SENATE—*Monday, September 22, 1975*

(Legislative day of Thursday, September 11, 1975)

The Senate met at 12 noon, on the expiration of the recess, and was called to order by Hon. DALE BUMPERS, a Senator from the State of Arkansas.

PRAYER

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

Eternal Father, in whom is the strength of our hearts and the hope of the world, in this noontide moment of prayer we open our lives to Thy spirit. In Thee do we trust. Thou hast bidden us to "Seek the Lord while He may be found" and "to call upon Him while He is near." We desire Thy presence and power not only in this reverent pause but in every working hour. Grant us purity of heart and steadfast trust in Thee that we may follow faithfully the truths of Thy word and ways of Thy kingdom. Let the spirit of Him who was the light of men rule within our hearts and guide our judgments until our work is done and the evening comes. Then may we rest in the peace of those who love Thee and keep Thy commandments. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

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

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., September 22, 1975.

To the Senate:

Being temporarily absent from the Senate on official duties, I appoint Hon. DALE BUMPERS, a Senator from the State of Arkansas, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
President pro tempore.

Mr. BUMPERS thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Journal of the proceedings of Friday, September 19, 1975, be approved.

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

WAIVER OF THE CALL OF THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the call of the legislative calendar, under rule VIII, be dispensed with.

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

COMMITTEE MEETINGS DURING SENATE SESSION

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

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

CONSIDERATION OF CERTAIN MEASURES ON THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Nos. 374 and 377.

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

REHABILITATION AND BETTERMENT ACT EXPANSION

The bill (H.R. 543) to expand coverage of the Rehabilitation and Betterment Act (act of October 7, 1949, 63 Stat. 724), was considered, ordered to a third reading, read the third time, and passed.

ROBERT M. JOHNSTON

The bill (H.R. 1401) for the relief of Robert M. Johnston was considered, ordered to a third reading, read the third time, and passed.

AMENDMENT TO PARAGRAPH 3 OF RULE XXV OF THE STANDING RULES OF THE SENATE

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

The resolution (S. Res. 264) was read, considered by unanimous consent, and agreed to as follows:

Resolved, That paragraph 3 of rule XXV of the Standing Rules of the Senate is modified to read as follows:

"3" Except as otherwise provided by paragraph 6 of this rule, each of the following standing committees shall consist of the number of Senators set forth in the following table on the line on which the name of that committee appears:

"Committee	*Members*
"Rules and Administration	9"

THE LAST 100 DAYS

Mr. HUGH SCOTT. Mr. President, there are exactly 100 days remaining in 1975. We used to speak of what Congress could do in the first hundred days. I would wish to see what they can do in the last hundred.

We still do not have an energy bill, and I wish to know when we are going to get one. I think the greatest priority is an extension of controls for a reasonable period of time which ought to be done, as the House of Representatives has proposed, and enacted. They have a 60-day bill which is on our desk. I wish to see action on that.

I wish to see Congress enact a constructive compromise. We have gone through all but the last 100 days of the year blaming each other, which is no way to legislate. I do not see why the members of the Committee on Interior and Insular Affairs do not get their collective heads together to see if they cannot work out something which has a chance of being signed, enacted and not vetoed or veto sustained. But the way to do that is first to extend the controls because there are no controls now. The oil companies could, if they wanted to, blow the prices through the roof. They have been urged by the Executive to restrain themselves, and so far they have done it. But rising costs would increase their pressures and temptations to pass through these costs in the near future. Yet there is no point in passing an extension if we are going to squander the extension by mutual accusations.

I think the country is pretty fed up with the present situation. The country feels it is entitled to know what is going to be done about energy. A great many plans are being withheld because no one knows what the price of fuel oil will be. There are going to be drastic shortages in many of the Eastern States of natural gas this winter. It is going to get pretty cold. Boilers are going to get pretty hot. It seems to me we ought to do something, and we ought to be willing to do it in the spirit of compromise.

I have indicated my support of compromise, and I am willing to go as far as the parties can bring themselves to go on both sides to meet somewhere on a spot which might be called the people's interest. If they will meet in that plaza of the people sometime, maybe we can work something out.

It is a pity to have a situation where the only proposals we can get out of Congress are those which, ostensibly, roll back prices and which, actually, do not do anything of the sort. It is a cruel deception on the people to tell them that we are going to put the price of oil back where it was several years ago when everyone knows that that will not produce a barrel of oil and everyone knows it will not happen, because people simply are not going to sell at prices below cost, anymore, as I illustrated the other day, than farmers would sell eggs at 25 cents a dozen if Congress by fiat provided that all eggs shall be 25 cents a dozen. What we would have would be a vast hegira of hens into the unknown, and without the hens there would be no eggs. Without

logic and reason, there will be no legislation.

All of us in the Senate, indeed all of us in the Congress, share a number of common goals as far as the Nation's energy future is concerned. I believe we all want to decrease our dependence on foreign oil sources. And I believe we all want to encourage energy conservation wherever possible and encourage increasing reliance on production of energy from our own massive domestic resource base, consistent with sound environmental safeguards.

Our major differences, it seems to me, are ones of degree and not of substance. And our disagreements are over methodology, rather than basic aims.

I have been thoroughly convinced for some time that one of the most important and effective ways to accomplish the dual aims of decreasing energy consumption and increasing domestic energy exploration and production is to remove, on a gradual phaseout basis, price controls on oil produced in this country.

I have been joined in that opinion by most of the respected economists in this country.

However, moving from a situation of stringent controls to a state of no controls at all can have a sizable impact on the economy of the United States, particularly when the controls are being removed on a commodity as basic to our needs as oil, and particularly when the economy in general is gradually emerging from a prolonged recession.

The blame for the fact that the Nation now finds itself with no controls on the price of petroleum produced domestically lies squarely here on Capitol Hill. By default, we have allowed the Emergency Petroleum Allocation Act to expire as scheduled on August 31 of this year, without accepting any of the four compromises proposed to us by the President before the act terminated.

Today there are 100 days left in 1975—100 days in which we can either continue to do nothing, and let our energy problems grow worse, or take speedy and decisive action to begin the massive job of solving those problems.

Now the responsibility is ours to act quickly to reach a compromise which will allow the Nation to accomplish conservation and production, but removing controls gradually, so that the recovery of the economy will be protected and encouraged.

The President has made it clear that he will accept a 60-day extension. Now it is up to us in the Senate to follow suit and pass a similar bill which can be sent to the President as quickly as possible.

Each day we delay increases the dependence of this country on unstable and expensive foreign sources of oil. Each hour we delay another $3 million flows out of this country to pay for imported oil.

The conservation and production incentives which would result from a phased decontrol program would begin the job of cutting back on imports and the tremendous financial drain they place on this country's resources.

Before we recessed for the month of August, there was widespread support for the President's phased decontrol proposal among the news media of the Nation, leading economists, businessmen, educators, and civic leaders. They continue to recognize that gradual decontrol is a sound compromise between the economic dangers of precipitous price increases and the impossible dream of doing nothing—between attempts to legislate lower prices that defy economic logic, and hopes for some miracle to provide us with energy in the future.

Economic projections by both Government and independent experts have shown that the immediate price effect of a gradual decontrol program on petroleum product prices throughout the country would be minimal—and might even result in lower prices for gasoline, heating oil, and residual fuel prices by the end of this year.

Furthermore, a gradual removal of oil price controls would result in gradual price increases to the consumer over the next several years at a rate considerably lower than the current inflation rate and even lower than the decreased rate of inflation we all hope to achieve within the next year.

It has been nearly 2 years since the Arab oil embargo taught us the bitter lesson that over dependence on insecure foreign energy sources can have a sudden and devastatingly high price tag when sources beyond our control are abruptly shut off.

And it has been more than 9 months since President Ford proposed to us the first comprehensive energy program for the Nation ever put forth by any President.

Yet, to date, Congress has not produced any major, meaningful legislation which would chart clear paths toward energy invulnerability.

If Congress wishes to regain its leadership role in dealing with the energy problems which face the Nation, we can act now—today—to reach agreement on a 60-day extension of oil price controls, and then get down to the vitally important task of reaching an effective compromise to phase out those controls gradually.

The economic and energy future of the United States depends in great measure on how well we deal with the energy situation confronting us—and on how quickly we take the difficult and far-reaching actions needed.

We have delayed far too long, and the Nation can afford no further delays. I urge my colleagues to support compromise now on an extension of oil price controls, and compromise within that 60 days on a sound phased decontrol plan.

ROUTINE MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of routine morning business not to exceed 1 hour with statements therein limited to 10 minutes.

OIL PRICES

Mr. TAFT. Mr. President, I commend the minority leader for the statement he has made calling for some type of a compromise being worked out to at least effect a temporary hold of oil prices while the Senate and the House of Representatives have a chance to further consider some kind of a schedule for a deregulation bill, or whatever type of legislation might seem to be wise. It was in this spirit that I wrote to the President on September 19 and urged that he agree to a 60-day extension of the Emergency Petroleum Act, and to agree at the same time not to use section 4(g)(2) of the emergency bill during the 45-day period requested. If the President will do that, which I certainly hope he will—and I believe it is being considered seriously—the Senate should accept that and move as quickly as possible to put some type of emergency bill into effect.

It seems to me that we are taking a great risk, with the rather precarious state of the economy, to take any step other than that. I do not know that we are going to see a sudden surge of oil prices. But even if we do not, the thing that is bothering me today—and I think it is bothering the economy—is the fact that there is a great deal of uncertainty in the mind of the public on all aspects of the private sector of our economy, as to what is going to happen.

For the benefit of the well-being of our economy generally, continuing on the recovery from the recession we have been engaged in, it seems to me that the sooner the Senate and the House can act on both an emergency measure and some long-range measure, giving a degree of predictability to the entire situation, the better off we all will be.

Mr. President, I ask unanimous consent to have printed in the RECORD my letter to the President to which I referred.

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

DEAR MR. PRESIDENT: As one who has supported your efforts to develop a national energy policy, including the support I gave to your veto of the six month postponement of action by the Democratic leadership in Congress, I am today urging you to agree to a 60 day extension of the Emergency Petroleum Act. I am also urging you to agree not to use section 4(g)(2) of the Emergency bill during the 45 day period requested.

I believe that this action will place the energy ball squarely in the court of the Congressional leadership.

During the long debate over oil pricing policy I have advocated phased reregulation. I have written to you in the past that I do not feel that immediate deregulation is in the best interest of our economy, as we come out of the recession and try to combat inflation.

In candor, I have severe doubts that the Congress can agree on a phased deregulation in 45 days. As you know, the record of the Congress is not good on the issue.

The Democratic Policy Committee has asked for a 60 day extension with no use of section 4(g)(2). This section permits you to submit a deregulation plan subject to Congressional disapproval. I would urge you to accept their proposal, to go the extra mile, and to agree not to use the 4(g)(2) power for the 45 days, and to have the 60 day period begin on day of enactment, if enactment comes before September 26, next Friday.

After spending time recently traveling in many parts of Ohio, I am convinced that the

people are tired of confrontation and want compromise on the issue.

While I am not convinced that this good faith effort on your part will be accepted, it can do no harm and might resolve the issue.

I look forward to continuing to work with you on the passage of a national energy program.

Sincerely,

BOB TAFT, JR.

THE EMERGENCY PETROLEUM ALLOCATION ACT

Mr. ALLEN. Mr. President, I was very interested in the remarks of the distinguished minority leader, Mr. HUGH SCOTT, and the distinguished Senator from Ohio (Mr. TAFT) with respect to the Emergency Petroleum Allocation Act and controls generally on domestic oil prices.

H.R. 9524 has been the pending business in the Senate. The week before last, it was the pending business; and at that time an amendment was offered on the floor that could have resolved the matter, in the opinion of the Senator from Alabama. The House passed this bill, H.R. 9524, providing an extension of controls for 60 days from the expiration of controls on August 31.

The issue then, as it was presented in the Senate, was whether to accept the 60-day extension from the beginning of controls or to have a 60-day extension from the date of enactment of a bill extending controls. A further issue was whether the President, during the period of controls, would have the right to submit a decontrol plan under the provisions of section 4(g)(2) of the act, requiring acceptance or rejection of the plan within 5 legislative days. To have extended controls for only 60 days from the expiration of controls would not have given Congress sufficient time to work out a plan of its own.

So the amendment that was proposed on the floor of the Senate would have provided that during the first 45 days of this 60-day extension, the President would have no authority to submit a decontrol plan requiring acceptance or rejection within 5 legislative days. There was nothing whatsoever to prevent him from suggesting legislative action—the enactment of bills. But this peculiar situation that permitted this under the control authority—it is no longer in existence—did permit the President to submit a decontrol plan that had to be accepted or rejected within 5 legislative days. He could submit a legislative program but not this take-it-or-leave-it provision for the first 45 days, leaving Congress free to act in this area.

The Senate had an opportunity to accept that amendment; but because of discussion on the other side of the aisle, it did not come to a vote. Although it was the pending business then, by a motion passed by voice vote, the bill went back to the calendar and may never be brought up again. So an opportunity was presented for the Senate to act in this area.

In the Democratic conference that approved this substitute plan, as introduced on the floor, I was able to get the 45-day provision included, prohibiting the President from submitting a take-it-or-leave-it decontrol plan for the first 45 days, giving him the opportunity of submitting such a plan for the last 15 days of the period.

I believe it is important that there be just one more extension of controls; because if we just pass legislation extending controls for a given number of days and prohibiting the President from moving during any of that period, we are going to come to the end of that period with nothing having been accomplished and the time having expired. If the President did have authority at all to submit a plan, we would have to reenact controls, and I do not think it is the proper procedure to continue with a piecemeal extension of controls.

So, actually, as I see it—I wish the Republican leader were in the Chamber—it is to be laid at the door of the Senators on the other side of the aisle that we have not moved in this area. I believe we already would have the extension by now and that the conference with the House would have resulted in legislation by this time.

The President now does not have authority to submit a take-it-or-leave-it decontrol plan. He can submit all the suggested legislation he wishes, but he no longer has this peculiar power that he had under control. So until controls are reenacted in similar fashion to the way they existed before, he is deprived of that authority, and we are stuck—the Nation is stuck—without any controls on the price of domestic oil.

I believe this is fraught with a great danger to the American public. True there has not been any rapid acceleration of prices; but the reason for that is that the oil companies fear that Congress might make the imposition of controls retroactive to the expiration of controls.

Until it becomes apparent that that will not be done, then restraint may be exercised. But when they realize that Congress is powerless to act in this area, or unwilling to act, then I think we can look for controls.

Mr. President, I feel that we need to bring up for early consideration this control bill, H.R. 9524. On the floor of the Senate, I have urged the joint leadership to bring the bill up, bring it before the Senate. We brought it before the Senate once and it was allowed to go back. At that time, I recommended very strongly that this substitute be accepted by the Senate. If it had been accepted, I believe we would have controls reinstated and Congress then would have the exclusive right to enact legislation for a period of 45 days. Frankly, I do not believe Congress should act for 45 days or twice that much time. But it gives Congress an opportunity to act for a period of 45 days. At the end of that 45 days, the President will have authority to submit a gradual decontrol plan.

Before the recess, he submitted a 10-month decontrol plan that was vetoed by the House. He then submitted a 39-month decontrol plan and that was vetoed by the House. I am frank to say that I would support a 39-month gradual decontrol plan. It is a whole lot better than what we have now. We have immediate decontrol now, immediate, precipitate end of controls. I would much rather space it out over a 39-month period, as suggested by the President. I hope that we will pass this reimposition of controls for a period of 60-days from the date of enactment, giving Congress 45 days in which to act in this area, reserving to the President the right to submit a take-it-or-leave-it decontrol plan at the end of that 45 days. I am hopeful that compromise can be worked out in this area.

This bill on the calendar is the vehicle on which action can be taken whereby controls can be reimposed, effective back at the expiration of the controls. Congress would have a right to move within 45 days, acting on the President's plans, congressional plans, the plans of House committees, Senate committees—anything. The President could not move in that period and the right would be preserved to Congress for the first 45 days.

I am hopeful that the leadership will bring up this bill. I should like to be considering that, rather than the HEW bill that we are going to be considering as soon as morning business has been concluded.

I say again that those who filibustered—though it was not a filibuster—those who engaged in extended debate against the compromise plan offered by the distinguished majority leader (Mr. MANSFIELD) may well have disserved their own interest in this area, because now, the President has no authority to submit a gradual decontrol plan. All he can do is suggest legislation, which Congress may or may not accept. So they have cut this power away from the President, whereas, under the majority leader's plan, he would have the last 15 days in which to submit a plan. So there he is, stuck with no control. Maybe that is what he wanted, but I believe he would prefer a gradual decontrol plan. I am hopeful that this bill will be brought up for early consideration; that the controls will be extended for 60 days; that Congress will be given the first 45 days in which to act in this area. Failing to act, the President then would have the last 15 days in which to submit a plan under section 4(g)(2) of the bill.

Mr. President, I yield the floor.

A NATURAL GAS SITUATION REPORT: MARYLAND AND THE NATION

Mr. BEALL. Mr. President, I am presenting to the Senate today a natural gas study, prepared in my office, that details the impact that this year's natural gas shortage will have on our Nation in general, but the Maryland economy in particular. The report contains important findings that also have implications for the national economy, as Maryland was one of 10 States identified by the Federal Energy Administration as facing severe natural gas shortages this winter.

The picture presented here is a grim one. For the Nation as a whole, shortfalls of natural gas will exceed last year's deficiency by 50 percent; for the State of Maryland, the increase is closer to 130 percent over last year's shortfall.

These are disturbing statistics, but even more worrisome is the fact that Congress, in spite of these grim figures, has refused to take action to alleviate this worsening situation. Specifically, I mean doing something about price controls and the deleterious effect that the FPC's price ceilings have had on the supplies of natural gas reaching the interstate market.

Under the two-tiered pricing system that exists today, intrastate natural gas commands a price three times higher than that of gas bound for the interstate market. The impact of this pricing scheme has moved production and consumption further away from the goals of efficiency and equity in distributing our energy resources. Two effects are immediately apparent. For those high-priority users in States undergoing curtailments, FPC's cheap energy policy has led to waste and inefficiency. Residential and commercial users who purchase natural gas at one-tenth the equivalent price for electricity have no incentive for conservation. Add to this the end-use priority system endorsed by FPC and what we have is a system which encourages consumption and discourages production. This is just economic absurdity.

Unfortunately, many citizens and Members of Congress view this situation as some sort of solution instead of what it really is—a primary cause of the problem. For my own State of Maryland, industrial users facing curtailment will have to pay an additional $62 million during the upcoming year for alternate fuels needed to replace their normal natural gas usage. This does not include any technical costs of conversion nor does it account for the unemployment that might result from firms forced to lay off employees.

For those here today who believe that the current regulatory system benefits the consumer, let me point out that natural gas curtailments will cost hospitals and nursing homes in Maryland an additional $3.1 million in alternate fuel needs for the year beginning November 1. For schools and universities the figure is even higher, $4.5 million. Moreover, consumers will eventually have to absorb the costs of curtailment—whether in the form of unemployment or the additional costs imposed on industry, including the gas distribution system itself. Those who favor price controls seldom mention the loss of economies of scale for pipelines and distribution companies that accompanies reduced gas volume. When per unit costs increase as a result of declining gas volumes, residential and commercial users must eventually bear the burden of higher utility bills to replace diminishing economies of scale. Our figures show this added cost for Maryland to be $24 million.

For short run emergency relief, I recommend support for the FPC proposal which would permit industrial users to purchase natural gas at the source. As a longer run solution, I feel that action must be taken toward elimination of the existing system of price controls which has brought about the serious economic situation as indicated in this report.

Mr. President, I submit this report in the hope that the Maryland example will enlighten Members of Congress as to the costs imposed through natural gas curtailments.

Our concern for the Nation's continued growth dictates that Congress act soon and, I hope, this week, in averting what could become an economic catastrophe.

Mr. President, I ask unanimous consent that this report entitled "A Natural Gas Situation Report: Maryland and the Nation" prepared in my office be printed in the RECORD at the conclusion of my remarks today.

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

A NATURAL GAS SITUATION REPORT: MARYLAND AND THE NATION

(Office of Senator J. GLENN BEALL, Sept. 22, 1975)

FOREWORD

Undoubtedly the most important issue facing the Congress today is that of insuring that sufficient energy resources are available to meet residential demands and to enable industry to operate at full capacity. Most people tend to think of the energy crisis in terms of oil only: higher oil prices, reduced domestic oil production, increased dependence on foreign oil. Indeed these and related issues surrounding the availability of oil are most important, yet it must be stressed that natural gas is an equally important energy resource. Presently, natural gas supplies 40 percent of the nation's energy needs and delivers heat to 160 million Americans through a network of one million miles of pipe line. US industry has been and continues to be heavily dependent upon natural gas for all types of production processes. Clearly the existence of adequate natural gas supplies is essential if the United States is to obtain, as well as maintain, a sound stable economy.

This report details what has become over the past few years a serious deterioration in natural gas supplies for a sizeable portion of the country. The first section of the report looks at the natural gas picture for the entire nation. Attention is directed toward the issues of declining natural gas production and reserves, trends in pricing and costs, with particular focus on the scope and economic implications of growing natural gas curtailments.

The second section of the report concentrates on the natural gas outlook for Maryland over the next year. The extent of curtailments in Maryland is detailed by both distributors and users within the State. The report looks at the higher cost of alternate fuels which must be borne by Maryland users due to natural gas curtailments, detailing these added fuel costs by major user type.

In summary, this report has found that:

For the Nation

* The price ceiling imposed on interstate natural gas (which comprises approximately 60 percent of total production) discourages production while encouraging wasteful consumption. As a consequence, production in 1974 declined for the first time. Curtailments, on the other hand, have increased at an alarming rate, up 50 percent within the past year.

* The two-tiered pricing system has resulted in a lopsided allocation of natural resources. To the primary gas producing states—Texas, Oklahoma and Louisiana—the system has provided a comparatively inexpensive source of abundant energy. To non-gas producing states, natural gas has been supplied at a low price, but only to the dwindling numbers of consumers who are fortunate enough to receive it.

*Curtailments result in an increased cost to the economy through several channels. First, businesses have to resort to alternate fuels, frequently priced 2 to 3 times higher than the Btu equivalent of natural gas. For the period April 1975, to March 1976, it has been estimated that businesses, primarily industries, will spend an additional $4 billion on alternate fuels. This assumes that the curtailment or expense is not so great as to cause work slowdowns or stoppages. In that case, additional costs would be measured in unemployment figures rather than dollars. A final cost of natural gas shortages stems from the loss of economies of scale associated with reduced volumes. Both pipelines and distribution companies experience higher unit costs as a result of lower volumes and high fixed costs. Ultimately this additional cost, estimated at $1 billion for 1975/1976, will be borne by the consumer. Combined, the cost to the U.S. economy for the year beginning April 1, 1975 will come close to $5 billion.

For Maryland

*The impact of curtailments is expected to be more severe for Maryland than for the national average. Maryland, along with Virginia, is one of 10 states identified by the White House as expected to suffer severe curtailments this winter. The economic cost of these curtailments will be high. Industry will bear the brunt of $75 million in additional fuel costs for alternate fuels. Another $24 million will result from the higher fuel costs which will run from reduced economies of scale in transmission and distribution.

*Because of the end-use priority system endorsed by FPC, distributors with large industrial loads, such as Columbia Gas of Maryland, will have the most serious natural gas cutbacks. Distributors who service primarily to residential users, such as Washington Gas, will be less severely impacted.

I. NATURAL GAS SHORTAGES: OUTLOOK FOR THE NATION

On a nationwide basis, proven reserves reached their highest level in 1967 and have since declined to 237 trillion cubic feet (tcf) by year end 1974, down almost 29% from 7 years earlier. During that same time period, reserves dedicated to the interstate market have declined even faster, down about 39.2% from their 1967 peak.

Concomitant with reserve depletion has been the delayed but steadily increasing slowdown in production. Historically, natural gas production has grown at about 6 or 7 percent (See Table 1) a year, but beginning in the early '70's, growth in production came to a standstill. In 1974 production actually declined for the first time—down to 21.3 tcf from 22.5 tcf a year earlier. This reversal marked a trend that had been a long time in coming. As Table 1 clearly indicates, reserve additions fell short of replacing production in 1968, and as a consequence, the reserve/production ratio fell to new lows. In essence, this means that current production is largely confined to extraction of natural gas from previously discovered wells, and that unless measures are taken to encourage further exploration and drilling, available supplies will continue to shrink.

TABLE 1.—U.S. NATURAL GAS SUPPLY[1] 1946-74

[All volumes in trillions of cubic feet at 14.73 psia and 60° F.]

(1) Year	(2) Production (tcf)	(3) Reserve additions (tcf)	(4) Proven reserves (tcf)	(5) R/P ratio (4) divided by (2)	(6) F/P ratio (3) divided by (2)
1946	4.9	17.6	159.7	32.5	3.9
1947	5.6	10.9	165.0	29.5	1.3
1948	6.0	13.8	172.9	28.9	2.0
1949	6.2	12.6	179.4	28.9	2.7
1950	6.9	12.0	184.6	26.9	1.0
1951	7.9	16.0	192.8	24.3	2.6

(1) Year	(2) Production (tcf)	(3) Reserve additions (tcf)	(4) Proven reserves (tcf)	(5) R/P ratio (4) divided by (2)	(6) F/P ratio (3) divided by (2)
1952	8.6	14.3	198.6	23.1	1.7
1953	9.2	20.3	210.3	22.9	2.2
1954	9.4	9.6	210.6	22.5	1.0
1955	10.1	21.9	222.5	22.1	2.2
1956	10.9	24.7	236.5	21.8	2.3
1957	11.4	20.0	245.2	21.4	1.7
1958	11.4	18.9	252.8	22.1	1.7
1959	12.4	20.6	261.2	21.1	1.7
1960	13.0	13.9	262.3	20.1	1.1
1961	13.5	17.2	266.3	19.9	1.3
1962	13.6	19.5	272.3	20.0	1.4
1963	14.5	18.2	276.2	19.0	1.3
1964	15.3	20.3	281.3	18.3	1.3
1965	16.3	21.3	286.5	17.6	1.3
1966	17.5	20.2	289.3	16.5	1.2
1967	18.4	21.8	292.9	15.9	1.2
1968	19.4	13.7	287.4	14.8	.7
1969	20.7	8.4	275.1	13.3	.4
1970	22.0	37.2	290.7	13.2	1.7
1971	22.1	9.8	278.8	12.6	.4
1972	22.5	9.6	266.1	11.8	.4
1973	22.6	6.8	250.0	11.1	.3
1974	21.3	8.7	237.1	11.1	.4

[1] Source: American Gas Association. As found in testimony of John N. Nassikas, Chairman of the Federal Power Commission, before Subcommittee on Oversight and Investigations of the Committee on Interstate and Foreign Commerce, U.S. House of Representatives, July 14, 1975.

What has caused this downturn in production? Available data indicate it to be a matter of pricing and profits. Energy is no longer an abundant resource, and the costs of production associated with it have risen dramatically in recent years. Even the Federal Power Commission, the agency responsible for regulating the price of natural gas bound for the interstate market, has divided over what price guarantees a reasonable rate of return.[1] The Office of Economics, FPC, has recommended that "based on cost estimates of 46.22¢ to 52.98¢ exclusive of offshore lease acquisition costs, the base rate of 51¢ specified in Opinion No. 699-H should be continued for the current biennium," [2] in order to insure a 15% return.

However, the Bureau of Natural Gas, FPC has found that depending upon the tax rate applicable to natural gas producers, the current costs per thousand cubic feet (mcf) range from $1.04 to $1.63 (see Table 2). These calculations used average productivity for the 9 year period 1966–1974 with costs trended to 1975. According to comments submitted by the Bureau of Natural Gas, "these dramatic increases from 51¢ prescribed by Opinion No. 699-H are caused primarily by four factors:

1. Declining natural gas productivity
2. A continuation of increasing costs
3. The Tax Reduction Act of 1975 which basically eliminated percentage depletion
4. Elimination of the negative income tax calculation in Opinion No. 699-H.[3]

Two points need to be stressed. First, there is no assured method of fixing prices at a level which would guarantee a specified rate of return. The two estimates emanating from the Federal Power Commission typify the confusion which surrounds forecasting production costs. Projections have been or could be made which would justify almost any pricing policy. The second point is that these calculations are generally based on an average production situation and do not take into account the wide range of production techniques.

TABLE 2.—ESTIMATED COST OF FINDING AND PRODUCING NEW SUPPLIES OF NATURAL GAS [1]

	Using average productivity for—			
	12 yr, 1963–74 with costs trended to—		9 yr, 1966–74 with costs trended to—	
	1975	1976	1975	1976
Productivity (Mcf/ft)[2]	454	454	375	375
Total cost per Mcf, including royalty at 16 percent; assuming Federal income tax rates of (in cents):				
0 percent	85.32	88.73	104.31	108.64
24 percent	102.05	106.07	124.50	129.62
48 percent	134.23	139.44	163.35	169.99

[1] Source: "Comments of the Bureau of Natural Gas", FPC Docket No. RM 75-14, Aug. 4, 1975.
[2] Mcf/ft=thousand cubic feet per foot of drilling.

Ideally, the price of natural gas should cover all production costs and allow for a rate of return on both successful and unsuccessful drilling sufficient to induce further recovery and exploratory efforts. Several problems crop up, however, in determining a suitable price ceiling. The calculations made by the FPC in establishing its rate ceiling are founded on historical costs and have resulted in two faulty approaches to determining the cost of producing natural gas.

The first is that actual production costs for natural gas have risen in recent years. This is particularly true with respect to exploratory and allocated unsuccessful lease costs. Part of the higher costs are directly attributable to inflation, the remainder resulting from increasing costs associated with a diminishing reserve.

This last point relates to the second pricing fallacy employed by FPC. When natural gas reserves were first being discovered, the larger fields were the first to be found. But as reserves have depleted, new finds generally are smaller and less numerous. To demonstrate this fact, Tables 3 and 4 present a time series of new natural gas discoveries in terms of the number of new fields and average productivity. The first table reveals a steadily decreasing number of discoveries, particularly for significant gas fields (i.e., those with more than six billion cubic feet of ultimately recoverable proved gas per year)[4].

Approaching reserve additions from a different angle, Table 4 shows the declining productivity for newly found reserves. Clearly, productivity, as expressed in mcf discovered per successful gas well footage, has declined to less than half its level 8 or 9 years ago. This trend confirms the contention that natural gas is becoming more difficult and costly to find. However, these figures actually understate the reduction in productivity, as price ceilings have to some degree confined drilling activity to the low-cost, more mature geologic provinces.

TABLE 3.—NEW INTERSTATE SOURCES CONTRACTED [1]

[Volumes in billions of cubic feet—Bcf]

Year	Number of new sources	New reserves contracted (Bcf)	Average new source size (Bcf)
1964	193	4,634	24
1965	158	9,485	60
1966	252	9,564	38
1967	207	8,614	42
1968	155	6,288	41
1969	188	6,216	33
1970	148	3,659	25
1971	164	2,225	14
1972	257	5,040	20
1973	184	1,713	9
Total	1,906	57,436	30

[1] Source: Federal Power Commission—As found in: Wm. Ogden, editor, "Factors Critical to Wellhead Prices for New Natural Gas Supplies" (Washington, D.C.: H. Zinder & Associates, May 1975).

TABLE 4.—PRODUCTIVITY OF NONASSOCIATED GAS RESERVES [1]

[Total United States excluding Alaska]

Year	Reserves additions excluding revisions (Bcf) (1)	Successful gas well footage (M feet) (2)	Productivity factor (Mcf/ft) (1) ÷ (2) (3)
1966	13,079	24,390	536
1967	13,571	20,789	653
1968	8,299	20,119	412
1969	8,315	24,064	346
1970	9,641	22,852	422
1971	10,037	22,609	444
1972	9,508	26,762	355
1973	9,064	35,587	255

[1] Source: Reserves—American Gas Association; Footage—American Association of Petroleum Geologists; as found in: Wm. Ogden, editor, "Factors Critical to Wellhead Prices for New Natural Gas Supplies" (Washington, D.C.; H. Zinder & Associates, May 1975).

Current natural gas prices

For natural gas committed to the interstate market during the past 4 years, prices have moved up sharply. As Table 5 indicates, recently contracted natural gas has been selling right up to the 51 cent limit. The estimated total annual sales, i.e. all but that purchased through emergency sales, has seen an increase in average price per mcf of 130 percent between first quarters 1971 and 1975. This figure applies only to new gas contracted. At the same time, government and industry studies have placed the total average cost of discovering and producing new natural gas at between $1.25 and $1.40, implying that the current ceiling renders much of the potential production unprofitable. Indeed, declining interstate dedications bear out this conclusion. Since 1971, interstate deliveries of new natural gas have declined, reaching their lowest level in 1974. Emergency sales [5], on the other hand, have come in at an average price of 83 cents/mcf, well below the $1.25 to $1.50/mcf that preconsiderably above the FPC price ceiling but vails on the intrastate market.

Footnotes at end of article.

TABLE 5.—NATURAL GAS SALES COMMITTED TO THE INTERSTATE MARKET, 1971–75 (1ST QUARTER)

	Long-term contracts												Emergency sales [1]			
	National rate ceiling		Area rate ceilings [2]		Optional procedures [3]		Limited-term sales [4]		Small producer sales [5]		Estimated total annual		60-day sales		180-day sales [1]	
	Deliveries [7] (000,000 Mcf)	Average price [6] (cents per Mcf)	Deliveries [8] (000,000 Mcf)	Average price [9] (cents per Mcf)	Deliveries [8] (000,000 Mcf)	Average price [3] (cents per Mcf)	Deliveries (000,000 Mcf)	Average price [3] (cents per Mcf)	Deliveries [9] (000,000 Mcf)	Average price [3] (cents per Mcf)	Deliveries (000,000 Mcf)	Average price (cents per Mcf)	Deliveries [7] (000,000 Mcf)	Average price [6] (cents per Mcf)	Deliveries [7] (000,000 Mcf)	Average price [8] (cents per Mcf)
1971:																
1st quarter			37	22.79							37	22.79	79	31.74		
2d quarter			65	21.77			41	33.46			107	26.29	39	34.08		
3d quarter			132	22.51			104	32.83			236	27.06	36	34.33		
4th quarter			172	24.21			61	34.97			233	27.03	18	33.05		
Total			406	23.87			206	33.59			612	27.14	172	32.94		

Footnotes at end of table.

TABLE 5.—NATURAL GAS SALES COMMITTED TO THE INTERSTATE MARKET, 1971–75 (1ST QUARTER)—Continued

	Long-term contracts												Emergency sales [1]			
	National rate ceiling		Area rate ceilings [2]		Optional procedures [3]		Limited-term sales [4]		Small producer sales [5]		Estimated total annual		60-day sales		180-day sales [1]	
	Deliveries [7] (000,000 Mcf)	Average price [8] (cents per Mcf)	Deliveries [9] (000,000 Mcf)	Average price [9] (cents per Mcf)	Deliveries [9] (000,000 Mcf)	Average price [3] (cents per Mcf)	Deliveries (000,000 Mcf)	Average price [3] (cents per Mcf)	Deliveries [9] (000,000 Mcf)	Average price [3] (cents per Mcf)	Deliveries (000,000 Mcf)	Average price (cents per Mcf)	Deliveries [7] (000,000 Mcf)	Average price [6] (cents per Mcf)	Deliveries [7] (000,000 Mcf)	Average price [3] (cents per Mcf)
1972:																
1st quarter			117	24.29			50	34.23	22	25.95	189	27.11	19	35.36		
2d quarter			295	24.61			51	34.89	87	29.06	433	26.17	28	34.64		
3d quarter			66	24.99			138	33.30	63	34.02	267	31.42	24	34.78		
4th quarter			49	24.03	1	26.50	121	35.59	58	38.67	229	33.86	17	32.58		
Total			527	24.54	1	26.50	360	34.39	230	32.53	1,118	29.36	88	34.43		
1973:																
1st quarter			124	23.38			113	37.07	36	41.07	273	31.38	35	41.34		
2d quarter			71	25.18	36	45.00	74	40.99	37	42.29	218	36.72	36	47.97		
3d quarter			50	25.68	42	35.00	76	41.76	53	45.67	221	37.77	45	48.34	21	50.66
4th quarter			21	27.46	9	40 42	77	45.83	55	48.79	162	44.15			87	53.77
Total			266	24.63	87	39.93	340	40.85	181	45.01	874	36.68	116	46.11	108	53.15
1974:																
1st quarter			25	24.52	29	41.77	53	41.21	38	51.54	145	41.15			88	61.85
2d quarter	40	26.78	22	26.78			41	41.73	42	51.07	145	38.33	16	58.84		
3d quarter	177	51.55			13	45.00			42	57.47	232	52.25	11	74.72		
4th quarter	51	49.02	1	25.41	12	45.00	13	56.00	32	58.70	109	58.04	38	79.26		
Total	268	42.37	48	25.57	54	43.27	107	43.68	154	54.42	631	46.46	65	73.46	88	61.85
1975: 1st quarter	194	52.31	6	24.72			1	63.53	19	63.54	220	52.58	16	83.40		
1971: 1975 (1st quarter)																
Total	462	49.45	1,253	24.38	142	41.10	1,014	37.39	584	43.20	3,455	35.60	457	44.10	196	57.08

[1] The procedures for emergency and limited term sales were discontinued on June 21, 1974, by Opinion No. 699 and reinstated on Sept. 9, 1974, by Opinion No. 699B.
[2] Area rate ceilings established in commission orders issued as follows: Hugoton-Anadarko (Op. 586), Sept. 18, 1970; Appalachia (Order 411), Oct. 2, 1970; Texas Gulf Coast (Op. 595), May 5, 1971; Rocky Mountain (Order 435), July 15, 1971; Southern Louisiana (Op. 598), July 16, 1971; Other Southwest (Op. 607), Oct. 29, 1971; Permian Basin (Op. 662), Aug. 7, 1973. Also includes sales in Permian Basin under paragraph 12, Docket No. R-389A, issued July 17, 1970.
[3] Order No. 445, issued Aug. 3, 1972.
[4] Order No. 431, issued Apr. 15, 1971.
[5] Order No. 428–C, issued Apr. 10, 1972.
[6] Order No. 418 (60-day sales) issued Dec. 10, 1970.
[7] Anticipated deliveries during indicated period.
[8] Initial prices weighted by anticipated annual sales volumes (or by total deliveries during period of emergency sales).
[9] Anticipated annual sales volumes.

Note: Data are rounded and do not always add to totals shown. Volumes estimated by multiplying anticipated monthly or daily quantities by term. Actuals used where available.

Source: Federal Power Commission, 1975.

When compared to the prices of substitute fuels, natural gas because of controls has lagged behind both residual fuel oil and No. 2 heating oil, despite a lower Btu equivalent price during 1967, the first year of the comparison (see Table 6). Looked at from a different perspective, the average monthly cost for heating a typical Maryland residence in 1974 was nearly 9 times greater for electricity than for natural gas. For residual oil, the comparable price was three times higher. Consequently, residential users in Maryland rely on natural gas for about three quarters of their heating needs. The comparisons are much the same for other areas. In New York City, heating by electricity costs 11 times more than gas; for Chicago, it is 9 times higher. Elsewhere around the country, prices tell the same story—natural gas has been kept at artifically low prices, far below the energy equivalent prices of other fuels.

Thus, what this comes down to is a system of price controls which inequitably promotes consumption of scarce natural gas while at the same time discouraging further production of that resource.

Effects of pricing policy

By examining the nature of the interstate and intrastate markets, the effects of pricing policy are clearly demonstrated. One market, the interstate, is regulated with most prices subject to the established rate ceiling. The other market, pertaining to gas sold within state of origin, contains freedom of interaction between buyers and sellers. It cannot be labeled competitive, however, as producers endowed with low cost gas have the opportunity to earn an above average rate of return.

TABLE 6.—WHOLESALE PRICE INDEX AND COMPONENT-INDEXES FOR FUELS [1]

[1967=100]

Year	All commodities	Fuel and power	Natural gas	Residual fuel oil	Diesel fuel and No. 2	Bituminus coal
1967	100.0	100.0	100.0	100.0	100.0	100.0
1968	102.5	98.9	101.6	95.7	101.9	103.4
1969	106.5	100.9	103.2	93.3	102.4	112.3
1970	110.4	106.2	106.1	125.5	106.5	151.9
1971	114.0	114.2	112.2	166.0	110.0	184.9
1972	119.1	118.6	121.0	158.8	111.3	197.4
1973	134.7	134.3	131.3	193.4	139.7	222.5
1974	150.1	208.3	155.1	485.4	272.0	339.5
May 1975	173.2	238.8	222.0	491.3	296.1	389.6

[1] Source: Federal Power Commission.

Putting aside the matter of windfall profits, it is useful to investigate the production characteristics of both the interstate and intrastate markets. Effective December 4, 1974, FPC Opinion No. 699–H established a price ceiling of 51¢ mcf on the interstate sale of natural gas. At the same time, intrastate prices have reached $1.50/mcf, and scattered reports had prices as high as $2.00/mcf. As a result of the price differential, natural gas reserves not under contract have increasingly been absorbed by the intrastate market, primarily Texas, Louisiana, and Oklahoma. New natural gas commitments to the interstate market have declined by almost 70% in the last five years. In terms of delivery volumes, new gas commitments directed an average 560 billion cubic feet per year into the interstate market during 1969–1972. By 1974, this figure had declined to less than 200 billion cubic feet. Because of contract commitments, the figure for actual deliveries of natural gas has not shown as dramatic a downturn; nonetheless, reserves bound for the interstate market (shown previously in Table 3) have declined since 1968.

In contrast, the intrastate market has absorbed an increasing share of domestic production. For 1974, intrastate sales of natural gas accounted for close to 40% of the 21.3 tcf produced in this country. Even at $2.00 an mcf, natural gas is far less expensive than other fuels when compared on a Btu basis.

Information concerning the entire intrastate market is not readily available because of the absence of a central regulatory body. However, information collected by agencies in Texas and Oklahoma reveal how pricing policies have affected production incentives. Information gathered by the Oklahoma Tax Commission gives some idea what the trend has been for intrastate prices and dedications for wells which commenced in the three year period, 1972–1974. Clearly prices have risen. On a volumetric basis, the median contract price in 1972 was between 30 and 40 cents. For 1973, the comparable price had increased to 60–70 cents, and by last year the median price was somewhere between 80 and 90 cents per mcf. During that same period, however, production increased from just over 2.8 bcf to 7.6 bcf, a jump of more than 170 percent. Three conclusions characterize this data. First, unregulated pricing induced substantially greater production for the intrastate market. Second, the two-tiered

pricing system undoubtedly steered some supplies away from the interstate market. Third, with natural gas selling at a marginal price of $1.50/mcf, producers with low cost drilling operations (i.e., those who opened shallower and larger reserves) enjoyed an above normal profit.

Comparable data for Texas leads to the same conclusions (see Table 8). Prices were generally higher, the median having risen from 30–40 cents in 1972 to 70–80 cents in 1974. And while volumetric increases were not as large as for Oklahoma, 1974, saw a reversal of the decline in production that was experienced between 1972 and 1973.

TABLE 7.—INTRASTATE PRICES OF NATURAL GAS AT POINT OF ORIGIN, FOR SALES DURING NOVEMBER 1974, OKLAHOMA

Price range (cents per Mcf)	Wells from which sales commenced in 1972		Wells from which sales commenced in 1973		Wells from which sales commenced in 1974	
	Volume (Mcf)	Percent of total	Volume (Mcf)	Percent of total	Volume (Mcf)	Percent of total
0 to 9.99 cents	0	0	0	0	0	0
10 to 19.99 cents	34,678	1.23	32,508	.81	13,489	.18
20 to 29.99 cents	862,852	30.64	135,494	3.39	1,268	.02
30 to 39.99 cents	626,625	22.25	327,643	8.20	29,155	.38
40 to 49.99 cents	404,752	14.37	416,343	10.43	255,992	3.35
50 to 59.99 cents	540,448	19.19	718,933	18.00	349,295	4.57
60 to 69.99 cents	185,716	6.60	1,289,884	32.30	1,231,722	16.12
70 to 79.99 cents	35,442	1.26	330,445	8.27	1,545,753	20.23
80 to 89.99 cents	11,821	.42	434,978	10.89	1,848,401	24.19
90 to 99.99 cents	46,746	1.66	271,064	6.79	2,135,135	27.94
100 to 109.99 cents	66,695	2.37	36,278	.91	227,564	2.98
110 to 119.99 cents	0	0	0	0	4,439	.06
Total	2,815,775		3,993,570		7,642,213	

Source: Oklahoma Tax Commission. As found in Wm. Ogden, editor, "Factors Critical to Wellhead Prices for New Natural Gas Supplies" (Washington, D.C.: H. Zinder & Associates, May 1975).

Curtailments

Prior to the 1970's, curtailments were virtually non-existant. There were no effective price controls at the wellhead, and as a consequence, the market was in "so-called" equilibrium—with quantity demanded equaling quantity supplied at a price well below the 51 cents dictated by FPC's 1974 ruling.

TABLE 8.—INTRASTATE PRICES OF NATURAL GAS AT POINT OF ORIGIN [1]

FOR SALES DURING NOVEMBER 1974, TEXAS

Price range amount per Mcf	Wells from which sales commenced in 1972		Wells from which sales commenced in 1973		Wells from which sales commenced in 1974 [2]	
	Volume [3]	Percent of volume	Volume [3]	Percent of volume	Volume [3]	Percent of volume
0 to $0.09	0	0	0	0	0	0
$0.10 to $0.19	356,156	4.68	721,008	12.12	283,705	4.12
$0.20 to $0.29	3,435,692	45.18	645,874	10.86	948,132	13.76
$0.30 to $0.39	528,322	6.94	176,469	2.96	921,810	13.38
$0.40 to $0.49	1,013,978	13.33	318,646	5.35	144,238	2.09
$0.50 to $0.59	189,303	2.48	153,171	2.57	178,840	2.59
$0.60 to $0.69	168,340	2.21	241,320	4.05	919,307	13.25
$0.70 to $0.79	612,038	8.04	207,101	3.48	158,127	2.29
$0.80 to $0.89	88,069	1.15	2,245,421	37.75	284,875	4.13
$0.90 to $0.99	71,973	.94	50,925	.85	482,204	7.00
$1 to $1.09	161,632	2.12	259,338	4.36	215,463	3.12
$1.10 to $1.19	86,049	1.13	237,733	3.99	895,355	13.00
$1.20 to $1.29	667,607	8.77	312,572	5.25	356,964	5.18
$1.30 to $1.39	52,441	.68	234,776	3.94	465,843	6.76
$1.40 to $1.49	149,374	1.96	79,405	1.33	482,244	7.00
$1.50 to $1.59	23,266	.30	218	0	50,875	.73
$1.60 to $1.69	0	0	0	0	69,141	1.00
$1.70 to $1.79	0	0	62,757	1.05	28,920	.42
Total	7,604,240	100.00	5,946,734	100.00	6,886,043	100.00

[1] Does not include purchases by interstate pipelines or company-to-company transactions.
[2] Through November 1974.
[3] Thousand cubic feet.

Source: Based on data obtained from Texas Railroad Commission and the State Comptroller. As found in: Wm. Ogden, editor, "Factors Critical to Wellhead Prices for New Natural Gas Supplies" (Washington, D.C.: H. Zinder & Associates, May 1975).

Since 1971 when deficiencies first became a recurring problem, pipe lines have had to cut back their deliveries by an ever increasing amount. Between 1971 and the year beginning April 1, 1975, curtailments to firm customers [6] have increased tenfold, standing at 2.9 tcf during 1975/76 (see Table 9). This does not include curtailments of interruptible customers. For 1975/76, curtailments to this group adds another 300 bcf, bringing the combined total of nationwide curtailments to 3.2 trillion cubic feet. (see Table 10)

TABLE 9.—*Natural gas curtailments to firm users, 1971–75/76*

[Billion cubit feet]

Year:	Volume of Curtailment
1971	286
1972	649
1973	1,131
1974	1,679
1975	2,435
1975/76 (April to March)	2,917

Source: Federal Power Commission; curtailments refer only to interstate shortages of natural gas.

TABLE 10.—NATIONWIDE NATURAL GAS CURTAILMENTS [1]

	Requirements	Curtailment (MCf)	Percent
April 1975—March 1976:			
Firm	15,042,061	2,916,965	19.4
Interruptible	503,277	283,348	56.3
Combined	15,545,338	3,200,313	20.6
April 1974—March 1975:			
Firm	14,825,477	2,013,132	13.6
Interruptible	535,000	195,870	36.6
Combined	15,360,477	2,209,002	14.4
1975/76 (Heating Season: November—March):			
Firm	8,965,302	1,326,733	14.8
Interruptible	195,467	139,833	71.5
Combined	9,160,769	1,466,566	16.0
1974/75 (Heating season: November—March):			
Firm	8,664,570	1,019,203	11.8
Interruptible	194,208	101,272	52.2
Combined	8,858,778	1,120,475	12.7

[1] Source: Federal Power Commission, news release Nos. 21454, 21465, June 6 and 11, 1975.

As these shortages continue to mount, so do the costs to the nation's economy. Even at current levels, our office calculates the added cost of alternate fuels needed to replace the current level of national curtailments to be in excess of $4 billion. Add to this the increased unit costs of transportation and distribution which will eventually be passed on to non-curtailed users, and the cost to the nation for 1975/76 approaches $5 billion.

Indeed, this scenario is an optimistic one for it does not include the likely possibility that industries in hard-hit states will have to slow down and/or layoff employees. A study recently released by the Department of Commerce [7] shows that of twenty-five industries which consume 70% of the Nation's industrial gas needs, only three—petroleum refining, steel, and automobile industries—are properly equipped to switch to alternate fuels. Information received by this office seems to indicate that this situation has changed somewhat from the 1971 data upon which this survey was based. Many firms, reacting for fear that no natural gas will be available to them in the future, have begun the costly process of converting.[8]

Footnotes at end of article.

Nonetheless, many industries will face extremely high costs, either in the form of high priced alternate fuels and the accompanying conversions, or worse, in the form of operational slowdowns and employee layoffs.

To give a broader perspective of the industrial picture as it relates to natural gas requirements, Table 11 looks at six of the twenty-one two-digit SIC industries[9] which as a group purchases 85% of the natural gas used by all industry in 1971. These six industries account for 40% of value-added in the manufacturing sector, and employ 30% of the workers in manufacturing industries. Obviously, severe natural gas deficiencies would have serious consequences for these industries and for the entire economy.

TABLE 11.—NATURAL GAS PURCHASES BY MAJOR MANUFACTURING INDUSTRIES[1] 1971

SIC and industry	Gas purchases[2] Trillion Btu's	Billion cubic feet
Consuming industries:		
28—Chemicals and allied products	1,473.1	1,427.4
29—Petroleum and coal products	1,363.7	1,321.4
33—Primary metal industries	1,137.2	1,101.9
32—Stone, clay, and glass products	726.4	703.9
20—Food and kindred products	493.8	478.5
26—Paper and allied products	492.2	476.9
Total—all manufacturing	6,660.2	6,454.4
6 industries usage as percent of total	85.4	

[1] Source: "Impact of Prospective Natural Gas Curtailments on U.S. Industry," Bureau of Domestic Commerce, Department of Commerce, September, 1974.

[2] Purchases for heat and power uses. Figures do not include gas used as chemical feedstocks nor captive supplies.

An overview

Numerous studies have emanated from both the Government and private sectors which attempt to establish actual costs of production, quantities that would be produced if the current regulatory structure is kept intact, and prices and quantities which would accompany decontrol. Few have reached identical conclusions, but most have agreed on certain identifiable trends. As this brief summary has documented, there is no 'one' cost of production. Because of the geologic mix of resources, mainly differentiated by depth and size, production costs vary over a wide range. For the small amount of natural gas contracted in Texas in 1974 at 0–10¢ an mcf, production costs were quite low. At the other extreme, gas extracted from deeper reserves is more costly to drill. A study by H. Zinder and Associates indicates that for average-cost reserves, a guaranteed 15% rate of return on new gas would require $1.40/mcf. The Bureau of Natural Gas, FPC, has estimated that given an effective 24% tax rate, the cost of finding and producing new supplies of natural gas is close to $1.25/mcf.

