNE 25

9:30 a.m.
Commerce, Science, and Transportation
Aviation Subcommittee
To hold hearings on proposed legislation authorizing funds for the National Transportation Safety Board.
SR-253

Select on Intelligence
To hold closed hearings on intelligence matters.
SH-219

10:00 a.m.
Energy and Natural Resources
Business meeting, to consider pending calendar business.
SD-366

Labor and Human Resources
To hold hearings on the administration of the Mine Safety and Health Review Commission.
SD-430

Select on Indian Affairs
To hold hearings on H.R. 1344, to provide for the restoration of Federal recognition to the Ysleta del Sur Pueblo and the Alabama and Coushatta Indian Tribes of Texas.
SR-385

JUNE 26

9:30 a.m.
Commerce, Science, and Transportation
Surface Transportation Subcommittee
To hold hearings on the establishment of new short-line and regional railroads.
SR-253

Governmental Affairs
Intergovernmental Relations Subcommittee
To hold hearings on certain provisions of S. 2403, to improve access to health insurance coverage for Americans.
SD-342

10:00 a.m.
Energy and Natural Resources
Natural Resources Development and Production Subcommittee
To hold hearings on prospects for exporting American coal.
SD-366

4:00 p.m.
Select on Intelligence
Closed business meeting, to consider pending calendar business; to be followed by a closed hearing on intelligence matters.
SH-219

JULY 15

9:30 a.m.
Commerce, Science, and Transportation
To resume hearings on S. 1310, Clean Campaign Act of 1985.
SR-253

JULY 16

10:00 a.m.
Labor and Human Resources
To hold oversight hearings on barriers to children's health care.
SD-430

JULY 17

9:20 a.m.
Commerce, Science, and Transportation
Aviation Subcommittee
To hold hearings on S. 2417, to provide for the establishment of an independent commission to study and make recommendations regarding the management of aviation safety.
SD-562

9:30 a.m.
Finance
Social Security and Income Maintenance Programs Subcommittee
To hold joint hearings with the Committee on Labor and Human Resources' Subcommittee on Employment and Productivity on work and welfare issues.
SD-430

Labor and Human Resources
Employment and Productivity Subcommittee
To hold joint hearings with the Committee on Finance's Subcommittee on Social Security and Income Maintenance Programs on work and welfare issues.
SD-430

10:00 a.m.
Energy and Natural Resources
Public Lands, Reserved Water and Resources Conservation Subcommittee
To hold hearings on S. 2412, to withdraw and reserve certain public lands.
SD-366

JULY 18

10:00 a.m.
Labor and Human Resources
To hold hearings on S. 2407, the Animal Drug Amendments and Patent Term Restoration Act of 1986.
SD-430

JULY 22

9:30 a.m.
Agriculture, Nutrition, and Forestry
Foreign Agricultural Policy Subcommittee
To resume hearings to review agricultural trade issues, focusing on barriers to agricultural trade.
SR-332

Finance
Social Security and Income Maintenance Programs Subcommittee
To resume joint hearings with the Committee on Labor and Human Resources' Subcommittee on Employment and Productivity on work and welfare issues.
SD-430

Labor and Human Resources
Employment and Productivity Subcommittee
To resume joint hearings with the Committee on Finance's Subcommittee on Social Security and Income Maintenance Programs on work and welfare issues.
SD-430

JULY 29

9:30 a.m.
Agriculture, Nutrition, and Forestry
Foreign Agricultural Policy Subcommittee
To resume hearings to review agricultural trade issues, focusing on the impact of the 1985 farm bill (P.L. 99-198) on world agricultural trade.
SR-332

10:00 a.m.
Labor and Human Resources
Employment and Productivity Subcommittee
To hold hearings to review the response for home health care services.
SD-430

JULY 30

10:00 a.m.
Labor and Human Resources
Business meeting, to consider pending calendar business.
SD-430

AUGUST 5

9:30 a.m.
Agriculture, Nutrition, and Forestry
Foreign Agricultural Policy Subcommittee
To resume hearings to review agricultural trade issues.
SR-332

AUGUST 13

10:00 a.m.
Labor and Human Resources
To hold hearings to review the private sector initiatives in human services.
SD-430

SEPTEMBER 10

10:00 a.m.
Labor and Human Resources
To hold hearings to review the human resources impact on drug research and space technology.
SD-430

SEPTEMBER 16

10:00 a.m.
Labor and Human Resources
To hold hearings on pending nominations.
SD-430

SEPTEMBER 24

10:00 a.m.
Labor and Human Resources
Business meeting, to consider pending calendar business.
SD-430

CANCELLATIONS

JUNE 12

9:30 a.m.
Commerce, Science, and Transportation
Surface Transportation Subcommittee
To hold hearings on proposed legislation authorizing funds for programs of the Hazardous Materials Transportation Act.
SR-253

JUNE 17

10:00 a.m.
Labor and Human Resources
To resume hearings on S. 1804, to establish a program to provide development and incentive grants to States for enacting medical malpractice liability reforms.
SD-430