A second point to consider in policy deliberations is the level of profits necessary to induce the production requirements for the future. Most officials and industry leaders have indicated that a 15% rate of return would provide sufficient incentives. But, as indicated previously, these rates of return directly reflect costs of production, whereas price in most cases, reflects only the costs of production for the marginal well; i.e., the one producing at the high-cost level of production. As a consequence, producers finding and producing from low-cost reserves would enjoy profits which are substantially above 15 percent. Accordingly, some form of temporary windfall profits tax on low-cost wells may be mandated under decontrol of natural gas prices.

Footnotes at end of article.

II. NATURAL GAS SITUATION FOR MARYLAND

Requirements

Natural gas requirements, as termed here, refer to the level of demand existing in 1972, the year that the Maryland Public Service Commission imposed a moratorium on new customer connections. Consequently, the base requirement for Maryland, 180,197,000 mcf (see Table 12), actually represents the natural gas supplies demanded by consumers who expect (or hope in the case of interruptible users) to receive their entire allotment.[10]

Baltimore Gas and Electric supplies over sixty percent of the Maryland natural gas requirement. Next largest is Washington Gas Light Company which, together with its Frederick affiliate, supplies nearly 30 percent of total demand. Columbia Gas of Maryland, supplying most of western Maryland's needs, is the only other major supplier in the State.

TABLE 12. *Natural gas required by Maryland, by distributor*[a]

DISTRIBUTOR:	*Thousand cubic feet*
Baltimore Gas & Electric (Columbia)[b]	112,156,000
Columbia Gas of Maryland (Columbia)[b]	14,557,000
Washington Gas (Columbia)[b]	47,953,000
Frederick Gas (Div. of Wash. Gas) (Columbia)[b]	2,151,000
All others (primary Eastern Shore)[b]	1,690,000
	180,197,000

[a] Source: Office of Senator J. Glenn Beall, Jr., 1975. These figures represent the requirements of customers for the 1972 base year when the Maryland Public Service Commission ordered a moratorium on any new customer hook-up.

[b] Name in parenthesis refers to pipeline company.

Table 13 isolates statewide sector usage, showing residential consumption to be about one-half of the State's requirement. A further breakdown by distributor is given in Appendix A, but suffice it to say that there exist wide ranging differences in the percent required by each sector for the five major Maryland distributors. The importance of this fact is that statewide curtailments are divided among distributors according to a nine priority end-use system, which gives the highest priority to residential users, and the lowest to certain industrial and large commercial users. As a result, distributors such as Columbia Gas of Maryland which have a heavy industrial load face drastic curtailments—in this case, an annual shortfall of nearly 50 percent.

TABLE 13.—*Natural gas usage in Maryland*[1]

Sector:	*Percent of total*
Residential	50.2
Commercial and small industrial	27.7
Large industrial	22.1
Total	100.0

[1] Source: Office of Senator J. Glenn Beall, Jr., 1975; calculated using 1972 base year requirements.

On an aggregate basis, residential demand for natural gas taps in at 50 percent. Commercial and small industrial users account for another 28 percent, with large industrials making up the remaining 22 percent. Looked at from a regional perspective, western Maryland has the largest concentration of industrial users—51 percent for the counties supplied by Columbia Gas of Maryland. On an absolute level, Baltimore Gas provides the largest amount, 30 million mcf out of a total large industrial usage of 40 million mcf. Washington Gas Light, serving the Maryland suburbs of Washington, directs three quarters of its basic allocation to homes and apartments. Percentage-wise, Baltimore Gas is next with 43 percent, although as was the case with industrial bound gas, B.G. & E. provides well over half of all residential requirements for the State.

Natural gas curtailments

Natural gas curtailments for Maryland, just as those for the Nation, have increased dramatically in recent years. Between April 1, 1974/75 and April 1, 1975/76, Maryland experienced a rise in curtailment levels of 133 percent, compared to a nationwide curtailment increase of about 50 percent (see Table 14). In terms of natural gas requirements, this constitutes a 22-5 percent curtailment for the 1975/76 period, up from 9.7 percent in 1974/75.

TABLE 14.—NATURAL GAS CURTAILMENTS FOR MARYLAND[1]

Year	(1) Requirement (mcf)	(2) Curtailment (mcf)	(3) Percent (2÷1)
November 1975 to October 1976	180,197,000	48,987,000	27.2
April 1975 to March 1976[2]	180,197,000	40,550,000	22.5
April 1974 to March 1975[2]	180,197,000	17,397,000	9.7

[1] Source: Office of Senator J. Glenn Beall, Jr.; 1975.

[2] A comparison of the April to March curtailment figures indicates that the projected shortfall for 1975–76 will exceed last year's deficiency by 133 percent. This compares to a nationwide curtailment of about 50 percent. For the period November 1975 to October 1976, estimated curtailments again show a dramatic increase. This curtailment figure is based on a survey conducted by this office. The FPC has issued a forecast that, when adjusted, indicated a shortfall of 43,900,000 mcf (see table 15).

More recent data which forecasts curtailments for November, 1975 to October, 1976, indicate a further rise in natural gas deficiencies, this time up to 27.7 percent of requirements.[11] Data required by the Federal Energy Office and compiled by the Maryland Energy Policy Office indicate that this 27–28 percent statewide curtailment for Maryland will hit interruptible industrial users the hardest. Translated into a natural gas equivalence, industrial users will absorb approximately 80% of the curtailment.

Curtailments can be viewed as an additional cost to natural gas users, whether such costs stem from the purchase of alternate fuels[12] or, as in more severe cases, industrial slowdowns and stoppages. Table 17 depicts the additional costs arising from the need for alternate fuels that will accrue to industrial and non-industrial users during the upcoming 1975–76 winter season. To make this calculation, the cost of the previously calculated natural gas equivalence was subtracted from alternate fuel costs which, in most cases, are about three times greater than for natural gas. The sum of these costs for all natural gas users comes to $75 million with industrial firms accounting for 78 percent of these added fuel costs brought on by curtailments.

When compared to the amount that would have been spent by Marylanders on natural gas requirements, additional expenditures associated with alternate fuel requirements represent an increased cost of about 40 percent.

TABLE 15.—*FPC curtailment schedule, 1975/1976 April, 1975–March, 1976*[a]

Pipeline:	*Projected curtailment (mcf)*
Columbia Gas Transmission Corp	36,300,000
Eastern Shore Natural Gas Co	200,000
Transcontinental Gas Pipeline Corp	2,000,000
Total	38,500,000

Adjustment for Washington Gas [b] [c]	5,400,000
Adjusted total	43,900,000

[a] Source: Federal Power Commission, 1975.
[b] Source: Office of Senator J. Glenn Beall, Jr., 1975.
[c] FPC estimates of curtailments for Maryland do not include natural gas supplied by distributors located outside of Maryland.

TABLE 16.—PROJECTED CURTAILMENTS, BY DISTRIBUTOR,[1] 1975–76—NOVEMBER 1975–OCTOBER 1976

Distributor	Projected curtailments (mcf)	Percent
Baltimore Gas & Electric	35,080,000	31.3
Columbia Gas of Maryland	6,814,000	46.9
Washington Gas	6,709,000	14.0
Frederick Gas	384,000	17.9
Total	48,987,000	27.2

[1] Source: Office of Senator J. Glenn Beall, Jr., 1975.

TABLE 17.—ALTERNATE FUELS REQUIRED TO REPLACE NATURAL GAS CURTAILMENTS IN MARYLAND;[1] NOVEMBER 1975 TO OCTOBER 1976

Fuel	Alternate fuel needs [2]	Additional cost [3]
NONINDUSTRIAL USERS		
Hospitals and nursing homes:		
No. 2 heating	14,661,000	$3,137,000
No. 5–6 residual	514,000	61,000
Total		3,198,000
Schools and universities:		
No. 2 heating	17,130,000	3,666,000
No. 4 residual	182,000	33,000
No. 5–6 residual	6,874,000	815,000
Total		4,514,000
Commercial:		
No. 2 heating	5,561,000	1,190,000
No. 4 residual	688,000	125,000
Propane	568,000	161,000
Total		1,476,000
Multifamily dwellings (apartments and condominiums):		
No. 2 heating	14,784,000	3,164,000
No. 4 residual	861,000	158,000
No. 5–6 residual	125,000	15,000
Propane	319,000	91,000
Total		3,428,000
INDUSTRIAL USERS		
No. 2 heating	50,377,000	13,870,000
No. 5–6 residual	232,667,000	42,947,000
Propane	17,209,981	5,597,000
Total		62,414,000
COMBINED USERS		
No. 2 heating	102,513,000	25,027,000
No. 4 residual	1,731,000	316,000
No. 5–6 residual	240,180,000	43,818,000
Propane	18,079,000	5,849,000
Total		75,010,000

[1] Adapted from information provided by Maryland Energy Policy Office, 1975.
[2] Expressed in gallons.
[3] Cost over equivalent natural gas costs.

Curtailments impose a direct cost on those firms forced to replace natural gas with more expensive alternatives. Often overlooked are the indirect costs to residential and small commercial users who eventually must absorb higher unit costs stemming from lower volumes. Pipelines operate under significant economies of scale. Accordingly, curtailments, by reducing the scale of operation, increase unit costs of transportation. Based on current year curtailment estimates, the average mcf cost of transporting natural gas from wellhead to distributor stands at 34 cents as contrasted with 28.5 cents when full requirements are met.[12] Similarly, distributors face an even greater loss of efficiency due to curtailments. As a result, they must pass on increased costs of both transportation and operation to offset diminishing profits caused by higher unit costs. The end result is substantially higher prices for non-curtailed users of nautral gas. For residential consumers, prices increase 19.9 cents, while for commercial users the relevant increase is 15.4 cents. When multiplied by sales volume for non-curtailed users in Maryland, the additional costs of reduced efficiency can be seen as $17.7 million and $6.5 million for residential and commercial users respectively.

Table 18 aggregates the additional costs arising from both loss of economies of scale and conversion to alternate fuels. The combined effect approaches $100 million for the year November, 1975, to October, 1976.

TABLE 18.—*Estimated costs of curtailments to Maryland* [a] *(November, 1975–October, 1976)*

Higher prices from reduction in economies of scale	
Residential Users, 88,709,000 × 19.9¢	$17,653,000
Commercial & Industrial (Firm) 42,501,000 × 15.4¢	6,545,000
Additional Costs of Alternate Fuels	75,010,000
Combined Costs of Curtailment	99,208,000

[a] Source: Office of Senator J. Glenn Beall, Jr., 1975.

Summary and conclusions

Natural gas curtailments continue to increase and as they do, the economic impact becomes increasingly more severe. In brief, this report has found that:

For the Nation

*The price ceiling imposed on interstate natural gas (which comprises approximately 60 percent of total production) discourages production while encourging wasteful consumption. As a consequence, production in 1974 declined for the first time. Curtailments, on the other hand, have increased at an alarming rate, up 50 percent within the past year.

*The two-tiered pricing system has resulted in a lopsided allocation of natural resources. To the primary gas producing states—Texas, Oklahoma, and Louisiana—the system has provided a comparatively inexpensive source of abundant energy. To non-gas producing states, natural gas has been supplied at a low price, but only to the dwindling numbers of consumers who are fortunate enough to receive it.

*Curtailments result in an increased cost to the economy through several channels. First, businesses have to resort to alternate fuels, frequently priced 2 to 3 times higher than the Btu equivalent of natural gas. For the period April 1975 to March 1976, it has been estimated that businesses, primarily industries, will spend an additional $4 billion on alternate fuels. This assumes that the curtailment or expense is not so great as to cause work slowdowns or stoppages. In that case, costs would be measured in unemployment figures rather than dollars. A final cost of natural gas shortages stems from the loss of economies of scale associated with reduced volumes. Both pipelines and distribution companies experience higher unit costs as a result of lower volumes and high fixed costs. Ultimately this cost estimated at $1 billion for 1975/1976, will be borne by the consumer. Combined, the cost to the U.S. economy for the year beginning April 1, 1975 will come close to $5 billion.

Footnotes at end of article.

For Maryland

*The impact of curtailments is expected to be more severe for Maryland than for the national average. Maryland, along with Virginia, is one of 10 states identified by the White House as expected to suffer severe curtailments this winter. The economic cost of these curtailments will be high. Industry will bear the brunt of $75 million in additional fuel costs. For alternate fuels, another $24 million will result from the high fuel costs which will arise from reduced economies of scale in transmission and distribution.

*Because of the end-use priority system endorsed by FPC, distributors such as Columbia Gas of Maryland with large industrial loads will have the most serious natural gas cutbacks. Distributors such as Washington Gas who primarily service residential users will be less severely impacted.

APPENDIX A [14]

Pipelines allocate natural gas shortages based on a nine priority plan that distributes solely according to end-use. Under this plan, interruptible and firm industrial customers are the first to be curtailed, and residential users are the last. As a result, distribution companies receive varying allotments from their suppliers, the actual amount being determined by their customer composition. As Tables A–1 to A–4 show, Columbia Gas of Maryland serves the highest percentage of industrial users, 50.9 percent. Referring back to Table 16, it can be seen that their 46.9 percent curtailment for 1975/76 reflects the priorities established through the FPC plan.

Baltimore Gas and Electric

Approximately 20 percent of the gas supplied by B.G. & E. goes to interruptible users who are classified into two groups—Interruptible and Automatic Interruptible Service (AIS). Interruptible customers are cutback for a specified time period, while alternate interruptible customers are curtailed when the temperature reaches 35 degrees, service being restored at 39 degrees. Presently, B.G. & E. supplies 74 interruptible and 109 AIS customers. The percentage breakdown of these firms according to alternate fuel use is as follows:

Alternate fuels:	*Percent*
No. 2 Heating	72
Propane	16
No. 4 Residual	1
No. 5–6 Residual	10
No. 3 Residual	1
Total	100

Columbia Gas of Maryland

As previously noted, half of the gas supplied by Columbia Gas of Maryland goes to industrial users, most of whom supply customers on an interruptible basis. Last winter, Columbia's 10 interruptible users were notified of an 18.5 percent curtailment. But because Pittsburgh Plate Glass, a substantial natural gas user, had been closed down, no firms actually experienced cutbacks. Nine of Columbia's ten interruptible firms plan to replace natural gas with the following alternate fuels:

Alternate fuels:	*Number of Interruptible Users*
No. 2 Heating	5
Propane	1
No. 4 Residual	1
No. 5–6 Residual	2

Although this winter's curtailment schedules is far worse than last year's, the impact will again hinge on the status of Pittsburgh Plate Glass. Indications are that the plant is in the process of reactivating and will call back up to 250 of its employees. As a consequence, the natural gas curtailment for west-

ern Maryland will be more acute than it was last season—both from increased curtailments and increased economic activity.

Washington Gas Light Company

Because it supplies primarily residential and small industrial users, Washington Gas will experience the smallest percentage curtailment among Maryland distributors. This year's anticipated 14 percent shortfall will to split among its 147 interruptible customers who will utilize alternate fuels as follows:

	Number of Interruptible Users
Alternate fuels:	
No. 2 Heating	107
No. 4 Residual	31
Propane	4
No. 5–6 Residual	5

TABLE A–1. *Baltimore Gas and Electric* [1] [2]

Category:	mcf	%
Residential	48,390,000	43.2
Commercial & small industrial	33,226,000	29.6
firm (29,617,000)		
interruptible (3.609,000)		
Large industrial users	30,540,000	27.2
firm (11,883,000)		
interruptible (18,657,000)		
Total	112,156,000	100.0

[1] Source: Baltimore Gas and Electric Co., 1975.
[2] Based on 1972 base year requirements.

TABLE A–2. *Columbia Gas of Maryland* [1]

Category:	mcf	%
Residential	4,092,000	28.1
Commercial & small industrial	3,062,000	21.0
firm (3,062,000)		
Large industrial users	7,403,000	50.9
firm (3,215,000)		
interruptible (4,188,000)		
Total	14,557,000	100.0

[1] Source: Columbia Gas Transmission Corp., 1975.
[2] Based on 1972 base year requirements.

TABLE A–3.—*Washington Gas* [1] [2]

Category:	M ft³	Percent
Residential	35,465,000	74.0
Commercial and small industrial	11,855,000	24.7
Firm (5,472,000)		
Interruptible (6,383,000)		
Large industrial users	633,000	1.3
Firm (307,000)		
Interruptible (326,000)		
Total	47,953,000	100.0

[1] Source: Washington Gas Co., 1975.
[2] Based on 1972 base year requirements.

TABLE A–4.—*Frederick Gas* [1,2]

Category:	M ft³	Percent
Residential	762,000	35.4
Commercial and small industrial	720,000	33.5
Firm (336,000)		
Interruptible (384,000)		
Large industrial users	669,000	31.1
Firm (699,000)		
Total	2,151,000	100.0

[1] Source: Frederick Gas Co., 1975.
[2] Based on 1972 base year requirements.

APPENDIX B [1]

TABLE B–1

Residential sales:	mcf
B. G. & E	48,390,000
Columbia Gas	4,092,000
Washington Gas	35,465,000
Frederick	762,000
Total	88,709,000
(50.2% of total usage)	

[1] Source: Tables A–1 to A–4

TABLE B–2.—*Commercial and small industrial users (interruptible)*

	mcf
B.G. & E	3,609,000
Columbia Gas	----------
Washington Gas	6,383,000
Frederick	384,000
Total	10,376,000
(5.9% of total usage)	

Commercial and small industrial users (firm)

	mcf
B.G. & E	29,617,000
Columbia Gas	3,062,000
Washington Gas	5,472,000
Frederick	336,000
Total	38,487,000
(21.8% of total usage)	

Commercial and small industrial users (total)

	mcf
B.G. & E	33,226,000
Columbia Gas	3,062,000
Washington Gas	11,855,000
Frederick	720,000
Total	48,863,000
(27.7% of total usage)	

TABLE B–3—*Large industrial users (interruptible)*

	mcf
B.G. & E	18,657,000
Columbia	381,000
Washington Gas	326,000
Frederick	----------
Total	19,364,000
(11.0% of total requirement)	

Large industrial users (firm)

	mcf
B.G. & E	11,883,000
Columbia	7,022,000
Washington Gas	307,000
Frederick	669,000
Total	19,881,000
(11.2% of total requirement)	

Large industrial users (total)

	mcf
B.G. & E	30,540,000
Columbia Gas	7,403,000
Washington Gas	633,000
Frederick	669,000
Total	39,245,000
(22.2% of total requirement)	

APPENDIX C

Alternate fuel supplies for Maryland

Currently, four fuels can be substituted for natural gas by interruptible users. They are: #2 Heating Oil, #4 Residual Fuel, #5–6 Residual Fuel, and Propane. Of these, propane is likely to be in short supply, but fortunately it comprises only 3.3% of the alternate energy requirement stimulated by curtailments. The degree and impact of a possible propane shortage is not yet known. As previously mentioned, the prices for alternate fuels are significantly higher than for natural gas, generally about 3 times as much when compared on a Btu equivalent. Table C–1 gives these prices, both on a volumetric and Btu equivalency basis.

Synthetic gas, once considered infeasible because of its high production cost, now can be produced for a price which is competitive with the Btu prices of other decontrolled fuels. The first synthetic gasification plant in Maryland is scheduled to start operation on September 1, 1976, in time for winter, 1976–1977. Financed by Baltimore Gas and Electric, the plant will produce up to 60 million cubic feet of gas per day, or a maximum of 10 percent of BG&E's requirement for a heavy usage day. Anticipated start-up costs have risen from the initial 1973 estimate of $25,000,000 to an anticipated $30,000,000. The plant will be located at Soller's Point on the Patapsco River in eastern Baltimore County and will utilize an already-existing pipe line that runs from BG&E's Riverside Powerplant to the Eastpoint gas holder.

TABLE C–1.—AVERAGE PRICE FOR FUELS SUPPLIED TO MARYLAND INDUSTRIAL USERS, SPRING, 1975

Fuel	Dollars per unit	Dollars per mmbtu
Natural gas (mcf)	0.67	0.63
No. 4 residual (gallon)	.34	2.28
No. 5–6 residual (gallon)	.28	1.86
Propane (gallon)	.39	4.05
No. 2 heating (gallon)	.36	2.61

FOOTNOTES

[1] Used in this context, it is generally agreed by industry and government specialists that 15% represents a reasonable rate of return.
[2] Office of Economics, Federal Power Commission, Docket No. PM 75–14, August 4, 1975.
[3] Ibid.
[4] Evaluation of reserve potential takes several years so that publication of new natural gas discoveries is delayed six years after actual discovery.
[5] Short-term emergency purchases can be made by pipelines at prices exceeding the national price ceiling on interstate sales. Upon FPC approval, the additional cost of 60-day purchases may be passed through to consumers.
[6] Firm customers are those who contracted for natural gas without interruption.
[7] "Impact of Prospective Natural Gas Curtailments on U.S. Industry", Bureau of Domestic Commerce, Department of Commerce, September 1974.
[8] As an example, one firm in Maryland recently completed a $15 million conversion from natural gas to alternate fuel capacity.
[9] Standard Industrial Classification.
[10] To the extent that the price of natural gas relative to other fuels has remained low, these figures understate the quantity demanded at the prevailing price.
[11] Where applicable, all other Maryland data refer to this time interval.
[12] At present, it appears that most of Maryland's alternate fuel requirements can be met, but not without a high cost.
[13] This figure assumes a 17% nationwide curtailment. Estimates were derived from: Robert Ross Cahal, Jr., "The Cost to the Consumer of Inadequate Gas Service As Compared to the Cost to the Consumer of Additional Gas Supplies at Higher Wellhead Prices of New Gas", in *Factors Critical to Wellhead Prices for New Natural Gas Supplies* (Washington, D.C.: H. Zinder and Associates, May, 1975).
[14] Information concerning alternate fuel capacities provided by Maryland Energy Policy Office.

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

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

The second assistant legislative clerk proceeded to call the roll.

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

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

MESSAGES FROM THE HOUSE

At 12:05 p.m., a message from the House of Representatives delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the bill (H.R. 5620) to amend the act of August 20, 1963, as amended, relating to the construction of mint buildings, in which it requests the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message also announced that the Speaker has signed the enrolled bill (H.R. 4222) to amend the National School Lunch Act and the Child Nutrition Act of 1966 in order to extend and revise the special food service program for children and the school breakfast program, and for other purposes related to strengthening the school lunch and child nutrition programs.

The enrolled bill was subsequently signed by the Acting President pro tempore (Mr. BUMPERS).

At 2:50 p.m., a message from the House of Representatives delivered by Mr. Berry announced that the Speaker has signed the enrolled bill (S. 2270) to authorize an increase in the monetary authorization for certain comprehensive river basin plans previously approved by the Congress, and for other purposes.

The enrolled bill was subsequently signed by the President pro tempore.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session, the following executive reports of committees were submitted:

By Mr. PASTORE, from the Joint Committee on Atomic Energy:

The following-named persons to be the Representatives and Alternate Representatives of the United States of America to the 19th Session of the General Conference of the International Atomic Energy Agency:

To be Representative:

Robert C. Seamans, Jr., of Massachusetts.

To be Alternate Representatives:

Richard T. Kennedy, of the District of Columbia.

Myron B. Kratzer, of the District of Columbia.

Marcus A. Rowden, of Maryland.

Nelson F. Sievering, Jr., of Maryland.

Gerald F. Tape, of Maryland.

(The above nominations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

HOUSE BILL REFERRED

The bill (H.R. 5620) to amend the act of August 20, 1963, as amended, relating to the construction of mint buildings, was read twice by its title and referred to the Committee on Public Works.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first time and, by unanimous consent, the second time, and referred as indicated:

By Mr. LONG (for himself and Mr. JOHNSTON:)

S. 2385. A bill to amend the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 with regard to the rice programs established in those acts. Referred to the Committee on Agriculture and Forestry.

By Mr. TAFT (for himself and Mr. WEICKER):

S. 2386. A bill to deny Members of Congress any increase in pay under any law passed, or plan or recommendation received, during a Congress unless such increase is to take effect not earlier than the first day of the next Congress. Referred to the Committee on Post Office and Civil Service.

By Mr. BAYH (for himself, Mr. PHILIP A. HART, Mr. ABOUREZK, Mr. TUNNEY, and Mr. PACKWOOD):

S. 2387. A bill to restore and promote competition in the petroleum industry, and for other purposes. Referred to the Committee on the Judiciary.

STATEMENTS OF INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. LONG (for himself and Mr. JOHNSTON):

S. 2385. A bill to amend the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 with regard to the rice programs established in those acts. Referred to the Committee on Agriculture and Forestry.

RICE ACT OF 1975

Mr. LONG. Mr. President, it is my feeling that the existing rice program has well served all segments of the rice industry, as well as the consumers in this country. It has, over a long period of time, provided us with an abundant supply of rice, at reasonable price, and with a minimum of expenses to the U.S. Government and the taxpayer.

There has been neither a shortage nor an unmanageable surplus of rice. We have had ample supplies to meet our international commitments as well as to keep our domestic prices reasonable. At the same time, production has been sufficiently limited so that there was not the sort of overproduction which knocks the bottom out of the market and drives small and medium-sized producers out of the market.

The magnificent success and stability of the current program was well described in hearings last year by Mr. Grant Link of the National Rice Growers Association:

The present Legislation affecting rice has been in effect for approximately twenty years. This program has operated at a minimum cost to the United State Department of Agriculture, provided the cost of P.L. 480 would have been charged to the proper Federal Agencies, which benefits from the provisions of this program. The present program has kept supply and demand in better balance for rice than any other program designed or attempted for any other commodity. The only year the rice program was in trouble is when the U.S.D.A. asked us to plant more rice than was needed and the the Labor Department could not settle a dockworkers strike.

Similarly, Mr. President, Mr. Leonard Hensgens testified in behalf of the Louisiana Farm Bureau, pointing out several reasons why the present program has worked well and why if any change is to be made it should be in the form of the bill I am introducing today. I point out that the views expressed by Mr. Hensgens in behalf of the Louisana Farm Bureau are also shared by the American Farm Bureau Federation:

First, let me say that Louisiana rice producers are strongly in favor of retaining our present rice program. We feel the legislation has served the industry, consumers, and others well. It provides the necessary mechanisms for increased production when additional supplies are needed. Also, production restrictions are authorized if supplies become excessive and act as depressing factors to the market.

We must be realists. There is a concerted effort by the administration, certain Members of Congress, and others to develop a new rice program. This being the case, producers feel it is important that any proposal contain our views. We feel that H.R. 4741 does contain features that are generally acceptable to our producers and must be in support of the proposed bill. The fact that Congressman John Breaux of Louisiana is author of this bill and the cosponsors come from major rice producing areas should be an indication to you, who sit on this subcommittee, that the proposal is satisfactory to rice producers.

Basically, we support H.R. 4741 for reasons similar to those expressed to you in the statement presented by the American Farm Bureau Federation.

However, I feel an obligation to express what we consider to be the objectives of H.R. 4741:

1. Allow more farmers to enter rice farming to satisfy expanding world needs for food;

2. Keep U.S. rice viably competitive in world markets;

3. Assume reasonable domestic prices, while at the same time providing checks to gross overproduction;

4. Create more stability from year to year in acreage levels;

5. Assure U.S. consumers an abundant supply of rice at the lowest possible price on a dependable basis;

6. The milling and processing industry will have an adequate supply of rice to meet expanding markets reasonably priced;

7. As a bonus, the industry, through expanding the normal carryover level to 20 percent, will provide a reserve of rice to meet unexpected domestic and foreign contingencies;

8. No subsidies, direct payments, nor other assurances are asked by rice farmers other than the minimum assistance of the U.S. government to protect, at cost of production, a base of rice production.

We understand that certain parties are still favoring target price legislation. We must express strong opposition to any target price concept for rice. Our major points of objections are: the proposed legislation is temporary; it provides for direct payments to producers which we feel is unsound; and it provides for uncontrolled production which would be disastrous for our industry. With regard to direct payments, it is naive to think that any legislation will be approved by Congress without payment limitations. Further, the best we could expect would be a $20,000 limitation and possibly a limitation as low as $9,400, such as was the case in the proposed sugar legislation.

In short, our rice program has worked well, and I do not believe that we should be quick to change a program that has proven itself. My earnest recommendation would be that no changes whatever be made in the rice program at the present time.

Nonetheless, it may be the wisdom of Congress that now is the time to legislate certain changes in this program, and I am aware that several of my esteemed colleagues have introduced bills which, in my opinion, would work severe changes on our rice law.

The evidence, as I see it, appears to indicate that the proposed relaxation of production controls runs a strong risk of destabilizing many segments of the industry, particularly in those areas where smaller farms predominate. Though the intentions of those who have introduced S. 2260 and S. 1645 are good, I feel that there must be a better alternative by which production can be modestly increased without undue risk of the kind of costly surpluses which would put the Government in the position of having to make massive direct payments to thousands of farmers when the market crashes.

The general support for the current program and for the Houston plan as the only feasible alternative was well expressed in hearings before the House Agriculture Committee early this year by Mr. F. E. Guthrie, president, American Rice Growers Cooperative. The views expressed by Mr. Guthrie, in my opinion, represent the overwhelming consensus among rice producers in the States of Louisiana, Texas and California, and are shared by what I believe to be a majority of rice producers in the State of Arkansas:

We like the present rice legislation. It has worked satisfactorily, has cost our Government only nominal amounts of money, has provided adequate supplies of rice to our domestic market, our dollar export markets, and for our Government's requirements at level, stable prices for 20 years prior to the worldwide shortage of all good grains last year and year before last. Prices are again stabilizing and, if Government figures are accurate, supplies are more than adequate with a projected carryover of around 25 million hundredweights—about 2½ times a normal carryover.

We are convinced, however, that some changes must be made in present legislation. For this reason, producer representatives of the major producing States met in Houston, Tex., on January 22 of this year and unanimously agreed on modifications of present legislation that would make substantial progress in the direction pointed to by the administration and still leave as a program we could live with and stay in business.

These changes are embodied in H.R. 4741 presented by Congressmen Breaux, Sisk, Johnson of California, Leggett, and Young of Texas.

In these same hearings, Louisiana Congressman JOHN BREAUX, whose district produces more rice than any other in the Nation, spoke eloquently of the long-term success of the current program and warned soberly of the dangers of overproduction:

I've consistently been a strong defender of the present program—explaining how it's served the rice industry for some 30 years, supplying adequate stocks for domestic and export use, while still maintaining a strong economy at the producer level. Recognizing that change appears inevitable. I've introduced a bill in the House—H.R. 4741—on behalf of producers in at least four of the major production States. I'll explain the details of this bill in a moment, but I'd like to say at this point that my bill does not call for changes as drastic as those contained in other legislation before Congress. My reason for that is simple; if we must have change, I firmly believe it should be gradual and not disruptive. H.R. 4741 is designed to institute a gradual change to new concepts of rice production.

With these significant concerns in mind, I am today introducing the Rice Act of 1975.

This bill is essentially the same as the so-called Houston plan, which was worked out and agreed upon last year at a meeting of representatives from each of the five major rice-producing States. This same bill has been introduced in the House by Louisiana Congressman JOHN BREAUX and HENSON MOORE.

Unlike S. 2260 and S. 1645, the Houston plan provides no direct payments to rice farmers in the form of target pricing mechanisms. Yet, it provides for an increase in production while, at the same time, retaining authority for the Agriculture Department to make adjustments in production to meet market demands but to prevent uncontrolled expansion and costly surplus.

According to the most recent USDA estimates, the carryover of rice for this marketing year will be somewhere between 13 and 20 million hundredweight. A level of only about half this amount—7 to 10 million hundredweight—is considered appropriate and adequate by the Department of Agriculture.

The official carryover last year was an adequate 7.1 million hundredweight but would have been double that amount except for a large, unexpected purchase of about 7 million hundredweight late in the year by Korea.

Mr. President, if there is a 13–20 million hundredweight carryover this year, it would be folly and disaster to add many millions of additional hundredweight to next year's carryover by deliberately expanding production far beyond our means of either consuming or exporting the surplus. Total exports, incidentally, are expected to be about the same as last year, with Public Law 480 shipments slightly lower.

Even under the present program, production has risen as follows during the last 5 years:

[Million hundredweights]

1971–72	85.8
1972–73	85.4
1973–74	92.8
1974–75	114.1
1975–76 (projected)	124.8

Because of this healthy increase in production, average price for medium grain rice in Louisiana—and it is similar in other States—has fallen to only 48 cents above the loan support level, with indications showing that it will probably drop much lower when the huge rice crop in Arkansas comes on the market.

Translated, these statistics indicate to me that now is not the time to allow an uncontrolled increase in production. Rather they indicate that our rice farmers are already providing a more than adequate supply of rice at a reasonable price.

Mr. President, we must retain the ability to increase or decrease the production of rice according to world supply and demand, and we must do so at a price that is fair to the consumer, the U.S. Government and the farmer.

I believe that the current program is achieving these goals in a fashion that could hardly be improved upon. If, however, the Congress feels that it absolutely must legislate on the subject, I believe that the bill which I am introducing today contains the provisions which will, at least, avoid the risk of major disruption to the industry, and particularly to those thousands of small and medium-sized producers who are most severely affected by market instability.

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

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

S. 2385

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 352 of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"NATIONAL ACREAGE ALLOTMENT

"SEC. 352. (a) The national acreage allotment of rice for the 1976 and subsequent crops of rice shall be two million acres, unless the Secretary determines, prior to December 31 of the calendar year preceding the beginning of the crop year for which the allotment is to be made, that the difference between the total supply of rice for the marketing year beginning in the calendar year preceding such crop year and the normal supply of rice for such marketing year is greater than 20 per centum of such normal supply.

"(b) If the Secretary makes the determination described in subsection (a), the national acreage allotment of rice for the crop year beginning after the determination is made shall be established at a level which will adjust the supply of rice so that a quantity of marketable rice will be on hand in the United States at the end of the marketing year beginning August 1 of the calendar year in which the rice for which the acreage allotment is being determined is to be produced (not including rice produced in the calendar year in which such marketing year ends) which is less than 20 per centum of the estimated amount of rice which will be utilized in exports and domestic consumption during such marketing year, except that the national acreage allotment for rice for any crop of rice may not be less than one million six hundred fifty-two thousand five hundred and ninety-six acres.

"(c) For purposes of this part, the term 'normal supply' means, with respect to any marketing year—

"(1) the estimated domestic consumption of rice during the marketing year for which normal supply is being determined, plus

"(2) the estimated exports of rice during such marketing year.".

SEC. 2. (a) Section 353 (b) of the Agricultural Adjustment Act of 1938 is amended—

(1) by striking out the second sentence; and

(2) by striking out "an old producer" and all that follows through "second sentence of this subsection," in the third sentence and inserting in lieu thereof "a producer or farm under the first sentence of this subsection,".

(b) Section 353 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary shall permit the owner and operator of any farm for which a farm acreage allotment has been established to sell or lease all or any part, or the right to all or any part of such allotment, to any other owner or operator of a farm in the same

State, or to transfer all or any part of such allotment to any other farm owned or controlled by him in the same State. The Secretary shall also permit the person for whom a producer allotment has been established to sell or lease all or any part of such allotment to any other person in the same State.".

SEC. 3. Section 354 (a) of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"(a) Whenever in any calendar year the Secretary determines the national acreage allotment under section 352 (b), he shall, not later than December 31 of such calendar year, proclaim such facts and marketing quotas shall be in effect, subject to subsection (b) of this section, for the crop of rice produced in the next calendar year.".

SEC. 4. Section 356(a) of the Agricultural Adjustment Act of 1938 is amended to read as follows:

"(a) Whenever marketing quotas are in effect with respect to any crop of rice, the producer shall be subject to a penalty on the farm marketing excess at a rate per pound which is equal to the cost of production, as defined by section 108 of the Agricultural Act of 1949, per pound of rice for the crop with regard to which the penalty is imposed.".

SEC. 5. Section 301(b)(10)(A) of the Agricultural Adjustment Act of 1938 is amended by striking out "rice," in the first sentence and by striking out "10 per centum in the case of rice;" in the second sentence.

SEC. 6. Section 101 of the Agricultural Act of 1949 is amended—

(1) by striking out the undesignated paragraph in subsection (a) dealing with rice;

(2) by inserting, "except for rice," immediately after "price support" the first time it appears in subsection (d)(5); and

(3) by inserting "and rice" immediately after, "except tobacco" in subsection (d)(3).

SEC. 7. Title I of the Agricultural Act of 1949 is amended by adding at the end thereof the following new section:

"PRICE SUPPORT FOR 1976 AND SUBSEQUENT CROPS OF RICE

"SEC. 108. (a) The Secretary shall make available nonrecourse loans and purchases for the 1976 and subsequent crops of rice. These nonrecourse loans and purchases shall be available only to persons producing rice on acres allocated under section 353 of the Agricultural Adjustment Act of 1938.

"(b) The amount of the loans and purchases available shall be based on the following:

"(1) the farm yield base, as determined by the Secretary, of the person receiving the loan, multiplied by

"(2) the amount of acres of rice produced by such person on acres allocated to him under section 353 of the Agricultural Act of 1938, multiplied by

"(3) the cost of production, as determined under subsection (c), of the rice produced on the acres described in paragraph (2).

"(c) For purposes of this section, the term 'cost of production' shall mean—

"(1) with regard to the 1976 crop of rice, $8 per hundredweight of rice or 60 per centum of the parity price for rice, whichever is higher; and

"(2) with regard to crops of rice subsequent to the 1976 crop, the cost of production for the 1976 crop of rice adjusted each year to reflect changes in a cost-of-production index for rice;

except that such term shall mean 50 per centum of the parity price for rice with regard to any crop of rice for which marketing quotas have been disapproved by producers.".

SEC. 8. The amendments made by this Act shall become effective with the 1976 crop of rice.

Mr. JOHNSTON. Mr. President, it is indeed a privilege for me today to join with my dear friend and colleague from Louisiana, Senator LONG, in introducing a bill which I feel is almost unique in the annals of agricultural legislation. I do not feel that I am overstating the merits of this proposal by labeling it as unique, for what we have here is legislation which truly harmonizes the interest of farmers and consumers in rice production. In these days of rising food prices and declining farm incomes, it seems that all we hear is talk of how the American farmer and the consumer are at each other's throats. If the farmer is to get an equitable price for his product, so the argument goes, the consumer must suffer and vice versa. I have always felt that these arguments grossly distort reality, are unfair to the American farmer and that, in fact, the interests of our farmers in receiving a good income and the consumers in paying a fair price are far from being antagonistic. Our bill, Mr. President, embodies this concept and will make it a reality in the rice industry.

Those who paint this picture of irreconcilable hostility between farmer and consumer stand on a rather flimsy, unsophisticated view of the agricultural marketplace. If we simply remove all restrictions on production, so the argument goes, our rice supplies will expand and the price the consumer pays for rice will inevitably drop. It cannot be denied that this analysis has a certain simplistic elegance, but that is about all that can be said for it. In the first place, supply, as has been demonstrated in the case of wheat, is subject to wild fluctuations and is determined largely by the uncertain factor of weather conditions around the world. In an open production situation the farmer, who is about as good at weather predictions as I am, simply cannot know how much to plant, will err on the side of safety and plant as much as he can, and will take a severe beating if worldwide weather conditions are good. We have seen this time and time again. The small farmer takes a financial licking and is forced out of business. The agricultural history of this country in the 20th century is one of the virtual elimination of the small farmer, Mr. President. He is virtually an extinct species.

The rice consumer is indeed fortunate that the small rice farmer still exists. Whatever competition exists in the agriculture industry exists because of him and competition, in the long run, is the consumer's ultimate salvation. In an open production situation, it will not be very long before the small rice farmer is eliminated and, along with him, the last vestiges of competitive market. When that happens, Mr. President, it will be the consumer who pays. Rather than subject themselves to the uncertainties of full production, large farming operations will cut back production to maintain price. Should supplies fall into surplus, we shall not see prices fall on the grocery shelves.

An oligopolistic rice industry will keep them high. All of us have to eat, after all. No, Mr. President, open production is not the consumer's salvation, it is his curse. If we succeed in driving the small farmer from his land, we all will suffer.

The legislation we offer today will save the small farmer and ultimately the rice consumer. By permitting expanded production up to a realistic level, this legislation will let our farmers and consumers enjoy the obvious benefits of expanded production, yet at the same time will prevent the specter of unforeseen and demonstrably harmful oversupply. This legislation features a realistic triggering mechanism to assure that this does not happen.

By Mr. TAFT (for himself and Mr. WEICKER):

S. 2386. A bill to deny Members of Congress any increase in pay under any law passed, or plan or recommendation received, during a Congress unless such increase is to take effect not earlier than the first day of the next Congress. Referred to the Committee on Post Office and Civil Service.

Mr. TAFT. Mr. President, this bill is identical to H.R. 9336 in the House of Representatives, introduced by Congressman MOSHER of Ohio. It provides that a general election must fall between the time when a congressional pay increase is voted upon and the time when it goes into effect.

The Ohio State Constitution has for many years prohibited State legislators from receiving pay increases in the same session in which they are voted. Several other States have comparable provisions in their laws. This bill would eliminate a serious procedural problem and conflict of interest because no Member of Congress could receive a pay raise in the Congress in which the pay raise was enacted.

The legislation does not address the merits of any specific increase, just the timing of any future increases.

By Mr. BAYH (for himself, Mr. PHILIP A. HART, Mr. ABOUREZK, Mr. TUNNEY, and Mr. PACKWOOD):

S. 2387. A bill to restore and promote competition in the petroleum industry, and for other purposes. Referred to the Committee on the Judiciary.

PETROLEUM INDUSTRY COMPETITION ACT OF 1975

Mr. BAYH. Mr. President, I am today introducing for myself, the distinguished chairman of the Subcommittee on Antitrust and Monopoly (Mr. PHILIP A. HART), two of our colleagues on the subcommittee (Mr. TUNNEY and Mr. ABOUREZK), and the Senator from Oregon (Mr. PACKWOOD), legislation to require the breakup of major, vertically integrated oil companies.

As a member of the Antitrust and Monopoly Subcommittee I look forward, with the consent of the chairman, to conducting hearings on this and similar legislation. Indeed, we are moving quickly with hearings tomorrow and again on Friday.

Our goal is to provide and to sustain competition in the domestic oil industry. This Nation cannot and will not be able to solve our massive energy problems, nor provide lasting cures to the serious recession and inflation that can be traced directly to oil prices, unless we recognize that the oil industry is fundamentally noncompetitive. Moreover, only a major step—such as requiring vertical divesti-

ture—can bring competition to the oil industry.

The lack of competition in the oil industry is the result of the unique convergence of two factors: intense concentration and vertical integration. Neither of these economic phenomena is automatically anticompetitive; however, in concert they provide a small number of companies with extensive control over an essential commodity.

The intensity of the concentration in the oil industry can be demonstrated by an unadorned recitation of the industry's vital statistics:

PRODUCTION

In 1973 the 20 largest oil companies accounted for 76.3 percent of the crude oil production in the United States. Moreover, the Federal Trade Commission has estimated that in 1970 those same 20 companies accounted for 93.5 percent of this Nation's reserves of crude oil.

TRANSPORTATION

In 1973 the 16 largest oil companies controlled pipelines that received 92 percent of the crude oil accounted for in all pipelines reporting to the Interstate Commerce Commission.

REFINING

Also in 1973, the 20 largest oil companies maintained 82.9 percent of the total U.S. refinery capacity.

MARKETING

One again using 1973 figures, those same 20 companies accounted for 77.2 percent of the total U.S. gasoline market.

For those who hasten to point out, correctly, that there are other U.S. industries that are more concentrated than the oil industry, two key points must be emphasized:

First, as we have learned painfully in recent years, there is no other commodity that has the same impact on our economy as oil. There is irrefutable evidence that the sharp rise in oil prices, at home and abroad, was the single greatest cause of the soaring inflation and deep recession we have experienced in the past 2 years. Thus, the concentration in the oil industry must not be weighed against concentration in other industries. Rather is must be weighed in the context of its own impact on our economic well being. And that impact is not only substantial, it has tended to be highly negative.

Second, the effect of concentration in the oil industry is aggravated by the extensive vertical integration that permeates the industry.

Not only do a small number of companies dominate the oil industry; those same companies are deeply involved in all four key segments of the industry: production, transportation, refining and marketing. Indeed, the eight largest oil companies have by any definition of the term "major" interests in all those segments.

Our crude oil is discovered, produced, transported in crude pipelines, refined, transported in product pipelines, trucked, distributed and sold to the consumer by these vertically integrated companies. From the time the drill bit enters the ground to develop a new oil well until the oil from that well is pumped into the consumer's gasoline tank it is controlled by a single company.

No other U.S. industry is so vital to the Nation's economy, and yet no other industry is so completely vertically integrated. In the place where we can least afford it, we find American consumers at the mercy of a small number of companies that maintain effective control over an essential commodity.

This market control works in many ways. Before the Federal Government stepped in last year to end the practice, it enabled the major companies to retain lower priced "controlled" oil for its own operations while forcing independent refineries and marketers to make do with higher priced domestic and foreign oil. Had the majors been left free to continue this practice, independent refineries would have been at a severe competitive disadvantage. That, in turn, may well have put some of the independents out of business, increasing the dominance of majors, and thus enabling them to raise prices even more.

That same market control was used in the past, and is still being used today, to drive independent service station operators out of business. It is used today as a club over the head of branded retailers, tens of thousands of small businessmen, whose very existence is subject to every whim and fancy of the major oil companies. Competition is lacking when a retailer abides by the pricing dictates of a major oil company, and markets products selected by that company, out of a justifiable fear of losing his franchise and being put out of business.

Market control enables the major oil companies to engage in "swapping" practices unique to the oil industry; practices that include sharing crude oil and refined products and even markets. When companies that are supposed to be competing exchange their products, the absence of competition is self-evident. It is little wonder that the Federal Trade Commission has charged the eight major oil companies with engaging in anticompetitive practices. Regrettably, resolution of that complaint in the so-called Exxon case, begun more than two years ago, is many years in the future.

The American people were both witness and victim to the consequences of the absence of competition in the oil industry this summer when gasoline prices rose significantly during the first week of July. While the price increases were legal the oil companies were able to prevent competition from holding the increases in check by limiting refinery operations during May and June and thus creating a supply-demand imbalance for gasoline immediately prior to the peak driving season. If the same companies did not control the flow of crude, the refinery operations and the retailing of gasoline, such a legal but highly anticompetitive maneuver would not have been possible.

As I indicated earlier, Mr. President, the lack of competition in the oil industry is especially injurious to our economic well-being because of the essential nature of this commodity. It is axiomatic that the absence of competition opens the door for artificially high prices. When this happens in an industry as basic as the oil industry the consequences are disastrous.

Unnecessarily high oil prices promote serious inflation, not only by raising the price of gasoline and home heating oil for which the demand is relatively inelastic, but also by raising the price of thousands of other products for which petroleum is an essential ingredient. This includes such varied consumer goods as drugs and synthetic fabrics. It effects municipalities that must use plastics. It is all pervasive.

At the same time, the administration of prices in the noncompetitive oil industry breeds recession. It puts people out of work. It does this by robbing consumers and industry of valuable purchasing power, diminishing the demand for other goods and services, and thus limiting potential economic growth.

Mr. President, the lack of competition in the oil industry runs directly against the valid and longstanding commitment of this Nation to a free market economy. The undermining of that free market economy by any industry is unfortunate. In the case of the oil industry it is an evil of such magnitude and seriousness that it cries out for a firm solution.

The legislation we are introducing today offers such a solution.

Basically, the Petroleum Industry Competition Act looks at the four segments of the industry—production, transportation, refining, and marketing—and requires any company with a major interest in production, refining, or marketing, measured by volume of crude or product handled, to divest itself within 3 years of all interests in the other three segments of the industry. An exception is provided for major marketers which would be permitted to retain or to acquire refining operations as an incentive to expand our grossly inadequate refining capacity. Because oil pipelines provide such an essential link in the industry's structure, and should be common carriers, all oil pipeline companies, without regard to size, would be required to divest themselves of all other interests in the industry. In the case of those companies that have a major interest in more than one segment of the oil industry—and the eight largest companies have major interests in all four segments—the company would have to select that segment of the industry in which it wanted to continue doing business and then divest itself of all interests in the other three segments.

While the legislation is simple in design, it is sweeping in scope. I hold no illusions about the seriousness of this undertaking, nor about the compelling need to convince our colleagues that this is the proper course of action. However, introduction of this legislation is no idle gesture. It is a serious endeavor on which action will be pursued vigorously, in the face of what one can obviously anticipate will be fierce industry opposition.

No doubt that opposition will take the position that we are somehow trying to thwart free enterprise. That is plain nonsense. What we are trying to do is open the door for the operation of free enterprise in the oil industry.

We are reasserting the basic commit-

ment of this Nation to fight monopoly and to create an atmosphere in which competition—the essence of our economic order—can thrive. Let no one make this mistake, Mr. President, it is those of us who want to bring competition to the oil industry that are defending the principles on which our economy was built. On the other side of the coin, the major oil companies' desire to restrict competition and to protect monopoly runs counter to the free enterprise system to which the industry pays only lip service.

There is little doubt, Mr. President, that the industry will attempt to assert that this action is punitive. In recent months the oil industry has attempted to claim the role of underdog, to argue that it is a political whipping boy.

Poppycock.

If the major oil companies are developing a case of paranoia it is because the industry is being called to account for years of misconduct and abuse of power. For too long the American people have been the helpless victims of the strength of the oil giants.

We are seeking to redress that wrong; not by punishing the major oil companies but by asking them to live by the principles of competition and free enterprise that are deeply embedded in the philosophy of the American people. We are not playing unfairly, rather we are demanding fair play from the major oil companies.

When we succeed in restoring that missing element of fairness to the U.S. oil industry we will have moved far along the road of economic justice. In doing so we will fulfill an unmet obligation to American consumers, businessmen, and industry.

Mr. President, I request unanimous consent to include in the RECORD at this point a summary and analysis and the full text of the Petroleum Industry Competition Act of 1975.

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

S. 2387

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Petroleum Industry Competition Act of 1975."

DECLARATION OF POLICY

SEC. 2(a) Findings.—The Congress finds and declares that—

(1) this Nation is committed to a private enterprise system and a free market economy, in the belief that competition spurs innovation, promotes productivity, prevents undue concentration of economic, social, and political power, and helps preserve a democratic society;

(2) the decline of competition in industries in which oligopoly or monopoly power exists, and the decline of competition caused by State and Federal regulatory policies, have contributed significantly to unemployment, inflation, inefficiency, underutilization of economic capacity, reduction in exports, and an adverse effect on the balance of payments;

(3) vigorous and effective enforcement of the antitrust laws, and reduction of monopoly and oligopoly power in the economy, can contribute significantly to reducing prices, unemployment, and inflation; and

(4) existing antitrust laws have been inadequate to maintain and restore effective competition in the petroleum industry.

(b) Policy.—It is the purpose of the Congress in this Act to facilitate the creation and maintenance of competition in the petroleum industry, and to require the separation and divestment of assets and interests by vertically-integrated major petroleum companies.

DEFINITIONS

SEC. 3. As used in this Act—

(a) "affiliate" means a person controlled by, controlling, or under or subject to common control with respect to any other person;

(b) "asset" means any property (tangible or intangible, real, personal, or mixed) and includes stock in any corporation;

(c) "commerce" means commerce among the several States, with the Indian tribes, or with foreign nations; or commerce in any State which affects commerce among or between any state and foreign nation;

(d) "energy resource" means crude oil, natural gas or any gas artifically separated therefrom, natural gas liquids and condensate.

(e) "marketing asset" mean any asset used in the distribution or marketing of a refined product or natural gas;

(f) "refined product" means any product, whether liquid or gas, which is produced by a petroleum refinery.

(g) "transportation asset" mean any asset used in the transportation by pipeline, or gathering line of crude oil or refined product;

(h) "refinery asset" means any asset used in the refining of an energy resource;

(i) "major refiner" means any person which, during the calendar year 1974 or in any subsequent calendar year, alone or with affiliates, refined within the United States 75,000,000 barrels of product, including that refined by another refiner under a processing agreement;

(j) "major marketer" means any person which, during the calendar year 1974 or in any subsequent year, alone or with affiliates marketed or distributed 110,000,000 barrels of refined product;

(k) "petroleum transporter" means any person which transports crude oil or refined product by pipeline in commerce;

(l) "state" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and the Trust Territory of the Pacific Islands, and the Outer Continental Shelf;

(m) "control" means direct or indirect legal or beneficial interest in or legal power or influence over another person, directly or indirectly, arising through direct, indirect, or interlocking ownership or capital stock, interlocking directorates or officers, substantial or long-term contractual relations, loans, agency agreements, or leasing arrangements;

(n) "person" means an individual person or a corporation, partnership, joint-stock company, trust, trustee in bankruptcy, receiver in reorganization, association, or any organized group whether or not incorporated. It does not include the Government of the United States or any branch, department, office, or agency thereof;

(o) "major producer" means any person which, during the calendar year 1974, or in any subsequent calendar year, alone or with affiliates produced within the United States either a total of 36,500,000 barrels of crude oil, condensate and natural gas liquids or whose interest in crude oil, condensate and natural gas liquid production totalled 36,500,000 barrels; or which alone or with affiliates, produced or sold of what it produced 200 million cubic feet or more of natural gas; or whose interest in natural gas production amounted to 200 million cubic feet;

(p) "production asset" means (i) natural deposits of crude oil, natural gas, or condensate, natural gas liquids, and (ii) any asset used primarily in the exploration for, development of or production of an energy resource product, including, but not limited to, an interest in land, whether or not the land is developed or undeveloped, geological and geophysical information, any interest in an energy resource produced by others; and

(q) "refinery asset" means any asset used in the refining of an energy resource product including, but not limited to, a refinery, tanks, and any interest in land.

UNLAWFUL RETENTION

SEC. 4. (a) Notwithstanding any other provision of law, three years after enactment of this Act, it shall be unlawful:

(1) for any major petroleum producer to own, or control any interest, direct, indirect, or through an affiliate, in any refinery, transportation or marketing asset; and

(2) for any petroleum transporter to own or control any interest, direct, indirect, or through an affiliate, in any production, refinery or marketing asset;

(3) for any major refiner or major marketer to own or control any interest, direct, indirect, or through an affiliate, in any production or transportation asset; and

(4) for any major refiner to own or control any interest, direct, indirect, or through an affiliate, in any marketing asset.

(b) Three years after enactment of this Act, it shall be unlawful for any person who owns any interest affecting commerce in any refining or production or marketing asset to transport any crude oil or refined product in which he has an interest by means of any transportation asset in which he has any interest.

REPORTS

SEC. 5. Each person to whom Section 4 does or will apply and any other persons as may be designated by the Federal Trade Commission, shall within one hundred and twenty days and at other times as the Commission may designate, file with the Commission the information and report about the assets as the Commission may request.

ENFORCEMENT

SEC. 6. (a) The Federal Trade Commission, in accordance with the rules, regulations, or orders it deems appropriate to carry out the purposes of this Act, shall require each person covered by Section 4 to submit within one year of enactment of this statute a plan or plans for divestment of the prohibited assets. If, after notice and opportunity for hearings, the Commission shall find the plan, as submitted or as modified by Commission order, necessary or appropriate to effectuate the provisions of this Act and fair and equitable to affected persons, the Commission shall approve the plan by order and shall take all necessary actions to enforce the plan: Provided that no plan shall be approved which will not substantially accomplish divestment on or before three years from enactment of this Act.

(b) The Federal Trade Commission shall institute suits in the district courts of the United States requesting the issuance of such relief as is appropriate to assure compliance with this Act, including orders of divestiture, declaratory judgments, mandatory or prohibitive injunctive relief, interim equitable relief, the appointment of temporary or permanent receivers or trustees, civil penalties, and punitive damages for willful failure to comply with lawful Commission orders.

(c) In carrying out the provisions of this Act, the Federal Trade Commission is authorized to utilize all powers conferred upon it, and all sanctions associated therewith, by other provisions of law.

PENALTIES

SEC. 7 (a) Any person who knowingly or willfully violates any provision of this Act shall, upon conviction, be punished, in the case of an individual, by a fine not to exceed $500,000 or by imprisonment for a period not to exceed ten years, or both, or in the case

of a corporation, by a fine not to exceed $5,000,000 or by suspension of the right to do business in interstate commerce for a period not to exceed ten years, or both. A violation by a corporation shall be deemed to be also a violation by the individual directors, officers, receivers, trustees, or agents of such corporation who shall have authorized, ordered, or done any of the acts constituting the violation in whole or in part, or who shall have omitted to authorize, order, or do any acts which would terminate, prevent, or correct conduct violative of this Act. Failure to obey any order of a court pursuant to this Act shall be punishable by such court as a contempt of court.

(b) Any person who violates a lawful order of the Federal Trade Commission issued pursuant to this Act shall forfeit and pay to the United States for each violation a civil penalty of not more than $100,000 which shall accrue to the United States and may be recovered in a civil action brought by the Commission. Each separate violation of such an order shall be a separate offense, except that in the case of a violation through continuing failure or neglect to obey an order of the Commission, each day of continuance of such failure or neglect shall be deemed a separate offense.

SUMMARY AND ANALYSIS OF THE PETROLEUM INDUSTRY COMPETITION ACT OF 1975

Section 2—Findings and Policy—Restates this nation's commitment to private enterprise and a free market in which competition can thrive. Declares the policy of the Congress to create and to maintain competition in the petroleum industry by requiring vertical divestiture by major oil companies.

Section 3—Definitions—Defines major producer as a company producing 36.5 million barrels of crude oil or 200 billion cubic feet of natural gas a year. Defines major refiner as a company that refines 75 million barrels of oil a year. Defines major marketer as a company that markets 110 million barrels of refined petroleum product a year. Defines petroleum transporter as a company that transports crude oil or refined petroleum products by pipeline.

Section 4—Unlawful Retention—Prohibits any major producer from owning any interest in transportation, refining or marketing three years after enactment. Prohibits any petroleum transporter from owning any interest in production, refining or marketing three years after enactment. Prohibits any major refiner from owning any interest in production, transportation or marketing three years after enactment. Prohibits any major marketer from owning any interest in production or transportation three years after enactment. A major marketer would be permitted to retain or to acquire refining interests to help alleviate the nation's serious shortage of refining capacity.

Section 5—Reports—Permits the Federal Trade Commission to secure all appropriate information from affected companies.

Section 6—Enforcement—Empowers the FTC to enforce the Act by requiring the submission of divestiture plans by affected companies. The Commission may pass on the adequacy of such plans and take appropriate action to see that the Act is complied with by all affected companies.

Section 7—Penalties—Provides penalties for violation of the Act. For individuals penalties include fines up to $500,000 and/or imprisonment up to ten years. For corporations penalties include fines up to $5 million and/or suspension to do business in interstate commerce for up to ten years.

Major producers, refiners and marketers as defined in Section 2:

Exxon, 1, 2, 3.
Shell, 1, 2, 3.
Texaco, 1, 2, 3.
Standard Oil of Indiana, 1, 2, 3.
Standard Oil of California, 1, 2, 3.
Mobil, 1, 2, 3.
Gulf, 1, 2, 3.
Atlantic Richfield, 1, 2, 3.
Phillips, 1, 2, 3.
Sun, 1, 2, 3.
Amerada Hess, 2, 3.
Union, 1, 2, 3.
Standard Oil of Ohio, 2, 3.
Ashland, 2, 3.
Continental, 1, 2, 3.
Marathon, 1, 2.
Cities Service, 1, 2, 3.
Getty, 1, 2.
Tenneco, 1.
Pennzoil, 1.
Superior Oil, 1.
El Paso, 1.

1—Major Producer, 2—Major Refiner, 3—Major Marketer.

Because of the crucial role of pipelines in the structure of the industry, and because pipelines should be common carrier, any transporter would be required to divest itself of all interests in production, refining and marketing. In this way oil pipelines would be treated in the same fashion as other common carriers.

Mr. PHILIP A. HART. Mr. President, on July 9, 1957, Senator Estes Kefauver opened the first set of Antitrust and Monopoly Subcommittee hearings on administered prices, saying:

> We are trying to come to grips with what is probably the nation's current number one domestic economic problem—the problem of inflation. We are concerned particularly with the extent to which administered prices in concentrated industries may contribute to this problem.

The administered price hearings ran 6 years, filling 26 volumes. Senator Kefauver died in 1963. The next year, the subcommittee returned to the question with economic concentration hearings. Those ran 6 years and filled 11 volumes.

The question Senator Kefauver posed in 1957 has been answered—at least to my satisfaction—several times over.

Yet, here we are—18 years later—with inflation, if not the No. 1 problem, certainly No. 2.

If we have defined the problem, a fair question is why do we not do something to eliminate it?

Why, indeed? I suggest it is because we know restructuring is the only cure, and we have been terrified to undertake it. Instead, we have temporized with jawboning, price controls—and a great deal of looking the other way.

Now the administration wants us to treat one industry that they call competitive like a "competitive" industry. But there is a question if even they really believe the oil industry is a competitive one.

When the first plea for eliminating oil price controls came, the administration promised to attach a windfall profits tax to the decontrol so no company would profit excessively. Seems like a strange thing to fear in a competitive market. For competition in a market should force companies to do one of two things under decontrol: invest the new income in finding new production so they could earn more fat prices or keep prices at a level where there is no excessive gain to tax away.

Now, after independent refiners and retailers have had a chance to explain to the administration just what decontrol will mean to them—that is, their supplies will either be cut off as before the allocation program, or they will buy at noncompetitive high prices—the Administration promises to take care of that problem, too, administratively.

There is talk of doing something to make sure independent refineries get crude and retailers get gasoline—all at reasonable prices. In other words, we are ready to embrace a new allocation program of some sort. Now, I was, and am, a strong supporter of allocation—until we get a competitive market. But the truth is that no government program can ever do the job of making a market work that competition can.

The irony is that the solutions themselves demonstrate that the administration which proposes them recognizes this is not a competitive market. In a competititve market, no company—or group of companies—has the power to control price or supply. The power to do so, any economist will quickly tell you, is monopoly power.

If we fail to face that truth, then, we will once more temporize.

And, while all this temporizing has been going on, the overall concentration problem in this Nation has been growing worse.

When Senator Kefauver began his study, the inflation rate was 3 percent and unemployment stood at 4.3 percent. Today, we have an inflation rate three times as high and double the unemployment. In 1957, 200 corporations controlled 54 percent of all manufacturing assets, and, today, they have more than two-thirds.

Mr. President, for three Congresses, I have proposed legislation which would eliminate this concentration by restructuring major segments of our economy. It is my belief today that such legislation is sorely needed, and the Congress will act on it soon.

But the situation in the petroleum area is of crisis—crisis both of supply and price. And I do not think it wise to leave the petroleum industry solution until the Industrial Reorganization Act is passed.

Therefore, today, I am cosponsoring a bill which would eliminate vertical integration for the top 20 major oil companies. Under the bill, each firm would engage in only one of four facets of the industry: Production, transportation, refining, or marketing.

Mr. President, vertical integration, in and of itself, is not good or bad. At its best, it can add efficencies and economies which can enable a company to offer competitive prices to its customers. At its worse, it can be a strong anticompetitive weapon. Each industry demonstrating vertical integration must be judged on its performance. Rather than going on at great length here today as to why the vertical integration in the oil industry is anticompetitive, I ask unanimous consent that a memorandum prepared at my request by the Antitrust and Monopoly Subcommittee staff be inserted in the record at the conclusion of my remarks.

But there are a few points in that

memorandum that I would like to underline.

First, this industry is unlike all others in the degree of open cooperation and coordination between the participants. Through joint production, joint transportation, and joint bidding, the companies in the industry pull together much more than they engage in toe-to-toe competition. Add to that exchange, agreements and now the joint negotiations with foreign governments—at the request of our Government—and we get the picture of an "old boys" industry.

But the power of the cozy club even extends beyond this.

As the memorandum points out, ownership and control of gathering lines, product lines, and crude lines by the major oil companies pretty effectively foreclose these transportation avenues to new entrants and make sure the smaller companies in the business stay in line.

Mr. President, the Federal Trade Commission 2 years ago filed a major antitrust case against the eight major oil companies. The complaint charges monopolization, and the staff has announced it will seek divestiture. A realistic estimate is that the case may be finally resolved between 1983 and 1988.

If we who support divestiture in the petroleum industry—and if the Federal Trade Commission staff which already has gathered 30,000 documents just to begin the investigation is right, it seems silly to wait that long for resolution of the problem.

In truth, it is more than silly. It is dangerous.

We do face a shortage of supply and high prices—two problems traditionally cured in any industry by a good dose of competition. This bill suggests that we take the legislative steps to instill that competition. The alternatives are not pleasant.

Mr. President, I ask unanimous consent that a memorandum to me from the staff of the Antitrust and Monopoly Subcommittee, dealing with the competitive effects of vertical integration in the domestic petroleum industry, be printed in the RECORD.

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

MEMORANDUM

This memorandum deals with the competitive effects of vertical integration in the domestic petroleum industry. Basic premises should be made clear at the start. First is that an industry's performance is far more a matter of its structure than of the morals or even intentions of its management. The obvious corollary is that basic, long run improvement in performance (i.e., lower prices, greater efficiency) must come from reform of industry structure.

The second premise is that there exists no general body of economic knowledge or theory that supports a conclusion that vertical integration itself restrains competition. There is no short way around having to look at the effects of vertical integration in the context of a specific industry.

Vertical integration usually refers to the conduct of a firm when it either reaches back to control some part of its raw material supply or moves forward to control distribution of its products. The petroleum industry is referred to as vertically integrated because it is dominated by totally integrated firms. They are substantially involved at each of the industry's five levels: (1) crude exploration, development and production; (2) crude transportation; (3) refinery; (4) product transportation; (5) product distribution and marketing.

There are, however, more than 20 integrated petroleum companies operating in the United States. And, at least under conventional economic theory, there is a question as to how an industry can be "dominated" by 20 firms. The question is particularly troubling since, as we have admitted, vertical integration of itself does not create monopoly power.

To resolve this problem one must first study crude oil production. This level is important not only because it determines in many ways the structure of the rest of the industry, but it also illustrates principles that are applicable throughout the industry.

In 1969, 70.2 percent of our domestic crude oil was produced by the 20 largest integrated firms. The eight largest accounted for about 50.5 percent. This probably understates the direct control of crude since the more important measure is not production but ownership of reserves. The Federal Trade Commission estimates that in 1970 the 20 largest firms accounted for 93.5 percent of crude reserves and the eight largest, 63.9 percent. It is also worth noting that concentration in crude production has been increasing rather dramatically. In 1960 the eight major firms accounted for only 43.7 percent of domestic production.

Unfortunately, these numbers by themselves tell us little. Under conventional economic theory, the level of competition in an industry is to a considerable extent indicated by the number and relative size of the firms in the market. The absence of competition is monopoly, and a monopolist is able to restrict output in order to raise prices. The fewer firms which account for a greater share of a market, the easier it is for the firms to recognize a community of interest and act like a monopolist. Hence, the significance that economic theory generally gives to market shares and concentration ratios. But the numbers themselves are merely a rough index to the ability of firms to engage in tacit collusion. And in an industry where cooperative or interdependent behavior is singularly conspicuous, the rough index provided by the concentration ratios is of very minor relevance. The direct evidence of the industry's recognition of a community of interest is far more important.

Like every other level of this industry, crude production is not an activity undertaken by independently operating companies competing in an impersonal market. All aspects of crude production are characterized by cooperative behavior. Offshore exploration and production in particular are characterized by very large joint ventures which are for the most part dominated by the major companies. The joint activity begins with joint bids for offshore leases which leads to joint production by the successful bidders. One economist has described the joint bidding thusly:

"In any given sale, it is obvious that when four firms such as the CATC group, each able to bid independently, combine to submit a single bid, three interested, potential bidders have been eliminated; i.e., the combination has restrained trade. This situation does not differ materially from one of explicit collusion in which four firms meet in advance of a given sale and decide who among them should bid (which three should refrain from bidding) for specific leases and instead of competing among themselves, attempt to rotate the winning bids. The principal difference is that explicit collusion is illegal."

Of course the same logic could be applied to a subsequent joint production arrangement.

The following table which was presented in hearings before the Subcommittee gives some indication of the amount of joint bidding:

JOINT BIDDING IN FEDERAL OFFSHORE LEASE SALES (1970–72)

Company	Number of independent bids	Bidding partners	Number of joint bids with each
Amerada-Hess	0	Signal	50
		Louisiana Land	51
		Marathon	51
		Texas Eastern	16
Amoco	6	Texas Eastern	117
		Union	96
		CNG	79
		Transco	15
		Shell	14
Atlantic-Richfield	12	Cities	106
		Getty	73
		Continental	114
Chevron	79	Mobil	25
		Murphy	17
		General American	17
		Pennzoil	12
		Pelto	13
		Superior	9
		Gulf	7
		Burmah	4
		Mesa	4
Cities Service	7	Atlantic	106
		Getty	100
		Continental	163
		Tenneco	3
Continental	27	Atlantic	114
		Cities	163
		Getty	102
		Tenneco	5
Exxon	80		
Getty	0	Atlantic	73
		Cities	100
		Continental	102
		Placid	4
		Superior	2
Gulf	17	Mobil	17
		Pennzoil	8
		Standard Oil of California (Chevron).	7
Marathon	24	Signal	65
		Louisiana Land	69
		Amerada	51
		Texas Eastern	29
Mobil	8	Pennzoil	30
		Standard Oil of California (Chevron).	25
		Mesa	16
		Burmah	13
		Gulf	17
		Ashland	2

JOINT BIDDING IN FEDERAL OFFSHORE LEASE SALES (1971-72)—Continued

Company	Number of independent bids	Bidding partners	Number of joint bids with each
Phillips	0	Skelly (Getty)	69
		Allied Chemicals	66
		American Petrofina	34
Shell	59	Transco	47
		CNG	15
		Standard Oil of Indiana (Amoco)	14
		Florida Gas	17
Sun	115	Pennzoil	2
Texaco	15	Tenneco	32
Union	0	Amoco	96
		Texas Eastern	96
		Texas Gas	48
		Florida Gas	5

Even onshore drilling is usually done under some kind of joint arrangement. The most frequently used arrangement is the "farm-out." A firm holding a lease will "farm" it out to one or more firms who will drill, and if successful, operate the well. The firm holding the lease receives a share of what is produced. Frequently the farm-out agreement provides that the leaseholder has first call on the oil produced.

Farm-out arrangements are very important to smaller independents who depend upon them as a source of drilling prospects. But whatever justifications there may be for the system in terms of risk sharing and letting smaller firms share in preliminary geology, there is no doubt that the system contributes one more element towards the creation of the very cooperative atmosphere that pervades the industry.

It is also important to recognize here that it is almost impossible to assess in isolation the degree of competition at any one level of the petroleum industry. The extent of cooperation or interdependence at any one level is affected by the community of interest that exists at the other levels. Regardless of the apparent structure at any one level, the dominance of the industry by the vertically integrated firms, reduces competition at all levels to a sort of lowest common denominator. Each cooperative device at each level adds to the total effect. Which brings us to the subject of crude pipelines.

Probably the most important fact about petroleum is the most obvious. It is a liquid. It is also an exceptionally difficult liquid. Crude oil and most of its derivatives are smelly, toxic and volatile. From the time they are taken out of the ground until they are burned, or otherwise put to use, they are a costly nuisance. All of this puts an enormous premium on being able to handle them quickly in large volumes. This means pipelines.

Crude oil can be moved by truck from the wellhead to a trunk line, and this is done in the case of a new well where there has not been time to lay gathering lines or in the case of a well whose production is not sufficient to justify the cost of laying gathering lines. But trucking is a costly operation compared with gathering crude by pipeline.

The usual pattern in an efficient producing field is for the purchaser of the crude oil to lay in gathering lines which will move it to crude trunk lines. Once established, the relationship between the gathering line operator and the producer is almost never disrupted. Since pipeline owners are most often major companies (or in the case of trunk lines, group of major companies) this system places under effective control of the major integrated firms a substantial percentage of independent production.

What this means is that a great part of the crude produced by independent producers cannot be purchased or even bid for by independent or nonintegrated refiners simply because of the physical control major integrated firms have because of their control of the pipeline system.

In 1948 the economics department of a major oil company stated the matter to its management very succinctly: "Ownership of a pipeline outlet from a producing region is second only to ownership of proven and developed acreage as a means of assuring a supply of crude . . ." Recently in hearings before the Subcommittee on Integrated Oil Operations the president of the company which owns the largest independent gathering system claimed that the statement was as true now as it was in 1948.

It must be remembered that, whatever their other advantages, pipelines are the least flexible means of transportation. And their physical rigidity adds to their owner's control over the crude oil once placed in the lines. In spite of their legal status as commoncarriers these lines are basically constructed to serve the purposes of their owners. Gathering lines are designed to move oil to specific trunk lines and these in turn are designed to serve specific refineries or refinery complexes.

For an independent producer to "break connection" with a purchaser who owns the gathering lines in its field and sell to another refiner is extremely difficult. The 1967 Attorney General's Report on the Interstate Compact to Conserve Oil and Gas concluded that—

". . . the field market for crude oil displays all of the indicia of a monopoly market . . . once installed the expensive physical connections and the complex legal arrangements are long enduring, not easily responsive to supply-demand fluctuations or to price behavior."

The same report also concluded that this pipeline system was controlled by the major integrated firms:

". . . the pipeline network of gathering and trunklines is overwhelmingly a system constructed, owned, operated and used by the integrated companies for their immediate purposes, carrying almost entirely oil owned by the operating companies. By virtue of this, nearly all crude oil passes through the hands of the integrated companies either in the gathering lines or on trunkline movement."

These conclusions were borne out by an FTC survey of independent producers which confirmed the stability of the producer-purchaser relationship.

The difficulties an independent refiner has in trying to use the gathering lines of another refiner as a common carrier were described in considerable detail before this Subcommittee by the President of Apco Refining Company, Charles Siess. Apco, which had not previously purchased crude in West Texas, approached General Crude Corporation. By offering 40 cents a barrel over the posted price, Apco made a contract to purchase approximately 22,000 barrels of crude a day from General Crude. The difficulty arose because at this time the crude was being purchased by Sun Oil who owned the gathering lines into the field.

At the hearings Mr. Siess described what happened in a dialogue with Senator Tunney:

Senator TUNNEY. After you purchased the crude from General Crude did you have any difficulty moving that crude from the point of the wellhead to your refinery?

Mr. SIESS. Yes, sir, we did. We were initially advised by Sun Pipeline, after we had General Crude send telegrams to all the prior purchasers about the amendment on such and such a date, that Apco Oil would be the purchaser of crude and we in turn then advised Sun Pipeline that we would move that crude for our account—that they could not move the crude for us.

This was their intrastate gathering line in west Texas.

Senator TUNNEY. This was their common carrier line?

Mr. SIESS. It is an intrastate common carrier, I believe, sir. I think that in the State of Texas common carriers are almost any lines. The restrictions are pretty severe with respect to common carriers. So I am sure that it was a common carrier.

Senator TUNNEY. What reason did they give you that they could not move your crude?

Mr. SIESS. They said that it didn't meet the vapor specifications for their system.

Senator TUNNEY. But they had been moving that same crude with the same vapor characteristics up until that point; is that correct?

Mr. SIESS. Yes, sir; they certainly had, and we discussed that point with them for several days. And very honestly we got down to the point where we were advised that—I believe it was 1 o'clock on Saturday morning—the tanks would be full and they would have to advise General Crude that they were going to shut the leases in.

And of course, our deal with General Crude was such that we would have had to pay for the crude even though the leases were shut in, if we expected to keep it.

So we, on a Friday morning very early, contacted the president of Sun Pipeline Co. in Tulsa, advising him that we had reviewed the situation in depth, and indeed had spent the night reviewing it, and that if they did not advise us by noon that they were going to move the crude we were going to file suit.

About 10:30 that morning, they called back and said that they would move the crude.

* * * * *

Senator TUNNEY. If you had not been able to move that crude on the Sun pipeline, what would that have meant to your company?

Mr. SIESS. Well, we would have had to, if we wanted to keep that crude, continue to purchase 23,000 barrels of crude at $3.90 a barrel, which roughly, I believe, turns into about $100,000 a day, approximately, for whatever period of time we couldn't move the crude—if we expected to keep it.

And with our balance sheet we would not have lasted very long.

It is difficult to avoid sharing the conclusion of the 1967 Attorney General's report as to the effects of the system:

"The entire crude oil pipeline system is so dominated by the integrated companies that virtually all shipments, even if handled at origin or near destination by one of the few independent lines, must have intermediate access to an integrated company line. And outsiders simply are unable to use these lines as they could other types of common carriers. This is probably due less to direct refusal to accept outside shipment as to the multiple inconveniences which an outsider would encounter in attempting shipment over a line designed and geared entirely to handle the refiner-owner's own shipments."

It must be kept in mind that the crude trunk line system is not just owned by the major companies, but is owned by them primarily in joint ventures. Regardless of the legality of any specific line the total effect must contribute substantially to restraining competition. The construction and operation of such lines inevitably involves a sharing of information about the partner's intentions and capabilities in crude production. The following table sets out some of the major pipelines joint ventures, both crude and product:

Joint ventures in the oil pipeline industry

Pipeline Company and Coowners and Percent held by each	
Badger Pipeline Co. (assets=$12,400,000):	
Atlantic-Richfield	34
Cities Service	32
Texaco	22
Union Oil	12
Amoco	12.1
Dixie Pipeline Co. (assets=$46,400,000):	
Atlantic-Richfield	7.4
Cities Service	5.0
Continental	4.1
Exxon	11.1
Mobil	5.0
Phillips	14.5
Shell	5.5
Texaco	5.0
Gulf	18.2
Transco	3.6
Allied Chemical	8.6
Laurel Pipeline Co. (assets=$35,900,000):	
Gulf	49.1
Texaco	33.9
Sohio	17.0
Colonial Pipeline Co. (assets=$480,200,000):	
Amoco	14.3
Atlantic-Richfield	1.6
Cities-Service	14.0
Continental	7.5
Phillips	7.1
Texaco	14.3
Gulf	16.8
Sohio	9.0
Mobil	11.5
Union Oil	4.0
Plantation Pipeline Co. (assets=$176,100,000):	
Exxon	48.8
Shell	24.0
Refiners Oil Corp	27.1
Four Corners Pipeline Co. (assets=$20,900,000):	
Shell	25
Chevron	25
Gulf	20
Continental	10
Atlantic-Richfield	10
Superior	10
Olympic Pipeline Co. (assets=$30,700,000):	
Shell	43.5
Mobil	29.5
Texaco	27.0
Wolverine Pipeline Co. (assets=$21,800,000):	
Union Oil	26
Mobil	21
Texaco	17
Clark	11
Marathon	10
Cities Service	8
Shell	7
Platte Pipeline Co. (assets=$33,000,000):	
Continental	20
Marathon	25
Union Oil	15
Atlantic-Richfield	25
Gulf	15
West Shore Pipeline Co. (assets=$17,600,000):	
Shell	20
Amoco	16.5
Mobil	14
Texaco	9
Marathon	9
Clark	8
Cities Service	8
Continental	6.5
Union Oil	5.5
Exxon	3.5
Wyco Pipeline Co. (assets=$14,100,000):	
Amoco	40
Texaco	40
Mobil	20
Yellowstone Pipeline Co. (assets=$16,000,000):	
Continental	40
Exxon	40
Husky	6
Union Oil	14
West Texas Gulf Pipeline Co. (assets=$19,800,000):	
Gulf	57.7
Cities Service	11.4
Sun	12.6
Union Oil	9.0
Sohio	9.2
Chicap Pipeline Co. (assets=$25,600,000):	
Union Oil	43.4
Clark	33.2
Amoco	23.4
Cook Inlet Pipeline Co.:	
Atlantic-Richfield	20
Marathon	30
Union Oil	30
Mobil	20
Texas-New Mexico Pipeline Co. (assets=$30,500,000):	
Texaco	45
Atlantic-Richfield	35
Cities Service	10
Getty	10

A question must be asked here as to why there are not more independent pipelines. There are several such lines which are quite successful. They are, however, only a small factor in the total industry. The primary barrier to the development of independent pipeline capacity is their inability to obtain "through put" agreements. Despite very strong evidence to the contrary the integrated companies contend that pipeline operation is a very risky business. In order to obtain financing for a pipeline the general credit of the firm building the line is not enough. A firm who proposes to build a pipeline is required by the financial institutions to produce, as security, throughput agreements. These are essential agreements from shippers that they will ship certain volumes over the line and if they fail to meet the obligation, they will purchase credits towards future shipping. It is not at all clear why these devices, as opposed to other types of security, are required, but their effect is clear. The only companies who can build pipelines are those who have petroleum. Pipelines are effectively kept in the hands of the integrated companies.

Before leaving the subject of crude production some mention should be made of the pervasive government regulation which affects this level of the industry. This is not the place to revive the debate over prorationing, import quotas, depletion, and other oil industry tax preferences, but the basic effects that these devices had are important to recognize. The first is that they tended to stabilize the market, or to put it another way, dampen either the effects of competition or limit competition itself. The second effect, which is really an aspect of the first, was to create an institutional environment that encouraged cooperation rather than competition. This was particularly true of the prorationing system which until recent years restricted supply to the level of anticipated demand at, of course, the prevailing price.

As with crude production, the market share data alone do not tell us much about competition at the refining level. The FTC reported that in 1970 the top four firms accounted for 32.93% of domestic crude refining capacity, the top eight had 58.07% and the top twenty had 86.15%. The percentages were slightly higher when gasoline refining capacity was measured. One obvious problem with these numbers is that there is no national market for refined product. Refiners compete in regions largely determined by the shape of the pipeline system. Product refined in PAD District I (the East Coast) is marketed and consumed there. Product refined in District III (the Gulf Coast) is either marketed there or on the East Coast. Very little District III product moves into the Midwest (District II) which is a relatively self-contained refinery market, as are the Rocky Mountain (District IV) and the West Coast (District V) areas.

Concentration varies between these regions. In the Midwest, it is somewhat low because of the role played by independent refiners. On the East Coast and West Coast independents refiners are only a small factor and consequently concentration is higher than the national average.

At first glance refining does not appear to be characterized by the joint activity that prevails at other levels of the industry. In spite of the enormous capital costs and the fact that refining, if anything, is at least as risky as the rest of the industry, refineries are built and operated by single companies. But this is a bit deceiving for there is a great deal of joint activity involved in the operation of a refinery. Some of this activity is clearly cooperative and probably quite anticompetitive in nature. Processing agreements are an example of this. Usually under such agreement an independent refiner receives crude from a major and returns back finished product receiving a fee for the processing. Probably more common is a subtle version of this whereby without formal agreement the major sells the crude and buys back the product but there is little direct information on the practice.

The most important cooperative device in refinery operation is the exchange agreement. An exchange agreement consists of two or more companies agreeing to make approximately equal quantities of either crude or product available to each other at mutually convenient locations. This is not the place to debate the legality of these agreements or even their competitive effects as isolated devices. For our purposes, they must be considered in the context of several facts. The first is the control over crude exercised by the major integrated companies. The second is the control these companies exercise over crude and product pipelines. The net effect of these factors taken together is the elimination of any kind of real free market either for raw materials going into the refineries or for product coming out.

Exchange agreements are usually justified as a device to avoid cross-hauling. The companies contend if they could not exchange petroleum in an undesirable location for equivalent amounts where they need it, they would then be required to engage in a great deal of wasteful and unnecessary shipping. This is a "straw man" argument. The alternative to exchange agreements is not cross-hauling, but buying and selling on open markets.

Exchange agreements have a stabilizing effect on both prices and market share. It is difficult to imagine Exxon taking product which it has received by exchange from Mobil and using it to take market share away from Mobil, or vice versa. The barrel for barrel terms of the exchange agreements tend to limit the outbreak of any regional price competition. As one noted expert put it, "The exchange agreement is the ultimate price fix; it eliminates price altogether."

It is at the refining level that the suppression of market has its most important effect. The chief entry barrier into refining is the inability of a new entrant to procure

crude, or even for that matter to have access to a crude market. The effect has been particularly drastic on the East and Gulf Coasts where, as the FTC complaint *In re Exxon*, Docket No. 8934 charged, there has been a doubling of demand over a 20 year period and yet no substantial new entry into refining. Now the East Coast in particular is suffering from a serious shortage of refining capacity.

The exchange agreement system also has an effect on the degree of competition that can be expected from existing independent refiners. These refiners, even absent exchanges, depend upon the major companies for just less than half of their crude supply. Given this dependence plus the exchange system, it is small wonder that these refiners frequently behave in a manner quite acceptable to the major companies. One is reminded of one of Henry Fielding's better lines: "But for her timely compliance, he would have ravished her."

A great deal has been said and written about the exclusionary practices of the major joint venture product lines. A considerable amount of evidence has been put forward as to how such devices as minimum tender offers and discriminatory access to storage and other essential facilities have been used to exclude nonowners. There is no question but what these are important factors. But they should not be overemphasized. The fundamental problems with product pipelines are the same as the problems discussed with regard to crude pipelines. These problems are inherent in shipper ownership and in particular joint ownership by major integrated companies. As the FTC has charged in the *Exxon* case, the joint venture product pipeline because of the way it is organized, financed, and designed, inherently has a strong element of market sharing involved in it. Like the crude pipeline, it is designed for the common purposes of its owners. Determining and working out these purposes together inevitably involves a substantial understanding as to each firm's future marketing plans. This element coupled with the product exchange system works to preclude the development of any real product market between the refining and retailing levels.

At the marketing level major oil companies have developed an outrageously inefficient style of marketing gasoline. Its primary emphasis has been on the avoidance of price competition. What competition there is has been manifested by massive amounts of advertising directed at trying to differentiate basically identical products or by market saturation techniques which have concentrated on building excessive numbers of inefficient service stations.

What real price competition there is in the marketing of petroleum comes primarily from the nonbranded independent marketer. In gasoline marketing, these firms have pioneered in the development of more efficient techniques such as multipump and self-service stations. They have consistently undersold the major companies. And as long as they could obtain product at reasonable prices, their share of the market was expanding.

The primary problem of the nonbranded independent has obviously been supply. There being no real free market for refined product between the refining and marketing levels, the independent marketer must depend almost exclusively upon the independent refiner for his supply. This refiner unfortunately is also the same one who is deprived access to a competitive crude market by the pipeline and exchange agreement system.

Whether the disaster that fell on the independent marketer during the past year was the result of an intentional effort to destroy competition by the majors is a question that the law courts may take decades to decide. But it is clear that intentional or not, the major companies had, and used, the power to shift a disproportionate share of the shortage on to the independent marketer. It was the independent and smaller integrated refiners who were first cut off from their crude supplies and these, of course, were the chief suppliers of product to independent marketers. As a result, in many areas of the country the consumer is confronted with a market in which independents have either been eliminated or rendered less aggressive. Needless to say, prices have become far more "stable."

In sum, the evidence is quite persuasive that vertical integration in the petroleum industry has fostered a lack of competition, facilitated nonconspiratorial collusion, created serious entry barriers to refining, encouraged wasteful and inefficient practices at the market level and caused the consumer to pay substantially more for petroleum products than was necessary. Moreover, there is no evidence that vertical integration has made any significant contribution to efficiency. Vertical integration in the petroleum industry is more a matter of legal contract than physical connection. For example, the crude produced by an integrated petroleum company is quite unlikely to be the crude which that firm runs through its refinery. Likewise, frequently the product sold through the firm's marketing system is not the product which came from its refinery. A great deal of both product and crude passing through its hands was obtained by exchange with other companies. But perhaps more important than the fact that these companies are integrated by contract is the fact that they are integrated by contract with their horizontal competitors. At the marketing level an integrated company sells product which it obtained from another integrated company who also competes at the marketing level. And the two may well share an interest in a product pipeline which serves their marketing area. The crude which an integrated company refines may well have come from a competing refiner's crude field. And that crude probably came from a pipeline jointly operated with the competing refiner. In short, vertical integration in the petroleum industry is more a matter of legal contract and informal arrangement than a physical connection. The efficiencies which can be attributed to such an elaborate managerial system are hardly entitled to the presumptions which we give to free markets.

Although this memorandum has centered on the crude oil side of the petroleum industry, an almost identical picture can be painted of the natural gas side of the industry. For example, eight companies control 92 percent or more of the uncommitted natural gas reserves in the Permian Basin, onshore Louisiana and onshore Texas—three of the richest sources of natural gas. Every major natural gas pipeline is now into production and concentration is likely to continue since in federal lease sales in 1970 through 1972, the top eight companies acquired between 69 and 82 percent of the leases.

The proper solution to the vertical integration problem is along the lines set out in the attached proposed bill. Simply put, this approach would sever the relationship between production and refining for those companies which produce 36,500,000 barrels or more of crude a year or which sell 200 billion cubic feet or more of natural gas in a year. The bill would also require these firms to divest their ownership in pipelines and would prohibit all producers and refiners from shipping their petroleum on pipelines in which they have an interest.

Vertical divorcement is not a drastic measure. If vertical integration is largely a matter of contract then divorcement is little more than a restructuring of the corporate organizations and a reorganization of contractual relationships. Such measures will not dislocate people or eliminate jobs. The nature of the relationship between the various units of the industry will change. Rather than using joint ventures, exchange agreements and intracorporate transfers, the major firms will purchase petroleum and services in arms-length transactions with firms which, for the most part, will not be direct competitors. The net effect should be a serious outbreak of competition.

In the area of pipeline operations, divorcement should make some particularly noticeable improvements in performance. There has been considerable evidence developed that independent pipeline companies are considerably more aggressive in providing facilities in order to attract new business. They simply do not have to restrain their expansion for fear of affecting competition at other levels.

We have not proposed divorcing refining from marketing. This link by itself does not seem to have the market foreclosing effect that is inherent in the production-refining relationship. Independent marketers can be expected to create fiercely competitive markets as they can get product. And they can be expected to get product as long as independent refiners can get crude and access to pipelines.

ADDITIONAL COSPONSORS OF BILLS AND RESOLUTIONS

S. 1906

At the request of Mr. CHURCH, the Senator from New Mexico (Mr. MONTOYA) was added as a cosponsor of S. 1906, a bill to amend title XVIII of the Social Security Act to require the continued application of the nursing salary cost differential which is presently allowed in determining the reasonable cost of inpatient nursing care for purposes of reimbursement to providers under the medicare program.

S. 1992

At the request of Mr. CHURCH, the Senator from New Mexico (Mr. MONTOYA) was added as a cosponsor of S. 1992, a bill to amend title II of the Social Security Act to revise the provisions relating to the automatic cost-of-living increases in benefits, and for other purposes.

S. 2020

At the request of Mr. RIBICOFF, the Senator from Tennessee (Mr. BROCK), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from New York (Mr. JAVITS), the Senator from Maryland (Mr. MATHIAS), the Senator from South Dakota (Mr. MCGOVERN), and the Senator from Rhode Island (Mr. PELL) were added as cosponsors of S. 2020, a bill to amend title XVIII of the Social Security Act to provide vision care services to older Americans.

S. 2356

At the request of Mr. BUCKLEY, the Senator from South Carolina (Mr. THURMOND) was added as a cosponsor of S. 2356, a bill to amend the Internal Revenue Code of 1954 to allow a deduction for amounts paid by a taxpayer for tuition to provide an education for himself or for another individual.

SENATE JOINT RESOLUTION 127

At the request of Mr. BAYH, the Senator from South Dakota (Mr. MCGOVERN) was added as a cosponsor of Senate Joint Resolution 127, a joint resolu-

tion to posthumously grant full rights of citizenship to Eugene Victor Debs.

ADDITIONAL COSPONSORS OF AMENDMENTS

AMENDMENT NO. 903

At the request of Mr. ALLEN, the Senator from Delaware (Mr. BIDEN) and the Senator from Alabama (Mr. ALLEN) were added as cosponsors of amendment No. 903, proposed to the bill (H.R. 8069) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes.

AMENDMENTS NOS. 908 AND 909

At his own request, the Senator from North Carolina (Mr. HELMS) was added as a cosponsor of amendments Nos. 908 and 909, intended to be proposed to the bill (H.R. 8069), supra.

NOTICE OF HEARINGS

Mr. JACKSON. Mr. President, in accordance with the rules of the Committee on Interior and Insular Affairs, I wish to advise my colleagues and the public that the following hearings and business meetings have been scheduled before the committee for the next 2 weeks:

September 23—Full committee, 10 a.m., room 3110, hearing, nomination of Thomas S. Kleppe to be Secretary of the Interior.

September 24—Full committee, 10 a.m., room 3110, hearing, S. 1824, to amend the Alaska Native Claims Settlement Act.

September 25—Full committee, 10 a.m., room 3110, hearing, nomination of Thomas S. Kleppe to be Secretary of the Interior.

September 26—Indian Affairs subcommittee, 9:30 a.m., room 3110, hearing S. 1334, Cowlitz Judgment Funds, and S. 1649, Grand River Band of Ottawa Indian Judgment Funds.

September 30—Environment and Land Resources subcommittee, 10 a.m., room 3110, hearing S. 75, Kaiser Ridge Wilderness Study, California.

October 1—Full committee, 10 a.m., room 3110, business meeting; Pending Calendar business.

October 4—Environment and Land Resources subcommittee 9:30 a.m.—Field Hearing, Aspen Institute, Aspen, Colorado, re Forest Service Ski Permit Policy.

October 6—Environment and Land Resources subcommittee 9 a.m., field hearing, Denver Post Office Auditorium, Denver, Colo., re Forest Service Ski Permit policy.

October 7—Minerals, Materials and Fuels subcommittee 10 a.m., room 3110—hearing S. 152, S. 154, S. 190, S. 656, S. 2220, various private relief bills; and S. 2371, to provide for regulation of mining activity within areas of the National Park System.

NOTICE OF GOVERNMENT OPERATIONS COMMITTEE HEARINGS ON PROPOSALS FOR PERMANENT INTELLIGENCE OVERSIGHT COMMITTEES

Mr. RIBICOFF. Mr. President, on July 31 the Senate approved Senate Resolution 231 establishing a March 1, 1976, deadline for Senate consideration of proposals to increase congressional oversight over the intelligence functions of the Government. This deadline will give the Select Committee on Intelligence Operations time to make its recommendations before the Senate acts.

Three resolutions or bills proposing establishment of a joint or select committee to oversee the intelligence functions of the Government, S. 189, S. 317, and Senate Concurrent Resolution 4, have been referred to the Government Operations Committee. The committee intends to fully review these proposals and any other similar ones that may subsequently be referred to the committee. In doing so, it will work closely with the Select Committee on Intelligence Oversight and the other committees with special interest in the area.

The committee's review of these proposals will build on the thoughtful hearings Senator MUSKIE's Subcommittee on Intergovernmental Relations held last year on similar proposals. The committee is fortunate that the work of a number of its members have made them particularly familiar with the requirements or operations of the intelligence gathering agencies of the Government.

In compliance with the timetable established by S. 231 the committee has scheduled hearings on S. 189, S. 317, and Senate Concurrent Resolution 4 to start on Tuesday, December 2 at 10 p.m., room 330, Dirksen Senate Office Building. I expect these hearings will last, at least initially, about a week, and to include both Government officials and outside experts.

Any member of the public interested in testifying or submitting comments should contact the Government Operations Committee.

SEPTEMBER 24 HEARING ON ALASKA NATIVE CLAIMS SETTLEMENT ACT

Mr. JACKSON. Mr. President, several weeks ago I announced a second day of hearings before the Committee on Interior and Insular Affairs concerning issues arising from the implementation of the Alaska Native Claims Settlement Act. The hearing is scheduled for this Wednesday, September 24, 1975, at 10 a.m., room 3110, Dirksen Senate Office Building. As there has been some confusion as to the specific subject matter of this hearing, I would like to summarize the items to be discussed.

In the morning, we will concentrate on specific problems related to the implementation of the Settlement Act. Chief among these are the land selection problems of three Native regional corporations—Cook Inlet, Koniag, and Sealaska. The discussion will include, but not be limited to, consideration of sections 12 and 14 of S. 1824 and all of S. 2384.

In the afternoon, we will focus on issues surrounding the 1973 decision of the Federal district court, District of Columbia, in *Edwardsen* v. *Morton* (369 F. Supp. 1359, 1973). One suggested legislative responses to this decision is contained in section 15 of S. 1824. There are, however, numerous alternative approaches to these issues ranging from the section 15 purpose of largely mooting the decision to no legislative action at all and allowing the judicial process to proceed to its conclusion. We hope and expect that all alternative approaches will be fully analyzed by the witnesses.

NOTICE OF RESCHEDULING OF HEARING DATES

Mr. ABOUREZK. Mr. President, I wish to announce a rescheduling of the dates which the Subcommittee on Separation of Powers, of the Senate Judiciary Committee, announced on September 18, 1975, for hearings on Justice Department policies affecting the independence of Congress. Instead of September 24 and 30, and October 2, the hearings will now begin on October 8 at 9:30 a.m. in room 154, Russell Senate Office Building. Representing the Justice Department on that date will be the Solicitor General, Robert H. Bork. The remaining 2 days are scheduled for October 9, at 10 a.m. in room 154, Russell Senate Office Building and October 10, at 10 a.m. in room 1114, Dirksen Senate Office Building.

Any person wishing to appear and testify or to submit a statement should contact the subcommittee staff in room 1418, Dirksen Senate Office Building, telephone (202) 224-4434.

ADDITIONAL STATEMENTS

DISRUPTION OF LOCAL EDUCATION BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. BUCKLEY. Mr. President, today's debate is not about school integration. On the contrary, it is about HEW's usurption of the legislative powers of the Congress. And for the people of Buffalo, N.Y., for the schoolchildren and their teachers and the taxpayers of that city, our final disposition of the matter under debate will be crucial.

I had planned to be in Buffalo today, to hold hearings there on this very problem. The rulewriters within HEW, whose regulations have assumed the power of law, are now attempting to deny to Buffalo $1½ million in Federal funds for education. HEW does not charge that the city has committed acts of discrimination against any individual. Buffalo's sin, for which the city is to be financially punished, is that her school board has been colorblind. Her publicly elected officials refuse to label their teachers by race. They have defied HEW's orders to reassign one-tenth of the city's teachers through a system of racial quotas. Much to their credit, they have determined to defend their principles even at the cost of Federal assistance. I applaud the city of Buffalo for the stand it has taken.

I had hoped that the hearings planned for today in Buffalo could provide a forum for the very issue which the Congress is now forced to address: Will we allow a department of the Federal Government to enforce, through its administrative regulations, policies that were never adopted by the Congress of the United States? Will we permit HEW to put racial labels on every student and every teacher in the country? Will we give to the least disciplined bureaucracy in the Federal Government our permission to enforce racial quotas at its whim?

We have already amended the Labor-HEW appropriations bill to forbid HEW to cutoff Federal funds in order to enforce student or teacher assignments not ordered by a court. Let us have the courage to stick with that decision. The Biden amendment effectively bars what can only be described as a de facto act of discrimination on the part of Federal functionaires that is sanctioned neither by law nor by any theory of civil rights that respects the rights and dignity of the individual. It strips HEW of the ability to use the denial of funds collected from the taxpayers as a weapon with which to bludgeon those same taxpayers into accepting policies that ought to be condemned as inherently racist. Any attempt to water it down, to open loopholes for quota-minded bureaucrats, will betray not only our principles, but also the schoolchildren and teachers of America.

Speaking for the people of Buffalo, I assure my colleagues that our countrymen will not stand for more evasion by the Congress on this issue. Let no one in this body believe that our countrymen are easily fooled. The average citizen knows that officials within HEW can exercise only such power as we allow them. If the Senate refuses to take away from HEW its arrogated power to use Federal funds as a weapon against local school districts, then the Senate will be as culpable as the person who gives to an irresponsible child a deadly weapon with which to maim his playmates.

I urge the Members of the Senate to stand with the people of Buffalo and of all the other cities and towns throughout America who are similarly victimized; to stand with them in defense of local school districts threatened by big-brother government, in defiance of government by bureaucratic whim, and in the determined belief that no agency of Government should make decisions affecting education on the basis of a child's color or a teacher's race.

REPEAL THE FEDERAL REQUIREMENT FOR MANDATORY MOTORCYCLE HELMET LAWS

Mr. CRANSTON. Mr. President, I have asked that my name be added as a cosponsor to S. 2293, legislation to repeal the mandatory motorcycle helmet requirement as a condition for receiving Federal highway funds.

California is one of two States not having a mandatory motorcycle helmet law. Because of the consistent refusal of the California Legislature to enact such a law, the State stands to lose $50 million in Federal highway funds plus all of the State's share of Federal highway safety funds. I believe that the action of the Secretary of Transportation under section 402 of title 23, United States Code, in requiring States to enact mandatory motorcycle helmet laws, bears little direct relation to the legislative purposes of the Federal highway safety standards program, which are to protect the general public against accidents caused by traffic hazards and vehicle defects.

The threat to terminate Federal financial assistance, because of noncompliance with federally imposed standards is a severe sanction. It should be invoked only on behalf of such overriding interests as the protection of constitutional rights, the integrity of Federal programs and funds, and other paramount interests such as the public health, safety, and welfare in situations when reliance on individual initiatives by States and localities is likely to prove fruitless or self-defeating.

We should do everything possible to improve the safety of motorcyclists on our highways. But Federal highway safety standards must be reasonably related to those situations which may endanger others. Motorcycle helmets do not raise such considerations.

A helmet may or may not protect its wearer, but there is no evidence that a helmet alone will prevent accidents. Some experienced riders suggest the contrary—that a helmet reduces the rider's ability to hear and see; that heat and fatigue from its use create a greater risk of accident.

I make no judgment about how much protection a motorcycle helmet provides the wearer. The California Highway Patrol and other California law enforcement agencies require motorcycle officers to wear helmets. A California Highway Patrol survey this summer revealed that 60 percent of motorcycle riders on California highways wear helmets. Many cyclists who have written to me opposing the federally imposed helmet standard say that as a matter of personal preference they wear a helmet.

Californians, however, are capable of deciding for themselves whether or not to mandate motorcycle helmets. The only legitimate Federal interest is whether California's refusal to enact a motorcycle helmet law is endangering irresponsibly the lives and safety of the highway users of California and the Nation, which clearly is not the case.

The California Office of Traffic Safety, instead of seeking mandatory helmet legislation, has channeled its accident reduction efforts into motorcycle safety education, licensing operators and upgrading equipment standards. Motorcycle safety is included in the driver education program and each motorcycle operator must take a written and a driving test before being granted a license.

Under the California program, the public is protected and the purposes of the Federal highway safety standards program are being carried out. The safety of the general driving public is not enhanced by a mandatory motorcycle helmet law. The public safety is far better served by the State's strong licensing program for motorcyclists, motorcycle driver education courses in schools, the continuing safety programs of motorcycle clubs, and enforcement of State and local traffic regulations.

This program has been effective. California's motorcycle death date compares favorably with the rate for the Nation as a whole. The California Office of Traffic Safety reports:

In 1973, the California motorcycle registration death rate showed 7.78 motorcyclists killed for every 10,000 registered motorcycles. That compared favorably to the national average of 8.16 for the 27 helmet law states giving data [to the Office of Traffic Safety.]

In view of these results, to penalize the State of California for refusing to enact a mandatory motorcycle helmet law would be unfair and in addition would be detrimental to the overall safety efforts of the State. Therefore I support repeal of the Federal Highway Traffic Safety Administration's mandatory helmet standard.

OF CUBA AND OUR SHORT MEMORIES

Mr. HARRY F. BYRD, JR. Mr. President, recently there has been a growing interest in a possible normalization of relations between the United States and Cuba. But few critics of our present policy seem willing to ask what, if anything, the United States stands to gain from a resumption of relations with Cuba.

In a recent letter to the editor of the New York Times, a former U.S. Ambassador to Cuba, the Honorable Earl E. T. Smith, raises some important points, which I believe should not be overlooked as we discuss a possible normalization of relations between the two countries.

I ask unanimous consent that his letter to the editor of the New York Times be printed in the RECORD.

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

OF CUBA AND OUR "SHORT MEMORIES"

To the Editor:

Because we have initiated a détente with Russia and China (far off in different hemispheres), many people think it is logical to do the same with Cuba. No matter what coloration is put on it, the fact remains Communism has establish a base ninety miles from our shores, from which it has been organizing against the United States throughout Latin America.

At the time of the missile crisis it was agreed upon between Soviet Premier Nikita Khrushchev and President John F. Kennedy that the United States would not invade Cuba and that the United States would be permitted to have "on-site" inspection of the caves in Cuba for hidden missiles. The inspection was to be under the auspices of the United Nations. Not only has there been no "on-site" inspection but since then the Russians have established a naval base in Ceinfuegos in Las Villas Province, where missile-bearing submarines obviously may be harbored.

The following points need clarification:

What is Castro going to do regarding the release of the political prisoners who have been in jail since Batista fled Cuba on Jan. 1, 1959?

Have we forgotten the Cuban patriots who have been in jail since April 1961, when they were captured during the Bay of Pigs invasion? The invasion force, under complete American control, was known as Brigade 2506 and was composed of 1,443 men. They were trained and equipped by specialists of the United States Army. What will be the fate of our naval base at Guantanamo Bay, which protects the Panama Canal? Castro has always insisted that the base be given to the Government of Cuba.

Are we going to ignore claims for approximately $2 billion of American assets illegally expropriated when Fidel Castro took over the Government of Cuba?

We have short memories. Today, rap-

prochement is being discussed. The trade embargo which the United States imposed upon Cuba will soon terminate. Cuba needs our spare parts for all its equipment; understandably, American manufacturers want to take advantage of the available market.

Yet there is so very much to be resolved before the United States considers the resumption of diplomatic relations with Cuba while it is being governed by a ruthless Communist dictator who hates the United States and has abolished all personal freedom and human rights.

EARL E. T. SMITH.

NERVE GAS STORES

Mr. GARY HART. Mr. President, in an August 9, 1975, editorial, the St. Louis Post-Dispatch pointed out the incongruities in U.S. policy toward the use of lethal gases as weapons of war. Despite our sponsorship of the Geneva Protocol in 1925, the treaty resulting from this prohibition of use of these particularly indiscriminate and inhumane weapons was only ratified this year. The reason for 50 years of hesitation on the part of the United States has been the desire of the military and the several Presidents to maintain an "option" to use lethal or disabling gases either in retaliation or on our own initiative.

Ratification of the Geneva Protocol does not mean, however, that the Nation is now firmly committed to do away with poison gas stocks or even that the Pentagon will hereafter be satisfied with the enormous stockpiles on hand. On the contrary, the Department of Defense is well down the road toward making an entire new generation of nerve gas weapons. These have the feature of being more safely transportable, but they remain indiscriminate and inhumane. Furthermore, the very portability of these weapons argues that their use is more likely, not to mention that a new arms race will likely be started if the Pentagon's plans are allowed to proceed.

Congress has in past years attempted to put some limits on the nerve gas modernization plans, but these efforts have been regularly frustrated when this body gave in to Pentagon and White House pressures. This year, however, the Senate passed firm restrictions in the fiscal 1976 authorization bill. Now that that legislation has been returned to conference, we have a new opportunity to insist on our position against development and production of a new generation of poison gases. I call upon the conferees to hold firm on the position the Senate has taken because it makes no military sense to proceed with proliferation of new terror weapons.

I ask unanimous consent that the editorial be printed in the RECORD.

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

NERVE GAS STORES

The Army is storing bombs of a nerve gas known as BZ at its Pine Bluff, Ark. arsenal, which is a reminder of the confusing situation in which the United States finds itself as to chemical and biological warfare.

In 1969 former President Nixon renounced all use of biological weapons and first use of chemical weapons, and stocks of biological weapons and toxins at Pine Bluff were to be destroyed. The Nixon order still left room for use of nonlethal, incapacitating agents such as tear gas and the new BX nerve gas, as well as for continuation of a "defensive" chemical warfare program that had cost 2.5 billion dollars in the 1960s alone.

Early this year the Senate and President Ford finally completed the process of ratifying the Geneva Protocol against poisonous gas or bacterial warfare. The United States had sponsored the protocol 50 years earlier and was the last major nation to ratify it. Even so, the ratification left room for use of deadly nerve gases in retaliation if they were first used against the United States, and the Army has since sought "modernization" of nerve gas stocks.

So, in view of all the loopholes left, where does this country stand? It no longer has any need or excuse for biological weapons. It can stockpile nonlethal gases such as those at Pine Bluff but these cannot be used without presidential approval. It can also stockpile other chemical weapons and, indeed, the Pine Bluff arsenal is said to contain both white phosphorous and mustard gas, but the United States is committed not to use them unless they are used against it.

That has been an unlikely prospect ever since World War I, and it should seem even less likely today when the ultimate weapons are nuclear and not chemical. Still the United States remains involved in the costly preparation for a kind of warfare it said it wanted to renounce in 1925.

KIWANIS CLUBS

Mr. FANNIN. Mr. President, our Nation is blessed with a number of outstanding organizations which perform public service, and none does any greater job than the Kiwanis.

I am especially proud that the Kiwanis clubs in my own State of Arizona are extremely active and the projects they undertake are of tremendous benefit to people who need aid.

Mr. President, the Kiwanis magazine in its September 1975 edition features the work of division 6 of the Southwest district in southern Arizona and of the Valley of the Sun club in the Phoenix area. I ask unanimous consent that these articles be printed in the RECORD so that my colleagues will have an opportunity to know what is being accomplished by these dedicated members of the Kiwanis in Arizona.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

PROJECT ARK

The scene is right out of Sesame Street. The Cookie Monster stalks his favorite treat, Big Bird is his usual stumbling, witty self, and Oscar the Grouch snarls from inside his trash-can home. But the colorful characters are not on a television scene. They adorn a ten by thirty foot trailer and serve as silent, larger than life greeters to the preschoolers who come to the trailer for learning disabilities testing.

The traveling testing center, a joint project of the ten Kiwanis clubs of Division 6 of the Southwest District, spends a few days each week at different spots in the division and tests three to five year old children for vision, hearing, and coordination development. Dubbed Project ARK (Assessment and Referral through Kiwanis), the trailer is an effort to provide the best possible testing and to avoid duplication of work. Lieutenant Governor Bob Preble and project chairman Lou Cate, of the Tucson Sunshine club, feel Project ARK could serve as a model for other divisions seeking learning disability projects. The clubs participating in the sunny southwest are Sunshine, Conquistador, Desert Palo Verde, Roadrunner, Rincon, San Xavier, and Tucson, all in the Tucson area; and Green Valley and Ambos Nogales, just this side of the Mexican border.

The trailer is designed to be a pleasant, efficient testing center with paneled walls, tiled floors, heating and cooling apparatus, and fluorescent lighting. The reception area consists of a small, clay box play space in the same room where vision is tested. The Kiwanians use the standard "E" vision examination chart. A small room houses a sound booth large enough for a tester and a child. A glass window allows the child to see his parents during the testing so that he will feel at ease. A third room contains facilities for testing coordination in two parts: gross and fine motor, concept and comprehension.

Following the tests the parents receive a letter that explains the examination and its results. In effect the letter states: "Your child was given several tests designed to detect any possible problems in the areas of vision and hearing and to see that he or she is developing normally in all respects." The letter goes on to list the results. If normal reactions occur during all the tests the letter so states and explains that the testing was not comprehensive but is designed only to discover major difficulties. If serious problems are revealed, the parents are urged to contact a learning disabilities expert.

Project ARK began with an exploratory meeting held in conjunction with the local chapter of the Association for Children with Learning Disabilities and three professional educators from the University of Arizona: Dr. Jeanne McRae McCarthy, professor of special education and director of the Leadership Training Institute in Learning Disabilities; Cissie Dietz, education specialist; and Dr. Michael W. Cohen, assistant professor and director of the AMC Pediatric Clinic at the University's College of Medicine. This panel soon became active advisors to the project.

After outlining the plan and receiving help from the advisory panel, Kiwanians approached other service organizations such as the Junior Women's Club and the Junior League of Tucson to serve as volunteers and help the trailer reach more kids. Other volunteers have included teachers, retired persons, and Kiwanians.

The better staffed the trailer is, the more days a week it can operate and the more good it will do, says Allen Simpson, president of Sunshine Kiwanis and a prime mover in the project.

Yet to be solved are the problems of testing children on the Papago Indian Reservation, for which bilingual personnel will be needed. The Papago dialect became a written language only twenty years ago.

But the eight Tucson clubs, along with Green Valley and Ambos Nogales, report great interest in the screening operation and feel a tremendous responsibility to fill the gap in learning disabilities testing that existed before Kiwanis stepped in.

The gap is now closing thanks to the strong desire of Division 6 Kiwanians to serve and their belief that all children are special.

PHOENIX'S BIG FEED

They call it the big feed, and they come in droves to the annual Kiwanis Bar-B-Q in Phoenix to eat and drink beneath the hot Arizona sun. And eat they do: five thousand pounds of beef, two thousands pounds of chicken, forty-eight gallons of barbecue sauce, nineteen hundred pounds of cole slaw, four thousand sliced onions, nine thousand biscuits, nine thousand pies. And drink they do: more than one hundred gallons of "six-shooter" coffee, two hundred gallons of tea, and seven hundred gallons of lemonade.

Put on each year by the Kiwanis Club of the Valley of the Sun, the massive picnic draws nine thousand hungry townspeople at

$4 a head ($3 for children) to the Arizona State Fairgrounds and is the only source of funds for the club's far-reaching service activities. Designed nine years ago to replace the many and scattered fund-raising events that sapped the Kiwanians' time and energy throughout the year, the Bar-B-Q has been a huge success. During the past three years the event has raised $11,000, $17,000, the $19,500 for the club and has evolved into an eagerly awaited spring tradition. More than $100,000 has been raised by the club through this one activity over the past nine years.

"Advance ticket sales are the key to the Bar-B-Q's success," explains this year's project chairman Bob Trehearne. "No-shows among the advance sales are responsible for 80 to 90 percent of the profits." The 1975 version, for example, took in money from thirteen thousand tickets sold, but only nine thousand people actually came to the Bar-B-Q. "Advance ticket sales also avoid competition with other events that might fall on the same day," says Bob.

The feast is catered by Walter Jetton of Fort Worth, Texas, the man who made the LBJ Ranch barbecues famous. Jetton supplies the food and cooks it according to his own secret recipe with the help of five or six assistants. Kiwanians man the serving lines and drink stands, collect tickets, and clean up afterward. Twenty-five Key Clubbers from North and Central high schools in Phoenix also assist on the big day. The event runs from 11 am to 4 pm.

About eight weeks before the Bar-B-Q ticket-selling teams are set up and spirited competition among the Kiwanians ensues. Weekly prizes are given for ticket sales, and the members and wives who sell one hundred tickets are awarded free dinners. "Recognition is a key motivator for good ticket sales," says Bob.

Publicity includes radio spots giving details of time and place, a "dinner bell" contest by one radio station in which the first caller following the ring of the bell gets two free tickets to the feast and his name on the air waves, and announcements in newspapers and local magazines. A publicity plus this year came from the Goodyear blimp, which was in Phoenix about a week before the Bar-B-Q. The blimp carried aloft a free, lighted advertisement for the Kiwanians two nights in a row.

Money accumulated from the Bar-B-Q has gone to many community activities over the years: the juvenile rehabilitation fund ($5000), the juvenile detention facility ($5000), the Boys Scouts ($6500), Dope Stop ($7300), the Salvation Army ($5900), and Junior Achievement ($5900). Most recently the club helped finance the Australian Bush Country Exhibit for kangaroos and emus at the Phoenix Zoo with a $15,000 donation.

SHOULD S. 1 BE JUNKED?

Mr. CRANSTON. Mr. President, it is expected that the Committee on the Judiciary will take up S. 1, the Criminal Justice Reform Act of 1975, for consideration sometime this fall. As many know, S. 1 recodifies and systematizes the present hodgepodge of Federal criminal statutes.

I have been very much concerned with those provisions of S. 1 which I believe threaten first amendment rights and give to the Federal Government too much power over what information will be made known to the American people. I have outlined the case against these provisions in appearances before the American Society of Newspaper Editors, the Newspaper Guild, and other press organizations. I have urged that these provisions be eliminated or totally revised.

The threats to freedom of information are not the only problems with S. 1, but these have been the subject of my direct concern with the bill.

Other critics of S. 1 argue that the bill should not pass even with amendments. They say that it is incapable of being improved by amendment and should be junked in toto.

The Los Angeles Times, in its lead editorial for September 15, has urged that S. 1 be thrown out. I ask unanimous consent that this editorial be printed in full at this point in my remarks.

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

Putting Freedom Against the Wall

Legislation now pending in Congress to revise the federal criminal code should be junked.

Senate Bill 1, a massive and complicated measure 753 pages long, is so pervasively and fatally flawed that it lies beyond the scope of any rational amending process.

Known as the Criminal Justice Reform Act of 1975, the bill, and companion legislation in the House, purports to standardize federal criminal law. It does that to an extent—but far more. It proposes revolutionary change that would vastly enhance the power of government and sharply decrease the freedom of the American people.

Federal law is a hodgepodge of discrepancies that need revision and codification. That was the purpose of the National Commission on Reform of Criminal Laws appointed in 1966, with former Gov. Edmund G. Brown as chairman. After five years of study, the commission presented its report to President Nixon and Congress in 1971.

In the next two years, the bipartisan commission's effort was undercut. The three Senate members of the commission, often dissenting from its recommendations, embodied their views in a bill (S 1) introduced in 1973. They were John L. McClellan (D-Ark.), Roman L. Hruska (R-Neb.) and Sam J. Ervin Jr. (D-N.C.) Even this did not satisfy Nixon, who had the Brown commission report thoroughly revised and presented as the administration-backed Criminal Code Reform Act of 1973 (S 1400). McClellan and Hruska held hearings to consolidate both bills, and what emerged was the present legislation, which far exceeds the goal of the Brown commission.

The American Bar Assn. house of delegates recognized this last month by voting nearly unanimously that codification should not go beyond present law. And the board of governors of the Society of American Law Teachers concluded recently that 'the bill is so riddled with defects" that it is doubtful whether it is "amenable to piecemeal improvements."

Its most drastic provisions would virtually give ownership to the government of all public information. The legislation would accomplish this by creating a new felony: unauthorized disclosure of "classified" official data. With some 15,000 government employes authorized to classify documents, this provision, with its severe penalties, would permit the government to engage in unprecedented suppression of information.

The sections dealing with "national defense information" would make government employes and news reporters vulnerable to prosecution that would be limited only by the imagination of the prosecutor.

One section would make it a crime to collect or communicate "national defense information" with the "knowledge that it may be used to the advantage of a foreign power . . ." Is there any information, defined as a prosecutor may want to define it, that could not be "used" by a foreign power or would not be related in some way to national defense?

Government employes who revealed information and reporters who received and published it would be liable under the law. Only the official version of events would be available to the public. The government would be able to operate behind a screen of secrecy.

This attempt to scuttle the First Amendment is the most dangerous aspect of S 1, and naturally has drawn the most fire from the press. As a result, some modifications of sections relating to control of government information may be accepted by the bill's sponsors. Even so, the legislation should be rejected, because freedom is not a commodity to be parceled out in varying degrees to the American people, and S 1 contains a long array of hazards to a free society. The bill would:

Protect federal officials from criminal prosecution for illegal acts as long as they believed "the conduct charged was required or authorized by law"; this clause, dubbed the "Watergate defense," would provide a rationale for almost any kind of abuse of authority.

Reaffirm authorization of domestic wiretapping for 48 hours without court order and require landlords and companies to cooperate "forthwith" and "unobtrusively" with government agents.

Impose restrictions on demonstrations by making the picketing of government buildings illegal; also illegal would be interstate travel to assemble 10 or more persons who "create a grave danger of imminently causing" damage to property.

Outlaw demonstrations that would take place adjacent to wherever authorities say is the "temporary residence" of a President.

Receive in part the Smith Act by making it a crime to incite others to engage in conduct that then or at some future time would facilitate the destruction of the government.

Define sabotage broadly as activity that "damages" or "tampers with" almost any property, facility or service "that is or might be used" in the national defense of this country or "an associate nation."

Permit entrapment by government agents, and place the burden on a defendant to prove he was "not predisposed" to commit the crime.

Broaden the conspiracy law by eliminating the requirement of proof of an "overt act"; substituted is "any conduct" that shows intent to effect a criminal agreement.

Reaffirm limited "use" immunity in criminal proceedings and congressional hearings—a procedure that weakens the Fifth Amendment protections against self-incrimination.

These provisions do not by any means exhaust the list; worse, the legislation is marked throughout by a chronic vagueness of definition that would insure decades of battles in the courts.

Whatever this bill is, it is not simply an effort to pull together and rationalize existing federal law. It is, rather, a reflection of an authoritarian view of the way government should function, and a radical departure from the letter and spirit of the Constitution.

In this bicentennial year, Congress could honor the founding fathers in no more effective way than by throwing out this legislation in its entirety.

Mr. CRANSTON. Mr. President, the American Civil Liberties Union of southern California states that S. 1 "is so riddled with defects" as to be "unamenable to piecemeal improvements; many provisions must be redrawn from scratch."

Prof. Louis B. Schwartz, however, who was the draftsman for the Brown Commission report, on which S. 1 is based, has said that S. 1 can be amended to

cure the defects spelled out by the ACLU. I ask unanimous consent that the ACLU memorandum furnished me be printed in full at the conclusion of my remarks.

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

(See exhibit 2.)

Mr. CRANSTON. Mr. President, certainly we should not pass S. 1 in its present form. As to whether it should be approved in any form at this time, I suggest we wait to see if the Judiciary Committee accepts much-needed improvements to the bill and succeeds in reporting to the Senate, with solid committee support, a bill which mitigates the unnecessary harshness of our present Federal criminal statutes and reduces, rather than enhances, the power of government over our lives. If it turns out that the bill is not improved substantially in committee and if there are only slim prospects for improving the bill on the floor, then I will oppose S. 1 outright.

EXHIBIT 2

AMERICAN CIVIL LIBERTIES UNION OF SOUTHERN CALIFORNIA—POSITION PAPER ON S. 1

S. 1 purports to provide a more rational, uniform, and precisely stated federal criminal law. The ACLU believes that the federal criminal code requires such revision. Criminal legislation has proliferated in an unsystematic fashion over the past several decades. Court decisions necessary to fill in substantive gaps have not been standardized by the Supreme Court. Nevertheless, the ACLU finds serious fault with the codification offered in S. 1. The bill disregards many of the sound recommendations of legal experts embodied in the Report of the National Commission of Reform of Criminal Laws (Brown Commission), particularly those relating to the structure of criminal sentences, the availability of defenses, and the crime of conspiracy. Moreover, since S. 1 was drafted by high-placed members of the Nixon Administration, it reflects that Administration's now-discredited philosophy of mistrust for expressions by the American press and people, particularly in those sections concerned with national security, classified information, rioting, and wire-tapping. The bill is so riddled with defects, that the ACLU of Southern California finds it unamenable to piecemeal improvements; many of the provisions must be redrawn from scratch. Some of the worst problems concern:

SENTENCING STRUCTURE

(a) Length of sentences: According to the Brown Commission, existing maximum sentences are much too high for the ordinary offender, and produce unnecessarily long sentences that destroy any hope of rehabilitation. The Commission therefore recommended lower maxima, accompanied by a "mandatory parole component" within the maximum, and reservation of the upper ranges within the ordinary maximum for "dangerous special offenders." By contrast, S. 1 provides for maxima higher than current penalties in some cases and higher than the Brown Commission's in all, a parole component in addition to the prison maxima, and extended terms that add to the regular maxima. In addition, for minor offenses S. 1 ignores the Brown Commission's preference for jail terms just long enough to accomplish deterrence (since rehabilitation is impossible), and for categorization of the most minor offenses (including possession of small quantities of marijuana) as "nonjailable infractions". Misdemeanor sentences can be for as long as one year under § 2301 of S. 1, and "infractions" are punishable by five days in jail.

(b) Consecutive sentences: The Brown Commission attempted to confine imposition of consecutive sentences for the same transaction to a few exceptional situations and to limit the length of such sentences even in those cases. Nevertheless, S. 1 permits cumulation wherever the criteria for imposing a sentence rather than granting probation are satisfied, and imposes a high ceiling on such sentences (as high as the maximum for offenses one grade higher than the most serious offense of which the defendant is found guilty).

(c) Death penalty: In an attempt to satisfy the requirements for imposition of capital punishment set forth in *Furman v. Georgia*, 408 U.S. 238 (1972), S. 1 mandates the death penalty for certain classes of treason, sabotage, espionage, and murder. Apart from moral and political objections to imposition of this form of punishment, it is vulnerable as authorized in S. 1 on grounds of vagueness and irrationality in the delineation of suitable offenses. Murder, for example, is a capital offense if committed in the course of espionage, kidnapping or arson, but not in the course of robbery, burglary, or rape. It is also capital if committed in a "specially heinous, cruel, or depraved manner," a category which allows unfettered exercise of discretion. Finally, like all mandatory sentences, a mandatory death sentence vests prosecutors with excessive behind-the-scenes control in the course of drawing up and bargaining over charges.

(d) Mandatory Minima and Probation Discretion: Whereas the Brown Commission advocated availability of probation for all offenders unless the judge specifically found there were sound reasons for choosing incarceration, S. 1 excludes all Class A felonies and certain other offenses from probation (including any offense in which a gun or simulated gun is possessed), and makes it much less clear that probation ought to be granted unless prison is the better alternative. The exclusion of probation contradicts expert opinion that mandatory minima interfere with judicial discretion vital to fairness in our criminal justice system, and inordinately disadvantage the defendant in the plea-bargaining process.

(e) Discretion to Grant Parole: Just as the Brown Commission recommended probation rather than incarceration unless the judge finds that some specific purpose (e.g. deterrence, rehabilitation, protection of society) will be served by sending the offender to prison, so it also recommended mandatory grant of parole for almost all offenders after a year has passed unless the judge finds that specific risks are involved or release would unduly depreciate the seriousness of his crime. Although S. 1 establishes parole eligibility for almost all offenders after six months, the parole may only be granted if the judge finds that certain risks do *not* exist (much more difficult to demonstrate). By making parole much harder to obtain and more discretionary that the Brown Commission would authorize, S. 1 exacerbates the problems resulting from its high maximum sentences.

(f) Appellate Review of Sentences: This innovation has substantial support among judges and legal scholars, and the Brown Commission favored its institutions. S. 1 does provide for appellate review of sentences, but the procedure would be greatly improved if it 1) included the guidance of judicial discretion in a general policy statement that actual sentences be related to specific goals (e.g. deterrence, rehabilitation, incapacitation); 2) required judges to state findings and reasons for the record; 3) allowed such review of *all* sentences longer than a minimal length, without S. 1's exclusion of all drug and gun cases, all misdemeanors, and all sentences where the sentence is less than one-fifth of the authorized maximum (making some sentences of six or more years unreviewable); 4) eliminated the provision for appeal of certain sentences and all probation awards by the government, with the possibility of a higher sentence if the government succeeds. The provision for higher sentences upon a successful appeal by the government may well violate the constitutional guaranty against double jeopardy.

DEFENSES

(a) Insanity: S. 1 would allow a defense of insanity only where insanity caused by an absence of "the state of mind required as an element of the offense charged." This standard is more restrictive than existing law, the Brown Commission's recommendations, and the ALI model code's insanity provision, in that it denies the defense to individuals who "lacked substantial capacity to appreciate the character of his conduct or to control his conduct." Given the purposes and moral underpinnings of the criminal law, S. 1's refusal to afford such individuals the insanity defense makes no sense at all.

(b) Entrapment: S. 1 reaffirms existing law on this subject, but rejects the thinking of the Brown Commission, by allowing this defense only where the defendant was not "predisposed" to commit the offense charged. This standard improperly focuses on the character and past misconduct of the defendant rather than on the propriety of the police behavior. An objective test, focusing on whether the police activity would be likely to cause normally law-abiding persons to commit the offense, "would permit law enforcement officers to set up the opportunity to commit the offense, without making the propriety of police behavior vary according to the past criminality of the suspect."

(c) Public Duty: S. 1 allows a new defense for illegal acts by a federal official if he or she "believed . . . that the conduct charged was required or authorized," unless his or her belief was reckless or negligent. § 544(b) This provision will dilute individual responsibility for public actions, and encourage federal officials to perceive themselves as accountable first to their superiors, and only second to the American public. It is startling, so soon after the rejection of such defenses in Watergate-related prosecutions, that Congress might introduce such a justification for otherwise patently illegal acts.

CRIME OF CONSPIRACY

The Brown Commission proposed to alter current laws of conspiracy by making it more difficult to establish the commission or an "overt act," tailoring the penalty to the target offense, and barring consecutive sentences for conspiracy and the target offense. These alterations were responses to severe and widespread scholarly criticism of conspiracy laws on first amendment grounds and on grounds of susceptibility to abuse. Nevertheless, under § 1002 of S. 1 an "omission" or "possession" suffices to establish that the plotting has gone beyond the talking stage, even if it does not satisfy the Brown Commission's requirement of being "a substantial step . . . strongly corroborative of the actor's intent to complete commission of the crime." Furthermore, the sentence for conspiracy can run as high as 30 years (compared with a maximum under Brown Commission recommendations of 15 years in some cases, and five years under existing law); and the sentence under S. 1 can be consecutive with the target offense sentence.

OFFENSES DIRECTED AT NATIONAL SECURITY AND GOVERNMENTAL EFFICIENCY WHICH JEOPARDIZE FREE SPEECH AND PRESS

S. 1 contains a collection of laws that threaten beneficial dissemination of information to the American public, all in the name of an inflated view of the requirements of national security and governmental efficiency. While not all of these provisions are innovations, they all step boldly into realms of speech and publication clearly protected by the first amendment. They must be completely rewritten with greater sensitivity to

the need—so painfully reaffirmed in recent years—for vigorous public scrutiny of governmental activity. The most objectionable of these provisions in S. 1 relate to:

(a) Espionage: Section 1121 penalizes the knowing collection or communication of "national defense information" with the "knowledge that it may be used, to the prejudice of the safety or interest of the United States, or to the advantage of a foreign power. . . ." The absence of any requirement of specific intent to injure the interests of the United States or any likelihood of such injury, coupled with the extremely broad definition of "national defense information" and the vague reference to the "safety or interest of the United States", takes this section far into protected first amendment territory. "National defense information", for example, includes "any . . . matter involving the security of the United States that *might* be useful to the enemy." An effective espionage law can be drafted which reaches only the narrow class of conduct which genuinely endangers the public welfare, such as communication to hostile governments of information about weapons development or military contingency plans. Similar objections are appropriate to the sections of the act forbidding disclosure of "national defense information" to anyone who is known not to be authorized to receive it by Act of Congress or Executive Order, and requiring any unauthorized person who receives it to deliver it promptly to a federal public servant who is entitled to receive it §§ 1122–23).

(b) Disclosing Classified Information: Section 1124 makes communication of classified information to "unauthorized" persons a felony, even if the individual has neither the purpose nor the capacity to harm real national defense interests. Under the original version of the bill, it was no defense that the information was improperly classified unless the individual had exhausted elaborate, potentially time-consuming administrative proceedings seeking declassification.

Recently agreed upon amendments improve the section somewhat by barring prosecution where the information was not lawfully subject to declassification or no administrative procedures for securing declassification or no administrative procedures for securing declassification exist. Especially if the words "lawfully subject to classification" are interpreted broadly, enactment of this provision will put Congress in the position of sanctioning an unfortunate bureaucratic tendency to excessive secrecy, as well as restricting the ability of news reporters to provide the American public with anything other than what the government decides they should know. Since official and unofficial "leaks" are a news-gathering fact of life, it is likely that this provision will be used selectively to harass independent-minded, public-spirited officials. Certainly there are other actions the government could take (e.g. dismissal) if an official disclosed properly classified information recklessly, with culpable intent, or for personal gain.

(c) Sedition: Recent United States Supreme Court precedent permits the government to proscribe advocacy of force or of law violation only when such advocacy "is directed to inciting or producing imminent lawless action and is likely to incite or produce such action." (*Brandenburg v. Ohio*, 395 U.S. 444, 447 (1969)). By contrast, § 1103 of S. 1 (as amended in Committee) punishes one who "with intent to bring about the forcible overthrow or destriction of the government of the United States or of any state," "incites other persons to engage in imminent lawless conduct that would facilitate the forcible overthrow or destruction of such government." By penalizing words that incite conduct which merely "facilitates" forcible overthrow of the government and by failing to require a substantial likelihood that the incitement will result in such conduct, this section flouts the protection granted by the First Amendment. This disregard for rights of free speech is even more glaring when the sections prohibiting conspiracy and solicitation are linked with the anti-sedition law itself: for agreeing with or persuading another to engage in seditious incitement at some time in the indefinite future would be a crime. The substantive offense should be rewritten to conform with Supreme Court doctrine, and a bar on cumulative inchoate offense should be imposed.

(d) Obstruction Government Functions and Impairing Military Effectiveness: Sections 1301 and 1302, prohibiting obstruction of government functions through fraud or physical interference, and §§ 1112 and 1114, penalizing impairment of military effectiveness through false statements and otherwise, all provide heavy penalties for broadly and vaguely defined categories of conduct. They could be used against public officials and media organizations whose aim is to inform the American people about unlawful actions such as the My Lai massacre, as well as against large but peaceful demonstrations that interfere with the free flow of traffic to and from government buildings. As such, they obstruct and impair vigorous debate in the press and on the streets. Unless such sections are amended to require specific intent to interfere with governmental or military effectiveness and to single out the most serious functions and military activities that might be impaired, these sections should be dropped, and reliance placed in other crimes such as sabotage, rioting and espionage.

(e) Rioting: While S. 1's anti-rioting provisions are more precise than current law in defining a riot, they are deficient in several respects. First, they penalize urging participation in a riot during the riot (§ 1831(a)(2)). Given that a riot is defined as "a public disturbance . . . that involves violent and tumultuous conduct . . . and . . . creates a grave danger of imminently causing injury or damage to person and property" (§ 1934), and given that there is no requirement that the defendant's "urging" be likely to produce activity in furtherance of the riot, the sections do not satisfy the Supreme Court's criteria for appropriate punishment of "mere speech" (see discussion of "Sedition"). Second, when the definition of a riot to include any disturbance of ten (recently amended from five) or more persons is considered in conjunction with jurisdictional provisions encompassing situations where any government function is obstructed, it becomes apparent that the federal government is intruding into areas more properly of local concern. The Brown Commission strenuously endeavored to avoid just such over-extensions of federal power.

(f) Wire-tapping: S. 1 largely restates the controversial and much abused wire-tapping provisions of the Omnibus Crime Control and Safe Streets Act of 1968. In view of the most recent Supreme Court and Circuit Court of Appeals decisions restricting Congress's power to authorize warrantless searches in domestic national security matters (*United States* v. *United States District Court*, 407 U.S. 297 (1972); *Zweibon* v. *Mitchell* (No. 73–1847, D.C. Cir., June 23, 1975)), the provisions in S. 1 authorizing taps without a court order whenever a law enforcement officer "reasonably determines that an emergency situation exists with respect to conspiratorial activities threatening the national security" (§ 3104(b)(2)) and exempting the President from all liability for wiretapping instituted, *inter alia*, "to protect the United States against the overthrow of the govenment by force or other unlawful means," (§ 3108) are wholly inappropriate. Inherent in these sections is a potential for abusive surveillance of political dissidents or other disfavored groups.

FEDERAL RECORDKEEPING REQUIREMENTS

Mr. RIBICOFF. Mr. President, the Federal Government has attempted to cope with the ever-increasing growth of Government records of personal data by the use of computers and related technology. Because of the mounds of records maintained by the Federal Government, it becomes even more difficult to make sure that security and confidentiality standards for personal records apply.

Congress has examined and demonstrated the need for better control of technology and the overall management of automated record systems of the Federal Government by its enactment of the Privacy Act of 1974. The act is designed to provide safeguards to insure individual privacy against the misuse of Federal records. Provisions of the act which require changes in agency recordkeeping—disclosure, collection, maintenance, access, dissemination, et cetera—become effective September 27. Agencies will also be required to notify Congress of their intention to establish or alter systems of personal records as required by the Privacy Act.

The Washington Post, in an editorial published Friday discusses some of the ramifications of the recordkeeping requirements. I ask unanimous consent that it be printed in the RECORD for the interest of my colleagues.

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

[From the Washington Post, Sept. 19, 1975]

FOCUSING ON FEDERAL FILES

A new era in federal record-keeping will officially begin Sept. 27 when the Privacy Act of 1974 goes into effect. The law gives citizens the right to inspect many kinds of government files about themselves, and sets down strict rules for the collection, use and exchange of information about individuals. The principles involved—accuracy, relevance, fairness and need-to-know—are elementary. But applying them to the great volume and variety of federal records has proved to be, as expected, quite a monumental task.

The part of the law that has generated the most work and grumbling in many agencies is the requirement for full disclosure of the nature of all files involving individuals. This provision, in effect an annual public inventory of the government's information stock, was enacted because Congress found that nobody knew the full extent of federal record-keeping about citizens. Some agencies were maintaining secret files and concealing some abusive practices from Congress and the public. The broader difficulty, however, was simply that the government's data demands had grown so fast, and had been answered in so many uncoordinated ways, that not even the agencies themselves had a firm grasp of all their information practices.

The inventory is now nearing completion. The results are staggering, to put it mildly, even to those who have long suspected that the government has a file on everything. So far, over 8,000 records systems have been summarized in fat volumes of the Federal Register totaling 3,100 pages and more. The entries range from the controversial to the commonplace. There are listings for the sensitive files of the Defense Investigative Service; for records of the participants in National Security Council meetings since Jan. 20, 1969 (classified "SECRET"); for HEW's roster of licensed dental hygienists; for the

Agriculture Department's list of people interested in forestry news, and for the Export-Import Bank's roster of employees who want parking spaces. There are outlines of huge computerized networks such as the Air Force's Advanced Personnel Data System, summarized in 11 columns of small print; there are earnest entries for little lists such as the key personnel telephone directory of the Administrative Office, Assistant Secretary of Defense (Intelligence)—a roster kept, according to the Aug. 18 Federal Register (Part II, section 1, page 35379), on "8 x 10½ Xerox plain bond sheets."

The huge pile of records and lists of lists may seem to reach new heights of regulatory overkill. Indeed, there are bound to be jokes and complaints about the agencies that keep so many files—and about the Congress that required such detailed, indiscriminate reports. But such an inventory, however tedious to prepare—and however trivial parts of it may be—is a useful and necessary step. For the first time, the awesome range of government records has been catalogued. For the first time, all agencies have been compelled to define what they collect on individuals, how the materials are used, who has responsibility for what, and which records, primarily in law enforcement fields, are so sensitive that they should be withheld from inspection by the citizens involved.

The catalogs and related agency regulations merit scrutiny on a number of grounds. Many citizens will no doubt want to inspect various records on themselves. Congressional committees and interested groups in many fields may wish to challenge some uses of data and some exceptions from disclosure, notably the extensive withholding proposed by the Justice Department on law enforcement grounds. Congress may now be able to sharpen the focus of the Privacy Act and modify the reporting requirements for mundane records systems such as internal telephone lists. And federal administrators, given some time to review their reports, may well start questioning some of their offices' data-collecting practices and weeding out their files. Indeed, it is quite possible that some bureaucrats, faced with the chore of cataloguing marginal or redundant files, may have already employed a very unbureaucratic strategy: throwing some records out. If that has happened even in one agency, the Privacy Act has already done some good.

"HATCHING" SECOND-CLASS NONSENSE

Mr. FANNIN. Mr. President, several bills have been introduced this year in both the Senate and House, including S. 372 and H.R. 8617, which would repeal the Hatch Act.

As my colleagues know, Federal civil service employees are "hatched," that is, they are prevented by law from engaging in political activities or making political contributions in election campaigns. The purpose of the Hatch Act is to prevent the use of Federal bureaucrats in political election campaigns at taxpayers' expense, without their approval. In addition, the law is designed to preserve the political independence of civil servants so that political pressures will not keep them from acting in the public interest. It would also prevent a situation where elected officials would be beholden to Government employees for support. In light of the recent lobbying efforts of many bureaucrats and public employee unions in behalf of Government pay raises, I can foresee tremendous problems for the public if the Hatch Act is repealed.

The Supreme Court, in its opinion upholding the constitutionality of the Hatch Act, stated that—

Its decision would no more than confirm the judgment of history, a judgment made by this country over the last century that it is in the best interest of the country, indeed essential, that federal service should depend on meritorious performance rather than political service.

This statement, expressed more eloquently, sums up my position against repeal or relaxation of the Hatch Act.

Those who would change the law contend that Federal civil servants are being treated as second-class citizens because they cannot engage in politicking to the same extent as private employees. As Howard Pfliger demonstrates in the U.S. News & World Report of September 22, this argument is "second-class nonsense."

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

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

[From U.S. News & World Report, Sept. 22, 1975]

SECOND-CLASS NONSENSE

(By Howard Flieger)

As often occurs before a presidential election campaign, Congress is being asked to repeal, or soften, the Hatch Act.

In case you've forgotten, that is a law making it illegal for Government employes to take an active role in political campaigns, to ring doorbells, raise money or rally support for any party or candidate.

Advocates of repeal—they include politically active unions—claim now, as they have in the past, that the Act, which dates back to 1939, puts strictures on the freedom of federal employees; that it relegates them to the status of second-class citizens.

This is plain nonsense.

Government workers have the same right to register and vote as anyone else has.

They are free to express their political preferences and to support the candidate of their choice with cash if they want.

They can be—and usually are—as politically minded and outspoken as the next person. Their franchise is unfettered. Anyone who thinks there is no politicking among Civil Service employes is naive.

Nobody argues that the Hatch Act is perfect. But it does effectively prevent that which it was designed to prevent: It makes certain that no candidate or party can convert the huge federal bureaucracy into a political machine.

The Act has sheltered the rank and file from any spoils system of patronage rewards for the party faithful. No officeholder can go through the Government hiring and firing at will on the basis of politics. No one can tell Civil Service employes how to vote and keep them in line with threats of payday reprisals.

They cannot be coerced into party work. They cannot perform the nuts-and-bolts jobs of a campaign such as soliciting funds, manning headquarters telephones or serving as chauffeurs to ferry the voters to the polls on behalf of any ticket.

Does this make them second-class citizens? Hardly. The odds are that those public servants who are sincerely interested in Government performance—and that means the vast majority of them—welcome the shield that stands between them and party affairs.

It was a fear the federal payrolls would be used to perpetuate political control that produced the law in the first place.

The U.S. Supreme Court, in upholding the constitutionality of the Hatch Act two years ago, said Congress had concluded when it passed the original "that the rapidly expanding Government work force should not be employed to build a powerful, invincible and perhaps corrupt political machine.

"The experience of the 1936 and 1938 campaigns convinced Congress that these dangers were sufficiently real that substantial barriers should be raised against the party in power—or the party out of power, for that matter—using the thousands or hundreds of thousands of federal employes, paid for at public expense, to man its political structure and political campaigns.

"A related concern, and this remains as important as any other, was to further serve the goal that employment and advancement in the Government service not dependent on political performance, and at the same time to make sure that Government employes would be free from pressure and from express or tacit invitation to vote in a certain way or perform political chores in order to curry favor with their superiors rather than to act out of their own beliefs."

Congress felt safeguards against politicizing the bureaucracy were prudent back when federal employes were counted in "the hundreds of thousands."

It is difficult to follow the reasoning of those who argue such insurance is no longer needed—now that the number of Government workers (not counting the military) has grown to more than 2.5 million.

A FARMER'S CREED

Mr. McGEE. Mr. President, as I have said so many times before, we can ill afford to have isolationist attitudes regarding the industry of agriculture in America. It is not to be separated from the mainstream of life in the United States nor from the role it plays in relationships with other countries.

Sometimes, however, we fail to realize both the economic and humanitarian contributions the farmer makes. Lately, his contributions have been greater than what he makes, but what the farmer is made of, Mr. President, is best expressed in what is called the Farmer's Creed as was published recently in Wyoming Rural Electric News.

I ask unanimous consent that the Farmer's Creed be printed in the RECORD.

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

[From the Wyoming Rural Electric News]

A FARMER'S CREED

I believe a man's greatest possession is his dignity and that no calling bestows this more abundantly than farming.

I believe hard work and honest sweat are the building blocks of a person's character.

I believe that farming, despite its hardships and disappointments, is the most honest and honorable way a man can spend his days on this earth.

I believe farming nutures the close family ties that make life rich in ways money can't buy.

I believe my children are learning values that will last a lifetime and can be learned in no other way.

I believe farming provides education for life and that no other occupation teaches so much about birth, growth and maturity in such a variety of ways.

I believe many of the best things in life are indeed free; the spendor of a sunrise, the rapture of wide open spaces, the exhilarating sight of your land greening each spring.

I believe true happiness comes from

watching your crops ripen in the field, your children grow tall in the sun, your whole family feel the pride that springs from their shared experience.

I believe that by my toil I am giving more to the world than I am taking from it, an honor that does not come to all men.

I believe my life will be measured ultimately by what I have done for my fellowman, and by this standard I fear no judgment.

I believe when a man grows old and sums up his days, he should be able to stand tall and feel pride in the life he's lived.

I believe in farming because it makes all things possible.

CONCORDE TRAFFIC PROBLEM SEEN

Mr. BAYH. Mr. President, nearly 2 months ago, on July 25, this Chamber rejected by only two votes a measure to prohibit commercial supersonic aircraft from using U.S. airports until they could comply with existing Federal Aviation Administration noise standards which apply to current-generation subsonic commercial airplanes.

The purpose of that measure, which I introduced along with Senator PROXMIRE and Senator CASE, was primarily to protect the healthy, safety, and comfort of the people living in the vicinity of airports which—in the near or more distant future—would be used by SST's.

Much of the debate revolved around the noise issue, and I continue to believe that this Congress has a responsibility to protect citizens from excessive noise levels, and that that responsibility is not lessened by the fact that a regulatory agency may be proceeding on a different course toward a different conclusion. I refer here to the FAA's consideration of applications by foreign SST's to utilize two U.S. airports despite the fact that these planes generate ear-splitting noise and low-frequency vibrations sufficient to rattle windows and dishes in nearby dwellings.

Another issue in the debate was the inequity of a double standard which required U.S. planes to comply with noise regulations while permitting an exception for the foreign-made SST.

Several other disadvantages of SST use of American airports were cited, notably the aircraft's inefficient uses of fuel compared to other planes and the high cost of SST travel.

Today, I would like to call the attention of the Senate to an article which appeared in the Washington Post on September 15 regarding yet another aspect of the SST problem: the traffic control problem. The article, based on internal FAA document, indicates that the proposed Concorde landings at Dulles and John F. Kennedy International Airports may well require adjustment in air taffic control procedures some of which could cause delay of other flights.

This position is in contradiction to the draft environmental impact statement prepared by the FAA in March 1975. On page 52 of that statement, the following paragraph occurs.

The Concorde does not require any unique air traffic procedures in which to operate in the approach, cruise or departure phases of flight or in ground maneuvering. The air traffic control procedures currently applied to susbsonic aircraft are generally applicable to the Concorde.

Mr. President, I ask unanimous consent that the Washington Post article by Douglas Feaver be printed in the RECORD.

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

[From the Washington Post, Sept. 15, 1975]

CONCORDE TRAFFIC PROBLEM SEEN

(By Douglas B. Feaver)

The Federal Aviation Administration's claim that the Concorde supersonic jet transport would not require "unique" air traffic control procedures *if introduced* in the United States "is not completely accurate," according to an internal FAA document.

The document, obtained by the nonprofit Environmental Defense Fund, cites five specific situations that could require at least an adjustment in air traffic control procedures, some of which could create delays for other flights. An FAA official said yesterday he was confident the Concorde could fly "within the system."

The Concorde, a joint Anglo-French venture, will be flying regularly scheduled service to Dulles International Airport here and JFK Airport in New York in early 1976 if current FAA recommendation stands.

That recommendation was contained in a draft environmental impact statement. The FAA has been holding public hearings and taking written testimony on that draft, and is expected to issue a final recommendation and impact statement within the next few weeks. Six Concorde fligts a day—four into New York and two here—would begin early next year.

According to the draft statement, "The Concorde does not require any unique air traffic procedures in which to operate in the approach, cruise, or departure phases of flight or in ground maneuvering . . ."

But a memorandum signed by Walter D. Kies, the chief of the planning staff for the FAA's eastern region says: "The statement made [in] the subject draft . . . is not completely accurate."

The memo was, in part, a report on a meeting with British Airways officials at FAA headquarters to discuss operating characteristics of the Concorde, which would cut Transatlantic travel time from about 7 hours to about 3½ hours.

The most important point appears to concern the amount of fuel reserve the Concorde will have. "Special procedures must be set up if delays of 30 minutes or more are expected at destination airport," the memo said.

The memo also said operation of the Concorde would require that broad bands of airspace be assigned exclusively to the plane as it climbed or descended, and that a band of altitudes from 43,000 to 48,000 feet would have to be reserved for it while cruising. Top speed would be about 1,400 miles per hour.

Further, the memo questioned whether the Concorde could fly a holding pattern in existing airspace reserved for that purpose and suggested that changes in takeoff and departure sequence with other aircraft might be necessary because of Concorde's higher speeds.

William M. Flener, the FAA's associate administrator for air traffic and air facilities, confirmed the authenticity of the memorandum yesterday, but said, "As far as I'm concerned, the aircraft is going to fit in with other traffic."

Concerning the fuel question Flener said, "If he gets into a critical fuel situation, he gets priority—but so does anybody else. If it happens time after time, however, then we would have to re-examine it."

He stressed that a final decision to permit the Concorde to land in the United States has not been made.

Most of the attacks against the Concorde have been mounted for environmental reasons. At public hearings here and elsewhere, persons have primarily complained about the superjet's noise, and of possible damage to the stratosphere because of the high altitudes it flies.

The Federal Energy Administration has said that the Concorde will not be fuel efficient, because it will use as much petroleum to carry 120 people across the Atlantic as a slowed Boeing 747 would use to carry 340.

THE PROPOSED FEDERAL ENERGY CORPORATION

Mr. HARRY F. BYRD, JR. Mr. President, President Ford announced today that he is recommending the establishment of a $100 billion Federal Energy Corporation.

In the plan, the Federal Government would borrow money, and then loan it to private business.

Before making a firm decision on the President's proposal, I will want to study it carefully.

But I fear that it may be a device similar to those that helped get New York State into such grave financial difficulties.

In this connection, William M. Ringle, chief Washington correspondent for the Gannett News Service, developed a highly informative article on the creation of public authorities in New York by then Gov. NELSON A. ROCKEFELLER, now Vice President of the United States.

Mr. Ringle has an intimate association with the subject, as he covered the Rockefeller administration from Albany for many years.

I ask unanimous consent to have printed in the RECORD, an article by William Ringle published in the Washington Star, captioned "How Rockefeller's Midas-Touch Trick Went Sour."

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

HOW ROCKEFELLER'S MIDAS-TOUCH TRICK WENT SOUR

(By William Ringle)

In Nelson A. Rockefeller's baggage when he came to Washington was a formula for his equivalent of the philosopher's stone and the universal solvent rolled into one.

Like the philosopher's stone, this wonder-working device seemed to turn baser substances (in Rockefeller's case, paper bonds) into gold, or at least money.

Like the universal solvent, it seemed to dissolve obstacles—especially public debt, the need for more taxes, troublesome legislators, recalcitrant voters, reluctant union bosses and political liabilities.

This magic device was called the public authority.

Almost any time Rockefeller had a major money problem in New York of how to provide university or mental hospital buildings, housing for those of low and middle incomes, or commuter railroad cars—he created a public authority.

Last spring, the public authority turned out to have still another, political advantage: If it goes belly up, it does so after the creator is long gone and it gives big trouble to his opposition.

In April one of Rockefeller's pet authorities, the Urban Development Corporation, became the first major public agency in New York State ever to declare itself unable to

meet its debts. "The Impossible Happens: UDC Goes Broke," said a *New York Times* headline. By that time Rockefeller was comfortably ensconced far away in Washington. His Democratic successor, Gov. Hugh Carey, who by then had scarcely had time to learn the way to his office, was forced to pick up the pieces.

Republicans in New York have yet another bonus in prospect. The UDC was bailed out, to the tune of a half billion dollars, but only temporarily (until Nov. 1, 1976): The odds are that Carey next year again will be forced into the time-consuming, distracting and embarrassing business of cleaning up another UDC mess.

In addition, New York State's Housing Finance Agency, still another Rockefeller public authority (it is the agency that markets bonds for public authorities) which needs to borrow $100 million a month just to tread water, served notice on the state just last week that it has no reliable source of funds in sight.

Yet, with the smoke from UDC still on the horizon and the HFA troubles looming, Vice President Rockefeller—whose sense of timing in the past has been less than exquisite—has been pushing for the same general kind of answer to the nation's energy problems: a public authority that would float bonds and raise up to $100 billion.

Rockefeller's idea was to create a "new government corporation" that would:

Guarantee loans for private industry, or

Raise money by selling its own government-guaranteed bonds and then make direct loans in industry.

"Theoretically," explained *The Wall Street Journal*, which first revealed the scheme, "Washington would be able to steer great quantities of private money into vital areas without tying up great quantities of public money."

Because this is almost exactly the language Rockefeller used in promoting his authorities in New York State, it may be worthwhile to look at how and why these developed and what has happened to them.

The public authority—sometimes called the "public benefit corporation"—in its pristine form is simply a means of letting the users of public projects pay for them.

For example, an authority might be set up to build and operate an expressway or a bridge. To raise the money, it would sell bonds. Over the years, to pay off the bonds with interest, and to pay for operating the road or bridge, it would charge tolls. The project successfully financed by an authority would literally pay for itself—be "self liquidating," in the government lingo.

The authority classically is used to do a job that has an extra dimension or is not in the state's usual line of work. For example, an authority might operate power plants to generate and sell electricity in partnership with a foreign government. Or it might provide a facility that transcends ordinary political boundaries (such as building and operating a sports stadium to serve two counties, or a farmer's market serving a vast region of many cities and counties; or a seaport or airport serving a wide region).

The members of an authority, often three to six in number, operate as a kind of free-wheeling board of directors. They combine the flexibility and independence of a private business with the power of government.

In any narrative of Rockefeller's enchantment with public authorities, two men loom large. One is his former all-purpose brain truster, William J. Ronan. The other is John N. Mitchell, once one of the nation's leading municipal bond lawyers who was later to become President Nixon's attorney general.

In the early 1950s, Ronan, then dean of the New York University Graduate School of Public Administration and Social Science, directed a state commission's pioneering study of public authorities. It is still somewhat of a collector's item among students of government. In 720 pages it described the uses and abuses of public authorities.

They operate—in secret, if they wish—outside the conventional controls by elected officials.

And they can, by selling bonds, run up debt without the approval of the voters or the legislature. This is perhaps the most important aspect of the authority because many state governments are forbidden by their constitutions to go into debt (that is, to borrow by selling bonds or notes) without obtaining the voters' aproval The public authority is a way around that obstacle

(A few may recall that Rockefeller became governor in 1958 after taking the hide off his predecessor for running up an $879 million debt, all approved by the voters. Fifteen years later, when Rockefeller left office, the state debt was listed as $11 billion, with only $3 billion of it approved by the voters. The The rest had been run up by public authorities.)

Ronan's study also noted that the debt acquired by authorities is not subject to those early-warning systems, state or municipal debt ceilings. A public authority's debt is its own obligation and is not lumped in with total state debt. ". . . Many public authorities in New York have been created to avoid debt limits," said the Ronan-directed study.

Despite the authorities' freedom from state restrictions, Ronan's study conjectured that if an authority could not meet the payments of its bonds and went broke, the state's taxpayers would have a tacit obligation to pay its debts. This, he said in 1956, could be a "moral obligation." (Prophetic words: That is exactly that happened after the UDC declared insolvency in April.)

Rockefeller laid the foundation for public authority financing in 1960 with the Housing Finance Agency. By then, Ronan, the old maestro of the public authority, was Rockefeller's administrative alter ego. And Mitchell generally gets credit for drafting the HFA legislation, of which more will be said later.

Gradually, authorities proliferated. In 1962, confronted with the need for hundreds of millions, perhaps billions, to enlarge the state university, Rockefeller created the State University Construction Fund.

Then, there was the Mental Hygiene Facilities Improvement Fund to erect buildings at mental hospitals (in those days a big part of every state's budget). Both sold their bonds through the HFA.

The UDC came along in 1968, after voters had defeated two low-income housing bond issues. By then even the legislature was balky. An angry Rockefeller—who had hoped to get the "revolutionary" legislation enacted to counter black hostility after the assassination of Martin Luther King Jr.—threatened to withhold patronage and veto bills the legislative rebels were interested in. The UDC bill passed.

Rockefeller's authorities had a twist. The projects they financed did not exactly pay for themselves—they were not "self-liquidating," although he continues to insist they were.

What Rockefeller did was to spin off some conventional state responsibilities, such as the construction of college buildings or mental hospitals, and give the job to a public authority.

Since these kinds of structures did not themselves generate any new revenues, as a new toll road or a bridge would, he then earmarked students' fees and mental hygiene patients' fees to pay off the bonds.

Because such fees previously had been going into the state's general funds, this meant the slack would have to be taken up by tax revenues. So, the bonds indirectly were being repaid by the taxpayers, even though the debt technically had been shifted from the state's books to the authorities.'

Besides the bookkeeping sleight of hand, the authority device provided a number of advantages.

One, whether he intended it or not, was political. Rockefeller was then running for president and trumpeting "pay as you go." The authority gimmick enabled him to go around the nation and claim that he was doubling the size of the state university or adding $300 million in mental hospital space without adding to the state's debt and without raising taxes. This claim, a legal truth but a practical misrepresentation, made Rockefeller seem like some kind of administrative miracle worker, an aura that he retains in some quarters today.

Another was that authorities enabled Rockefeller to avoid the cumbersome, time-consuming process of government—the approval by legislators, whom Rockefeller does not hold in high esteem at any level, and the voters, who were demonstrably against more public housing and might have resisted the badly needed state university expansion. The authorities enabled Rockefeller to exercise his considerable "papa-knows-best" instincts.

Finally, the authorities had the benefit of postponing, if only for a while, the need to raise taxes.

It was not long after Rockefeller's first venture into public authorities that his tactics began to draw fire.

As early as 1963, two corporations that rated state bonds—Dun & Bradstreet and Moody's Bond Survey—were warning of the consequences. ". . . The state, in a shower of politically oriented slogans, is resorting to borrowing through special agencies and is increasingly earmarking revenues for this new debt," said D&B. "A continuation of these policies could eventually affect the state's credit standing . . ."

After several years, D&B and Moody's, followed by Standard & Poor's, lowered New York's triple-A credit rating a notch.

Instead of acting to curb Rockefeller, the pliant legislature turned on the bond-rating companies with threats to outlaw them.

The dour state comptroller, Arthur Levitt, repeatedly lambasted Rockefeller's "backdoor financing" "fiscal legerdemain" and "phantom debt."

Robert Morgenthau, the Kennedy-picked Democrat who ran against Rockefeller in 1962, articulated the case against the authorities. But he proved such an insipid campaigner that no one listened. Besides, his criticism, like Levitt's, was discounted as coming from a Democrat.

The fledgling Conservative party, made up largely of apostate Republicans, also had the authority issue pinned down in 1962, but its strident across-the-board objections to any government spending all but drowned it out.

Mitchell played a major role in making the authority bonds more palatable to bond buyers. Since the bonds were issued by public authorities alone—mainly the UDC or HFA—they did not have the "full faith and credit" of the state behind them.

Obaining that would require the approval of the voters, which Rockefeller, after his setbacks, was reluctant to seek.

Mitchell is given credit for language in the HFA law acknowledging the "moral obligation" of the state to make good on bonds should an authority collapse. Other states adopted the same language.

Theoretically, this would reduce the risk so that buyers would accept them at a lower interest rate. However, since the collapse of UDC and New York City's latest insolvency, that hope is somewhat beside the point. New York's "moral obligation" is indeed being called upon—to the tune of $285 million of the taxpayers' money for UDC bonds, to date.

The other money to meet UDC's debts was

borrowed last spring from such places as a state fund that pays claims when there's no insurance after an accident, from the state employes' retirement system and from a consortium of savings banks. Thus, it is possible that the taxpayer will have to reimburse them and may end up paying the entire half billion. Yet the UDC was to have been a device, like Rockefeller's proposal for a federal energy agency, to avoid "tying up great quantities of public money."

How did New York State get in such a pickle?

One reason was that the legislature was not only tractable, but found the hazards of authority borrowing, although simple in concept, beyond its narrow attention span.

Many other contributed to the mess. They include: A subservient State Budget Division; a trusting and adulatory press (with the exception of the *New York Times*, which spoke out early and often against the backdoor borrowing); a neutralized band of liberals who didn't question the means so long as they approved of the ends; and trade unionists who savored the good jobs that the subsequent construction generated.

Rockefeller's new federal proposal—for an Energy Resources Financing Corporation—seems to be getting more scrutiny than he was accustomed to in Albany.

Alan Greenspan, chairman of the Council of Economic Advisers, blasted draft proposals because of the "virtually unconstrained" scope of the corporation's operations. The corporation itself could get into almost any aspect of the energy business, or could bankroll others.

The corporation coud avoid dealing with those persnickety bond buyers who were such a nuisance in Albany. The draft legislation would permit it to sell bonds to trusts and fiduciaries that are under federal control.

That means that money going into the Social Security "trust fund" or other retirement money could be "invested" in ERFCO. And if ERFCO performed in the manner of UDC or HFA, pension money would be lost and the United States would have to step in and make up the difference.

With his new corporation, Rockefeller wouldn't have to resort to John Mitchell-inspired suggestions of "moral obligation" in order to make the bonds attractive. The bills say they'd be backed by the "'full faith and credit" of the United States.

HOW THE OIL COMPANIES HELP THE ARABS TO KEEP PRICES HIGH

Mr. CHURCH. Mr. President, an excellent article by Anthony Sampson appeared in New York magazine, September 22, 1975. Mr. Sampson concludes that the oil companies are willing tools of OPEC in OPEC's effort to continuously raise oil prices. As Mr. Sampson succinctly states:

There is one obvious answer to the question of how to break up OPEC. It is to break up the giant oil companies. . . .

I recommend this article to my colleagues and to the members of their staffs who are responsible for oil policy, and ask unanimous consent that it be printed in the RECORD.

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

HOW THE OIL COMPANIES HELP THE ARABS TO KEEP PRICES HIGH

(By Anthony Sampson)

On September 24 in Vienna, the members of the Organization of Petroleum Exporting Countries will meet once again to settle the world price of oil, while the consuming countries will watch helplessly, waiting to see what they must pay for the fuel which is their lifeblood.

It is two years since the crisis first began, a time in which the price of crude oil first doubled, and then doubled again, and which revealed to the world the existence of an effective international cartel of producing countries. Since then there have been a succession of twists and turns of policy and attitude in the Western capitals: first outright disbelief at the existence of the cartel; then patient expectation that it could never survive; then (at least from Washington) a determination to confront it with a solid front of consumers; then total disarray among the Western nations, each with a different attitude toward oil and the Arabs; then a gradual acceptance, at least in the United States and Britain, of the idea that the price of oil might remain where OPEC had fixed it.

At the same time the consuming governments have tried to apply themselves, with equal lack of success, to the problem of the international oil companies, the "Seven Sisters," to whom they had given so much responsibility for maintaining the supplies of cheap oil over the last four decades. First the politicians, goaded by the consumers, were simply outraged by the fact that the companies had lost, overnight, all their bargaining power and leverage to keep prices down, and were powerless to ensure crude supplies. Then they were still further enraged by the vast increases in the company profits, and determined to cut them back and control them. Then they were confused by the need to develop their own national oil resources, which were largely in the hands of the same Seven Sisters. Then they were slowly resigned to the notion that there was no practical alternative to leaving their oil in those hands.

The companies, in the meantime, have emerged, much more clearly, as the most powerful corporations in the history of the world. In Fortune's annual list of the biggest companies, the ten biggest American industrial corporations include five of the Seven Sisters, led by Exxon, which has now overtaken General Motors as the biggest company (by sales) in the world. The six others are: Royal Dutch-Shell, Texaco, Mobil, British Petroleum, Standard Oil of California, and Gulf.

And the sinister side of this financial power has emerged in a succession of spectacular revelations about the extent of oil bribes. Oil companies have a unique reputation for large-scale bribery ever since the turn of the century, when John D. Archbold, who succeeded the first John D. Rockefeller as the head of Standard Oil, set up a network of bribes of senators and congresmen to ensure his company's monopoly. Some evidence of the continuing underground rivers of oil money emerged in the Watergate hearings, when Gulf Oil confessed to having secretly paid $100,000 to Nixon's election fund through cash raised in its Bahamas subsidiary. But the full dimensions did not emerge until Senator Frank Church's investigations this year. They revealed, among other instances, that Gulf had paid $4 million from 1966 to the ruling party of South Korea, and still more sensationally that Exxon had made secret political payments totaling $51 million over eight years in Italy alone.

What is disturbing about these huge payments is not only their capacity to corrupt and subvert foreign governments, but the evidence they provide that giant corporations, supposedly responsible to shareholders and controlled by auditors and rigorous internal accounting, are able to conceal such large sums and direct them secretly for their own purposes. They powerfully suggest that the oil companies, in both the technical and the general sense, are unaccountable.

But a more serious and enduring doubt about the great companies concerns their relationship with the OPEC cartel. Are they genuinely concerned to break up the control by this group of sovereign states, and to bring down the world price? Or are they in fact helping to underpin the oil producers' cartel? On these questions I have tried to assemble the evidence that has emerged in the last two years, and have talked with the leading participants within OPEC and the companies. The story that emerges is an extraordinary one which, I believe, raises great doubts about the role and loyalties of the oil companies.

In looking back at the first crisis of two years ago, it is necessary to bear in mind two crucial factors. First, that OPEC had been essentially the creation of the Seven Sisters. Not at all in the sense that they wanted it, but in the sense that OPEC was from the moment of its foundation in 1960 conceived (as one delegate put it) as "a cartel to confront the cartel." Without the past history of connivance of the companies, OPEC would never have happened. Nor could it ever have solidified without a single extraordinary blunder in the board room of Exxon.

In July, 1960, the Exxon directors agreed—against the advice of their Middle East expert, Harold Page—unilaterally to reduce the "posted price" for Middle East oil, a decision which was swiftly followed by the other six sisters. Thus, all their revenues from oil taxes, which were based on this "posted" price, drastically reduced overnight by the actions of a group of private companies. It was a certain recipe for Arab unity, as many experts had warned; and it worked. The key producers clubbed together to form OPEC, and even the shah swallowed his resentment of Arab radicals in his anger at not being consulted by the companies, and joined the new club.

Secondly, in spite of this crass mishandling of the oil producers, and many other errors that followed, the oil companies were permitted by the Western governments, and particularly by Washington, to maintain effective control over international oil policy over the next thirteen years, so that when the crisis eventually came, both governments and the public were totally unprepared for it. To be fair, a few oilmen, notably in Shell and Mobil, had issued warnings to governments, and governments were at least as much to blame as the companies. But most of the company men were arrogant enough to suppose that they could handle the situation on their own.

Thus, in the critical October of 1973, the confrontation with OPEC was once again left in the hands of the Seven Sisters (now joined by a few independents), in spite of the fact that only two days before, the Middle East war had broken out, which transformed the whole political equation. The negotiation about the oil price, not surprisingly, quickly broke down; but the actual nature of the breakdown, only very briefly recorded at the time, is important to reconstruct, for it marked the historic turning point when the West suddenly lost its once-absolute ability to settle the price of oil.

By the night of October 11, with the war raging across the Suez Canal, the oil-company delegates had failed to reach any agreement with the Arabs about the new price of oil. The oilmen were already well aware, through price warnings from Saudi Arabia, of the likelihood that the Arabs would enforce an embargo of oil to the United States (as they did nine daye later). At midnight George Piercy, the director of Exxon responsible for the Middle East, paid a call on Sheik Zaki Yamani, the Saudi Arabian oil minister, in his suite at the top of the Intercontinental Hotel in Vienna. Piercy, a rugged engineer with bushy eyebrows who had worked his way up in the oil business through the "Texas pipeline," was a technician, not a diplomat, and he had decided, advised by his colleagues,

that he could negotiate no further. He told Yamani that the company delegates must adjourn for two weeks, to consult with their home governments. Yamani was very anxious that they should fix the price quickly, for he dreaded (at least by his own account) oil's becoming further mixed with politics. He tried to delay, hoping that the oilmen might negotiate further. He ordered a Coke for Piercy, slowly squeezed a lime into it, waiting silently for a new move. He rang up Bagdad, talked agitatedly in Arabic, and then told the oilmen, "They're mad at you." He rang up the Kuwaiti delegate, who arrived in his pajamas, for further worried discussion. Then Yamani began looking up airline timetables, still hoping that the oilmen might relent. But Piercy could not make any further concession. The next day the meeting broke up, and when the company men asked what would happen next, they were told, "Listen to the radio." Four days later the radio brought the news that shook the whole world: OPEC members, meeting again in Kuwait in all the fervent excitement of the October war, decided unilaterally to push up the price of oil to $5 a barrel. Having found they could dispense with negotiation, they did it again. Two months later they again doubled the price.

That night in Vienna marked the end of the historic justification for the oil companies' involvement in commercial diplomacy—that they served as a "buffer" to avoid direct confrontations between nations. For at that moment the companies had not only been unable to mediate, they had failed to assess the political dangers of the crisis. It is quite possible that the companies could have reached an agreement with the OPEC members in Vienna. Certainly Sheik Yamani and Dr. Amouzegar, the Iranian oil minister, insist that they wanted to, and two oil-company delegates told me that they have worried ever since about what might have been averted if they had reached an agreement: OPEC might never have unilaterally taken its initiative on price, or doubled the price again. Whatever the might-have-beens, it is an extraordinary historical fact that this critical encounter, which affected the economies of every industrial nation, should have been left in the hands of technicians from private companies.

Thus the OPEC cartel was suddenly established, to the astonishment of consumers and the incredulity of many experts: the old cartel of the seven companies and abruptly replaced by a cartel of thirteen nations.

The immediate world shortage of oil was soon over, as the world recession, itself partly caused by the oil prices, cut down consumption everywhere. The economists and advisers waited expectantly for the strains on OPEC to show themselves, as each country would compete to keep up production, and thus push down prices. But nothing happened. Consumption went down and down: tankers were laid up, storage tanks were overflowing, cargo rates dropped lower and lower. There were even hopeful signs of disunity among the chief members of OPEC. The shah of Iran talked with increasing rancor about Yamani, while the Saudis became increasingly worried by the shah's imperial ambitions. Yet still OPEC held together, and the basic price—with small local variations—held up. What on earth had gone wrong?

An important part of the answer lay in Saudi Arabia, for the Saudis, by far the biggest producers, were the key to the cartel. Like the Texans in the 1930's, when the glut of oil from east Texas threatened to undermine the companies' cartel, the Saudis realized that they must bear the chief burden of regulating production. Sheik Yamani had studied very carefully the history of the Texas Railroad Commission, which regulates production of Texas fields. And the Saudis had one huge advantage over the Texans as guardians of the cartel—they did not particularly need the money from extra production. As Yamani explained to me, talking in Riyadh last February: "Usually any cartel will break up, because the stronger members will not hold up the market to protect the weaker members. But with OPEC, the strong members do not have an interest to lower the price and sell more." The Saudis, as Yamani was able to show in the following months, were quite prepared to cut back their production to make sure that the price did not come down: in the first six months of 1975, they produced an average of only 6.6 million barrels a day, compared with 8.1 million the year before. Other big producers—Kuwait, Iran, and Libya—followed suit: in Libya, production in the same periods went down from 1.9 million to 1.2 million barrels.

But why were the old political forces of disunity between nations not splitting up the cartel, as they had split up so many attempts at cartels in the past? Why were Iran and Saudi Arabia not constantly competing for production, as they had done through the sixties, using every maneuver to produce an extra barrel? It was not that none of them needed the extra money, for even at the quadrupled price the shah was soon expecting to go back into debt. No, the real key to the continuing cartel was not the self-restraint of the producers; it was the fact that the oil companies, the familiar Seven Sisters, were in effect conducting their rationing system for them.

It was the companies, with their global system of allocation and their control of world-wide markets, that were making sure that there would be no glut, that were holding the balance between the rival producers. The shah and his oil minister, Dr. Amouzegar, both explained to me that they had to be grateful for the companies' role in running the cartel. "With the Sisters controlling everything," said the shah, "once they accepted, everything went smoothly." "Why try to break them up," said Amouzegar, "when they can do the work for us?" Without the existence of the giant companies, the producers' own companies, like the National Iranian Oil Company in Tehran or Petromin in Riyadh, would be constantly at one another's throats to break into one another's markets. But with the help of the big Sisters, with their intricate mechanism for balancing supplies, they could avoid any such direct friction or undercutting.

The fact that the giant companies were fully "integrated," with their own tankers, refineries, and retail gasoline pumps throughout the world, made the maintenance of the OPEC cartel system infinitely easier. It was the kind of situation that the producers of other commodities, seeking to form their own cartels, might dream of. In the words of *The Economist*, the authoritative British magazine (and no enemy of the oil companies): "Many poor primary producers would give their eye-teeth if big foreign capitalists would kindly arrange a semimonopolistic distribution network for their products in the West, down to tied filling stations."

What had happened, it emerged as the evidence slowly unfolded, was not that OPEC had usurped the old cartel of the oil companies, but that they had simply joined themselves to it, and had maneuvered the companies into the position of being their allies and instruments, with no interest in breaking the OPEC cartel. In the words of Senator Church's report, at the end of the most comprehensive set of hearings on the oil crisis, "The primary concern of the established major oil companies is to maintain their world market shares and their favored position of receiving oil form OPEC nations at costs slightly lower than other companies'. To maintain this favored status, the international companies help proration the product on cutbacks among OPEC members." Thus the puzzle of why the OPEC cartel did not break was not really so mysterious: it was being underpinned by seven of the biggest corporations in the Western world, who had no commercial interest in destroying it.

In fact this had all been part of the grand design of OPEC, and particularly of its most intelligent delegate, Zaki Yamani. Back in 1968, in the aftermath of the earlier Middle East war, when Arab fortunes seemed at their lowest, Yamani had conceived of his plan for "participation," by which the Arab government would acquire shares in the oil companies' concessions. The object was not only to increase the producers' revenues and give them a stake in their own resources; it was also, as Yamani explained to correspondents in March, 1969, to create a bond between the producing governments and the oil companies which "would be indissoluble, like a Catholic marriage."

Yamani knew that outright nationalization of concessions was a dangerous policy. It might cut off the producing country from a whole network of world markets, as it cut off Mossadegh in Iran in 1951. Instead, participation would guarantee the cooperation of the companies, which would be lured into the agreements by the promise of cheaper oil than their lesser competitors'. Yamani's policy, after some resistance from the companies, was triumphantly successful. The seven companies, and some others, had all been persuaded to enter into marriages by 1973. And though some producers, like Algeria, preferred outright nationalization, they took care to give preferential treatment to favored companies, thus ensuring their support. In the immediate wake of the 1973 war there were new demands for total nationalization, but producers took care that the marriages would not be damaged to the point of divorce.

Most clearly was this seen in the case of Aramco, the vast consortium of four American Sisters—Exxon, Texaco, Socal, and Mobil—which dominated the oil industry of Saudi Arabia. Yamani had many angry clashes with the Aramco directors, both before and after the 1973 war, but he took pains to ensure that the consortium still kept a huge financial incentive—preferential prices and guaranteed access—to maintain the marriage, rather than let other companies into the harem. And Yamani had his reward for the strategy. When he insisted that Aramco should be the instrument of the embargo of the United States in October, 1973, the Aramco partners had no alternative but to obey, rather than risk losing their precious concession.

It was the embargo, in fact, that revealed in highly dramatized form that the oil companies had already changed sides, and that they were more vulnerable to pressures from the producers than from the consumers. The embargo could never have been effective if there had not been comparatively few companies operating in the key producing countries in the Persian Gulf. The oil-company men took pride in the fact that they allocated the reduced oil supplies fairly, and managed to divert non-Arab oil to the United States and Holland, the two most important economies among the embargoed nations. But it was clear that the existence of a handful of compliant giant companies was itself a boon to the embargo.

The embargo was really a forewarning, in the heat of battle, of the situation which was to emerge in the following two years. To put it bluntly, in the language of the business, the major oil companies were found in bed with the producers. It was like the old song about the Sheik of Araby: "At night when you're asleep/Into your tent I'll creep."

It was an ironic, even preposterous, outcome to the long history of the Seven Sisters. They had been encouraged, sometimes even pushed, by the governments in Washington and London to go abroad to find

cheap oil for Western consumers. Later they had been given huge tax benefits, and special protection from antitrust laws, on the ground that their presence in the Middle East was crucial to Western defense and the future of the free world. Yet now, after the real crisis broke in 1973, they were found to have suffered the fate of so many dubious adventurers in the past: they had gone native, and were discovered *in flagrante delicto*. When the Saudis insisted that the Aramco partners must cut off all oil from the United States Navy's Sixth Fleet, on station in the Mediterranean, they meekly submitted, in the height of the emergency. (Aramco directors later insisted to me that there were secret arrangements for supplying the Sixth Fleet without interruption. But the crisis was sufficiently serious for a director of BP, the oil company half-owned by the British government, to receive a high-level request from the Pentagon to guarantee the American supplies—a curious reflection on the role of American-domiciled oil companies in matters of "national security.")

The uncertainty about the true loyalties of the oil companies has continued ever since, particularly in the case of Aramco. This uncertainty was poignantly revealed in early 1975, for instance, when the Pentagon and Henry Kissinger were beginning to hint that they might have to invade oil fields in the Persian Gulf. Soon afterward the Vinnell Corporation in California was hired by the Saudi Arabian government to assist in the training of Saudi Arabian armed forces, including the protection of oil fields. I happened to be visting the Aramco compound in Saudi Arabia just after this event, and I was talking to a young Saudi engineer who expressed some bewilderment about Vinnell's role: "Are they supposed to be defending the oil fields *from* the Americans, or *for* the Americans?"

In fact, Aramco was in a position similar to that of the Vinnell mercenaries; if there were to be an invasion, they would have to be on the side of the Saudis, or lose their concession. The fact that Sheik Yamani has since moved to acquire 100 per cent participation in Aramco does not break up the basic interdependence, for Yamani has sensibly ensured that Aramco still receives oil at preferential prices, and special opportunities in other fields, to ensure its continuing loyalty.

We are thus faced with a remarkable new phenomenon in the character of Aramco and of the other Sisters—BP and Gulf in Kuwait, for instance—and all seven in the Iranian Consortium. Here are the biggest corporations in the world, owned by American or European shareholders, and theoretically dedicated (at least in the reasoning of past support from the State Department) to safeguard cheap oil and democracy, which have now emerged with their principal loyalties directed toward foreign powers whose interests might become diametrically opposed to their "home" governments, and which are now committed to a cartel to maintain expensive oil.

The phenomenon is not altogether new, of course. It is inherent in the situation of any company operating abroad, unless on a semimilitary basis, that it must establish some kind of sound relationship with its host government, which will set up conflicts with its home loyalties. That was the dilemma behind the wartime scandals in 1940, when oil companies and others, including ITT, were found to have formed close links with Hitler's Germany. Such conflicts were visible in the first of the great multinationals, the East India Company in the eighteenth century. But the phenomenon of the giant oil companies is different not only in degree, but in kind, for through "participation" they have now been trapped into a much more fundamental dependence on which much of their profit depends. Whatever the ambiguities of East India Company policy, it was unthinkable that the company should actually support, say, the Indian Mutiny.

In the context of this dependence, it is now much easier to see why the OPEC cartel has continued unbroken for two years. It is not simply that the oil companies dread, as much as OPEC does, the chaos of a disorderly market caused by sudden gluts and price wars. It is also that they dare not offend the OPEC members, lest they lose their preferential position. Hence the most interesting fact about the oil companies' attitude toward OPEC: after all their noise protests when it was first formed in the early sixties, they now say nothing at all. As one Shell director put it to me: "That is our greatest difficulty—we have to be silent."

There is nothing consciously conspiratorial about the company's support for OPEC. The oil executives can, and do, insist honestly that they are constantly operating according to the market, trying to take oil where it is cheapest and refusing it where it is too expensive, as they have done in Abu Dhabi and Libya. Like Rockefeller's executives a hundred years ago, they can boast that they are operating the most economical and efficient system imaginable. But they are operating within a monopoly, and they will do nothing, beyond exploiting the local differentials, to offend or break that basic cartel. Of course there are plenty of smaller adventurous companies which would be glad to buy and sell cut-price oil wherever they could find it, but the OPEC countries can easily enough keep them under control, provided they are not threatened by the global networks of the Seven Sisters.

So what is the basic solution to breaking the cartel? The Western governments appear, at least for the time being, to have come to terms with the extraordinary situation. Last November Henry Kissinger was warning that the political implications of OPEC were "ominous and unpredictable." By February his energy expert, Thomas Enders, was openly explaining that his role was to break up OPEC. But since then, the statements have been much more muted. The confrontation with OPEC has taken second place to the Middle East settlement, and the arguments against a high oil price have been thoroughly confused by the realization that greater self-sufficiently in the West can be achieved only through a higher oil price there, too. This objective, reflected in President Ford's decontrol policy, can lead only to a further strengthening of the power of the oil companies, which are constantly protesting that they must be allowed huge profits in order to make huge explorations for oil. Their promises are thoroughly suspect. Mobil, with part of its huge profits, succeeded in buying the Montgomery Ward chain of stores. Gulf tried to buy the Ringling Brothers circus—hardly an essential part of anyone's energy policy. But however unconvincing their justification, the oil companies will inevitably strengthen their profits and their power if the higher oil price is accepted.

But there is, I believe, one obvious answer to the question of how to break up OPEC. It is to break up the giant oil companies. For it is clear that without the companies, the solidarity of OPEC would be seriously weakened.

The Seven Sisters have existed for so long—Exxon for a century, Shell for 80 years—that they have become regarded as facts of life, like nations or mountains. The need for giant integrated companies has been held to be essential to security of supply; so the Exxon oil can be pumped into Exxon tankers to be carried through Exxon refineries to Exxon filling stations. But in fact there has been nothing inevitable or irreversible about these oil empires. They have been the result, more than anything, of deliberate governmental decisions in past years which have guaranteed tax relief and diplomatic support overseas, as part of a deliberate foreign policy which is now totally outdated. The integrated companies developed increasingly into tax-dodging devices: the tax concessions led to absurd distortions in the accounting of the companies, which arranged to make most of their profits out of foreign production, where they paid minimal taxes, and came to regard their distribution and filling stations simply as "outlets" for the flood of cheap oil.

But now the whole logic of the integrated company has been turned upside down. The vast machinery for extracting cheap oil and selling it through global networks has been used for the opposite purpose: to ensure that expensive oil will always find markets and will not be undercut by sudden gluts of cheap crude. The integrated companies have become like a heavy blunder-buss, seized and turned round by the opposite side.

There is now no advantage to Western consumers and governments in having these unwieldy giants in control of their oil supplies. If they were broken up into smaller components, and if they were forced to withdraw from their participation with foreign governments, there would be a much greater possibility of OPEC's disintegrating. The producing countries would no longer be sure of selling their oil through long-term contracts, and would compete fiercely with each other. The oil companies, shorn of their concessions, would become more like other trading companies dealing with commodities, buying wherever the stuff was cheapest, with no permanent commitments.

Of course, oil companies will always need large sums of money for exploration and development. But these can be raised by medium-sized companies, and the record of the two biggest companies, Exxon and Shell, is singularly undistinguished in the field of exploration. Exxon got into Alaska only on the back of a smaller company, Atlantic Richfield, and it got into Saudi Arabia, the biggest jackpot of all, only because it controlled the markets which the first partners, Socal and Texaco, needed. There is little evidence that size, beyond a certain point, encourages daring, and many of the biggest risks have been taken by independents with far smaller resources than the giants.

The Western governments are fearful at the prospect of moving against the companies that they have helped to build up, partly because of their political clout, partly because, if the Seven Sisters pulled out of their participation agreements, they would lose their referential oil, and the bill for oil imports would be still higher. But only by dissolving those indissoluble marriages will there be any prospect of wresting the power from OPEC and enabling consuming countries to have a role in negotiating prices.

Recent revelations about bribery provide further ground for unease about the role of the companies. The justification of giant concentrations has been that they supply the resources for global development, and that they have taken over some of the responsibilities of world government. But the fact that one company, within a single country, can secretly pay $51 million to political parties raises fundamental doubts as to the trustworthiness of such giants, armed with such resources.

Any move to break up or control the oil giants will, of course, be portrayed by the oilmen as an "assault on free enterprise" (to use the title of a recent pamphlet by Exxon, replying to Senator Jackson). No picture could be more misleading. The oil giants have never been examples of free enterprise. They were born out of a near monopoly, developed into a cartel, and eventually coalesced with another cartel, this one of sovereign states. In the patterns of bribery, they show the full dangers of excessive concentration of unaccountable wealth,

operating not to encourage free enterprise but to frustrate it.

SOME HELP FOR MILDLY HANDICAPPED CHILDREN

Mr. STONE. Mr. President, since education has been organized into schools, parents, educators, yes, and politicians have been asking the questions:

What should these children be learning?

What skills do teachers need to teach them what they should be learning?

And what would be the most effective and efficient means of finding out these answers?

Six years ago a cooperatively funded Federal and State project began at the Florida State University. This research and development project was designed to answer the questions raised in terms of mildly handicapped exceptional children in public school special education classrooms. Now, 6 years and three quarters of a million dollars of support have dramatically demonstrated that the clinical teacher can produce 1 to 3 years of academic gains in mildly handicapped children in both basic reading and arithmetic skills within 1 school year.

This innovative teacher education approach was recently cited as an "exemplary manpower preparation program for the education of the handicapped" by the U.S. Office of Education. Supported by the Bureau of Education for the Handicapped as a special prototype project under provisions of Public Law 91–230, the clinical teacher model project at Florida State University was planned to try out an alternative noncategorical training approach. The aim was to avoid the traditional labeling practices of special education.

The program focused on desired pupil behaviors of academic and social skills required of children identified as mildly handicapped mentally retarded, learning disabilities, and emotionally disturbed, to succeed in regular public school classes. It designed generic teaching competencies for individualizing instruction necessary to produce these skills. These included observation, diagnosis, intervention, and evaluation, that enabled the clinical teacher to assess each exceptional child, prescribe, and manage a personalized instructional treatment for the child's successful achievement of reading and arithmetic skills.

Planning and design of the prototype curricula was conducted during 1967–71. Field testing, revisions, and evaluation of the training materials was conducted during 1971–74. In a year-long follow-up study, these clinical teachers using their individualized teaching competencies and the reading and arithmetic curricula materials developed by the project, produced from 1 to 3 years of academic gain in these handicapped children. When compared to other special education teachers serving a similar group of children, these results further substantiated the fact that the clinical teachers can greatly increase the amount and rate of academic achievement.

In addition to aiding handicapped children, this project offers reinforcement to Federal and State assistance in supporting research development for improving education. The Final Report of the project, containing the individualized instructional curricula and the documentation as to its effectiveness, is being distributed to State educational agencies and to over 500 colleges and universities in the Nation. The ultimate question of using this proven teacher education program as an alternative manpower preparation program remains a challenge for our society. Can innovative, effective alternative programs developed and proven at public expense be incorporated into existing educational practices? This question needs to be answered by us, as the legislators, disbursers, and supporters of developmental capital for the benefit of the public domain in improving human learning.

MEETING THE NEEDS OF THE WORLD'S POOR

Mr. McGEE. Mr. President, in 1968, Robert McNamara became head of the World Bank Group. From the beginning, he began a remarkable process of redirecting the World Bank's efforts in general, and the International Development Association in particular, to meeting the needs of the poorest 900 million people of the world.

As the American Banker on September 2, 1975: noted:

The orderly construction of precise grand strategy for bringing help to the helpless of the world is the major work of Robert S. McNamara of the World Bank Group.

To achieve this end, Bob McNamara has had to avoid politization of the World Bank Group in an effort to capitalize on the flow of much-needed resources to the operations of the Group and in turn, to the poor of the world themselves.

He is an eloquent proponent of bettering the lives of 900 million people of this planet—one-third of the global population who live on only $75 dollars per year.

Since Bob McNamara's contributions to redirecting development assistance and his perceptions as to how the lives of these people can be improved have been invaluable, I ask unanimous consent that both the editorial from the American Banker and his address to the Board of Governors of the World Bank Group on September 1 be printed in the RECORD.

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

[From American Banker, September 2, 1975]

OPERATING FRAMEWORK FOR HOPE

The orderly construction of precise grand strategy for bringing help to the helpless of the world is the major work of Robert S. McNamara as chairman of the World Bank Group. In his address this week to the annual meeting of the Board of Governors, he refines and advances that strategy, extending and adjusting the tactics which are being applied to the 700 million of the rural poor, to embrace the 200 million who live in absolute poverty in all the slums of all the cities.

This proposal, dramatic as it is in itself (the full text of Mr. McNamara's prepared address is reprinted in the adjacent column as Required Reading) is actually a logical development of a coherent, maturing body of practical aid philosophy which can be traced through his policy addresses since he became head of the World Bank Group in 1968.

In the beginning, he had to reinvigorate the concept of aid, and to enlarge dramatically the entire operation; he proposed at that time, and subsequently achieved, a doubling of the World Bank's lending capability, and a shift from primarily structural projects to greater emphasis upon investments of a more social nature, such as family planning, health, and education.

In 1969, at Notre Dame University, Mr. McNamara singled out family planning as the most important requirement for control of the erosion of human living standards throughout the world.

In 1972, at the meeting of the United Nations Commission on Trade and Development in Santiago, Chile, Mr. McNamara asserted the need for political reform as essential to correct the pervasive problem of maldistribution of income, on the underlying assumption that too much aid effort was diverted by social and political structures away from the poor majorities to which it was directed, and into the pockets of the rich and powerful minorities in the less developed countries. In the debate between growth and equity, he acknowledged that material growth was essential, but insisted that social equity was of at least equal importance, both as an objective, and as a moral underpinning.

In 1973, at the annual meeting of the Bank in Nairobi, Mr. McNamara brought that theme a step further forward. If social equity is important, as a principle, he maintained, then so is its practical application. In that speech he dramatically defined the victims of absolute poverty—an income of $75 a year or less—as marginal human beings, living lives without hope.

He stated at that time that the elimination of absolute poverty is the main objective of development aid.

The vast majority of these marginal beings—some 700 million—live in the countryside, on some 100 million small farms. So Mr. McNamara focused the efforts of the entire World Bank organization on this now identified target group, and packaged and coordinated its programs to help them. This is development aid which the World Bank has in general, occasionally random, ways, been trying to do over the years; under his direction it has become far more sharply focused.

And now, in 1975 at the annual meeting in Washington, Mr. McNamara is proposing an enlargement of the target group to include the 200 million urban absolute poor, bringing the same objective of improvement of life for the poorest into the cities, but acknowledging the special differences of environment. In the country, marginal gain can be readily translated into at least a better diet. In the cities, the poor are less able to improve the sources of sustenance. A particular tactical distinction Mr. McNamara makes in this speech is that between the modern structure of familiar business operations, and the informal structure of uprooted workers, poor and unskilled, who require services and opportunities markedly different from the conventional.

Starting with a broad general perception of the need for more aid, Mr. McNamara during his years of leadership at the World Bank has identified family planning and political reform as necessary to prevent the dissipation of aid, elimination of absolute poverty as its ultimate objective, and coordinated programs to improve the lot of the worst as the way to achieve it—first in the countryside, now in the cities.

It is a remarkable social philosophy, built on hard quantification and sharp perception—a tough-minded structure, within which hope exists.

ADDRESS TO THE BOARD OF GOVERNORS BY ROBERT S. MCNAMARA, PRESIDENT, WORLD BANK GROUP

I. INTRODUCTION

Last year within this forum I outlined the problems imposed upon the developing countries by worldwide inflation, deterioration in their terms of trade, and stagnation in their export markets. In the intervening months these threats to development have not abated. They have grown more ominous.

I would like, then, today to explore with you the developing countries' urgent need for increased flows of foreign exchange—both from exports and from external capital—to help offset these adverse forces.

The one billion people of the low-income nations have become the principal victims of the current economic turbulence. They did not cause it. By themselves they cannot change it. And they have little margin to adjust to it. Granted all they can and must do to work out their own problems, they desperately need additional external assistance.

Many of the middle-income countries as well are facing a foreign exchange crisis. In the long run this can be met only by more exports. In the short run, they too need greater access to external capital.

This, then, is the most immediate and pressing problem in the global development scene.

But underlying this emergency situation—and partially obscured by it—lies the more fundamental problem of poverty itself, and the need to shape an effective strategy to deal with it. That is the second issue I want to discuss with you today.

What is required is a strategy that will attack absolute poverty and substantially reduce income inequities, not merely through programs of welfare, or simply through redistribution of already inadequate national wealth, but rather than measures designed specifically to increase the productivity of the poor.

Two years ago in Nairobi I outlined the elements of such an attack on poverty as it exists in the countryside. We chose the rural areas as the initial target for an intensified World Bank effort because it is there that the vast concentrations of the absolute poor—some 700 million individuals—in fact live.

But poverty degrades life for hundreds of millions in the slums of the cities as well. Though their total numbers are smaller than those in the countryside, their rate of increase—through migration—is greater. In certain areas of the developing world their deteriorating conditions have already begun seriously to strain the fabric of their societies. The Bank is giving increased attention to this issue, and we believe we are ready now to undertake a far more comprehensive effort to help governments deal with it.

In summary, then, what I propose to do this morning is this:

Analyze the immediate problem of increased foreign exchange requirements in the developing world, and indicate what the OECD nations, the capital-surplus OPEC countries, and the World Bank itself can do to help meet this need;

Report on the progress the Bank is making in its implementation of a strategy to reduce poverty in the rural areas;

And outline a program for an integrated approach to attack poverty in the cities.

Let me begin with the problem of foreign exchange requirements.

II. FOREIGN EXCHANGE REQUIREMENTS IN THE DEVELOPING COUNTRIES

For most of the developing countries the past year has been a period of painful accommodation to a global economic disequilibrium.

At least four principal factors—all of them interrelated—have combined to threaten their future growth prospects:

Persistent worldwide inflation;

The surge in the cost of petroleum;

The deterioration in their terms of trade;

And the prolonged recession in the OECD countries.

Inflation always exacts greater penalties from the poor than from the rich, and most of the developing countries have been faced with major increases in the prices of critical imports, particularly manufactured goods, foodgrains, and fertilizer.

The unprecedented rise in the cost of oil has been especially difficult for them to deal with since they have relatively little capability for a rapid conversion to other sources of energy, and only an insignificant margin for consumer conservation.

But though inflation has raised the cost of most of what the developing countries must import, it has failed to sustain the high prices of many of their exports. Last year the prices of their imports rose by 40%, but their export prices increased only 27%. This year inflation will add at least another 6% to the cost of their imports, but very little to the price of their exports. The result has been a substantial deterioration in their terms of trade, making it increasingly more difficult for them to pay for what they need.

Finally, not only have their export prices failed to keep pace with import costs, but in many cases their export volume has stagnated or even declined as the recession has grown more serious in the industrialized countries. The OECD nations are the chief markets of the developing countries, and normally absorb 75% of their total exports. As the recession has deepened, demand for these exports has declined.

Given these four factors—persistent inflation, the high cost of petroleum, deterioration in their terms of trade, and prolonged recession in the developed nations—the oil-importing developing countries find themselves confronted with an array of unanticipated obstacles to achieving even minimal development objectives in the remaining years of the decade. Indeed, in many respects, the outlook now appears worse than it did twelve months ago.

For the poorest countries—those with per capita incomes of less than $200—the situation is particularly grave.

In 1974, per capita incomes of the one billion people living in these nations declined an average .5%. For the hundreds of millions of them already severely deprived, it meant hunger, illness, and an erosion of hope.

This year the outlook is for a further weakening of these economies, and the per capita incomes of the one billion people are likely to fall again.

The middle-income developing countries—those with per capita incomes of $200 and above—have not felt the full impact of the deterioration of the world economy until this year. Last year, due to a series of emergency measures—including the drawing down of reserves, the expansion of short-term debt, and the postponement of long-term development programs—they managed to maintain average GDP growth per capita of 3.9%. This year, however, the growth of GDP is expected to be less than the growth of population and their per capita incomes are projected to decline by more than 1%. Moreover, their trade deficit will exceed 3% of their gross national product—twice as large as it had been in the late 1960s.

The events of the past two years have in effect swept away the progress these countries had made in reducing their dependence on external capital.

The 1976–1980 foreign exchange requirements of the oil-importing countries ought, then, to be viewed as composed of two principal elements: a declining transitional component, needed until export earnings can grow to offset higher imports costs, and the more traditional external capital supplement to domestic savings, equivalent to about 1.5 to 2% of their GNP.

Growth rates and related capital flows

To better grasp the capital requirements of the developing countries over the next five years, it is useful to examine alternative levels of capital flows and resulting rates of growth of per capita income. Two such projections are set out below.[1]

In each of these examples, growth rates are linked to "capital flows." The flows represent the amounts of foreign exchange required in the short run, over and above currently projected export earnings. In the longer run, of course, most of these foreign exchange needs, if they are to be met at all, must come from higher export earnings.

There is much the developing countries themselves can do to create a more favorable climate for export expansion. All too often their policies of subsidized capital, overvalued exchange rates, and excessive regulation discourage entrepreneurial incentives to sell abroad. Their own efforts to remove these self-imposed roadblocks to greater export earnings are essential if their full trade potential is to be realized.

But it will take time for these fundamental policy changes to become fully effective, and that is why in the short run the "capital flows" in the projections are representative of the amounts of external capital required to support the alternative growth rates.

The first set of data, labeled Case I, assures substantial growth in capital flows in nominal terms between 1975 and 1980, but no increase in real terms. It assumes also that the industrialized countries will make relatively rapid recovery from the current recession. Should that turnaround be delayed, the projected rates of growth of per capita income in the developing countries would of course be lower, or the external capital requirements higher.

These Case I growth rates—especially for the low-income countries—are far below the targets of the Second Development Decade, and, on average, provide barely perceptible increases in per capita incomes for the poorer countries. As this is a wholly unacceptable prospect, we have estimated—in Case II—what the additional capital requirements would be to raise income growth for the oil-importing developing countries to the Second Development Decade targets, at least for the remaining years of the decade. These requirements are substantial, even though the growth rate for the decade as a whole would still be far below the target level.

In both Case I and Case II, the principal increases in capital would have to be supplied on concessional terms, and the bulk of this assistance would have to come from the OECD countries. It is not difficult to understand why.

---

[1] The projections simply illustrate rough orders of magnitude. They serve as a guide to appropriate policy decisions. No claim is made for the precision of the forecasts themselves. But we believe they indicate the severity of the economic problems confronting the developing countries, and they point to ways in which the rest of the world can assist their efforts to cope with them.

ANNUAL GNP GROWTH RATES, PER CAPITA, IN OIL-IMPORTING DEVELOPING COUNTRIES AND RELATED CAPITAL-FLOWS

[In billions of current dollars]

	Average 1969–73	1974	1975	Average 1976–80 Case I	Average 1976–80 Case II
Growth rates (percent):					
Low-income countries[1]	0.5	−0.5	−0.7	1.2	3.2
Middle-income countries[1]	4.5	3.9	−1.2	2.8	3.8
Capital flows:					
Net official capital	$7.9	$15.0	$19.8	$24.0	$35.2
Private capital	7.5	19.4	22.9	25.4	26.5
Total	15.4	34.4	42.7	49.4	61.7
ODA as percent donor GNP:					
OECD	0.34	0.33	0.32	0.29	[2] 0.48
OPEC	0	1.41	2.57	1.56	1.56

[1] The population of the low-income developing countries totals 1 billion and of the middle-income developing countries, 725 million. Here, as throughout these remarks, the statistics do not include those nations which are not members of the Bank.
[2] For ODA to average 0.48 percent of GNP during the 5 yr 1976–80 would require that it reach at least 0.70 percent in 1980.

Even to achieve the wholly inadequate levels of economic activity of 1975, the developing countries have had to borrow large sums from the private capital markets. They will have to continue to do so in the future. But there are limits to credit-worthiness and these make it unlikely that they will be able to borrow significantly more in real terms, over the next five years, than they are doing now.

That is the reason many of the developing countries, and particularly the poorer ones, will have to depend so heavily on concessional aid for the additional capital. And if these Official Flows are to grow, it is likely that most of the growth must come from the OECD nations.

In 1974, the capital-surplus OPEC countries supplied about one-sixth of the concessional assistance (ODA) made available to the developing countries. This year their disbursements for ODA have been rising further and could reach an estimated $4.5 billion. This would represent about 3% of their GNP, and 10% of their current balance of payments surplus.

But it is unlikely that the OPEC countries can maintain this level of aid throughout the decade. They are themselves developing countries and the source of their capability to make aid available is not the size and strength of their combined GNP—which is only a small fraction of that of the OECD countries—nor even of their GNP per capita, which on average is also substantially less, but rather the levels of their surplus trade balances.

By 1980, it is estimated that only a few of the OPEC countries will have current accounts still in substantial surplus. The others, which have provided about half the group's aid commitments over the past two years, are likely to reduce their level of aid as their imports rise and their trade surpluses diminish.

The OECD nations will be in the strongest position to assist the developing countries, and particularly the poorest among them, to achieve at least minimally acceptable rates of per capita income growth in the years immediately ahead.

To illustrate the problems of the developing countries in another way, consider the decade of the 1970s as a whole, and compare the economic progress—actual and projected—of three groups of people: the one billion people of the poorest developing countries; the 725 million people of the middle-income developing countries; and the 675 million people of the developing nations.

INCOME AND INVESTMENT LEVELS 1970–80 FOR DEVELOPED AND DEVELOPING COUNTRIES[1]

[In 1970 dollars]

Country group	1975 population (in millions)	GNP per capita 1970	GNP per capita 1980	GNP growth rate per capita p.a. (percent)	Estimated investment per capita p.a. Dom. Svg.	Ext. Cap. Inflow	Total
I. Low-income countries (under $200 per capita p.a.)	1,000	$105	$108	0.2	$14	$2	$16
II. Middle-income countries (over $200 per capita p.a.)	725	410	540	2.8	75	10	85
III. OECD countries	675	3,100	4,000	2.6	850	−15	835

[1] Excludes Centrally Planned Economies and OPEC. Assumes case I rates of growth for the developing countries 1976–80.

As the table makes clear, the Second Development Decade would result in virtually no progress at all for one billion people in the low-income countries and would mean that both they and the 725 million in the other developing nations would be growing relatively poorer when compared to the people of the developed countries.

To raise the growth rates of the developing nations to the level of Case II for the remainder of the decade would not require Official Development Assistance in 1980 to exceed the United Nations target of .7% of GNP. And that target could be reached were the developed countries willing to dedicate to ODA a minor fraction—no more than 2%—of the incremental wealth which they can expect to receive in the second half of the decade as their economies recover from the recession.

In contrast, as the table on page 39 shows, today the developed nations are contributing less than half of that goal—only .33% of GNP. Moreover, many of these nations, under present policies, are failing to increase their concessionary aid commitments by amounts sufficient both to offset inflation and to reflect their rising real incomes. Unless such policies are changed, ODA during the remainder of the decade, relative to GNP, will continue to fall, declining to perhaps 28% by 1980. It is essential, therefore, that the developed nations reexamine their concessionary aid programs. As government revenues and national incomes rise in the years ahead, ODA in relation to GNP should first be returned to former levels, and then later move toward the .7% target.

In view of the critical need of the developing countries for additional capital, I want to turn now to what the World Bank itself can do.

THE WORLD BANK PROGRAM

As events have unfolded this past year and the capital crisis engulfing our developing member countries became more apparent, we resolved that the Bank must take a number of steps to help meet that crisis.

The first step was to expand the overall level of our lending program.

We propose to expand it both in nominal and in real terms to the maximum level consistent with our capital structure, the availability of funds, and the creditworthiness of our borrowers.

As inflation has persisted, the dollar volume of our loan commitments has necessarily increased. The average dollar amount of each loan has gone up in order to insure that our borrowers will in fact be receiving over the years of the loan's disbursement amounts sufficient to meet the rising costs of the project.

The following table illustrates how inflation has affected the real value of our lending operations.

Amount required to finance equivalent of $100 million commitment in FY65[2]

[In millions of dollars]

FY65	100
FY70	141
FY75	228
FY80	300

[2] Allowing for price changes during the disbursement period.

By 1980, it will require $3 of commitments to accomplish what $1 did in FY65, and more than $2 to equal $1 in FY70.

But in addition to expanding our lending program in nominal terms by an amount that will fully offset the effects of inflation, we propose also to expand the real transfer of resources represented by that program in order to meet as far as we can the critical capital shortage which has such corrosive effects on the growth rates of our developing member countries.

To meet both objectives, we increased in FY75 the Bank Group's new financial commitments to $6 billion, compared to $4.5 billion in FY74. I have proposed $7 billion for FY76 and the total for the five-year period FY76–80 should approximate $40 billion. Such a level of new commitments would constitute, in real terms, a 58% increase over the previous five years, FY71–75, and a 153% increase over the preceding period, FY66–70.

Though this represents the largest program of financial and technical assistance to developing countries ever undertaken by a single agency, it of course still falls far short of meeting the full scope of the capital needs of those countries.

World Bank group lending: Actual and proposed, in current and constant dollars

[In billions of dollars]

Fiscal years:	Current	In FY75
1966–70	$7.5	$14.2
1971–75	19.9	22.8
1976–80	42.0	35.6

As an interim measure, therefore, to help our lower-income member countries in their efforts to obtain additional resources for development, we have proposed, and the Executive Directors have approved, the information of a new lending facility within the Bank—the so-called Third Window—which will provide funds at a concessional interest rate midway between that of Bank loans and IDA credits.

The purpose of the Third Window is to make available additional development assistance on terms suited to the limited ability of the developing countries to service additional debt, and with longer maturities than that currently being provided by emergency mechanisms such as the IMF Oil Facility.

We plan to begin this intermediate-term lending within a few weeks, with an initial level of operations of $500 million—which we hope to expand to $1 billion. To subsidize the interest rate of these new funds, we have been seeking contributions from a number

of our OECD and OPEC member governments. Twelve have already indicated they intend to support the plan.

The Third Window facility is at best only an emergency measure. It can supplement, but in no way substitute for our IDA operations.

And because the capital requirements of our poorer member countries have now reached such a critical degree of urgency, it is imperative that we begin before the end of this year serious negotiations for a substantially increased IDA Replenishment.

IDA IV funds will be fully committed by June 30, 1977. In order to provide our member governments with adequate time to secure legislative approval—and to avoid the procedural delays which in the end penalize not the Association, but the poor countries all of us are trying to help—it is essential that our member governments move decisively and generously to negotiate, approve, and bring into being an IDA Replenishment appropriate to the unprecedented needs it is designed to serve.

The new replenishment must be established at a level sufficient both to fully offset the effects of inflation, and to provide an appropriate measure of real growth. It should be supported by its traditional donors, and by those additional countries which, since the last replenishment, have benefited from major increases in their national incomes and foreign exchange reserves.

Finally, within the next few years, the need will arise to review the capital structure of the Bank and the International Finance Corporation.

I have presented to the Executive Directors a proposal for a Selective Increase in the Bank's subscribed capital and in paid-in capital. The proposal, which parallels the proposed increases in IMF quotas—and which should be acted upon as soon as the Fund takes a decision—makes provision for additional increases in the capital subscription of OPEC countries to reflect their increased economic and financial strength and their growing importance as a source of loan capital to the Bank.

The catalytic role of IFC in mobilizing additional private investment in the developing countries takes on even greater importance in a period of capital shortage, and we are exploring ways to increase its resources as well.

Although the Selective Increase for the Bank will significantly strengthen its ability to continue its role as a major source of development finance, the impact of inflation on the nominal amounts of cur operations will make it mandatory to consider a General Increase in IBRD subscribed capital in the course of the next few years. The Articles of Agreement of the Bank provide that loans outstanding and disbursed shall not exceed the equivalent of unimpaired subscribed capital, reserves, and surplus. This provision would force us, at the proposed level of lending, to cease making loans in the early 1980s. To permit adequate time for the necessary legislative action, we must start soon to discuss an appropriate solution to this situation.

The Bank's entire lending program, and its future plans, clearly must be derived from the nature and scale of the problem that confronts the developing countries.

A major element of that problem consists of a desperate need for external capital for high-priority development investment that can enhance the living standards of nearly two billion people.

Let me summarize, then, the nature of that problem as I have outlined it thus far. Essentially it is this:

The developing nations are confronting a foreign exchange crisis. It is a crisis compounded of all the turbulent economic events of the part two or three years, and the cumulative effect will be to bring the economic progress of many of these nations virtually to a halt unless corrective action is taken. It is clear that at such a time additional efforts to mobilize internal resources and greater efficiency in the use of these resources become critically important and the governments of the developing countries must give high priority to these actions. The fact remains, however, that they desperately need additional imports to get their economies moving again. And the foreign exchange to finance those imports can only come from greater official and private external flows, and increased export earnings. The Bank itself must contribute to the expansion of the external capital flows and we intend to do so.

But despite all of this—despite the urgency for all of us to focus our attention on this emergency, and to take every step we can to try to deal with it—we cannot allow this to diminish our concern with the central issue of development which underlies the present situation: the necessity of creating an effective strategy to deal with the fundamental problem of poverty itself.

Let me turn to that consideration now.

III. ABSOLUTE POVERTY AND THE REDUCTION OF INEQUALITY

Three years ago I began a discussion with you of the critical relationship of poverty and economic growth. I pointed out that this problem in the developing world can be summed up very succinctly: roughly half the population are neither contributing significantly to economic growth nor sharing equitably in its benefits. These are the poor. Within most developing societies they form a huge group at the lower end of the income spectrum, receiving only a fraction of what the middle and upper-income groups do.

Some 900 million of these individuals subsist on incomes of less than $75 a year in an environment of squalor, hunger, and hopelessness. They are the absolute poor, living in situations so deprived as to be below any rational definition of human decency. Absolute poverty is a condition of life so limited by illiteracy, malnutrition, disease, high infant-mortality, and low life-expectancy as to deny its victims the very potential of the genes with which they are born. In effect, it is life at the margin of existence.

In addition to the absolute poor there are what I have termed the relative poor. These are individuals with incomes somewhat above the absolute poverty level, but still far below their national average. Because of the distortion in income distribution—a distortion which in most developing countries far exceeds that of the industrialized nations—they too have been bypassed by economic progress.

The heaviest concentration of abisolute poverty is in Asia. India, Pakistan, Bangladesh, and Indonesia are particularly afflicted. One out of every two individuals there is enmeshed in it.

In Africa, most countries are plagued with both absolute and relative poverty. Not only are per capita incomes meager on average, but often highly skewed as well.

In Latin America, many countries enjoy higher per capita incomes, with only about one individual in six at Asian or African levels of absolute poverty. But income distribution throughout the region is marred by serious inequality, and relative poverty is widespread and severe.

Analysis of income data makes it clear that policies aimed at diminishing income inequalities through direct redistribution of wealth will not be sufficient to end indigence. That is not to say that adjustments in this direction are not desirable on the grounds of equity, but no degree of egalitarianism alone will solve the root problem of poverty. What is required are policies that will enhance the productivity of the poor.

The truth is that throughout the developing world—in the countryside and cities alike—there is a huge and largely untapped potential to reduce absolute and relative poverty, and to increase economic growth, by directly assisting the poor to become more productive.

Two years ago in Nairobi I outlined a strategy for moving against poverty in the countryside. In the interim we have accelerated our efforts to implement that strategy, and I would like to report to you on that now.

IV. REDUCING POVERTY IN THE RURAL AREAS

We chose the rural areas to begin an assault because the overwhelming majority of the absolute poor are there. As I pointed out, the poverty problem in the countryside revolves primarily around the low productivity of the millions of small subsistence farms. Despite the growth of the GNP in most developing countries, the increase in output of these small family holdings over the past decade has been so low as to be virtually imperceptible.

The scale of the problem is immense. More than 100 million families—some 700 million individuals—are involved. The size of the average holding is not only small, but often fragmented. More than 50 million of these families are farming less than one hectare.

You will recall the objective we recommended that the international development community adopt: to take the steps necessary to increase production on these farms so that by 1985 their output will be growing at an average rate of 5% per year.[3]

Clearly no simple formula exists to move forward so complex an objective as rural development. It is the interplay and mutual reinforcement of a coordinated array of national policies that is required. To help shape effective action, the Bank over the past two years has researched and published a series of policy papers that range over a broad spectrum of issues. These include major statements on Rural Development, Agricultural Credit, Land Reform, Education, and Health.

But we have not merely elaborated policy. We have moved ahead with an expanded lending program in rural development and we now lend more in this sector than in any other. This is a clear change in emphasis: 50% of all rural-development lending in the history of the Bank has occurred in the last year. We expect to commit $7 billion more in this field over the next five years, and we estimate that these new projects will bring financial benefits to approximately 100 million individuals.

Projects have been devised which combine components from several different sectors—roads, electricity, water, education, family planning, and nutrition—and which integrate these with agricultural inputs into a development package to be applied to an entire region.

Typical of such new-style projects are the following:

A package of four loans, totalling $86 million, designed to increase the crop production and incomes of subsistence farmers in Nigeria, with the benefits reaching some 2 million individuals. The projects include financing of feeder roads, medium-sized earth dams, water reservoirs, village service cen-

---

[3] Such an increase in productivity is necessary not only to advance the well-being of the 100 million small farmers, but also to help assure that global food requirements will be met. Though I will not deal specifically with the food problem in my remarks today, I do want to emphasize the Bank's concern with this issue. Following the World Food Conference last year in Rome, the Bank, in association with the FAO and the UNDP, established the Consultative Group on Food Production and Investment in Developing Countries.

ters, seed multiplication farms, training facilities, swampland conversion to rice paddies, and extension, credit, and marketing services. The estimated rate of economic return is 25%.

Two credits totalling $44 million for dairy development in India designed to increase the cash incomes and living standards of some 400,000 households—2.2 million individuals—the majority of whom currently have holdings less than two hectares, or are landless. The projects are expected to boost milk production by 760,000 tons a year, substantially improving nutrition, creating 14,000 new jobs, and yielding a return of 30%.

A $21 million loan for rural development in Thailand designed to benefit 400,000 low-income farm families—two and a half million individuals. The project will include specialized agricultural extension services, rural electrification, village water supply, access roads, and small-scale irrigation, and yield 16%.

One of the most innovative of the rural development projects is a $10 million credit to assist the Tanzanian government to bolster the productivity and living standards of farm families in the Kigoma region where per capita incomes are among the lowest in the world. The project will channel economic and social services to 250,000 individuals in 135 newly-established villages, substantially improving their crop production and doubling their incomes. It will include a credit and marketing system; primary schools, health centers, and improved water supply; clearing the area of the tsetse fly; regional radio-telephone communications; and a program of adaptive agricultural research. Should the project succeed—and we believe it will—it could serve as a model for new settlements elsewhere.

Though the new rural development projects are innovative, they are designed to provide a substantial economic rate of return at a low investment per individual served so that they can be readily extended to additional areas as additional resources become available.

Overcoming obstacles

But the closer we get to the core of the problem of poverty in the countryside, the more difficult, complicated, and time-consuming the task becomes. Let me take a moment, then, to describe some of the principal roadblocks we are encountering and how we propose to deal with them.

One is the issue of appropriate technology. The agricultural methods of the wealthy nations in the temperate zone are frequently unsuited to the environment of many developing countries, where poor farmers are often struggling to subsist on semi-arid, or marginal land. There is a critical need for new agricultural technologies tailored to these conditions. The Bank helps to meet this need through its chairmanship of the Consultative Group for International Agricultural Research, and its shared financing of ten specialized international research institutes around thhe world, including one specifically for the semiarid tropics.

In addition to the research work of the international institutes themselves, much more needs to be done by individual governments. The Bank has, therefore, recently agreed to help finance government efforts to consolidate and intensify specialized agricultural research in Indonesia and Malaysia. We anticipate an increasing number of such requests.

One technique we are making increasing use of is satellite remote sensing imagery in the survey and evaluation of potential land and water resources. This new tool is proving valuable in many aspects of project planning, and we are helping a number of our member countries to utilize it—Indonesia, India, Bangladesh, Nepal, and Kenya, among others.

Another problem is the pricing and subsidy policies some governments impose on the rural sector that tend to discourage additional food production. These policies are usually imposed to provide cheap food for the cities. But if prices are kept artificially low in relation to costs, farmers have no incentive to expand production. This is especially true of small farmers who simply have no margin for risk.

What many of us sometimes forget is that just because a man is poor does not mean that he is naive. The truth is that millions of small farmers—even without elaborate inputs—could increase their productivity measurably if they could be given but one simple assurance: that at harvest time they could be able to sell their additional production at a rewarding price.

Moreover, the small farmer is almost always discriminated against by public institutions that tend to favor the larger and more prosperous producers. It is the larger farmer who typically enjoys easy access to public credit, research, water allocations, and scarce supplies of petroleum, pesticides, and fertilizer. And it is the smaller farmer who is left to wait endlessly for the public services he needs far more urgently, but only too rarely receives.

The Bank is intensifying its dialogue with member governments to come to grips with these issues of pricing policy, and to assure more responsive public servics specifically shaped to the needs of the poor. There are some signs of movement in this direction, but as yet not nearly enough.

Still another roadblock in implementing complex rural operations is the scarcity of trained technicians. That is why we often include training components in our projects. But much more needs to be done to expand the supply of such personnel and we are gearing more of our education projects to that end.

Finally, all of us—at every level—have a great deal more to learn about the motivational patterns and behavioral responses of the poor in shifting from traditional subsistence agriculture to cash-crop production. Both the technical aand social variables in such a transition are complex. To deal with them effectively calls for continuing feedback and evaluation, sensitivity and respect for indigenous values, and a healthy measure of humility.

Let me, then, conclude this section by summing up the principal points I have made. They are these.

There are some 700 million individuals locked into absolute poverty in the rural areas of the developing world. Their degree of deprivation is so extreme as to be an insult to human dignity—to theirs, because as human beings they deserve better; and to ours, because all of us have had in in our power to do more to help them, and have not.

Two years ago I outlined a strategy for reducing absolute poverty in the countryside. It focuses on the more than one hundred million small subsistence farmers, and their families. And what it proposes is no traditional welfare, but sound investment to assist them to become more productive.

It is a strategy that can succeed. It requires of governments political decisiveness, new policies, and a reallocation of resources. But it can return immense dividends. We in the Bank are devloping a whole new program of integrated rural development projects to assist governments. They are projects that package together innovative economic and social components specifically designed to help transform poverty into productivity. We have a long way to go, but the early evidence is clear: it works.

It works because it is an approach that provides the poor with what they really want most of all: a chance to build a better life, through their own efforts, for themselves and their children.

It is an approach that works in the countryside. And it is an approach that we believe can work in the cities as well. I want to turn to a consideration of that now.

V. REDUCING POVERTY IN THE CITIES

We began the assault on poverty in the rural areas because that is where most of the absolute poor currently are. But they live in the cities of the developing world as well. Roughly 200 million are there now. More are coming, and coming soon.

The Bank has been giving increased attention to this issue. It is immensely complex—even more so than the problem of poverty in the countryside. But we believe we are ready now to initiate a much more comprehensive effort to assist governments to reduce urban poverty. What I would like to do today is, first, discuss the scope of the problem; second, analyze its underlying causes; and third, suggest a strategy to deal with it.

The scope of the problem

To understand urban poverty in the developing world one must first understand what is happening to the cities themselves. They are growing at a rate unprecedented in history. Twenty-five years ago there were 16 cities in the developing countries with populations of one million or more. Today there are over 60. Twenty-five years from now there will be more than 200.

How has this happened? Fundamentally, of course, it is a function of population growth. But it is more than just that. For though the total population in the developing world is increasing by about 25% a year, the urban population is growing at nearly twice that rate. Half the urban growth is due to natural increase, and half is due to migration from the countryside.

What this means is that some 400 million additional people have been absorbed into cities, through birth and migration, in a single generation—something wholly without parallel. In contrast, the developed world urbanized at a leisurely and less pressured pace at a time when its national populations were growing very slowly, at only about half a percent per year.

Latin America is already 60% urbanized, and Asia and Africa about 25%. But by the end of the century, three out of every four Latin Americans will live in a city, and one out of every three Africans and Asians.

Thus, at current trends, over the next 25 years the urban areas will have to absorb another 1.1 billion people, almost all of them poor, in addition to their present population of 700 million.

Life for the urban poor today is unspeakably grim. Though they spend up to 80% of their income on food, they typically suffer from serious malnutrition. It is estimated that half the urban population of Indian is undernourished. Up to 15% of the children who die in Latin American cities, and up to 25% of those who die in African cities, are needless victims of malnutrition.

Now what do these figures imply?

They make it certain that the cities of the developing world are going to find it incredibly difficult to provide employment, and minimally decent living conditions, for the hundreds of millions of new entrants into urban economies which are already severely strained.

An even more ominous implication is what the penalties for failure may be. Historically, violence and civil upheaval are more common in cities than in the countryside. Frustrations that fester among the urban poor are readily exploited by political extremists. If cities do not begin to deal more constructively with poverty, poverty may well begin to deal more destructively with cities.

It is not a problem that favors political delay.

The underlying causes of urban poverty

To comprehend the pathology of poverty in the cities, one must begin with an anal-

ysis of the employment opportunities of the poor.

Employment in the urban areas of the developing world is a function of an economic dualism that is widespread. two sectors coexist side by side. One is the organized, modern, formal sector, characterized by capital-intensive technology, relatively high wages, large-scale operations, and corporate and governmental organization.

The other is the unorganized, traditional, informal sector—economic units with the reverse characteristics: labor-intensive, small-scale operations, using traditional methods, and providing modest earnings to the individual or family owner.

In the modern sector, wages are usually protected by labor legislation and trade union activity; in the informal sector, there is easier entry, but less job security and lower earnings.

Though jobs in the modern sector may be more desirable, as a practical matter they are often beyond the reach of the poor. They require literacy, experience, and a level of training the poor find it difficult to acquire; and in a labor-surplus market, employers can afford to insist on exceptional qualifications.

Even more important, the growth of employment in modern manufacturing and distribution lags considerably behind both the growth of its output, and the growth of the urban labor pool; output has increased 5 to 10% per year, but employment rose only 3 to 4%, while the labor pool was growing at a rate of 4 to 5%.

Though it is true that as the formal sector expands it tends to generate some indirect employment in the informal sector, it can also eliminate jobs there on an alarming scale. At the cost of $100,000, for example, a corporation may set up a plasic footwear plant, with only 40 employees, that can displace 5,000 traditional shoemakers and their suppliers.

High population growth rates, and massive migration to the cities, have swollen the urban labor pool. But the capital-intensive nature of the modern sector has kept openings for additional workers down. In some developing countries, manufacturing techniques have already become so mechanized that an investment of $50,000 to $70,000 is often required to create a single new job.

Given, then, the limited potential of the formal sector in most developing countries to absorb labor, it is not surprising that the informal sector is a critical component in urban employment. It provides, for example, nearly half of all the jobs in Lima, more than half in Bombay and Jakarta; and over two-thirds in Belo Horizonte.

And yet, the fact is that governments tend to view the informal sector with little enthusiasm. They consider it backward, inefficient, and a painful reminder of a less sophisticated past.

It is true that economics of scale are important in some activities. But it is not true that all small-scale enterprises are uneconomic. They can frequently operate at acceptable cost levels when costs of labor and capital are measured correctly, and when production operations are broken up into individual processes and products. In the production of many types of food, clothing, and furniture, and in construction, transportation, assembly, packaging, repairing, and service activities, small units can compete effectively.

But government prejudice against the informal sector frequently gets translated into public policies which give undue advantages to big firms: unrealistically low exchange rates for capital imports, special tax exemptions, high minimum wages, underpriced public utilities, and subsidized interest rates. All of these measures favor the large and capital-intensive firm over the small enterprise, and have the net effect of reducing the employment opportunities of the poor.

These discriminations against the poor are compounded by limited access to public services. There are heavy biases in the design, location, pricing, and delivery of such services.

Though most cities, for example, have expensive modern hospitals, the poor usually do not have access to them. They are largely reserved for the rich minority, even though the privileged have less incidence of illness than the poor. Nor is it surprising that the poor are so often ill, considering the squalor in which they must live. Frequently they have no public water supply or sewerage services whatever. And they often have to pay up to 20 times more for water supplied by street vendors than do middle and upper-income families for water piped by the city into their homes.

But if the poor are denied equitable access to water, sanitation, and health, they fare equally badly with education. Many of their children receive no formal education at all simply because they live beyond a feasible distance to the nearest school. Thus, though half the total population of the capital of one African country lives in the slum areas, all of the schools, with one exception, are located elsewhere in the city. The result is that the primary school enrollment is only 36% in the poor areas, but 90% throughout the rest of the capital.

Children of the urban poor, although often in the majority, very seldom reach secondary school, much less a university, despite the fact that public expenditure per student for secondary and higher education is up to 20 times the expenditure on primarly education. This means that education—in theory a powerful force in equalizing opportunity—in fact often reinforces, rather than reduces existing economic disparities.

In a typical Latin American city, for example, workers with primary education earn 37% more than workers without education, and workers with secondary and higher education earn 40% more than workers with only primary schooling. Denying adequate education to the urban poor, then, is simply synonymous with denying them opportunities for earning higher incomes.

Public transport is another vital service the poor are often without. Their incomes are so low they can rarely afford it. And even if they could afford it, it often does not exist in the peripheral areas of the city where they generally must live.

While the wealthy drive their cars, and the moderate-income workers ride the bus, the poor walk to work—frequently as much as two hours each way. Such distances are a penalty both to their energy and to their earnings. And as the cities grow larger, so their commuting grows longer. Studies indicate that in a city of a million, the poor's average journey to work is three miles; in a city of five million, seven miles.

In city after city of the developing world, the streets are growing congested with private automobiles, and the city councils are pouring over blueprints for elaborate subways or expressways. But little if any of this heavy investment will ever benefit the poor. It will only drain away resources that might be used to help them become more productive.

The deprivation suffered by the poor is nowhere more visible than in the matter of housing. Even the most hardened and unsentimental observer from the developed world is shocked by the squalid slums and ramshackle shantytowns that ring the periphery of every major city. The favelas, the bustees, the bidonvilles have become almost the central symbol of the poverty that pervades two-thirds of the globe. It is the image that is seared into the memory of every visitor.

But there is one thing worse than living in a slum or a squatter settlement—and that is having one's slum or settlement bulldozed away by a government which has no shelter of any sort whatever to offer in its place. When that happens—and it happens often—there remains only the pavement itself, or some rocky hillside or parched plain, where the poor can once again begin to build out of packing crates and signboards and scraps of sheetmetal and cardboard a tiny hovel in which to house their families.

Squatter settlements by definition—and by city ordinance—are illegal. Even the word squatter itself is vaguely obscene, as if somehow being penniless, landless, and homeless were deliberate sins against the canons of proper etiquette. But it is not squatters that are obscene. It is the economic circumstances that make squatter settlements necessary that are obscene.

* * * * *

This, then, is the profile of poverty in the cities. It is not the profile of an insignificant minority, nor of a miscellaneous collection of unfortunates, nor of a fringe group of nonconformists—but of 200 million human beings whose aspirations are identical to yours and mine: to lead a productive life, to provide for those they love, and to try to build a better future for their children.

They differ from us in only two respects: in the inhuman burden of their problems; and in the unjust disparity of opportunity they have to solve them. It is development's task to reduce that disparity. Let me, then, suggest at least the broad outlines of a strategy to deal with urban poverty.

A strategy to reduce urban poverty

Thought the dynamics of poverty in the cities differ substantially from those in the countryside, the key to dealing with them both is fundamentally the same. What is required are policies and actions that will assist the poor to increase their productivity. Primarily this calls for measures that will remove barriers to their earning opportunities, and improve their access to public services.

The following are esssential steps governments should consider in any comprehensive program:

Increase earning opportunities in the informal sector;

Create more jobs in the modern sector;

Provide equitable access to public utilities, transport, education, and health services;

And establish realistic housing policies.

The fundamental consideration underlying such a program is the reassessment of the role of the cities in the development process. Let me begin with that, and then turn to the others in sequence.

The role of cities in the development process

We need to remind ourselves what the role of cities in development really is.

Cities are, of course, many things, but essentially they are an instrument for providing their inhabitants—all their habitants—with a more productive life. They are not primarily collections of elaborate architecture, or of city planners' theories perpetuated in stone. Even less should they be thought of as sanctuaries of the privileged, who wish to put a decent distance between themselves and the masses of the rural poor.

Urban poverty can be cured nowhere in the world unless cities are thought of as absorptive mechanisms for promoting productive employment for all those who need and seek it. In the past 25 years in the developing countries some 200 to 300 million individuals have benefited at least marginally by migration, and since even at their unacceptably low levels of income they have been more productively employed in the cities than they would have been had they remained in the rural areas, the national economy itself has benefited.

This is not to make a case for wholesale migration from the rural areas. It is only to recognize that poverty will persist in the cities until governments determine to increase their capacity not simply to absorb the poor, but to promote their productivity

by providing the employment opportunities, the infrastructure, and the services necessary for that purpose.

Now specifically how is this to be done? Our understanding of so complex an issue is limited, but at least it is possible, on the basis of what we do know, to identify policies and actions that could have a significant impact on the problem. The Bank's approach in the urban sector will be different from the strategy we are following in rural areas, although the basic objectives are the same.

The Bank's rural development strategy is focused on the small farmer. The main thrust is to provide the organizational structure and financial resources to increase the supply of essential inputs and raise the productivity of a specific target group. In the urban sector we will retain the emphasis on productivity. But we need a more flexible and diversified approach to match the greater diversity in the nature of the urban environment, the difficulty in identifying a readily accessible target group, and the variety of opportunities arising from the complex linkages in modern economic activity.

Any realistic strategy must place emphasis on increasing the earning opportunities of the poor in the informal sector.

Increasing earning opportunities in the informal sector

The employment problem in urban areas is not simply "jobs" in the conventional sense but rather the level of productivity and earnings. There is relatively little open unemployment among the urban poor. Without some kind of a job, they simply cannot eat. But they are often prevented from increasing their earnings by a combination of market forces, institutional arrangements, and public policies which confer privileges on the large, well-established firms and which penalize the informal sector.

Governments must take steps to moderate the bias in favor of large-scale capital-intensive production, and turn their attention more positively to small producers, not only in manufacturing but also in transport, construction, commerce, and other service sectors.

The informal sector offers the most immediate opportunities of greater productivity for the urban poor. It already, of course, provides the livelihood for the vast majority, and though its earnings are considerably less than those in the formal sector, its flexibility and ease of entry are an important asset. What is required is that government policy support it, without attempting to standardize it.

The informal sector's great virtue is its responsiveness to opportunity, its high degree of resourcefulness, and its entrepreneurial originality. The understandable enthusiasm of governments to "modernize" their economies must be restrained in their dealings with the informal sector. The point is not to try to transform it into the formal sector, but to support it without undue insistence on regulating it.

There are a number of ways in which governments can assist the small producer and the self-employed.

They can, for example, assure access to credit facilities on reasonable terms. The informal sector usually has very limited access to government banking and credit services. It must rely largely on the urban moneylender, who, like his village counterpart, is responsive but usurious. What are needed are improved banking policies that will make adequate capital available.

This can be done through rediscounting commercial bank loans to small-scale enterprises by central banks; by government guarantees to cover additional risks in informal-sector loans; and by new specialized institutions designed specifically to finance small enterprises. Like the small farmer, the urban informal-sector businessman is usually starved for credit. He does not need it in large amounts, nor does he need it at unrealistically low interest rates. But he needs it without excessive bureaucratic obstruction, and he needs it without procedural delay.

Further, governments can promote mutually beneficial relationships between the informal and formal sectors by reserving land for small enterprises in the vicinity of industrial developments. One effective technique is to establish industrial estates which will provide space neither exclusively to large nor to small industries, but which will deliberately situate firms of all sizes in close proximity, specifically to encourage economic linkages between them.

Since small enterprises individually have only very limited purchasing and marketing capacity, governments can promote cooperative facilities to lower their costs and increase their efficiency. At the national, regional and municipal levels, government agencies, as well as banks and private firms, can offer technical assistance to the small entrepreneur, analogous to the extension services for small farmers.

Finally, governments can help the informal sector to flourish by the removal of onerous and often outdated licensing and regulatory controls.

Taken together, the removal of biases favoring the modern sector, and the special assistance to the informal sector, can substantially improve the earning opportunities of the urban poor in the informal sector.

Creating more jobs in the modern sector

But the strengthening of the informal sector need not prevent the continued growth of the larger enterprises. On the contrary, special efforts must be made in many countries to turn their manufacturing enterprises away from the relatively small markets associated with import substitution, and toward the much larger opportunities flowing from export promotion. Korea, Taiwan, Mexico and Brazil, which achieved 15 to 20% annual growth in their manufactured exports in the late 1960s and early 1970s, clearly demonstrated the feasibility of bolstering manufacturing employment with this policy.

Further, the gradual reduction, and the ultimate elimination, of capital subsidies to the modern sector, as has been done in Hong Kong and Singapore, can make both production and service activities significantly more labor-intensive. Even in relatively automated modern factories, substantial labor-capital substitution possibilities exist in such activities as material handling, packaging, and intrafactory transport. When producers have to pay realistic prices for capital, they not only explore more labor-intensive solutions for each process and product, but tend to use the plant's capacity more intensively, thus creating more jobs per unit of capital.

The first element, then, in the strategy to increase the productivity of the urban poor is to remove barriers to their earning opportunities. The second is to provide them with essential public services at standards they can afford.

Assuring access to public services

About one-third of the population in most of the cities of the developing world lives in slums that are either wholly without or very inadequately served by public water, sewerage, transport, education, and housing. These conditions have a serious detrimental effect on the health, productivity, and incomes of the poor.

The urban poor are frequently denied access to public services, not because they don't exist, but because they have been designed or located largely for middle and upper-income city dwellers, and are simply beyond the reach of the less privileged.

The whole question of "standards" of urban services works to the disadvantage of the urban poor for they are often written with middle-class or upper-income orientations, and have little relevance to the situation the poor find themselves in.

Standards are important, but they must be formulated to meet realistic attainable objectives. If the needs of the poor are to be met within a reasonable time span, public utilities and social services will have to be provided at costs which they can afford to pay.

Water and sewerage services

The single most important factor in improving the health environment of the poor is to provide clean water and adequate sewerage. A commonly use standard calls for cities to supply 200 liters of water per person per day. Many cities in the developing world simply cannot afford to do that. That is understandable. What is not understandable is that instead of lowering the standard to fit their resources, some cities pipe 200 liters per person per day to individual houses in the affluent and middle-class neighborhoods, but leave 60% of the population—the poor on the periphery of the city—without any piped water at all. The result frequently is endemic cholera among the poor, because they must depend on unclean water from other sources.

Often, all that low-income families can afford are standpipes, but this form of water supply, together with technical assistance in improving sanitation facilities, can have an immensely beneficial impact on their health.

Health and education services

Essential health and education services for the poor are also seriously deficient in most of the cities of the developing world. Health care, for example, is frequently confined to modern and expensive hospitals, when what is needed are small clinics located in areas of the city where most health problems begin: in the slums and squatter settlements. Indeed the whole orientation of health care should emphasize low-cost preventive medicine rather than high-cost curative care. The poor are often ill—and their children often die—but the causes are almost always diseases that could have been readily prevented by a more sanitary environment and simple preventive measures.

Inexpensive health delivery systems can be designed around community-based health workers who can provide the poor with a broad spectrum of simple and effective services: immunization, health and nutrition education, and family-planning advice.

The same principle applies to education. What is required are small, inexpensive, and informal basic education units, located in accessible areas, and designed to serve minimum learning needs of both children and adults: literacy and elementary arithmetic, child care, vocational advice, and the knowledge necessary for responsible civic participation.

Transportation

The poor must also be within reach of employment possibilities. This means transport facilities which they can afford. Usually the urban transport available is either too expensive, or does not serve the areas in which the poor live. It is clear that most cities would benefit substantially from a radical reallocation of their transport systems away from domination by the private automobile, and in the direction of public transport that can move large numbers of passengers at low unit costs.

What is needed is a healthy pluralism in transport: buses, jitneys, taxis, motor rickshaws, pedicabs, bicycle paths—whatever is cost-effective and appropriate to the distances involved.

Establishing realistic housing policies

City government often congratulate themselves on their subsidized blocks of low-income housing, and the physical structures are frequently impressive. What is depressing

is that the so-called low-income housing is almost too expensive for the poor. Surveys indicate that up to 70% of the poor cannot afford even the cheapest housing produced by public agencies.

Slums and squatter settlements are the inevitable result. Authorities typically strongly disapprove of them: they are illegal, they are unsightly, and they are unsanitary. But too often cities have failed to find any solution—short of demolition—to deal with them. The fact is that the upgrading of existing squatter settlements can be a low-cost and practical approach to low-income shelter. Upgrading legalizes the settlement, provides secure tenure, and supplies minimum infrastructure: water, roads, storm drainage, security lighting, and rubbish collection. Education and other community facilities can generally be added.

One of the most interesting features of squatter settlements is that though they are inhabited by the very poor, there is a very strong sense of saving among the residents. Out of their minuscule earnings, they save every cent they can. Their great ambition is to have a better home for their families. But they are prudent men and women; they are unwilling to invest their savings in home improvement until they have tenure. That is why squatter settlements are often so ramshackle. Once upgraded projects provide legal tenure, the poor are not only willing to spend on home improvement, but do so with enthusiasm, and remarkable transformations often take place.

The housing that can be produced by upgrading existing slums and squatter settlements is of course limited. A somewhat more costly, but still practical, alternative is the "sites and services" approach. It can provide the framework for improved housing for vast numbers of the poor, particularly if it is planned with adequate lead time.

The city provides a suitable area of new land, grades and levels it, and furnishes it with essential infrastructure: access roads, drainage, water, sewerage, and electricity. The land is divided into small plots and is leased or sold to the poor, who are supplied with simple house plans, and a low-cost loan with which to purchase inexpensive building materials. The actual construction is made the responsibility of the poor, who build their houses themselves.

And as communities are more than just housing, sites and services projects include schools, health clinics, community halls, day-care centers, and some provision for creating jobs: land, for example, set aside for the establishment of an appropriate small-scale industry.

Sites and services projects, then, stimulate self-help, and make it possible for the poor to house themselves in a viable, cohesive community with a minimum of public expenditure.

But though this is a highly desirable approach, it often suffers from two constraints: the understandable economic constraint of the availability of the land, infrastructure, and building materials; and the less understandable institutional constraint of regulations governing tenure, building codes, and zoning restrictions.

The determination of appropriate standards is critical for the poor family's ability to acquire housing. If, for example, standards relating to land use, floor space, durability of materials, quality of finish, and utilities were modified to meet low-income household budgets, it should be possible for some 80% of the population in the cities of the developing world to afford much improved shelter with no subsidy at all.

It is also important that reasonable user charges and taxes should be levied on the middle and upper-income consumers of city services of all kinds—housing, utilities, education, health facilities, transport, and others—to generate surpluses which can be used to expand coverage of these services, and give the poor a more equitable opportunity to benefit from them.

* * * * *

These, then, are some of the measures that governments should ponder as they confront the growing pressures of urbanization. For the next decade or two—indeed for as far forward as anyone can realistically plan—the urban problem will be a poverty problem.

The urban poor are not simply a statistical inconvenience to planners, a disturbing reminder of what might be possible if they would somehow just go away, a continually disappointing factor in budget allocations because of their chronic inability to pay taxes. That is not what urban poverty is about.

The urban poor are hundreds of millions of human beings who live in cities, but do not really share the good and productive life of cities. Their deprivations exclude them.

It is within the power of governments to change that.

We in the Bank can help, and we propose to do so in the future on a scale far greater than that of the past.

Any serious effort in solving the problems and urban developments will clearly involve a number of sensitive and difficult political choices. Those, of course, are for governments to make, not for the Bank. Moreover, the Bank's own lending can finance only a very small proportion of the necessary investments in productive facilities and supporting urban services.

The Bank, however, can play a significant role in pointing out the extent to which governments' present policies, practices, and investment allocations are seriously biased against the poor. And the Bank can expand and redirect its own investments in urban areas to insure that they result in increased earning opportunities and more adequate services for the poor in both the modern and traditional sectors. This will be a major objective of our five-year program for the years FY 76–80.

In future years, I will report to you on our progress in helping to achieve the objective of assuring minimum standards of decency for the nearly two billion people who will be living in the cities of the developing world by the end of this century.

VI. SUMMARY AND CONCLUSIONS

Let me now summarize and conclude the central points I have made this morning.

If we survey the global development scene today, it is clear that most of our developing member countries are caught up in a critical situation. The consequences of the continuing worldwide inflation, the sudden surge in the cost of oil, the deterioration of their terms of trade, and the prolonged recession in their export markets have combined to endanger their economic future. The net effect of these external forces has been to reduce their prospective rates of economic growth, while increasing their foreign exchange requirements.

And it is the very poorest countries, countries that collectively contain a billion human beings, which face the bleakest prospects—the prospects of virtually no increase at all in their desperately low per capita incomes for the rest of the decade.

It is important to comprehend what this stagnation really means in the life of an average individual in a poor country. It does not mean inconvenience, or a minor sacrifice of comfort, or the simple postponement of a consumer satisfaction.

It means struggling to survive at the very margin of life itself.

Statistically, the stagnation means that for a billion people, per capita incomes, in constant prices, will grow from $105 in 1970 to $108 in 1980. The comparable figures for the peoples of the developed world are $3,100 in 1970 to $4,000 in 1980.

Over an entire decade, a $3 increase versus a $900 increase.

The 725 million human beings in the middle-income developing countries are also facing a far more difficult situation than we anticipated a year ago. Unless the foreign exchange available to them can be substantially increased, their per capita incomes too will inch forward at a wholly unacceptable pace.

Are those in the developed world going to conclude that they cannot find it within their collective capacity to make a modestly greater effort to help save several hundred million people from a degree of deprivation beyond the power of any set of statistics even remotely to convey?

I cannot believe so.

I cannot believe so because what is involved for the developed nations is not the diminution of their already towering standard of life. All that is required in order to assist these people so immensely less privileged is a simple willingness to dedicate a tiny percentage of the additional wealth that will accrue to the developed nations over the next five years.

As for the World Bank, we should at the minimum increase our lending programs not only fully to offset price inflation, but also to increase the flow of capital in real terms, particularly to our poorest member countries. And that is what we propose to do.

Preliminary negotiations for the next replenishment of the International Development Association should start within a few weeks. It is, of course, one of the principal multilateral means available to assist the poorest nations.

It is an instrument that has proved its value through hundreds of carefully designed projects that represent a realistic, tough-minded, unsentimental approach to development.

Whatever other debates there may have been throughout the development community, there never has been serious disagreement over either the principle or the record of the International Development Association.

But even with a generous IDA replenishment, and even with a realistic effort by the governments of the developed world, as well as by those of the capital-surplus OPEC countries, to appropriate sufficient funds for the other forms of Official Development Assistance—even after all this has been done—it is clear that these official flows of external capital, as well as increased private flows, will not be enough to ward off the crisis the developing countries are now confronting.

It is imperative that they generate additional capital both through greater domestic savings, and through expanded export earnings. Both will be difficult. For with such low per capita incomes, only arduous sacrifice can produce significantly greater savings. And though there is an impressive potential for greater export earnings, both the developing and developed countries will have to take major steps to accomplish it.

The current foreign exchange crisis, then, in the developing world—and particularly in the poorest countries—must command the attention of us all. It is an emergency situation. And it requires emergency measures.

But beyond this immediate emergency lies another more profound problem. And in our concern for immediate measures, we must not let our longer-range objective be obscured.

That objective is the central task of development itself: the reduction—and ultimately the elimination of absolute poverty.

Poverty is a word that has largely lost its power to convey reality. At least that is true

among most of those who have never known it in its most abject form.

But if we have not personally endured it—if most of the affluent world has never experienced it—there are 900 million individuals alive today, more than 40% of the total population of our developing member countries, who not only know it, but in their wretched circumstances are living examples of it.

Most of the absolute poor live in the rural areas. And two years ago, in Nairobi, we outlined a strategy—and launched a program within the Bank—designed to reduce that poverty. It is based on the fundamental proposition that the only feasible way to deal with poverty is to help the poor become more productive.

It is a task, of course, primarily for the governments of these countries. The Bank can only assist. But we have evolved a whole new series of multisectored projects to help those governments which are committed to the goals of rural development, and our early experience confirms our initial conviction: it is an approach that can succeed.

But poverty pervades not only the countryside, but the urban centers of the developing world as well. There, the numbers of the poor are smaller. But the natural increase within the cities, combined with the rapid rate of migration from the rural areas, guarantees that the problem will grow to mammoth proportions in the next two decades, if governments do not begin to take appropriate measures to deal with it.

I have tried to suggest today a number of those measures.

We in the Bank are resolved to help our member governments in every feasible way we can to come to grips with the problem.

In the end, cities exist as an expression of man's attempt to achieve his potential.

It is poverty that pollutes that promise.

It is development's task to restore it.

FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE FROM DEVELOPMENT ASSISTANCE COMMITTEE MEMBERS MEASURED AS A PERCENTAGE OF GROSS NATIONAL PRODUCT [1]

	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 case I
Australia	0.38	0.53	0.59	0.53	0.59	0.44	0.55	0.55	0.56	0.57			
Austria		.11	.07	.07	.09	.15	.18	.16	.16	.16			
Belgium	.88	.60	.46	.50	.55	.51	.49	.55	.57	.59			
Canada	.19	.19	.42	.42	.47	.43	.50	.51	.56	.59			
Denmark	.09	.13	.38	.43	.45	.48	.54	.57	.61	.64			
Finland [2]		.02	.07	.12	.15	.16	.18	.20	.22	.23			
France	1.38	.76	.66	.66	.67	.58	.60	.60	.61	.61			
Germany	.31	.40	.32	.34	.31	.32	.37	.35	.33	.31			
Italy	.22	.10	.16	.18	.09	.14	.14	.14	.14	.13			
Japan	.24	.27	.23	.23	.21	.25	.25	.23	.22	.21			
Netherlands	.31	.36	.61	.58	.67	.54	.62	.72	.76	.76			
New Zealand [3]			.23	.23	.25	.27	.30	.36	.41	.47			
Norway	.11	.16	.32	.33	.43	.42	.57	.61	.65	.69			
Sweden	.05	.19	.38	.44	.48	.56	.72	.75	.78	.81			
Switzerland	.04	.09	.15	.12	.21	.16	.14	.15	.15	.15			
United Kingdom	.56	.47	.37	.41	.39	.34	.38	.33	.30	.30			
United States [4]	.53	.49	.31	.32	.29	.23	.25	.23	.20	.17			
Grand totals:													
ODA ($b-nominal prices)	4.6	5.9	6.8	7.7	8.5	9.4	11.3	12.2	13.5	15.0	16.6	18.6	20.7
ODA ($-constant 1975 prices)	10.3	12.3	12.6	13.2	13.4	11.5	12.7	12.2	12.3	12.6	12.9	13.4	14.0
GNP ($t-nominal prices)	.9	1.3	2.0	2.2	2.6	3.1	3.4	3.8	4.4	5.0	5.7	6.4	7.3
ODA as percent of GNP	.52	.44	.34	.35	.33	.30	.33	.32	.31	.30	.29	.29	.2
ODA deflator [5]	.45	.48	.54	.58	.64	.81	.89	1.00	1.10	1.19	1.29	1.38	1.4

[1] Figures for 1974 and earlier years are based on actual data. The projections for 1975–80 are based on OECD and World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative authorizations into commitments and later into disbursements, it is possible to project today, with reasonable accuracy, ODA flows (which by definition represent disbursements) by country through 1977 and in total through 1980.

[2] Finland became a member of DAC in January 1975.

[3] New Zealand became a member of DAC in 1973. ODA figures for New Zealand are not available for 1960 and 1965.

[4] In 1949, at the beginning of the Marshall Plan, U.S. Official Development Assistance amounted to 2.79 percent of GNP.

[5] Includes the effect of parity changes. Figures through 1973 are based on DAC figures (statistics for 1973 and earlier years). Projected deflators for 1974–80 are the same as those for GNP.

THE INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975 PASSED IN HOUSE OF REPRESENTATIVES

Mr. McGEE. Mr. President, on September 10, the House of Representatives passed the International Development and Food Assistance Act of 1975 by an impressive vote of 224 to 155.

This 89-vote margin of victory was particularly significant, since in recent years the foreign aid program faced extinction with narrower and narrower margins of victory in both the House and the Senate. The overwhelming vote of support in the House is attributable to several factors. For the first time, the House separated military assistance from bilateral and multilateral development and humanitarian assistance. In addition, the House International Relations Committee followed up its initiative of 1973—the year of the "new directions" in our foreign aid program—by further refining and sharpening programs designed to meet the needs of the world's poorest 1 billion people. A third component in this legislation is the integration of various aspects of our Public Law 480 program into our foreign assistance effort. This is indeed a most welcome and much-needed innovation which will make our development efforts much more rational in dealing with both short-term and long-term development needs of the world's poorest countries.

Mr. President, the House International Relations Committee is to be commended for these new initiatives. I believe the responsiveness of the committee to the plight of the world's poor is the primary reason for the margin of victory achieved last week. It is evident that the vast majority of the American people can and will support the type of development and humanitarian assistance program as contained in the House bill. This is evidenced by the tremendous amounts of mail I am now, and have been, receiving, supporting the House bill.

Presently, the Foreign Assistance Subcommittee of the Senate Foreign Relations Committee, of which I am a member, is marking up the House bill. I have found the exercise to be exciting and stimulating, particularly in light of the fact that the new directions in our foreign aid program are a product of the Congress itself. I have been impressed with the legislation we have before us, and I am hopeful the Senate will follow the lead of the House and pass the International Development and Food Assistance Act by the overwhelming margin of support it deserves.

That the new legislation has captured the imagination of the people of this country is evidenced by the editorial support from all sections of the Nation. Today, I am printing in the RECORD a sampling of this support, which I believe will be useful to my colleagues as we prepare for floor consideration of this measure.

I ask unanimous consent that the editorials and news articles be printed in the RECORD.

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

[From the Atlanta (Ga.) Journal]

BETTER FOREIGN AID

When Congress convenes after its August recess it will consider a proposal designed to upgrade the form of American aid for helping the world's hungry nations.

Some international development authorities have cautioned against returning to the old practice of trying to export high-technology farming systems to countries where the best potential for fighting hunger may lie in better use of human labor.

The pending bill, contained in an amendment to the general foreign aid bill working its way through the House, recognizes some of these and other nuances necessary for effective agricultural development aid.

Under the proposed amendment, eligible U.S. universities, where requested, will work out cooperative agreements for improvement of agricultural education in developing countries. And these programs, according to the bill's sponsor, Rep. Paul Findley, R-Ill., will be "adapted to local conditions, needs and customs."

With the new and more sensible approach to foreign aid, promising a greater likelihood that the money will accomplish what the program was intended to do there is bound to be more support in Congress.

The Findley amendment, for example, has

attracted support from 95 cosponsors in the House, including liberals and conservatives in both parties.

Perhaps soon, U.S. foreign aid will be back on the track, drawing increased interest and financial support in Congress and with the voters across the nation.

[From the Christian Science Monitor, Aug. 8, 1975]

A NEW APPROACH TO FOREIGN AID

There is a most welcome move in Congress to reform America's whole approach to foreign aid. For the first time since the Marshall Plan was launched an effort will be made to separate economic aid from military assistance.

The House Committee on International Relations has approved a bill that authorizes $1.5 billion just for economic aid in the coming fiscal year, and the Senate Foreign Relations Committee is expected to follow suit. If passed by the Congress as a whole, the action will introduce a needed element of integrity in foreign aid giving, for it will make the latter responsive primarily to humanitarian needs rather than United States security goals.

As James Grant of the Overseas Development Council puts it, this is the first time Congress is considering "a really clean" foreign aid bill. Now legislators can vote development aid for poor countries on its own merits without backing funds for, say, police programs that help prop up authoritarian governments.

In its reform mood, the House is also pushing other innovations. It would put food aid under Public Law 480 in the same foreign aid bill, so that such assistance can harmonize with and support development aid programs.

In the past there has been concern that the huge concessional food sales to poor nations such as India have kept them from making the rural reforms necessary to boost their own production. Under the House bill, countries that spend funds to boost their own food production would be charged less money for the PL 480 food purchased from the U.S.

Private American relief organizations like CARE will also be benefited. The new legislation stipulates that such agencies must receive at least 1.5 million tons of gift food a year. This means they will be able to plan ahead with assurance.

Finally, the House committee also delved into how the U.S. is following up on the World Food Conference. Its bill urges that the U.S. make a significant contribution to the 10 million tons of annual food aid recommended in Rome. It also provides funds for American universities to research ways of increasing food production in the "third-world" countries.

To quote Mr. Grant again, the committee has done "a masterful job of translating into action the administration's rhetoric about doing more on the food front."

At a time when foreign aid has lost its early postwar glamour and yet remains increasingly important in a needy and hungry world, it is to Congress's great credit that it is looking at the whole problem afresh and coming up with sensible, imaginative new approaches.

[From the Christian Science Monitor, Aug. 7, 1975]

"REALLY CLEAN" FOREIGN AID BILL: U.S. FOOD AID AIMED AT POOREST

(By Harry B. Ellis)

WASHINGTON.—"For the first time since the Marshall Plan," Congress is considering "a really clean" foreign aid bill, not tied to U.S. security goals.

Thus James P. Grant, president of the Overseas Development Council (ODC), describes the bill, just reported out by the House Committee on International Relations, which aims to give more help to the poorest nations abroad, instead of always favoring those considered strategically vital to the U.S.

"This major piece of innovative legislation," says Mr. Grant, "reflects a change in [U.S. national] priorities."

Mr. Grant notes that the bill—the International Development and Food Assistance Act of 1975—stipulates that "only 30 percent of food aid can go to support U.S. foreign policy. Seventy percent must go to the most needy nations."

A steady flow of free food, distributed to hungry peoples by CARE, Catholic Relief Services, and other voluntary agencies under Title II of Public Law 480, would be assured by the legislation, which directs that at least 1.5 million tons of gift food be made available yearly.

Hitherto, the bulk of American food aid has been under Title I—sales for local currency to U.S. allies—with "surplus" food, after fulfillment of all commercial contracts, going to Title II.

As U.S. grain reserves have shrunk, so has the amount of food given through Title II. CARE and Catholic Relief Services alone have removed at least 16 million people from their relief rolls.

The new bill, to be considered by the full House on its return from vacation next month, would keep the "Food for Peace" pipeline full.

The President is urged by the bill to provide "a significant United States contribution"—perhaps 6 million tons yearly, said Charles Paolillo of the House committee staff— to the 10-million ton annual total of food assistance recommended by last year's World Food Conference in Rome.

Stress is laid in the bill on fostering "labor-intensive, small-farm agriculture" in poor lands, where a majority of populations live on and work small plots of land.

To this end, the bill provides funds for research by American universities to find ways to uplift living standards of nearly 1 billion Asian, African, and Latin American peasants whose livelihood depends on their tiny farms.

Developing countries, noted Mr. Grant, which spend money to help their poorest farmers increase food production, would, in effect, be charged less money for the Title I food they buy from the United States.

The bill, in short, has at least three major thrusts:

It makes U.S. foreign aid responsive to humanitarian needs, not to United States security goals.

It releases more food and money to feed hungry people.

Over the long term, the bill would help developing nations grow more food on the tiny farms where most of their people live.

[From the Honolulu (Hawaii) Advertiser, Aug. 20, 1975]

REFORMING FOREIGN AID

Congress has a very mixed record so far this year, but one area where there seems to be hope is in reforming the foreign aid program and better using it as a tool to fight world hunger.

Attention now focuses on the House where the Committee on International Relations recently reported out a bill that is being hailed as a major step forward in several ways.

One important aspect was cited by James Grant, president of the Overseas Development Council, who said: "For the first time since the Marshall Plan," Congress is considering "a really clean" foreign aid bill not tied to U.S. security goals.

Separating economic aid from military security assistance has long been a goal frustrated by those who suggested the two needed each other to get through Congress.

In fact, there are said to be three major thrusts in the House bill:

Foreign aid would be more responsive to humanitarian needs than U.S. security goals. The bill stipulates only 30 per cent of food aid can go to support U.S. foreign policy. Seventy per cent must go to the most needy nations.

More food and money would be released to feed hungry people. The President would be urged to provide "a significant United States contribution" to the food aid supply recommended by last year's World Food Conference in Rome. Sources say that could be 6 million tons of the recommended 10-million-ton total recommended at Rome.

Programs would be expanded to help developing nations grow more food. These include stress on fostering "labor-intensive, small-farm agriculture" in poor countries and research on helping those whose livelihood depends on tiny farms.

In fact, nearly three-quarters of all development assistance would go to countries with per capita incomes of $275 or less.

As this bill moves toward a House vote, the United Nations is getting ready for a General Assembly session next month where the developing nations will call for more aid as part of a "new international economic order."

There will be new demands that nations such as the U.S. do more—and some counter charges on how the 500 per cent increase in the price of world oil in the past two years has hit developing nations harder than anyone.

At best, the U.S. is likely to face criticism for some past actions of using food aid for political purposes with such allies as South Vietnam.

But how the House (reportedly with White House approval) and perhaps the Senate seem prepared to launch a revamped aid program that meets some growing world needs and should serve our interests and improve them in the process.

[From Newsday, Aug. 26, 1975]

A MARSHALL PLAN FOR TODAY'S WORLD

The Marshall Plan, which financed the reconstruction of western Europe after World War II proved that an enlightened foreign aid program can benefit the giver almost as much as the receiver. It not only restored badly needed markets for American goods; it nutured democracy at a crucial moment when it might easily have perished under the weight of hunger and poverty, the natural breeding grounds of socialism and communism.

The recollection is timely. One of Congress's first tasks when it returns from vacation next week will be to salvage the current American foreign aid program, from the shambles it fell into in Southeast Asia, the major recipient of American aid for the last decade. Congress would be wise, in pondering the future of foreign aid, to return to the principle that served America so successfully a quarter-century ago.

Foreign aid, the late Secretary of State George Marshall said then, should not be "directed against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be a revival of a working economy in a world so as to permit emergence of political and social conditions in which free institutions can exist."

The passage of time has eroded that principle. American aid now is used almost routinely against countries and doctrines—in Southeast Asia, in the Middle East, in Chile and elsewhere. Congress has even come to lump military aid and food and economic assistance in the same legislative package. The member who wanted to vote to alleviate starvation in Africa also has had to vote to send arms, and usually a disproportionate share of economic aid as well, to Vietnam

or South Korea or whatever government happened to be in favor with the State Department at the moment.

On the day Congress recessed, the House International Relations Committee reported out legislation that would allow Congress to consider economic assistance separately from military aid. That in itself is enough to recommend the bill, but it also requires that most economic aid go directly to the neediest peoples in the neediest countries, thereby making difficult for this or any other administration to resume using foreign aid as a political weapon. The bill also increases the amount to be sent overseas under the Food for Peace program, provides funds for increasing agricultural production in backward countries, and authorizes at least $200 million as the initial U.S. contribution to the United Nations Food and Agricultural Development Fund, which is also being funded by the OPEC nations.

Representative Lester Wolff (D-Kensington) is a member of the committee that produced the new foreign aid proposal. We hope he can convince his Long Island colleagues and others in Congress that it deserves their support.

[From The New York Times, Aug. 11, 1975]

GOOD TRY ON AID

The international development bill voted out of the House International Relations Committee last week constitutes a major step toward improving the nation's battered foreign aid program. It is also the beginning of a good-faith effort to fulfill the United States commitment to the fight against world hunger.

The bill carries forward the task of sharpening and clarifying the focus of international economic assistance begun by Congress in 1973. Its most dramatic departure is to separate economic aid from military security assistance for the first time in almost three decades. It also strengthens the priority which the 1973 act set on focusing assistance efforts on the world's poor, involving them in the development process and giving special attention to aid programs for small farmers. Nearly three-quarters of all the development assistance provided in the bill is for countries with per capita incomes of $275 a year or less.

The emphasis on basic development is carried further by the bill's massive concentration on food and nutrition aid. Not only does it approve the Ford Administration's entire request for food production assistance but it also authorizes the use of all loan repayments to support agriculturally related activities, including $200-million for the International Fund for Agricultural Development. There are additional provisions designed to strengthen the capacities of American institutions to promote increases in agricultural production abroad, as well as amendments to the Food for Peace Act to make it support more directly this country's over-all developmental goals.

The committee's action has finally disproved the fear that developmental assistance could not make it through Congress on its own merits, but needed to be dragged along on the heels of America's global security interests. That political strategy has perpetually undermined the economic development aspects of foreign aid programing and has cost the program almost all of the broad support it once enjoyed among the American people.

Beyond that, the bill demonstrates the existence, at least in some influential places in Washington, of an inclination to place hard coin behind America's rhetorical commitment to participate in the effort to develop a reliable world food system and to combat world hunger. The United States has taken a thumping from some Third World spokesmen because of this country's apparent reluctance to move on its commitments to the World Food Council. The committee's action is a solid move away from that embarrassment.

Taken as a whole, the committee's exceptional legislative effort deserves support on the House floor and emulation in the Senate.

[From the New York Times, Aug. 10, 1975]

ECONOMIC AID BILL IS ON ITS OWN

When members of the House International Relations Committee approved a $1.35-million economic and food assistance bill for developing countries last week, separate from any military aid, they seemed almost to be certifying that foreign assistance programs were entering a new phase.

Funds for military and economic assistance traditionally have been packaged together in one foreign aid bill, the military portion generally assuring Congressional passage. This is the first time in more than 25 years that economic aid has been offered alone, and the likelihood now is that the legislation may gain more support by standing alone. Why the turnabout?

An important factor has been Congressional disenchantment with military assistance because of Indochina. Congress last year drastically reduced military arms requests from the White House. Nevertheless, while military grants are out of favor, United States weapons have continued to reach other nations, mostly in the Middle East, through credit or cash sales. This year United States arms sales are expected to total over $8-billion.

[From the New York Times, Sept. 12, 1975]

TEAMWORK ON AID

Passage by the House of Representatives of the International Development and Food Assistance bill signaled a good deal more than simply completion of the first step in the foreign aid authorization process. It also marked approval by the whole House of a unique cooperative effort in which the Ford Administration has adopted some constructive foreign aid departures initiated in the House.

When Secretary of State Kissinger's speech was delivered to the current special session of the General Assembly, it contained a number of ideas originally put forward in the aid bill drafted by the House International Relations Committee. Thus, the Secretary's proposed program incorporated a United States contribution of $200 million for the Agricultural Development Fund, a significantly greater use of American universities for technical assistance and agricultural research abroad, and a project to establish an international industrial institute to spur industrialization in the developing world.

The bill approved by the House included all those features plus a 30 per cent increase in the funds originally requested by the Administration and sharper emphasis on assistance to the poor in developing countries and on agricultural and rural development. The House action should help to dispel whatever skepticism delegates to the special session had about Mr. Kissinger's message.

The House vote and the similarity of views between the Administration and the House on these issues suggest that despite problems the Secretary may have had with Congress on other issues, there is a powerful instinct to cooperate on foreign aid. The Senate should now pass the bill expeditiously in order to confirm definitively the firm American intentions behind the Secretary's promising and constructive rhetoric.

ECONOMIC AID BILL

The House International Relations Committee voted out last week an international development bill that carries forward changes in the foreign aid program initiated by Congress in 1973. For the first time since the Marshall Plan for the reconstruction of Western Europe, nearly three decades ago, the measure deals with economic aid only, leaving military aid to separate legislation.

The bill advances the intent of the 1973 act, which was to make aid for the poorest sectors of developing nations the central thrust of the program reforms. The measure authorizes spending on economic development and food aid for the current fiscal year at $1.35 billion, some $56 million more than the administration requested. Provisions of the measure would allow the Agency for International Development to forgive loan paybacks and use the repayments instead for new programs. This could mean hundreds of millions of dollars in additional aid in coming years. The bill earmarks most of these additional funds for stimulating agricultural development in poor nations.

The committee measure is the sort of bill that many in the aid program and the State Department have wanted for years. The main opposition to such a measure was in the Office of Management and the Budget and in the Treasury and Agriculture departments. Another opponent was the chairman of the International Relations Committee, Representative Morgan, D-Pa., who had long maintained that the economic aid section of the traditional bill needed the military aid section to carry it. But this year Mr. Morgan reversed himself and there was strong sentiment among its supporters that an economic aid bill could stand on its own and perhaps receive more support in the House and Senate if it were not tied to military aid.

The bill demonstrates a U.S. intention to put money behind the pledge to participate in the international effort to develop a reliable system to combat world hunger. The full House should approve the committee measure. And the Senate should come up with a comparable approach to U.S. aid to developing nations.

[From the New York Times, Aug. 7, 1975]

A SEPARATE BILL ON ECONOMIC AID GAINS IN HOUSE IN NEW APPROACH

(By Leslie H. Gelb)

WASHINGTON, August 6.—For the first time since the Marshall plan for the postwar reconstruction of Western Europe, more than 25 years ago, the International Relations Committee of the House of Representatives has approved an economic aid bill separate from military aid.

With the Senate Foreign Relations Committee expected to take similar action and with the apparent support of the Administration, a long-standing debate over the desirability of treating development aid apart from military security issues is drawing to a close.

The sentiment among Congressional supporters is that an economic-aid bill can stand on its own and perhaps receive more Congressional support if it is not tied to military aid. Military aid has become increasingly unpopular in Congress.

The House committee bill authorizes spending on economic development and food aid for the current fiscal year at $1.35-billion, or $56-million more than requested by the Administration.

LONG-RANGE PROVISIONS

With provisions that would allow the Agency for International Development to forgive loan paybacks and use repayments for new programs, the bill could actually mean hundreds of millions of dollars in additional aid in coming years.

The bill earmarks most of these additional funds for stimulating agricultural development in poor nations.

John E. Murphy, the deputy head of the Agency for International Development, which reports of Secretary of State Kissinger, said

in a telephone interview, "We think it's a great bill."

It is the kind of bill that many in the aid program and the State Department have favored for years, but for which they were unable to rally sufficient support. Their main opponents were in the Office of Management and Budget, and in the Treasury and Agriculture departments.

Another stumbling block has been Thomas E. Morgan, the chairman of the House International Relations Committee, who has long maintained that the military aid section of the traditional bill was necessary to carry the economic aid section.

This year, Mr. Morgan reversed himself and favored a substantially new piece of legislation. One of the main reasons for the shift, committee sources said, was the fact that the Administration has yet to present its military aid request. These are being held up by Mr. Kissinger pending the completion of the Middle East review.

For years, former Senator J. W. Fulbright and Mr. Morgan were the prominent protagonists in the debate over aid. This time, some of Mr. Fulbright's ideas were taken up by House committee members like Clement J. Zablocki, Democrat of Wisconsin; Donald M. Fraser, Democrat of Minnesota, and Charles W. Whalen Jr., Republican of Ohio. Along with several other members, they redrafted the bill sent to Congress months ago by the Administration.

The new bill also authorizes $1.52-billion for economic aid for the fiscal year beginning in October, 1976.

The bill authorizes in full the Administration's request for food production aid, $628-million in 1976 and $760-million in 1977, compared with less than $400-million in 1975. In addition, it authorizes the full use of all loan repayments, estimated at $353-million in 1976 and $403-million in 1977, for agriculutral development programs. These loan paybacks were otherwise scheduled to be repaid directly to the Treasury.

Of these paybacks, the committee directs that $200-million be earmarked for the International Fund for Agricultural Development. This fund, one of the products of the World Food Conference last year, is in the process of being established with the exception that oil-producing nations will contribute half of its capital.

An even more far-reaching provision of the new bill concerns Public Law 480, or the Food-for-Peace Program. Under existing legislation, nations that buy almost $1-billion in American grain are given long-term low-interest loans.

Under the House committee bill, these buyers could be forgiven repayments if they use the proceeds of the grain sales in their own country for programs to improve their own agricultural output. This provision was designed to counter critics of the Food-for-Peace program who contended that cheap American food had been an incentive for poor nations not to improve their own farm output.

[From the Washington Post]

FOOD, DEVELOPMENT, AND AID

American foreign aid for economic development has been declining in recent years, and the reasons go far beyond mere stinginess. It is not simply a case of the post-Vietnam blues. This country has discovered over the years that it takes more than good intentions to make development aid effective, and it takes more than an indiscriminate outpouring of dollars. The question is how to spend that money in precisely focussed ways that will do the most good—and, to be candid, the least harm. Americans have found that high-powered aid programs can do a great deal to raise other countries' production levels and incomes. But they can also contribute to wars, destructive migrations and growing destitution among those who can find no place in the new economic order.

Aid is a potent agent of change, and the people who give it have a duty to pay attention to what they are doing. In recent years there has been a tendency here in Washington to give more weight to the failures than to the evidence of progress, and Americans have increasingly backed off uneasily from the whole commitment to aid while they tried to devise surer methods of delivery. It is, in effect, a reflection of the larger debate over poverty in America that has been going on among us for more than a decade.

Congress is now proceeding with vigor and intelligence to give a new form to American aid abroad. The House is scheduled today to take up the International Relations Committee's excellent bill to authorize $1.4 billion for development and food aid this year and $1.5 billion next year. Those figures reverse the recent declining trend, but there is much more to the bill than the numbers.

Congress is responding here to the moral issues laid before the rich nations last year at the world conferences on food and population. Those two conferences demonstrated, between them, the dilemma of aid. Many of the poor countries are desperately hungry, yet to give great quantities of emergency aid in this generation would only increase the terrible burden of need a few years later. Clearly population control is a necessary solution. But it is also a cruelly slow one, and no country can save its people from this year's famine by curbing next year's birth rate.

The House bill wisely ties food deliveries to a new system of incentives to the recipient countries to develop their own food production. When the United States sends food to another country, it is sold on local markets for local currency. A great deal depends upon the way in which those local funds are spent. The bill would create a substantial pressure on recipient governments to use them, as the committee puts it, "for activities which directly improve the lives of the poorest of their people." That means, in particular, agriculture and rural development. The committee acknowledges that our food shipments in the past have often permitted the recipient countries to neglect their own potential to help themselves. The present bill offers a genuine remedy.

The bill would also authorize a substantial increase in funds for population planning and health. For the first time, it would require that a minimum of two-thirds of this money go directly into population control. On the general outline of this bill, if not in every detail, the committee and the Ford administration seem to be in agreement.

Americans have understood for some time that they cannot help the rest of the world a great deal merely by sending shiploads of grain each year to whatever unfortunate country might be suffering most desperately from famine at that moment. In this bill, the outline of a much more promising policy emerges. It stands on three legs. There is the immediate shipment of food as relief in crises. But it is tied to investment and technical assistance for that country's own food production in the longer future. That in turn is linked to a rising emphasis on population planning. None of the three will work alone, but all of them together comprise a coherent and constructive design.

Much has been made of the point that, for the first time in many years, the House is taking up economic aid separately from the foreign military and security authorizations. In the past, the common wisdom held that the do-good money could survive only if it were tied in with the military funds. But things have changed. The subjects are fundamentally dissimilar, and there is no reason to embroil economic aid in the coming debate over security commitments in the Middle East, or the long row over arms to Turkey and the Persian Gulf countries.

The International Development and Food Assistance Bill now coming to the floor turns an important corner in American policy. It provides the beginning of a good answer to the legitimate appeals of the world's poor nations. The bill deserves to be passed.

[From the Minneapolis (Minn.) Tribune, Aug. 21, 1975]

HIGH MARKS FOR A NEW AID BILL

A desirable piece of lgislation awaits action by the House of Representatives when Congress reconvenes next month. Modest in dollars, but creative in its many provisions, the foreign-aid bill approved by the House International Relations Committee deserves high praise and, most of all, enactment. Because the subject in the 1970s has inspired yawns as well as irascibility, we think it worth pointing out why the House bill should be a powerful antidote to both reactions to foreign aid.

The most familiar lament about aid is that it often hasn't worked. Critics point to big development projects which look good in photographs, but have done more to enrich the elite in poor countries than to deal with fundamental problems of poverty and hunger. Moreover, food aid has been politicized; a prime example was the Orwellian allocation of most "food for peace" in the recent past to Indochina. Similarly, the packaging of humanitarian and military assistance in the same legislation soured many former supporters of overseas assistance.

A start in answering those criticisms came in the 1973 act, which called for aid to be concentrated in the poorest of the poor countries. This year's House committee bill incorporates the same philosophy, but takes even longer strides in the form of precedent-setting, explicit provisions to make aid do what it's supposed to.

A striking illustration of that approach is the separation, for the first time since the Marshall Plan more than 25 years ago, of economic and military assistance. This bill will be voted on its merits—which we think are considerable—and not tied to security programs. Just as it makes sense to exclude military aid from economic-development legislation, so is it logical to include food aid and agricultural-development programs. With the consent of the House Agriculture Committee, that, too, is being done for the first time. Significantly, there is a provision that no less than 70 percent of food aid be allocated where most needed for humanitarian purposes.

The bill's emphasis on human resources and nutrition is not only instrinsically sound, but responsive to the more prudent recommendations from last year's World Food Conference. One way in which that emphasis is made concrete has special application to Minnesota. A new section gives an expanded role to land-grant universities in programs to help small farmers in developing countries improve their food production. The University of Minnesota would clearly qualify under the bill's requirements for institutions that have a "demonstrable capacity in teaching, research and extension activities in the agricultural sciences."

His record of innovation in foreign-aid legislation makes it no surprise that Rep. Donald Fraser is a key sponsor of the new bill. He will, we hope, have the support of constituents as well as colleagues when the bill comes to the House floor.

THE SECTION 223(f) HOUSING PROGRAM

Mr. TAFT. Mr. President, for some time I have been concerned about the

Department of Housing and Urban Development's administration of section 223(f) of the National Housing Act, as authorized by the Housing and Community Development Act of 1974. This section authorizes the Federal Housing Administration to insure the purchase or refinancing of an existing multifamily housing project.

I helped to author the Senate version of this provision as a means of encouraging the preservation of existing low- and moderate-income housing which otherwise would deteriorate further, by facilitating financing for the renovation of older projects. In particular, a landlord could use this authority to obtain an extension on his mortgage, which would provide loan money for renovation without increasing his monthly payment and thus pressure on rents.

Thus, I was concerned when HUD used an imaginative interpretation of the statute as a mechanism for allowing the insurance of permanent financing for newly constructed housing projects. Although that program may be beneficial to housing if administered soundly, I have urged that it not divert HUD from moving ahead with section 223(f) in the housing preservation field. To assure that this is the case, I introduced legislation which states that for projects begun after June 30, 1974, section 223(f) insurance would be available only after the project is at least 3 years old—section 6 of S. 1915, the Housing Preservation Alternatives Act.

I recently wrote Secretary Hills about this matter and I now have recevied a reply. I believe that the Secretary's response is important, because it recognizes that the primary purpose of this authority is to assist in the preservation of older housing, indicates the Secretary's belief that the program can be extremely valuable in this regard and indicates that HUD will move ahead in that direction.

During the Senate debate on the so-called redlining bill, the chairman of the Banking, Housing and Urban Affairs Committee indicated his interest in hearings on S. 1915. I hope that the committee will continue to follow this matter closely. In that regard, I think it would be helpful to the committee, the Senate as a whole, and the public, to have the exchange of letters between Secretary Hills and myself printed in the RECORD. Accordingly, I ask unanimous consent that those materials be printed in the RECORD.

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

JULY 23, 1975.

Hon. CARLA HILLS,
Secretary, Department of Housing and Urban Development, Washington, D.C.

DEAR SECRETARY HILLS: I am enclosing several materials which relate to the program HUD has developed under Section 223(f) of the National Housing Act. These materials include a Forbes Magazine article rather critical of the program, my response to the article and a speech concerning a bill to amend the provision which I have introduced.

As these materials indicate, HUD's present use of this provision largely as a means of insuring newly constructed and even unfinished projects is unrelated to the legislative impetus for it. I proposed this type of authority as a means of assisting in the preservation of older housing; primarily by allowing landlords to obtain repair money without an increase in monthly loan expenses and thus the pressure on rents.

Although I have been extremely concerned about the diversion of this program from its intended purpose, I feel that the present HUD program for new projects may be justifiable in today's extremely depressed multifamily housing market if government costs are kept minimal. So that this will happen, the Federal Housing Administration must be very careful to exercise prudent underwriting for Section 223(f) projects. I urge you to do what you can to ensure that this is the case.

The legislation I have introduced (S. 1915) would require that except for projects now eligible for HUD's temporary program, all projects insured under Section 223(f) would have to be at least three years old. I hope that you will support this legislation. I feel that as a means both of allowing housing projects to be repaired without rent increases, and of improving more generally the financing situation for older apartments and thus landlords' consideration of them as economic investments, Section 223(f) eventually can be the valuable housing preservation mechanism that it was designed to be. I hope that your Department will move vigorously in that direction.

Your comments on Section 223(f) as presently administered, HUD's future plans for the use of this authority, and S. 1915 would be most helpful.

Sincerely,

ROBERT TAFT, Jr.,
U.S. Senator.

JULY 23, 1975.

MR. JAMES MICHAELS,
Editor, Forbes,
New York, N.Y.

DEAR EDITOR: I feel that you have acted positively by bringing to the public's attention the Department of Housing and Urban Development's diversion of some of the new authority granted it by the housing law enacted last year ("Catch 23(f)", Just 1 issue).

The legislative impetus for this authority was to help reverse the decline of salvageable inner city areas, largely by offering landlords government-insured refinancing so they can repair their properties without having to raise rents. I doubt that any of the proponents of this concept ever envisioned that HUD would stretch the law's general language to provide insurance for "distress projects" yet to be completed.

It has been my view that HUD's present use of the authority in that manner may be helpful to the extremely depressed multifamily housing market, freeing up funds which can be made available for loans on new projects. This can be done at little or no cost to the government if HUD engages in sound underwriting. However, because the HUD-concocted program does not require developers to meet the normal environmental, affirmative marketing and other requirements usually associated with government-insured financing of new apartment projects, I believe it should be a one-time occurrence.

Therefore, I have introduced leigslation which would limit the program in the future to the crucial purpose originally intended, that of helping to preserve older low and moderate-income housing. I have also urged Secretary Carla Hills to do all she can do to assure sound underwriting in the temporary HUD program, and urged close Congressional oversight of this operation.

Sincerely,

ROBERT TAFT, Jr.,
U.S. Senator.

CATCH 223(f): IS UNCLE SAM ABOUT TO BAIL OUT THE BANKS AND THE BUILDERS FROM THE CONSEQUENCES OF THEIR OWN FOLLY?

Section 223(f) was just 15 lines in the 150-page housing bill that sailed through Congress last August. The provision's supporters wanted to aid decaying but salvageable inner-city areas by offering landlords government-insured refinancing so they could fix up their properties without having to raise rents.

But what Congress thought it was getting and what it got are worlds apart. Thanks to sloppy legislative drafting and some creative regulation writing at the Department of Housing & Urban Development, Section 223(f) may turn into a first-class bailout for builders, real estate investment trusts and banks who are stuck with billions of dollars worth of new, overpriced apartments and condominiums that need refinancing too.

Right now many of the unsold and unrented projects are still being financed with high-interest construction loans—typically written at about 5% above the prime rate. Private long-term lenders—bank trust departments and insurance companies—want nothing to do with those lemons, especially since most buildings are far behind in interest payments and running heavy negative cash flows. So the temporary financing turns into involuntary long-term financing.

Under the old law, Federal Housing Authority insurance for multifamily projects could only be granted *before* construction started. That way, if a project's costs began to soar out of control, as many REIT projects did, HUD could drop its guarantee. But after listening to the wails of builders and bankers, HUD officials broadened the regulations under the new 223(f). They extended the insurance to any "distress" projects begun before June 30, 1974 and finished by the end of this year. That should enable developers to refinance their existing high-interest bank and REIT construction loans with lower-cost federally guaranteed long-term loans. With a government guarantee, the long-term lender doesn't have to worry about a default: The Government pays.

It could turn out to be an answer to the prayers of builders, REITs and banks. The Government would, in effect, bail them out of their bad loans.

"With the eagle on it you can sell anything," says the vice president of a major brokerage firm. "Nobody even looks at the underlying quality of the mortgage."

"If this backfires," a top HUD official told Forbes' Paul Sturm, "it could cost the Government billions in insurance losses."

The lawmakers' largesse comes more from ineptitude than heavy lobbying. Final language for 223(f) was written last year—before the REIT collapse. A committee note explaining the purpose of the section is gobbledygook; it relates to another proposed change that wasn't even enacted. Senators Alan Cranston (Dem., Calif.) and Robert Taft (Rep., Ohio), 223(f)'s original main backers, never meant to allow the loophole at all.

THE ONLY WAY OUT

But in Washington, people get paid to read the fine print. "When we saw that language, we jumped on it," says J.S. "Mickey" Norman, a Houston developer and president of the 74,000-member National Association of Home Builders. "It's the only way a lot of our guys may come out alive."

So the industry wheeled out its big guns. A *Who's Who* of builders, mortgage bankers and REIT men trooped down to HUD to "suggest" how the law should be administered.

Section 223(f) quickly became known as "the great REIT bailout." But other people in the know had another name for the bill. One of the first applications came from a troubled $6-million development in Hous-

ton owned by the NAHB president himself. "Because I've been so involved, I guess some people felt it was the Mickey Norman bill," says Norman. "Actually, it's a great step forward for the industry."

No insurance has yet been written under 223(f) because final regulations are still in the works. Meanwhile, HUD offices in Atlanta and Dallas report over 1,250 conferences with interested developers and lenders. "If the program gets going properly, the volume in the next nine months will be $2 billion at least." says Paul Low, senior vice president of Dallas-based mortgage bankers Lomas & Nettleton.

Federal Housing Administration Commissioner David deWilde, a former investment banker with Lehman Bros., defends the soundness of the proposal. He says that current plans call for the FHA to insure only up to 80% of value, with builders paying any operating deficits for 18 months. DeWilde insists: "It certainly won't be a bailout for a guy who didn't put up a viable project."

But deWilde may be overrating the abilities of the FHA staff. The scandal-scarred agency has butchered relatively simple single-family housing programs (FORBES, *May 15*). What will it do, faced with 223(f) applications that involve far more money and far more sophisticated underwriting? Already there is a report of a local FHA office approving a builder's application based on 1978 rents and 1974 expenses. Other builders are pressuring HUD for loans based on their projects' "replacement costs." Rather than on "economic viability." What's more, the desperate REITs want 223(f) to be stretched to cover more than $1 billion worth of their foreclosed apartments.

If Congress wants to bail out banks and builders from the consequences of an economic downtown compounded by their own folly, it can, of course, do so. But any bill proposing that would have scant chance of becoming law. So what the builders and bankers apparently can't do through a law, they seem to be doing through a loophole.

WASHINGTON, D.C.,
August 18, 1975.

Hon. ROBERT TAFT, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR TAFT: Thank you for your recent letter concerning HUD's implementation of section 223(f) of the National Housing Act, As you noted, the primary purpose of this authority is to assist in the preservation of older housing.

I believe, and I have so testified before the Congress, that section 223(f) can be extremely valuable in this regard by assuring a stable source of permanent financing at reasonable interest rates for the purchase of, or the refinancing of indebtedness on, older multifamily projects. The availability of such financing will provide a real incentive for the preservation and maintenance of the vital national resource that our existing multifamily housing stock represents.

Accordingly, I fully expect and intend section 223(f) to play an important part in our overall housing preservation efforts. To assure the achievement of that objective, I intend to monitor closely the progress of all aspects of the section 223(f) program.

However, I share your concerns that the program be carefully administered and that prudent underwriting standards be applied. Therefore, HUD field offices are being thoroughly instructed as to the special need for cautious and prudent underwriting in this program, not only with respect to older projects but also, and equally importantly, where special class projects (i.e., projects started before June 30, 1974, for which an application is filed and the project is completed prior to December 31, 1975) are involved.

With respect to the special class projects, making available mortgage insurance under the section 223(f) program for such projects does not, in our view, divert the program from its intended purpose. Long-term financing should help keep a number of projects financially viable and I believe it is in the interest of the housing industry generally to create a climate in which investors are not discouraged from future involvement in rental projects because of the aberrations in the housing market in the immediate past. Moreover, I would note that thus far a limited proportion of applications under section 223(f) has been for special class projects.

As to S. 1915, we have circulated the bill within the Department for comments not only on the proposed limitation on eligibility under section 223(f) to which you alluded in your letter, but also on the numerous other amendments to HUD authorities it contains. I will be happy to supply our views on the bill as soon as all interested constituent elements within the Department have been had a chance to examine it thoroughly.

Sincerely,

CARLA A. HILLS.

MALI

Mr. HARTKE. Mr. President, Mali, an independent West African nation, celebrates its National Day on September 22. This National Day is called the Anniversary of the Proclamation of the Republic.

In recent years, Mali, along with other countries of the Sahiel, has suffered a devastating drought that decimated its people and killed much of its livestock. In spite of those setbacks, Mali has forged ahead under the able leadership of Col. Moussa Traore, President of the Republic has began to rebuild anew.

There is much vitality, and a singleness of purpose among 6 million people of Mali. A determination to develop the huge work potential and mineral resources.

Mali is the seat of one of Africa's oldest civilization and the fabled city of Timbukto has been noted as the meeting place of "all who trade by camel or canoe."

African scholars have for years journeyed to the University of Sankoré to study the learned documents that have been placed there. The great African leader Mansa Musa introduced the first burnt brick into West Africa in the 12th century when he returned from his now famous trip to Mecca at which time he brought the Egyptian architect that designed the university that still stands.

Let us then salute the President, the people, and the Government of Mali on September 22, 1975.

MARTIAL LAW IN THE PHILIPPINES

Mr. BAYH. Mr. President, today is the third anniversary of the declaration of martial law in the Philippines. When President Ferdinand Marcos placed his Nation under a State of martial law, he spoke of the need to protect citizens' rights and to guide his people toward the new society.

But where are we today, exactly 3 years later?

There are fewer civil rights in the Philippines now than before the strife that brought on martial law. There are more political prisoners in jails than before martial law was declared. Freedom in this model of democracy is hard to find for many Philippine citizens.

I have addressed this body on several earlier occasions, expressing a desire that Philippine officials demonstrate their concern for civil liberty by disposing of the pending cases of their political prisoners and bringing justice as expeditiously as possible. I have been particularly concerned about three individuals in prison who were once prominent Philippine citizens. The three are Eugenio Lopez, Jr., Sergio Osmena III, and Benigno Aquino—all political opponents of President Marcos who have been most severely treated by Philippine justice.

Several Members of the Senate have joined me in an appeal to President Marcos about these men. The least we ask is that they have their cases tried as soon as possible and that they be treated with fairness and humanitarianism. Nothing has been done to convince me that this will happen.

Therefore, I ask my colleagues to join me once again in an appeal to President Marcos to resolve the cases of these men and of the other political prisoners in his jails. The American people should feel confident that our support and friendship is extended to those who share our beliefs in civil rights, humanity, and justice, but are denied basic political freedom due to the arbitrary actions of their government.

THE UNITED NATIONS DEVELOPMENT PROGRAM

Mr. McGEE. Mr. President, today I am having the final installment of the report of the United Nations development program activities for 1974 printed in the RECORD.

As I had mentioned previously in inserting sections of this report into the RECORD, I am doing so in an effort to expand the amount of material available to my colleagues in the hopes they will recognize the need for continued, strong U.S. support for this and other United Nations programs.

I ask unanimous consent this material be printed in the RECORD.

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

DELIVERY IN 1974

Programme delivery rose in every category of input except the number of experts supplied to the field in 1974. The value of equipment supplied to projects rose 41 per cent from $32.3 million in 1973 to $45.6 million in 1974. The number of fellowships awarded for study abroad rose slightly—about 4 per cent—from 5,159 to 5,343, halting a downward trend in the training component of Programme inputs of several years' duration. Spending on subcontracts rose 4 per cent, from $36.4 million in 1973 to $37.9 million in 1974. The number of experts fielded declined fractionally—about 1 per cent—from 9,914 to 9,809. The total field service rendered by these experts was estimated at about 5,000 man-years—slightly below the 1973 level.

These aggregate figures on Programme delivery point to continued difficult in the pro-

vision of expert services by the Executing Agencies and indicate that the supply of fellowships for training, which stocd as high as 7,115 in 1971, also remains a source of concern to Programme implementation. The rapid and accelerating rise in Programme approval actions, on the other hand, is a clear source of encouragement since delivery performance already shows signs of improvement. The serious shortfall in project approvals during the formative years of country programming has undoubtedly been overcome. Net project approvals and revisions rose by 15 per cent to $275 million in 1973 and leaped ahead by 55 per cent to $427 million in 1974.

PROJECTS APPROVED AND COMPLETED

Of the approval actions recorded in 1974, $394 million was charged to country and intercountry IPFs, $24.2 million was registered under the Special Measures fund for least developed countries and $6.9 million came under the Programme Reserve. On a regional basis, a record $121.8 million in new commitments was recorded for countries in Africa; in Asia and the Pacific the corresponding figure was $95 million; in Europe, the Mediterranean and the Middle East, $72 million; and in Latin America, $68.8 million. Together, the four regions accounted for $357.6 million in approval actions in 1974, while intercountry programmes constituted the remaining $69.1 million. With respect to this latter group of commitments, the great bulk, or some $59.5 million, was approved for regional projects, while $8.6 million was approved for interregional and $1 million for global projects.

On a sectoral basis, the distribution of net project approvals and revisions recorded in 1974 conformed roughly to the pattern of approvals registered in 1973, although projects in agriculture recorded a notable gain. An examination of such approvals by primary Executing Agency shows FAO, with $133.3 million, or more than 30 per cent of the total. The next largest share falls to the United Nations, with $67.8 million—or about 15 per cent—of commitments. These Agencies are followed in descending order of commitment responsibilities by UNESCO ($48 million), United Nations Industrial Development Organization (UNIDO) ($43 million), ILO ($26.8 million), WHO ($22 million), UNDP ($19.1 million), ITU ($17.1 million), International Civil Aviation Organization (ICAO) ($14.4 million) and the World Bank ($13.3 million). The remaining $22 million in approvals will be implemented by UNCTAD, World Meterological Organization (WMO), IAEA, International Maritime Consultative Organization (IMCO), Universal Postal Union (UPU), Asian Development Bank (AsDB) and International Development Bank (IDB), in that order. In contrast to planned new expenditures under country programmes covering the entire 1972–1976 period, the immediate pattern of new Programme commitments undertaken in 1974 indicates a resurgence of projects in the agricultural sector, with a commensurate rise in implementation responsibilities for FAO.

UNDP also recorded the completion of 242 projects in 1974. Of these, 64 were in Africa; 63 in Latin America; 57 in Asia and the Pacific; and 56 in Europe, the Mediterranean and the Middle East. There were two interregional projects which also ended in 1974.

EXPENDITURE BY AGENCY

Once again in 1974, a trend toward declining or stable field expenditures by the larger Executing Agencies and increased field expenditures by the smaller and medium-size Executing Agencies was reflected in the pattern of total Programme spending at the country and intercountry levels. Almost two-thirds of total field expenditures were accounted for by the four largest Agencies—FAO, United Nations, UNESCO and ILO. But FAO's share of expenditures fell from $78.7 million in 1973 to $77.3 million in 1974. The United Nations share remained essentially stable at $44.8 million, compared to $44.3 million in 1973. UNESCO recorded the sharpest decline in expenditures for a large Agency—$32.9 million in 1974 compared to $36.6 million in 1973. ILO changed little from $27.2 million in 1973 to $27.5 million in 1974. All the remaining Agencies recorded increases in their share of total expenditures except the World Bank, whose spending under the Programme declined from $15.4 million in 1973 to $13.6 million in 1974, and IDB, down from $0.4 million to $0.2 million.

Of the Agencies advancing in expenditures, UNDP itself recorded by far the biggest increase, climbing from $3.8 million in 1973 to $14.3 million in 1974. (See page 57, below, for details.) Expenditures by IAEA rose by more than a third, from $2 million to $3.1 million. Among medium-size Agencies, UNIDO registered a 17 per cent increase, from $16.8 million to $19.7 million. Other Agencies, in order of 1974 expenditures were: WHO, $15.7 million; ITU, $11.1 million; ICAO, $9.7 million; WMO, $5.4 million; UNCTAD, $4.3 million; UPU, $1.7 million; IMCO, $1.6 million; and AsDB, $0.9 million. The shifting pattern of Agency expenditures is further elaborated in the description of expenditure categories related below.

UNDP project expenditures by region, 1974

	Percent
Africa	26
Asia and Pacific	22
Europe, Mediterranean, Middle East	19
Latin America	18
Inter-Country	15
Total	100

UNDP project expenditures by category of inputs, 1974

[Percent and million dollars]

Experts	58.84	167.0
Equipment	16.14	45.8
Sub-Contracts	13.39	38.0
Fellowships	9.20	26.1
Miscellaneous	2.43	6.9
Total	100	283.8

PROVISIONS OF EXPERT SERVICES

Delivery of expert services in 1974 accounted for 59 per cent—or $167 million—of total field expenditures, calculated on a standard cost basis, i.e., $30,000 per expert man/year. These expenditures paid for the field services of the internationally recruited development planners, engineers, health technicians, statisticians, agronomists, meteorologists, employment analysts and other technical and investment-support specialists whose expertise, experience and dedication in the field are critical to the success of UNDP-supported projects. Their periods of service range from several weeks to several years, but most of those serving in 1974 were beginning, continuing or ending assignments of several years' duration.

More than 30 per cent of these experts were drawn from developing countries themselves. Of these, 472 came from India; 231 from Egypt; 214 from Chile; 206 from Argentina; 154 from Yugoslavia; and 100 from Israel. Among developed countries, 1,446 UNDP-supported experts in the field came from the United Kingdom; France followed with 1,169; the United States with 1,152; Canada with 373; the Federal Republic of Germany with 355; the Netherlands with 326, Belgium, 302; Sweden, 264; Italy, 233; Australia, 191; Switzerland, 167; USSR, 154; Japan, 129; Norway, 120; Finland, 119; and Denmark, 117.

As in previous years, the largest number of experts were assigned to country projects in Africa—2,833, compared to 2,261 in Europe, the Mediterranean and the Middle East; 2,183 in Asia and the Pacific; and 2,148 in Latin America. In addition, 1,235 field consultants were assigned to intercountry projects. There were 33 developing countries in 1974 in which 100 or more UNDP-supported experts were serving. Indonesia led with 316, followed by Iran with 291, Nigeria with 241, Brazil with 226, Mexico with 172, Algeria wth 171, Ethiopia with 168, Afghanistan with 164, Zaire with 159, Sudan with 157 and Egypt with 155. A number of countries experienced a significant turnover in the number of expert advisers as compared to 1973. Field advisers were up 32 per cent in Mexico, 35 per cent in Pakistan, 25 per cent in Iran and 18 per cent in both Nigeria and Brazil. They were down 49 per cent in Bulgaria, 48 per cent in Spain, 44 per cent in Cyprus, 34 per cent in Mali, 32 per cent in Thailand and 12 per cent in India.

UNDP project expenditures by agency, 1974

[Percent and million dollars]

FAO	27.24	77.3
United Nations	15.79	44.8
UNESCO	11.59	32.9
ILO	9.69	27.5
UNIDO	6.94	19.7
WHO	5.53	15.7
UNDP	5.04	14.3
World Bank	4.79	13.6
ITU	3.91	11.1
ICAO	3.42	9.7
WMO	[1] 1.90	5.4
UNCTAD	[1] 1.52	4.3
IAEA	[1] 1.09	3.1
UPU	[1] 0.60	1.7
IMCO	[1] 0.56	1.6
AsDB	[1] 0.32	0.9
IDB	[1] 0.07	0.2
Total	100	283.8

[1] Figures provisional and based on standard cost.

Among the Agencies, sharp variations in the provision of experts were again apparent. FAO, which had fielded 3,159 experts in 1972 and 2,812 in 1973, fell again to 2,628 in 1974. The World Bank declined from 633 experts fielded in 1973 to 579 in 1974. Following general expenditure patterns, the decline in the number of experts tended to be greatest among the larger Agencies, while some of the smaller Agencies gained appreciably. UNIDO rose 14 per cent from 751 experts in 1973 to 856 in 1974.

EQUIPMENT FOR PROJECTS

Equipment for projects continued to register the biggest gain of any input category in total field expenditures. The value of equipment delivered to projects in 1974 rose 42 per cent over the comparable figure for 1973, to $45.8 million. The value of equipment ordered for projects also rose in 1974 by 39 per cent over the previous year, to $46.9 million. In terms of the cost of equipment ordered, 10 of the Executing Agencies recorded increases in 1974 over 1973, while four registered declines and the others had minor changes. Three Agencies accounted for fully half the value of the equipment ordered. They were: FAO ($10.1 million); the United Nations ($9.7 million); and UNESCO ($6.1 million). Each of these Agencies registered gains of 20 per cent or more over the previous year, and the United Nations increased its equipment orders by 80 per cent. Other substantial increases were recorded by ICAO, ILO, IAEA, UNIDO, UNDP.

As in previous years, suppliers in three industrialized countries accounted for more

than half the total value of equipment ordered. These were the United States, with $13.4 million ordered; the United Kingdom, with $6.4 million; and the Federal Republic of Germany, with $5.6 million. Other major suppliers were Japan ($3 million), France ($2.6 million), Canada ($1.9 million), Switzerland ($1.7 million) and Sweden ($1.5 million). Despite the concentration of orders among these industrialized countries, more than 120 countries were actually sources of equipment procurement for the Programme in 1974.

SUBCONTRACTS AWARDED

The trend toward increased use of subcontracting in the Programme resumed in 1974 after a one-year downturn. Spending on subcontracts accounted for $38 million in total field expenditures, or 13 per cent of the whole. The total value of new subcontracts awarded and net additions to earlier awards amounted to $35.5 million. As in the past, the World Bank recorded the largest share of these awards—$9.8 million or 36 per cent of the total. Among the larger Agencies, FAO awarded $9 million in subcontracts, the United Nations $4.3 million, UNIDO $2.5 million and WHO $1.9 million. UNDP accounted for $4 million in new awards.

The subcontracts awarded in 1974 were drawn from 50 countries. Industrialized countries accounted for $33.1 million—or 94 per cent—of the total cost of these subcontracts; developing countries provided only $2.2 million. The largest single source of subcontract awards in 1974 was the United States, whose firms and organizations recorded $4.9 million in total awards. Canada was second with $4.8 million, followed by the United Kingdom and France with $4.3 million each. Finland with $2.3 million, Denmark with $2.2 million, the Federal Republic of Germany with $2 million, Japan with $1.9 million, Norway with $1.4 million and Italy with $1.3 million. In all, four countries—the United States, Canada, the United Kingdom and France—accounted for more than half the value of subcontracts awarded in 1974.

TRAINING THROUGH FELLOWSHIPS

A three-year decline in fellowships awarded for the training of developing country nationals abroad was arrested in 1974, although fellowships continued to comprise the smallest portion of field expenditures—$26 million or 9 per cent of the total. Of the $5,343 fellowships awarded in 1974, 1,273 went to countries in Africa, 1,297 to countries in Asia and the Pacific; 1,638 to countries in Europe, the Mediterranean and the Middle East; and 1,135 to countries in Latin America. Ten countries had more than 100 trainees studying abroad with UNDP support. Poland led with 239 fellows, followed by India with 197 and Indonesia with 129. Among the Executing Agencies, ICAO awarded the largest number of fellowships—835. Next came UNESCO with 778, FAO with 717, the United Nations with 621, WHO with 557 and ILO with 507.

Universities, institutes and professional and technical schools in 17 countries, both developed and developing, each played host to more than 100 of these fellows in 1974. The largest number—927—were studying in the United Kingdom. The United States was host to 845, France to 605, Italy to 326, the Federal Republic of Germany to 267, the Netherlands to 205 and Switzerland to 194. Among the developing countries Lebanon hosted 265 fellows, Thailand 183, Argentina 157, Mexico 149, Egypt 138 and Senegal 109. Almost half the trainees studying abroad were concentrated in four countries—the United Kingdom, the United States, France and Italy.

INVESTMENT FOLLOW-UP

Almost two-fifths of UNDP-supported field work is devoted to projects with an investment orientation. These projects tend to be concentrated in four main sectors: agriculture, industry, natural resources and transportation and communications. For two of these sectors, the volume of follow-up investment commitments reported in 1974 as stemming directly or indirectly from UNDP-sponsored surveys and feasibility studies was up. Such commitments in agriculture rose from $424 million in 1973 to $1,463 million in 1974; in the industrial sector they rose from $577 million to $756 million. The other two sectors of primary concentration showed marked decreases in reported new commitments, however. New investment commitments in the natural resources sector, which stood at $1,113 million in 1973, fell off to $232 miillion in 1974. In transportation and communications, the comparable figures were $1,384 million in 1973 and $915 million in 1974. On a Programme-wide basis, the level of followup investment commitments reported in 1974 declined less than 5 per cent from the 1973 level to $3,888 million.

As measured under the strictures of a new reporting system, more than half the new commitments reported in 1974 were directly related to UNDP-sponsored investment oriented projects, with the remainder indirectly related. External sources of private capital accounted for only 5 per cent of the reported total. Among multilateral sources, the World Bank and IDA reported $752 million in new commitments. The prime source of follow-up investment commitments, however, continued to be the developing countries themselves. Almost 60 percent of the amount recorded in 1974 came from the public and private sectors of these countries.

UNDP—APPROVED PROJECTS EXECUTION BUDGETS 1974–78

[Dollars in thousands]

Budget category	Number of projects	1974	1975	1976	1977	1978	Total
IPF	150	$16,221	$10,154	$4,450	$1,897	$334	$33,056
UNFPA [1]	130	8,883	4,106	1,495	326	----	14,809
LDC [2]	23	1,347	631	379	55	----	2,412
Prog. res	43	1,406	368	254	----	----	2,027
Total	346	27,857	15,258	6,578	2,279	334	52,304

[1] United Nations Fund for Population Activities.

[2] Least developed countries.

PROJECTS EXECUTION BY UNDP

UNDP's Projects Execution Division (PED) was established in 1973, in large part to undertake direct implementation of interdisciplinary and multi-purpose projects and of projects requiring general management and direction rather than expert sectoral guidance. In 1974, UNDP's direct execution of projects expanded and developed at a notably high rate. The Division broadened the scope of its work and tested its effectiveness over a wide range of sectors, with emphasis on projects involving specialized or new technology. The Division is now handling projects involving enzyme production, hydrostatic extrusion, newsprint pilot plant construction, offshore oil exploration, aerial surveying, urban and regional planning, free trade zone development, computer centres and food processing.

In order to cope with this increased volume of work, the Division expanded its staff and introduced a computerised management follow-up system to improve monitoring and to establish more detailed sources of information and reference. Much valuable help has also been obtained from rapidly increasing contacts with consulting or professional firms, universities and other institutions. The Division's hope of building up a programme composed mainly of high impact feasibility studies and large-scale projects has to a large extent, however, been defeated by a proliferation of small-scale activities. The search for a more selective policy will therefore gain priority in 1975.

Figures for 1974 indicate a delivery of $14.3 million on an approved projects programme of $16.2 million. A number of large-scale projects were completed in 1974, and have led to important investments. For example:

A study of the sewerage and drainage system in Abidjan, completed in July 1974, has led to a first World Bank loan of about $10 million, representing the first of a series of construction loans stretching over the next 15 years.

A feasibility study of the Sana'a Marib road in Yemen Arab Republic, completed in May, led to financing of final engineering and construction by the Abu-Dhabi Fund The amount involved is about $25 million.

A small off-shore petroleum exploration project in El Salvador, completed in December, has already shown concrete and substantial financial returns.

In the context of PED's short history, 1974 was the formative year and 1975 will be a year of consolidation during which systems and methods will be devised to handle a larger and more diversified programme. On the basis of figures presently available it appears that the operating costs of the Division (salaries and allowances, office furniture, equipment and supplies, travel as well as a component of outside consultancy assistance, etc.) amounted to $0.4 million or 3 per cent of the programme delivered in 1974. These figures represent overhead costs incurred solely by the Division itself and do not include similar costs incurred by other organizational units in UNDP.

SPECIAL ACTIVITIES AND PROGRAMMES

EMERGENCY ACTIVITIES

Hundreds of millions of people throughout the developing countries live in what might be called a "state of chronic emergency"—enduring year after year, hunger, disease, unemployment and every kind of deprivation. In 1974, these problems were compounded by a series of acute disasters that struck from Antiqua to Zambia—causing, often on a large scale, death and material loss as well as the destruction of essential supplies and productive facilities. As a result, UNDP allocated about $10 million to relief and rehabilitation activities during the past year, with its Field Offices in the affected countries frequently assisting in the co-ordination of external emergency assistance.

Honduras: Some $2 million was allocated for emergency assistance to Honduras, where a hurricane with the harmless-sounding name of Fifi took over 7,000 lives, while wip-

ing out schools, factories, farms, roads and bridges nationwide. In the weeks immediately following this storm, the UNDP's Resident Representative worked closely with the United Nations Disaster Relief Coordinator to speed the flow of food, medicine and other essentials to 300,000 homeless people. At the same time, the Programme financed an ECLA mission which evaluated the damage wrought by the hurricane and recommended steps toward long-range reconstruction. The integrated plans drawn up as a result will focus UNDP support on six major priorities. These include: increasing and diversifying food production, with special emphasis on marketing and storage; a rapid expansion of the agrarian reform process already under way; stepped-up rural education programmes; new watershed management measures; the establishment of health centres and the construction of housing.

Bangladesh: The combined effects of a poor 1973 harvest and heavy 1974 flood damage to standing crops gave rise to a more-than-critical food situation in large areas of Bangladesh, threatening widespread starvation. Many poured into the cities, particularly the capital Dacca, seeking food at relief camps set up by the Government. While the country was still struggling to regain its feet, a second disaster struck. On 12 September, an explosion put the 340,000 ton urea fertilizer factory at Ghorosal out of action. The destruction of Ghorosal, and the resulting fertilizer shortage, represented a potential loss in 1975 food production of at least 1 million tons, worth nearly half a billion dollars.

The UNDP's Resident Representative and his staff quickly assumed a key role in identifying emergency assistance needs and in coordinating relief activities in co-operation with the Government and other agencies both within and outside the United Nations system. Residual United Nations/Bangladesh relief funds held-in-trust by UNDP were immediately employed at the Government's request to finance the transportation of food grains and the purchase of seeds. A further $500,000 from this same source, together with a $300,000 grant from the United Nations Emergency Operation, is being made available for the repair of the Ghorosal fertilizer plant. To facilitate the Resident Representative's complex task, action has been taken to strengthen the Dacca office. In addition to the six-month appointment of a Relief Co-ordinator, to be financed from the Programme Reserve, the World Food Programme provided a staff officer to help monitor food grain requirements and supplies. The United Nations also made available two experts to help the Government in the speedy unloading of grain shipments and their distribution inland.

Pakistan: On 28 December 1974, an earthquake struck the Karakormau mountains in northern Pakistan—devastating nine towns, killing over 5,000 people, injuring 17,000 more, rendering 100,000 homeless and demolishing a 70-mile stretch of the newly constructed Karakormau Highway. Using experience gained from the 1973 flood disaster in Pakistan, the UNDP's Resident Representative immediately formed an interagency United Nations task force to work with the Government on establishing priority emergency relief requirements. A $20,000 UNDP Programme Reserve contribution was utilized by UNICEF toward meeting the cost of urgently needed tents for the earthquake survivors. The UNDP has also agreed to assist in estimating the longer term rehabilitation needs of the stricken area. Meanwhile, in co-operation with UNICEF and WHO, UNDP continued to carryout water supply system rehabilitation activities, approved in response to the 1973 flood.

Burma: Heavy monsoon rain in August 1974 resulted in the severest and most extensive flooding that Burma had experienced for a century. Hundreds of thousands of acres of crops were destroyed. Thousands of cattle were killed. Nearly one-and-a-half million people suddenly became homeless and considerable quantities of food stocks were washed away. On 25 October, a $1,175,000 project was inaugurated under which UNDP will provide veterinary drugs, insecticides, pesticides and power sprayers to treat diseased cattle and to reclaim the insect-infested paddy fields once the floods have receded. The first shipment of materials under this project, which is being financed from the Programme Reserve and executed by FAO, arrived in Rangoon in December.

Sudano-Sahelian drought: Meanwhile the Sudano-Sahelian drought continued to wither the roots of economic progress and human hopes in a vast six-country region. At its June 1973 session, the UNDP's Governing Council had approved a special allocation of $5 milion to provide drought recovery assistance to Chad, Mali, Mauritania, Niger, Senegal and Upper Volta. By the end of 1974, about $3.4 million of this amount had been allocated for regional and national projects designed to establish meteorological services, promote fodder research and production, speed reforestation, develop water resources, control livestock disease, and make available large quantities of rice, millet and sorghum seeds. Institutional support is also being provided to the Permanent Interstate Committee for Drought Control (CILFS) as well as to agricultural advisory services.

In Niger, two projects with a combined foreign exchange cost of $670,000 were under consideration at the end of 1974. To date UNDP's drought rehabilitation assistance to Chad has been financed with funds still available from the Special Measures Programme for the least developed countries. In addition, a number of drought-related regional and national projects—involving expenditures over and above what could be financed from the Sudano-Sahelian Drought Fund—were formulated during 1974. These will be financed in 1975 from either regional or national IPFs or from the Special Measures Programs for the Least Developed Countries. They include a $3.9 million programme to reinforce the agrometeorological and hydrological services of the six Sudano-Sahelian countries and of the Gambia, as well as a $400,000 project for livestock health, which will also receive substantial bilateral assistance.

Zambia: In January 1973, after the Southern Rhodesian regime had closed the border with Zambia and had then hurriedly tried to reverse its own action, Zambia decided to keep the border sealed. The United National Security Council recognized that this important tightening of United Nations sanctions would have serious economic implications for Zambia's landlocked economy, particularly because of the high cost of diverting imports and exports to different crossing points. In response to subsequent decisions of the Security Council, a staff member from the UNDP office in Lusaka was assigned to work part-time in the Government's contingency planning secretariat and to serve as a liaison on the spot between the Government and UNDP. Simultaneously a member of Zambia's mission to the United Nations was posted to the office of Sir Robert Jackson, the Under-Secretary-General responsible for United Nations support to Zambia. While requests for UNDP technical assistance were concentrated on the rerouting of Zambia's trade, they also covered such fields as import substitution, balance-of-payments and the training of truck drivers and mechanics. In 1974 alone, the total cost of this assistance was approximately $340,000.

Smaller-scale activities: During 1974, UNDP was also involved in smaller-scale emergency activities that were, however, of major importance to the people affected. In Antigua, for example, an earthquake of high intensity destroyed dozens of public buildings. The UNDP office in Guyana actively participated in the ECLA mission which was sent to evaluate the damage and consider the steps toward reconstruction.

A sum of $20,000 was allocated to the Sudan to help distribute food grains in the westernmost parts of the country, where the drought in the Sahelian zone had brought about an influx of people from neighbouring nations.

In the Democratic Republic of Yemen an emergency was caused by a fire which destroyed over one hundred homes and uprooted the unfortunates who lived in them. UNDP provided $10,000 for blankets, food and other emergency supplies.

ASSISTANCE TO COLONIAL COUNTRIES

Two major factors affected UNDP assistance to colonial countries and peoples in 1974. The first was the Governing Council's decision, at its June 1974 session, to speed the preparation and implementation of projects in favour of National Liberation Movements by adopting greater flexibility in programming practices. The second factor was the *de facto* decolonization of territories under Portuguese administration. This led to the establishment of transitional Governments in Mozambique, Angola, Cape Verde, Sao Tome and Principe, and the independence of Guinea-Bissau. These and other developments, bringing colonialism virtually to its final chapters, have necessitated a thorough review of the relationship of UNDP assistance to the socio-economic aspirations of National Liberation Movements.

Following the 1973 Pledging Conference, at which special financial resources were committed by the Netherlands Government for the benefit of colonial countries and peoples, the UNDP established a National Liberation Movement Trust Fund. Of the initial $1.5 million contributed, $0.5 million has been allocated to UNICEF to assist in financing a joint UNDP/UNICEF/WHO health project for National Liberation Movements based in Tanzania and Zambia. The remaining $1 million has been earmarked for a series of regional projects benefiting several National Liberation Movements. In all these activities, UNDP has maintained close consultation with the OAU the host Governments in whose countries the National Liberation Movements are based. National Liberation Movements with whom UNDP is co-operating include: FRELIMO, FNLA, MPLA, PAIGC, SWAPO, the expanded ANC of Zimbabwe, PAC, ANC (South Africa), MLSTP and MOLINACO.

UNDP has thus advanced beyond the stage of working only with National Liberation Movements based outside colonial territories and is now co-operating with countries having transitional Governments as well as with the independent state of Guinea-Bissau. For the former, UNDP continues to assist the regional educational project at Nkumbi, Zambia, which benefits several National Liberation Movements. The regional health project based at Mtwara, Tanzania, and the regional agricultural project, based in Zambia, also fall within this category. In addition, several individual projects have been approved for various National Liberation Movements. The fields of activity cover a wide range of educational programmes, including vocational training, and agricultural projects aimed at improving food production capacity and making the National Liberation Movements fairly self-sufficient in basic food requirements. Other areas of assistance include infrastructure building projects to strengthen the administration of the National Liberation Movements as well as to provide experience to movement officials in office organization and resource management.

As concerns co-operation with transitional Governments, UNDP assistance, extended or

envisaged, includes the financing of programming and/or project study visits to United Nations Agencies. Short-term assistance of an emergency nature, especially for Mozambique, will include road construction, repair and maintenance of agricultural equipment, provision of seeds, rehabilitation of commercial distribution centres, and sinking of wells to increase the supply of water for human consumption. For Cape Verde, short-term projects will include preliminary reconnaissance work on hydrology and geothermal energy. UNDP assistance is urgently required in the resettlement of refugees and other displaced persons in Guinea-Bissau, Angola and Mozambique. For Angola, UNDP, in association with UNETPSA, is already preparing Angolan students to attend universities and colleges, mainly in Africa.

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Administered by UNDP, the United Nations Capital Development Fund provides seed capital in low-income areas largely bypassed by earlier developmental efforts. Its projects test new development possibilities involving direct participation by the poorest segments in society, first and foremost in the least developed countries. Established in 1966, the Fund became fully operational in 1974, following its reorientation at the request of the General Assembly and a significant increase in its resources. As of 31 December 1974, 57 countries had contributed to the Fund a total of $14.6 million. Among the major donors were Denmark, Netherlands and Norway from the industrialized group and Egypt, India, Pakistan and Yugoslavia. The bulk of the current $17 million pipeline of about 25 projects has been developed since mid-1974 and is expected to be largely approved in the first quarter of 1975.

The Fund's projects may be broadly classified as social infrastructure (e.g. low-cost housing, water supply in drought areas, rural schools and hospitals), productive facilities (agricultural workshops, artisans' centres, co-operative production facilities) and production credit (for prospective borrowers who cannot obtain regular financing in the absence of collateral security). The least developed countries and those with similar economic conditions receive assistance on grant terms. The projects are designed in such a way as to facilitate rapid implementation, using simple technology adapted to local conditions and relying on managerial and technical assistance on governmental and non-governmental organizations, bilateral and multilateral agencies which can provide supportive local expertise. Experience over the past twelve months would indicate that there is considerable scope for the kind of activity now envisaged for the Fund without danger of duplicating the work of other Agencies. It is to be hoped that the resources of the Fund would grow in keeping with established need.

REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

The Revolving Fund for Natural Resources Exploration is a trust fund created by the General Assembly in 1973, placed in charge of the Secretary-General and administered on his behalf by the Administrator of UNDP. The Governing Council of UNDP acts as the Fund's governing body during its initial four years. The Administrator prepared operational procedures and administrative arrangements for the Fund, in close consultation with the United Nations Centre for Natural Resources, Energy and Transport and the World Bank and presented them to the Governing Council during its June 1974 session. In provisionally approving these guidelines, the Council requested the Administrator to undertake negotiations leading to specific projects, in part to test the workability of the guidelines themselves.

The Fund is an innovative addition to the United Nations development system, and its nature and modalities differ in many respects from normal UNDP operations as well as from those of traditional lending institutions. The differences are based on the fact that relatively few mineral exploration ventures actually lead to the discovery of exploitable ore bodies. Thus, although surveys will be undertaken at the request of developing country Governments, these Governments will incur a repayment obligation only if and when the Fund's activities result in new mineral production. Bearing in mind this risk factor, and the inevitable time lag between discovery and the start-up of production, the Fund will initially have to rely on contributions from developed countries and may only become "revolving" at a considerably later date.

As of now, the Fund's resources stand at $5.4 million. By the end of 1974, more than 20 countries had been visited by technical advisors for the Fund to help identify possible exploration projects.

TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES

As the development knowledge, expertise and experience of the low-income nations has grown, so also have the possibilities for profitable mutual co-operation among these nations. Thus, in December 1972, UNDP established a Working Group on Technical Co-operation among Developing Countries. At its 18th session, the Governing Council approved the final report of this Working Group. The General Assembly endorsed this report and authorized the Administrator to establish, within the UNDP, a special unit to carry out the Group's recommendations.

As its first assignment, the special unit drew up a detailed programme of activities and established priorities among them. In fulfillment of these priorities, the UNDP's Resident Representatives brought the report of the Working Group to the attention of Governments; they also offered the Programme's assistance in organizing national co-ordinating offices for fostering developing country technical co-operation, as well as in drawing up specific plans to achieve that aim.

Simultaneously, instructions were prepared—for field office and headquarters personnel—on promoting such co-operation. These instructions cover two broad areas. The first deals with steps which the UNDP should take to help Governments identify opportunities and initiate actual projects for mutual assistance. The second covers measures needed to assure promotion and co-ordination of these activities within the United Nations system. The Working Group's report was also circulated to the Participating and Executing Agencies and to the Regional Economic Commissions. The report recommended that these organizations establish their own mechanisms, and take other appropriate actions, to stimulate technical co-operation among developing countries.

Beyond this, the major focus of the UNDP's efforts has been on designing and organizing the "information system" recommended by the Working Group. This information system would seek to pinpoint the facilities and capacities for co-operation that the developing countries are prepared to make available to each other—as well as to assess the existing capabilities of national and regional institutions in this field. Through the country programme and annual review exercises, data will also be sought on the needs of developing countries for mutual technical co-operation.

UNITED NATIONS VOLUNTEERS

The activities of the United Nations Volunteers Programme (UNV) in 1974 achieved headway in reaching the target figure of 500 United Nations volunteer placements by the middle of 1976. Particular priority was given to getting volunteers on the ground in the least developed countries and to increasing the rate of recruitment from developing nations as a whole. As of 31 December 1974, 180 volunteers, of 47 nationalities, were working in 36 developing countries. A further 60 volunteers were en route to their assignments. Also, in the course of the year, approximately 50 volunteers completed their two-year assignments and some 26 finished shorter terms. At the year's end, recruitment was under way for about 150 vacant posts.

The bulk of volunteer placements were within UNDP-assisted projects, although a few were also made under the regular programmes of the United Nations and Specialized Agencies (including the United Nations Fund for Population Activities, the World Food Programme and UNICEF). These volunteers were serving in a broad spectrum of fields—as agriculturists, foresters, veterinarians, biologists, irrigation specialists, engineers, mechanics, economists, statisticians, architects, surveyors, teachers, teacher training specialists, nurses and sociologists. The volunteers' contribution is particularly significant at the "grass-roots" level where they work on extension activities in close association with the local population.

In keeping with longer term objectives, the least developed countries have become significant recipients of UNV assistance. By the end of 1974, 94 volunteers were assigned to 14 different least developed countries as compared with 40 at the beginning of the year in 10 countries. Further requests indicated that larger programmes can be foreseen in the future. An encouraging feature of the recruitment picture was the growing number of qualified candidates put forward by a number of developing countries. The proportion of total volunteers from developing countries grew to 38 per cent and, on the basis of recent submissions, it is envisaged that close to 50 per cent of all United States volunteers will in future be recruited from these countries.

Total contributions amounting to $276,789 were made in 1974 to the Special Voluntary Fund for the support of UNV activities, by the following Governments: Denmark ($15,000), Federal Republic of Germany ($74,627), Morocco ($9,635), USA ($75,000), Belgium ($26,316), Togo ($939), Netherlands, ($75,000) and Cyprus ($272).

TABLE 1.—UNDP: SUMMARY OF THE FIRST 116 COUNTRY PROGRAMS APPROVED,(1) BY SECTORS AND MAIN SUBSECTORS, AND BY REGION, PER CAPITA INCOME LEVELS OF COUNTRIES, AND BY LEAST DEVELOPED AND OTHER DEVELOPING COUNTRIES

	Total	Region				Per capita income groups			
		Africa	Asia and the Pacific	Latin America	Europe, Mediterranean and the Middle East	Over $350	Under $350	Least developed countries	Other developing countries
Agriculture, forestry and fisheries	311.1	89.8	81.8	61.9	77.6	101.2	209.9	64.6	246.5
Plant production	43.0	10.8	15.7	4.0	12.5	12.7	30.3	6.2	36.8
Animal production and health	55.1	18.6	12.7	9.2	14.6	17.4	37.7	12.6	42.5
Fisheries	31.3	9.3	9.2	7.8	5.0	11.6	19.7	4.7	26.6

	Total	Region				Per capita income groups			
		Africa	Asia and the Pacific	Latin America	Europe, Mediterranean and the Middle East	Over $350	Under $350	Least developed countries	Other developing countries
Forestry	44.2	14.5	11.5	13.2	5.0	16.9	27.3	7.5	36.7
Land and water use	52.3	8.7	13.7	6.3	23.6	15.8	36.5	10.2	42.1
Agricultural institutions, services and rural training	79.8	24.8	18.4	20.5	16.1	26.1	53.7	21.4	58.4
Agricultural financing	1.9	1.8		.1			1.8	1.4	.5
Culture and social and human sciences	4.8	1.3	1.1	.7	1.7	1.3	3.5	.5	4.3
Education	115.2	46.4	26.7	21.3	20.6	33.8	81.4	27.0	88.2
Development and planning of education	35.2	12.8	9.9	6.4	6.1	8.4	26.8	10.8	24.4
School development and teacher training for primary, secondary, and university education	60.4	27.0	11.1	11.1	11.1	17.5	42.9	12.5	47.9
General economic and social policy and planning	113.3	39.3	28.8	28.7	16.5	32.5	80.8	28.1	85.2
General planning	45.9	13.0	13.6	9.4	9.9	14.0	31.9	9.2	36.7
Agricultural planning	31.3	13.0	6.6	8.2	3.5	5.5	25.8	6.1	25.2
Public and financial administration	36.1	13.2	8.5	11.2	3.2	13.1	23.0	12.8	23.3
Health	77.3	14.7	17.2	21.2	24.2	36.4	40.9	13.9	63.4
Promotion of environmental health	30.3	4.9	5.8	8.3	11.3	17.1	13.0	2.8	27.3
Industry	215.1	53.8	58.8	52.1	50.3	73.2	141.9	33.9	181.2
Industry planning and programing	21.3	8.6	4.2	3.6	4.9	5.6	15.7	3.9	17.4
Manufacturing industries	22.6	1.4	13.0	3.3	4.9	7.0	15.6	.6	22.0
Extract industries	47.1	13.1	12.3	12.6	9.1	11.9	35.2	11.5	35.6
Handicrafts and small-scale industries	14.3	5.1	4.4	2.9	1.9	6.6	7.7	1.8	12.5
Industrial services and institutions	52.0	9.0	9.8	14.5	18.7	21.4	30.6	5.3	46.7
Industry training	39.7	12.7	10.7	8.1	8.2	12.2	27.5	6.4	33.3
International trade	21.5	3.4	6.4	6.7	5.0	8.4	13.1	1.1	20.4
Labor, management and employment	40.1	14.0	9.6	7.4	9.1	15.6	24.5	9.9	30.2
Management training and development	16.2	7.3	4.8	1.2	2.9	4.6	11.6	6.7	9.5
Clerical, commercial and service training	10.7	2.0	3.0	2.0	3.7	5.2	5.5	1.2	9.5
Natural resources	56.0	13.4	17.5	15.5	9.6	16.4	39.6	9.9	46.1
Development planning and policy	8.9	2.6	4.0	1.1	1.2	1.2	7.7	.2	8.7
Fuel and power	13.5	4.0	3.6	4.4	1.5	3.8	9.7	2.4	11.1
Water development	33.6	6.9	9.8	10.9	6.9	11.4	22.2	7.3	26.3
Science and technology	77.9	9.0	28.4	14.6	25.9	36.7	41.2	4.7	73.2
Science and technology promotion	17.0	.3	10.5	.3	5.9	7.7	9.3	.1	16.9
Meteorology	17.6	3.4	5.6	5.2	3.4	5.9	11.7	2.1	15.5
Technical and engineering education	32.8	3.8	11.0	5.7	12.3	18.3	14.5	2.3	30.5
Social security and other social services	28.6	6.2	10.7	6.7	5.0	10.1	18.5	3.7	24.9
Housing, building, and physical planning	20.1	4.7	8.1	3.8	3.5	6.1	14.0	2.5	17.6
Transport and communications	106.5	19.6	33.9	28.9	24.1	40.2	66.3	18.5	88.0
Transport by land	22.2	8.4	7.2	3.2	3.4	4.0	18.2	7.8	14.4
Transport by air	20.7	2.0	5.3	6.9	6.5	9.0	11.7	3.5	17.2
Telecommunications	38.9	4.4	15.7	9.6	9.2	14.5	24.4	6.2	32.7
Postal services	4.7	1.6	.7	2.0	.4	2.2	2.5	.4	4.3
Total, sectors	1,167.6	311.2	320.9	265.9	269.6	406.0	761.6	215.9	951.7

[1] Includes 3 countries which have submitted their 2nd country programs to conform with their planning cycle. In these cases, both country programs have been consolidated and treated as 1.

NB: Earlier tables in this series contained data for the period 1972–77; this table has been extended to cover 1978 since numerous countries have included that year in their own programing periods.

TABLE 2.—UNDP: STATUS OF THE PROGRAMME AS OF DEC. 31, 1974

Country	IPF 72–76 (000 dollars)	Approved project budgets				Project expenditures			
		During—		Cumulative—		During—		Cumulative—	
		1973 (000)	1974 (000)	72–74 (000)	Percent of IPF	1973 (000)	1974 (000)	72–74 (000)	Percent of IPF
Afghanistan	20,000	5,022	3,607	20,339	102	4,950	4,267	13,488	67
Albania	1,000	41	321	626	63	134	47	279	28
Algeria	20,000	−1,344	3,903	17,953	90	4,764	2,778	12,942	65
Argentina	20,000	3,512	2,118	17,012	85	2,968	2,906	8,829	44
Bahrain	2,500	253	1,268	2,236	89	382	492	980	39
Bangladesh	18,500	1,078	5,211	5,811	31	209	2,217	2,471	13
Barbados	2,500	321	1,040	1,563	63	109	276	545	22
Belize	1,000	79	320	805	81	186	158	420	42
Bhutan	2,500	1,003	1,123	2,018	81	3	192	195	8
Bolivia	15,000	1,814	2,970	13,758	92	3,221	2,582	9,046	60
Botswana	5,800	1,146	1,515	5,964	103	1,285	1,360	3,637	63
Brazil	30,000	3,751	5,013	27,758	93	5,132	5,340	14,984	50
Bulgaria	7,500	432	3,608	7,520	100	1,237	1,926	4,370	58
Burma	15,000	4,914	5,288	15,849	106	2,110	2,347	7,195	48
Burundi	10,000	3,185	3,608	10,363	104	1,985	2,092	6,103	61
Cen. Afr. Republic	7,500	1,635	3,213	7,171	96	1,497	1,456	4,378	58
Chad	7,500	1,948	1,437	6,500	87	1,165	1,308	3,508	47
Chile	20,000	3,662	3,919	20,000	100	4,072	2,779	11,197	56
Colombia	20,000	9,543	2,772	18,696	93	2,896	3,243	9,526	48
Congo	7,500	910	2,115	7,338	98	1,363	1,220	4,728	63
Costa Rica	5,000	2,302	789	4,906	98	1,248	1,213	3,035	61
Cuba	10,000	862	6,993	12,694	127	1,675	2,979	6,241	62
Cyprus	5,000	941	423	5,133	103	1,342	786	3,709	74
Czechoslovakia	2,500	70	347	2,115	85	222	461	1,078	43
Dahomey	7,500	2,317	3,059	7,162	95	903	1,299	3,139	42
Democratic Yemen	10,000	523	590	10,126	101	2,264	2,087	6,822	68
Dominican Republic	7,500	812	336	6,947	93	1,555	1,639	4,688	63
Ecuador	15,000	4,335	4,772	13,912	93	1,711	2,397	5,573	37
Egypt	27,500	2,192	10,143	28,964	105	5,083	3,950	14,718	54
El Salvador	5,000	1,274	1,356	4,533	91	393	799	2,071	41
Equatorial Guinea	3,500	445	1,503	3,766	108	870	524	2,311	66
Ethiopia	20,000	2,998	9,061	21,292	106	4,760	4,100	13,183	66
Fiji	5,000	719	1,331	4,474	89	614	611	2,141	43
Gabon	7,500	1,661	3,521	6,958	93	1,228	797	3,194	43
Gambia	2,500	611	1,104	2,612	104	525	566	1,424	57
Ghana	15,000	1,899	5,528	12,457	83	1,755	2,038	5,819	39
Gilbert and Ellice Islands	500	179	65	471	94	68	93	328	66
Greece	7,500	1,219	299	7,038	94	1,781	1,381	4,417	59
Guatemala	7,500	1,098	2,729	6,068	81	762	1,099	2,432	32
Guinea	15,000	579	482	6,582	44	837	774	2,390	16
Guyana	5,000	77	1,817	3,869	77	858	1,187	2,407	48
Haiti	6,000	2,307	2,050	6,659	111	1,628	1,010	4,033	67

Footnotes at end of table.

TABLE 2.—UNDP: STATUS OF THE PROGRAMME AS OF DEC. 31, 1974—Continued

Country	IPF 72–76 (000 dollars)	Approved project budgets: During— 1973 (000)	Approved project budgets: During— 1974 (000)	Approved project budgets: Cumulative— 72–74 (000)	Approved project budgets: Cumulative— Percent of IPF	Project expenditures: During— 1973 (000)	Project expenditures: During— 1974 (000)	Project expenditures: Cumulative— 72–74 (000)	Project expenditures: Cumulative— Percent of IPF
Honduras	5,000	728	910	5,202	104	1,225	1,068	3,397	68
Hong Kong	500	408	20	469	94	61	156	257	51
Hungary	7,500	1,851	579	7,062	94	760	1,615	3,244	43
Iceland	1,000	61	723	1,204	120	168	196	596	60
India	50,000	5,434	12,715	39,745	79	5,574	7,284	20,044	40
Indonesia	35,000	12,328	7,629	36,511	104	6,617	7,944	19,194	55
Iran	20,000	3,483	3,528	19,804	99	4,183	4,771	13,883	69
Iraq	15,000	460	1,795	14,685	98	3,747	2,984	11,151	74
Israel	5,000	498	1,510	4,239	85	606	699	1,987	40
Ivory Coast	15,000	1,857	4,412	14,327	96	2,930	2,568	8,995	60
Jamaica	7,500	1,721	1,396	7,069	94	1,634	1,711	4,881	65
Jordan	15,000	1,559	4,213	14,211	95	2,661	2,812	8,008	53
Kenya	15,000	1,330	1,705	14,405	96	3,653	2,796	10,298	69
Khmer Republic	10,000	1,002	1,250	8,974	90	1,803	1,677	4,867	49
Kuwait	1,000	110	−7	1,032	103	248	245	979	98
Laos	5,000	1,498	1,622	4,053	81	828	1,061	2,606	52
Lebanon	10,000	703	2,660	8,795	88	2,099	1,432	5,587	56
Lesotho	8,300	1,262	3,624	8,851	107	1,651	1,904	4,885	59
Liberia	10,000	1,040	1,982	8,472	85	2,156	2,071	6,116	61
Libyan Arab Rep	5,000	−223	13	4,989	100	1,260	708	3,728	75
Madagascar	10,000	2,082	1,514	9,205	92	1,898	2,026	5,914	59
Malaw	7,500	3,212	−821	6,851	91	1,766	1,977	5,024	67
Malaysia	15,000	1,731	2,996	15,174	101	3,212	2,853	9,465	63
Maldives	1,000	222	356	876	88	108	148	325	33
Mali	10,000	325	893	10,811	108	2,917	1,943	7,860	79
Malta	2,500	322	766	1,771	71	270	237	831	33
Mauritania	5,000	1,995	1,040	5,172	102	1,525	1,012	3,886	78
Mauritius	5,000	623	1,097	4,283	86	703	751	2,336	47
Mexico	20,000	3,153	6,313	17,758	89	3,088	2,605	8,933	45
Mongolia	10,000	−426	2,268	9,896	99	2,180	1,700	5,724	57
Morocco	20,000	549	5,764	14,455	72	3,145	2,389	8,518	43
Nepal	15,000	1,932	4,804	14,845	99	2,939	2,252	7,998	53
Nicaragua	5,000	355	1,593	4,920	98	1,008	772	2,921	58
Niger	10,000	1,175	3,163	8,951	90	1,904	1,802	5,841	58
Nigeria	30,000	7,034	9,036	28,357	95	5,289	5,933	15,842	53
Pakistan	18,500	−9,094	9,264	17,623	95	2,819	2,481	6,719	36
Panama	7,500	611	1,332	8,446	113	2,177	1,578	5,749	77
Papua New Guinea	5,000	850	2,280	4,491	90	668	535	1,949	39
Paraguay	7,500	1,222	2,004	6,894	92	1,393	1,031	3,721	50
Peru	15,000	4,290	2,687	15,883	106	2,684	3,012	7,917	53
Philippines	20,000	4,265	7,717	20,880	104	4,117	3,993	12,274	61
Poland	7,500	2,075	999	7,818	104	1,303	2,461	4,787	64
Quatar	1,500	509	46	1,264	84	240	429	816	54
Republic of Korea	15,000	2,364	5,234	14,357	96	2,094	1,973	7,042	47
Republic of Vietnam	10,000	2,672	4,068	8,560	86	633	1,526	3,099	31
Romania	7,500	1,910	207	7,572	101	1,216	2,084	4,925	66
Rwanda	10,000	2,584	3,780	10,024	100	1,687	1,571	5,085	51
Saudi Arabia	10,000	1,233	2,548	9,274	93	1,925	1,951	5,245	52
Senegal	10,000	2,713	1,349	10,364	104	2,631	2,522	7,587	76
Sierra Leone	7,500	714	1,305	6,088	81	1,315	1,116	3,770	50
Singapore	7,500	204	372	6,975	91	1,805	888	5,386	72
Solomon Islands	1,000	244	173	842	84	201	173	597	60
Somalia	15,000	1,871	5,539	14,793	99	2,908	2,320	7,635	51
Spain	5,000	−87	365	4,606	92	1,247	652	3,293	66
Sri Lanka	15,000	3,185	2,288	14,555	97	2,974	2,634	8,261	55
Sudan	20,000	4,653	6,289	18,690	93	3,122	3,762	9,837	49
Surinam	2,500	−187	73	2,505	100	819	511	1,861	74
Swaziland	5,700	1,106	1,573	5,205	91	905	1,286	2,927	51
Syrian Arab Republic	15,000	−594	562	10,697	71	1,509	1,853	5,802	39
Thailand	15,000	3,358	2,935	15,732	105	2,948	2,745	9,651	64
Togo	10,000	2,872	3,611	10,315	103	2,128	2,068	6,172	62
Tonga	1,000	144	588	840	84	18	79	142	14
Trinidad and Tobago	5,000	415	2,986	5,181	104	865	775	2,462	49
Tunisia	15,000	1,146	2,002	12,829	86	3,123	2,221	9,081	61
Turkey	20,000	3,246	2,804	18,683	93	3,875	3,281	11,483	57
Uganda	10,000	2,204	2,488	10,588	106	1,302	1,477	4,698	47
Undistributed Africa	1,000	97	761	851	85	77	150	260	26
Undistributed Asia	2,500	−2,004	333	1,749	70	285	207	1,228	49
Undistributed EMME	5,000	922	1,800	2,924	58	87	373	498	10
Undistributed LA	15,000	2,179	3,965	10,518	70	2,035	2,572	5,704	38
U.R. of Cameroon	15,000	1,663	3,511	12,570	84	2,743	2,269	8,072	54
U.R. of Tanzania	15,000	2,813	5,270	15,602	104	2,738	3,026	8,463	56
Upper Volta	10,700	2,304	2,429	8,192	77	1,484	1,663	4,745	44
Uruguay	10,000	1,617	1,959	10,121	101	1,664	1,834	4,680	47
Venezuela	10,000	2,389	502	9,894	99	2,087	1,893	6,430	64
Western Samoa	5,000	1,331	1,676	4,834	97	745	881	2,490	50
Yemen	15,000	3,460	7,570	15,111	101	2,388	2,667	7,753	52
Yugoslavia	7,500	1,093	2,867	6,873	92	666	992	2,985	40
Zaire	20,000	1,869	5,594	18,939	92	3,604	3,915	10,561	53
Zambia	15,000	3,427	4,813	16,281	109	3,030	2,647	9,203	61
Subtotal	1,292,500	198,659	327,706	1,202,295	93	227,220	224,955	683,140	53
ntercountry;									
Africa regional projects	66,900	14,007	29,768	65,389	98	10,951	12,946	35,256	53
Asia regional projects	40,700	11,546	14,655	37,541	92	6,340	8,131	20,719	51
EMME regional projects	19,700	2,887	3,911	19,770	100	3,618	2,599	9,043	46
L.A. regional projects	61,500	9,963	10,175	43,553	71	9,788	8,824	28,820	47
Interregional projects	19,200	4,987	8,411	19,598	102	3,822	3,026	10,875	57
Global projects	15,500	8,084	972	10,588	68	1,842	2,446	5,642	36
Subtotal	[1] 231,000	51,474	67,892	196,439	85	36,361	37,972	110,355	48
Total IPF	[1] 1,523,000	250,133	395,598	1,398,734	92	263,581	[2] 272,827	[3] 803,395	53
Program reserve		5,589	6,865	23,537		3,894	6,100	16,773	
Special measures fund for LDC			[3] 24,260	24,260		1,845	4,900	6,745	
Grand total		255,722	426,723	1,446,531		269,320	[2] 288,827	[3] 826,913	

[1] Includes $7,500,000 of regional IPF not yet distributed.
[2] Includes $9,900,000 of undistributed expenditures.
[3] Includes some approvals in 1973 which were recorded in 1974.

TABLE 3.—INVESTMENT COMMITMENTS REPORTED IN 1973 AND IN 1974 RELATED TO UNDP PROJECT ACTIVITIES, BY SOURCE OF FINANCING

[Dollars in thousands]

Source of financing	Reported in 1973 [1]			Reported in 1974 [2]		
	Investment resulting directly from UNDP projects [3]	Investment related to UNDP projects [4]	Total	Investment resulting directly from UNDP projects [3]	Investment related to UNDP projects [4]	Total
Domestic	$1,693,785	$392,105	$2,085,890	$1,092,065	$1,315,625	$2,407,690
Public	1,610,255	299,340	1,909,595	982,470	840,130	1,822,600
Private	83,530	92,765	176,295	109,595	475,495	585,090
Multilateral	787,360	521,660	1,309,020	515,370	525,760	1,041,130
IBRD/IDA	578,820	483,170	1,061,990	294,260	457,900	752,160
Other	208,540	38,490	247,030	221,110	67,860	288,970
Bilateral	620,715	65,075	685,790	379,125	60,365	439,490
Public	448,095	50,125	498,220	208,005	57,550	265,555
Private	172,620	14,950	187,570	171,120	2,815	173,935
Total	3,101,860	978,840	4,080,700	1,986,560	1,901,750	3,888,310

[1] Revised.
[2] Provisional.
[3] The figures shown in this column relate to reported investment commitments for development projects resulting directly from findings and recommendations of UNDP-assisted pre-investment surveys and feasibility studies.
[4] The figures shown in this column relate to reported investment commitments for development projects that emerged from pre-investment undertakings which were closely associated with the work carried out under UNDP-assisted projects.

TABLE 4.—UNDP: CONTRIBUTIONS PLEDGED, ALL COUNTRIES, FOR 1974 AND FOR 1975 [1]

[U.S. dollars]

Country	For 1974	For 1975
Afghanistan	$136,500	$143,325
Albania	4,878	7,317
Algeria	391,000	430,000
Argentina	850,000	954,459
Australia	3,421,092	3,604,194
Austria	2,500,000	2,849,162
Bahamas	10,000	10,000
Bahrain	10,000	13,000
Bangladesh	75,000	78,750
Barbados	17,250	19,838
Belgium	5,769,231	7,066,667
Bhutan	2,300	2,300
Botswana	11,458	11,628
Brazil	1,300,000	1,300,000
Bulgaria	131,394	208,333
Burma	100,000	100,000
Burundi	12,698	(2)
Byelorussian Soviet Socialist Republic	173,522	178,336
Canada	22,371,134	24,489,796
Central African Republic	6,437	(2)
Chad	2,000	(2)
Chile	375,000	375,000
China	2,200,000	----------
Colombia	500,000	400,000
Congo	10,905	10,905
Costa Rica	5,000	10,000
Cuba	148,160	170,387
Cyprus	45,070	----------
Czechoslovakia	1,134,380	1,192,504
Dahomey	4,000	(2)
Democratic Yemen	2,000	2,300
Denmark	33,249,938	38,965,517
Dominican Republic	25,000	30,000
Ecuador	150,000	150,000
Egypt	523,895	562,228
El Salvador	17,250	(2)
Equatorial Guinea	4,274	(2)
Ethiopia	107,300	114,600
Fiji	11,000	11,000
Finland	4,415,584	5,270,270
France	10,000,000	(2)
Gabon	57,500	59,227
Gambia	5,139	5,000
German Democratic Republic	772,308	816,327
Germany, Federal Republic of	24,383,667	28,340,081
Ghana	260,000	299,000
Greece	460,000	460,000
Guatemala	27,000	(2)
Guyana	140,147	152,285
Haiti	2,300	(2)
Holy See	2,000	2,000
Honduras	17,250	(2)
Hungary	240,964	289,157
Iceland	72,076	81,412
India	3,750,000	3,750,000
Indonesia	300,000	360,000
Iran	1,000,000	4,000,000
Iraq	345,000	500,000
Ireland	553,945	552,204
Israel	242,000	242,000
Italy	5,650,000	5,650,000
Ivory Coast	110,000	(2)
Jamaica	110,000	110,000
Japan	14,000,000	19,000,000
Jordan	66,000	70,000
Kenya	90,416	90,416
Khmer Republic	21,622	21,622
Kuwait	350,000	400,000
Laos	12,321	17,250
Lebanon	160,000	209,270
Lesotho	15,000	15,000
Liberia	80,000	88,000
Libyan Arab Republic	350,000	500,000
Luxembourg	69,269	80,000
Madagascar	29,417	30,300
Malawi	11,500	13,000
Malaysia	100,000	100,000
Maldives	1,440	(2)
Mali	11,500	(2)
Malta	11,050	12,431
Mauritius	4,025	4,450
Mexico	550,000	(2)
Monaco	4,826	4,731
Mongolia	14,000	15,344
Morocco	304,155	313,953
Nepal	30,000	30,000
Netherlands	27,815,934	31,615,385
New Zealand	1,473,359	2,293,578
Nicaragua	37,500	(2)
Nigeria	162,602	300,000
Norway	13,096,691	17,657,993
Oman	54,500	60,000
Pakistan	590,217	678,750
Panama	150,000	180,000
Paraguay	10,000	10,000
Peru	250,000	275,000
Philippines	500,000	500,000
Poland	806,552	887,207
Qatar	200,000	200,000
Republic of Korea	300,000	300,000
Republic of Vietnam	22,000	25,000
Romania	402,414	482,897
Rwanda	10,000	10,000
Saudi Arabia	1,500,000	1,500,000
Senegal	86,250	100,000
Sierra Leone	75,000	75,000
Singapore	100,000	100,000
Somalia	4,607	5,021
Spain	660,000	720,000
Sri Lanka	180,000	180,000
Sudan	187,000	187,000
Swaziland	8,721	10,174
Sweden	36,363,836	46,838,407
Switzerland	6,500,000	(2)
Syrian Arab Republic	27,397	31,506
Thailand	408,625	470,149
Togo	8,167	9,442
Trinidad and Tobago	100,000	115,000
Tunisia	207,000	207,000
Turkey	765,765	(2)
Uganda	42,194	49,226
Ukrainian Soviet Socialist Republic	433,805	445,839
Union of Soviet Socialist Republics	3,470,437	3,566,711
United Arab Emirates	240,000	500,000
United Kingdom	21,937,875	23,781,903
United Republic of Cameroon	54,000	55,648
United Republic of Tanzania	98,453	98,453
United States of America	[3] 90,000,000	(2)
Upper Volta	----------	5,000
Uruguay	207,350	238,452
Venezuela	920,000	1,500,000
Western Samoa	2,500	(2)
Yemen	3,000	5,000
Yugoslavia	1,168,000	1,343,000
Zaire	250,000	300,000
Zambia	139,752	139,367
Estimated Pledges	----------	118,771,914
Total	357,043,990	412,239,298

[1] As of Jan. 22, 1975. Excluding pledges totaling $7,800,000 for 1974 and $10,800,000 for 1975 for the benefit of least-developed countries.
[2] Pledges not yet reported as of Jan. 22, 1975. Amount included is based upon estimate or 1974 contribution.
[3] Subject to the availability of funds.

PROMOTION OF ENERGY INDUSTRY COMPETITION

Mr. GARY HART. Mr. President, I ask unanimous consent that the following statement and text of the attached amendment be printed in the RECORD. Senators PHILIP A. HART, GAYLORD NELSON, JAMES ABOUREZK, and I believe the congressional deadlock on the issue of ending regulations of the petroleum and natural gas industry arises, in part, because a critical aspect of the deregulation issue has been virtually ignored in all proposed solutions; namely, the regulation of oil and natural gas should not be ended until those industries become truly competitive.

Without free and fair competition in these industries, deregulation would only be taking the control of prices away from the Government and putting it into the hands of enormous, vertically integrated oil and gas companies.

We are planning to offer the following antitrust measure either as a separate bill or as an amendment to one of the pending petroleum or natural gas proposals. This measure would effect a "vertical divestiture" by separating the production, refining, transportation, and marketing activities of the major oil and gas companies. It is based upon extensive hearings conducted over the past 10 years by the Antitrust and Monopoly Subcommittee, chaired by Senator PHILIP A. HART. The record compiled by this subcommittee covers 23 volumes and more than 40,000 pages.

The petroleum industry is dominated by large vertically integrated companies. Fortune magazine's list of the largest corporations shows that seven of the top 20 are oil companies. Last year those 7 companies had sales in excess of $134 billion—an amount larger than the 1974 gross national product of all but 6 nations. The 16 major oil companies, taken together, have about 72 percent of our domestic crude oil production, 75 percent of our refining capacity, and account for about 70 percent of retail gasoline sales.

These figures do not tell the whole story. The problem in petroleum is not only one of concentration in crude oil and gas production, or concentration in transportation, or concentration in refining and marketing. Rather it is the fact that the major companies are vertically integrated and work closely with each other through a variety of joint ventures in transportation and production. Through their control over production and transportation, they control the entire industry.

In natural gas the situation is equally serious:

As of 1972 the top four companies controlled 81 percent of the Nation's available new natural gas supplies.

We firmly believe that by coupling price decontrol with assurances of a truly competitive market, Congress will be able to reach a sound and reasonable compromise on the decontrol controversy.

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

TITLE I—PROMOTION OF ENERGY INDUSTRY COMPETITION—DEFINITIONS

SEC. 101. As used in this title—

(a) "affiliate" means a person controlled by, controlling, or under or subject to common control with respect to any other person;

(b) "asset" means any property (tangible or intangible, real, personal, or mixed) and includes stock in any corporation;

(c) "commerce" means commerce among the several States, with the Indian tribes, or with foreign nations; or commerce in any State which affects commerce among or between any State and foreign nation;

(d) "control" means direct or indirect legal or beneficial interest in or power or influence over another person, arising through direct, indirect, or interlocking ownership of capital stock, interlocking directorates or officers, contractual relations, agency agreements, or leasing arrangements;

(e) "energy resource" means petroleum, natural gas, tar sands, or oil shale;

(f) "marketing asset" means any asset used in the distribution or marketing of a refined product or natural gas;

(g) "transportation asset" means any asset used in the transportation by pipeline, or gathering line of an energy resource or refined product;

(h) "refinery asset" means any asset used in the refining of an energy resource;

(i) "production asset" means any asset used in the exploration for, development of, or production of an energy resource;

(j) "major producer" means any person which, during the calendar year 1974 or in any subsequent calendar year, along or with affiliates, produces within the United States thirty-six million five hundred thousand barrels (forty-two United States gallons each) of crude petroleum and natural gas liquids, or which sells, alone or with affiliates, two hundred billion cubic feet, or more, of natural gas;

(k) "major refiner" means any person which, during the calendar year 1974 or in any subsequent calendar year, alone or with affiliates, refines within the United States one hundred and eighty-two million five hundred thousand barrels (forty-two United States gallons each) of product;

(l) "transporter" means any person which transports an energy resource or refined product by pipeline in interstate commerce;

(m) "natural gas distributor" means any person who delivers natural gas to other persons for use and not for resale;

(n) "person" means an individual or a corporation, partnership, joint-stock company, business trust, trustee in bankruptcy, receiver in reorganization, association, or any organized group whether or not incorporated; and

(o) "State" means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and the Trust Territory of the Pacific Islands.

UNLAWFUL RETENTION

SEC. 102. (a) Notwithstanding any other provision of law, five years after enactment of this title, it shall be unlawful—

(1) for any major producer to own, or control any interest, direct, indirect, or through an affiliate, in any refinery, transportation, or marketing asset;

(2) for any major refiner to own or control any interest, direct, indirect, or through an affiliate, in any production or transportation asset;

(3) for any transporter to own or control any interest, direct, indirect, or through an affiliate, in any production, refinery, or marketing asset; and

(4) for any natural gas distributor to own or control any interest direct or indirect or through an affiliate in any poduction asset.

REPORTS

SEC. 103. Each person who on or after the date of enactment of this title owns or controls any assets prohibited by section 102 and any other person designated by the Federal Trade Commission shall, within one hundred and twenty days and at such other times as the Commission may designate, file with the Commission such information and reports about such assets as the Commission may request.

ENFORCEMENT

SEC. 104. (a) The Federal Trade Commission, in accordance with the rules, regulations, or orders it deems appropriate to carry out the purposes of this title, shall require each person covered by section 102 to submit within one year of the date of enactment of this title a plan or plans for divestment of prohibited assets. If, after notice and opportunity for hearings, the Commission shall find the plan as submitted or as modified by Commission order, necessary or appropriate to effectuate the provisions of this title and fair and equitable to affected persons, the Commission order, necessary or appropriate and shall take all necessary actions to enforce the plan: *Provided,* That no plan shall be approved which will not substantially accomplish divestment not later than five years from the date of enactment of this title.

(b) The Federal Trade Commission shall institute suits in the district courts of the United States requesting the issuance of such relief as is appropriate to assure compliance with this title, including orders of divestiture, declaratory judgments, mandatory or prohibitive injunctive relief, interim equitable relief, the appointment of temporary or permanent receivers or trustees, civil penalties, and punitive damages for willful failure to comply with lawful Commission orders.

(c) In carrying out the provisions of this title, Federal Trade Commission is authorized to utilize all powers conferred upon it, and all sanctions associated therewith, by other provisions of law.

PENALTIES

SEC. 105. (a) Any person who knowingly or willfully violates any provision of this title shall, upon conviction, be punished, in the case of an individual, by a fine not to exceed $500,000 or by imprisonment for a period not to exceed ten years, or both, or in the case of a corporation or other entity, by a fine not to exceed $5,000,000 or by suspension of the right to do business in interstate commerce for a period not to exceed ten years, or both. A violation by a corporation or other entity shall be deemed to be also a violation by the individual directors, officers, receivers, trustees, or agents of such corporation or entity who shall have authorized, ordered, or done any of the acts constituting the violation in whole or in part, or who shall have omitted to authorize, order, or do any acts which would terminate, prevent, or correct conduct violative of this title. Failure to obey any order of a court pursuant to this title shall be punishable by such court as a contempt of court.

(b) Any person who violates a lawful order of the Federal Trade Commission issued pursuant to this title shall forfeit and pay to the United States for each violation a civil penalty of not more than $100,000 which shall accrue to the United States and may be recovered in a civil action brought by the Commission. Each separate violation of such an order shall be a separate offense, except that in the case of a violation through continuing failure or neglect to obey an order of the Commission, each day of continuance of such failure or neglect shall be deemed a separate offense.

AID STUMBLING OVER ITSELF

Mr. CHURCH. Mr. President, when asked why I have changed from support of bilateral foreign aid to opposition I often cite a number of reasons: Entangling ourselves in the internal affairs of other nations, creating reliances detrimental to our long-term interests, or draining the Treasury at a time of national need, to cite but a few. Yet not the least of the reasons for my opposition is that we do not do it very well.

Lest we think the numerous cases of misspent resources are relics of the past I offer in evidence the recent report of the Inspector General of Foreign Assistance, Webster B. Todd, Jr., as reported in the September 18 New York Times, Mr. Todd says:

AID is strangled in bureaucratic redtape. AID as presently constituted, cannot succeed in its mission. It is too fat, it is too inflexible and it is drowned in rationalizations that prevent accurate assessment of its effectiveness.

At a time when we are about to again consider the foreign aid program, I ask unanimous consent that the New York Times article on Mr. Todd's report be printed in the RECORD.

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

[From the New York Times, Sept. 18, 1975]

TOP INSPECTOR SAYS AID IS STRANGLED IN REDTAPE

(By David Binder)

WASHINGTON, September 17.—The State Department's evaluator of foreign-assistance programs has charged that the Agency for International Development, "as presently constituted, cannot succeed in its mission" of administering American aid abroad.

This assessment was made in a confidential "action memorandum" to Secretary of State

Kissinger by Webster B. Todd, Jr., Inspector general of foreign assistance, after a trip to Ghana, Nigeria, Tanzania and Somalia.

In the memorandum, dated July 10, a copy of which was given to The New York Times, Mr. Todd said:

"It is my job, Mr. Secretary, to evaluate our assistance program. I have found them universally strangled in bureaucratic redtape.

"A.I.D., as presently constituted, cannot succeed in its mission. It is too fat, it is too inflexible and it is drowned in rationalizations that prevent accurate assessment of its effectiveness."

In a telephone interview, Mr. Todd described the memorandum as a "confidential internal working document, not an official document."

"It raises questions," Mr. Todd went on, "but does not go into sufficient detail to suggest changes of alternate courses of action. It is very much a working paper."

In his memorandum, Mr. Todd cited impressions gained in Tanzania as a starting point for his criticisms of the agency's operations.

Of the $1.5-billion in foreign-assistance appropriations at the disposal of A.I.D. in the fiscal year ending next June 30, $25.3-million is scheduled to be spent in Tanzana.

EARLIER CRITICISM

Mr. Todd is understood to have made similar criticism of A.I.D. operations on other occasions during the 18 months he has been inspector general, and he is said to feel that the style of criticism used in the current "action memorandum" is useful in dealing with the bureaucracy.

The document is addressed to Mr. Kissinger through Lawrence S. Eagleburger, the Deputy Under Secretary of State for Management.

Usually such notes are not distributed to A.I.D. officials or to the State Department's Bureau of African Affairs. Officials of both agencies said they had not seen the Todd memorandum.

Mr. Todd said his normal procedure was to follow up such a criticism with a "regular inspection" by one of his deputies.

FOLLOW-UP TRIP

A deputy inspector has just returned from such a follow-up journey to Tanzania and is expected to report in detail on the subjects raised by Mr. Todd.

A 37-year-old native of New York, Mr. Todd was a businessman before participating in the Committee to Re-elect the President in 1972, then served as a White House Presidential assistant.

His specific criticism of the assistance program in Tanzania dealt with a decade-old project for developing beef production among the Masai tribesmen.

Remarking that the Tanzanian Government intended to place a "government-owned and managed corporations" as a link between the Masai producers and the beef consumers, Mr. Todd described this as a "socialistic" injection "which ultimately works against increased production."

"The record s clear world-wde," the memorandum says, "that injection of the national government into the producer-consumer net leads only to inefficiencies, ineffectiveness, corruption and politicization of the process which ultimately works against increased production."

And yet, he said, the United States is attempting to give assistance "along these lines rather than insisting that free-market forces be allowed to exert themselves."

"When we have evidence from 20 years of experience that certain approaches don't work, why do we continue to pursue them?" the memorandum adds.

"What is it that keeps us from frank discussions with a recipient government, pointing out such a record, and keeps us from refusng to participate in projects with built-in self-destruct mechanisms?" it asked.

REMOVAL OF THE 60-CENT TARIFF ON IMPORTED OIL

Mr. PELL. Mr. President, I am delighted that President Ford has chosen to remove the tariff of 60 cents per barrel on imported petroleum products, such as heating oil, residual fuel, and gasoline.

The President's decision, announced this weekend and retroactive to September 1, certainly brightens the bleak prospects that had faced by own State of Rhode Island and the entire New England region this winter.

Administration officials have stated that the removal of this 60-cent tariff will result in an immediate drop of 1.5 cents per gallon on the cost of heating oil in our region and should result in a drop in electric rates, since residual fuel will now cost less. New Englanders could save a total of $8 million a month.

This is certainly welcome news. As I have pointed out continually since the tariff was announced in February, this fee, along with the $2-per-barrel tariff on crude oil, placed a particularly heavy and unfair burden on New Englanders because we had already been paying energy prices far higher than those in other regions.

Furthermore, the arguments that these fees and the resulting higher prices would encourage more energy conservation seemed less valid for our region because New Englanders have already established a record of conservation, particularly in consumption of heating oil and electricity, that is unequaled elsewhere.

The removal of the 60-cent tariff, though long overdue, is also welcome because it will help to insure adequate stocks of heating oil and residual fuel for this winter.

The administration's announcement also held out hope that the $2 per barrel tariff will be dropped. I certainly would urge the administration to do so immediately.

SENATOR CRANSTON ASKS PRIVATE SECTOR TO HIRE MORE VETERANS

Mr. HARTKE. Mr. President, last week the National Alliance of Businessmen—NAB—held a national Jobs for Veterans Conference here in Washington. The conference was attended by more than 100 Jobs for Veterans managers, representing the 130 metro offices of NAB.

On Tuesday, September 9, the senior Senator from California (Mr. CRANSTON) addressed the conference. Noting that "the Bicentennial year is no time to be cautious in setting realistic goals," the Senator called upon the alliance to honor the Bicentennial by getting "'1,000 veterans placed for every year of our Nation's liberty." I join my distinguished colleague on the Committee on Veterans' Affairs, which I am privileged to chair, in calling for NAB to up their goal to placing 200,000 veterans in jobs during fiscal year 1976.

Mr. President, I have worked closely with Senator CRANSTON the last 5 years to write meaningful veterans' employment laws, and I know he understands fully the plight of the jobless veteran and the urgent need for greater efforts by the administration to combat the disgracefully high rate of unemployment among young veterans. I believe my colleagues would find the Senator's remarks of value and I, therefore, ask unanimous consent that his remarks to the NAB Conference be printed in the RECORD.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

THE JOBS FOR VETERANS CONFERENCE OF THE NATIONAL ALLIANCE OF BUSINESSMEN

I'm delighted to be with you this evening at the National Jobs for Veterans Conference of the National Alliance of Businessmen.

I have followed with keen interest your efforts to provide job training and employment opportunities for Vietnam-era veterans. As a member of the Senate Committee on Veterans' Affairs, which has jurisdiction over veterans legislation generally, and as a member of the Senate Labor and Public Welfare Committee, which has responsibility for job training and employment programs, I welcome this opportunity to meet with you and to exchange ideas.

The activities of the National Alliance of Businessmen demonstrate what the private sector can do in grappling with the social problems that continue to afflict the Nation. One of the most exciting elements of our manpower training efforts has been the activities undertaken by NAB.

Your efforts to date for Vietnam-era veterans are encouraging. In fiscal year 1975, the more than 60,000 participating businesses hired 155,386 Vietnam-era veterans. Of those veterans 4,420 were disabled. Since 1971 when NAB received the Presidential Mandate to focus efforts on providing employment opportunities for veterans, the total number of veterans placements has exceeded 700,000.

But our efforts must not be diminished. Indeed, as the Nation's reeling economy is beset by high unemployment and re-accelerating inflation, even greater efforts are essential to employ our veteran work force. With much concern, I note that the Alliance's FY 1975 goal of employing 200,000 Vietnam-era veterans was not met—a shortfall of 44,614 jobs. Based on that shortfall, NAB has set a lower goal of 160,000 jobs for FY 1976.

I need not remind you that during the second quarter of 1975, there were 585,000 Vietnam-era veterans out of work—more than three times the reduced target goal of NAB for FY 1976. No doubt there were thousands of others who were not even reported as unemployed because they became discouraged by the tight job market and gave up.

Although statistics for August 1975, released just last Friday, are a bit less dismal, showing a rate of unemployment for Vietnam-era veterans of 9.0 percent, we can take no comfort from that rate—representing 550,000 Vietnam-era veterans, actively seeking work.

The problems now affecting veterans stem in large measure from the problems affecting all Americans. Our country is sick with the worst economic recession in forty years.

Our younger Vietnam-era veterans are particularly hard hit by the downturn. For them, unemployment rates have been running 40 to 50 percent higher than for comparable non-veterans. In the second quarter of this year, 222,000 Vietnam-era veterans, 20 to 24 years of age, actively seeking work were unemployed—an unemployment

rate of 21.4 percent. An alarmingly disproportionate unemployment rate—exceeding 30 percent—was suffered by young minority group veterans who were unemployed during this same period. This rate is almost four times that for the population as a whole.

Despite these shocking figures, the response of the executive branch has been sluggish at best, and we continue to be frustrated in our efforts to provide jobs. It was nine months ago that Congress enacted overwhelmingly, over the President's veto, the Vietnam-era Veterans Readjustment Assistance Act of 1974 which I co-authored with Senator Hartke, Chairman of the Veterans' Affairs Committee. We wrote into that law critical provisions to aid our newest generation of veterans in finding and advancing in jobs. The 1974 Act requires generally that those companies with federal contracts and subcontracts institute "affirmative action" plans for the hiring and advancement of qualified Vietnam-era and disabled veterans. Yet nine months later, the Department of Labor is only now preparing to publish its proposed regulations to carry out this law. Even then, it will be several months before these regulations become effective.

The 1974 Act further ordered the Secretary of Labor to develop specific performance standards for the "priority" services which must be given to veterans by all federally-funded State employment offices. For some time the law has required State employment services to "promptly place" an eligible veteran in a satisfactory job or job training opportunity or give him some other form of specific assistance such as counseling or job development.

Nevertheless, the most recent Labor Department data continue to reflect the fact that veterans are just not getting this priority. In fact, according to these Labor Department figures, veterans seeking employment assistance at State offices receive less counseling, less testing, and are less likely to be enrolled in a training program, than non-veterans. It was to remedy this situation that we amended the law last year to require more "definitive performance standards". Yet, here again, nine months later, no Department of Labor regulations have been issued to carry out this law.

To make matters worse, the General Accounting Office recently reported that on-the-job training slots specifically developed for veterans were going unfilled because neither the Veterans Administration nor the Department of Labor had any established procedures to recontact employers and to refer eligible veterans. One out of every four employers contacted told GAO investigators that they had a need for on-the-job trainees and would have accepted one or more qualified veterans had they been referred to them. Twenty-seven percent of the VA approved employers contacted said they never had a veteran participate in their program. Sixty-five percent of approved employers contacted had no veterans in training at the time of the GAO survey.

Thus, once again because of government inaction and the failure to systematically refer young unemployed veterans to available openings, vital training slots go unfilled in the face of staggering unemployment rates for veterans.

As if this were not enough, the Office of Management and Budget has recently said "no" to a minor request for funds to station veterans employment representatives at "one stop" VA assistance centers where there could be effective referral of veterans to job training slots. OMB also said "no" to a request for funds to implement a major outreach and public information program mandated by a law I authored last December, to try to ensure that veterans receive information about and expert help in obtaining job opportunities in the private and public sectors.

But this "horror story" of administration inaction is not ended yet.

The 1974 G.I. Bill amendments also require the Federal Government itself to carry out affirmative action plans to hire, place, and promote disabled veterans. Yet, a recent report on implementation of this statutory requirement shows that 16 federal agencies failed to submit plans for the hiring of disabled veterans at the time they were due. Four other federal agencies submitted plans which were found unacceptable by the Civil Service Commission. The law is being effectively ignored by many agencies that make up our Federal Executive Branch.

We in the Congress are going to keep doing our part, I pledge you that.

And I challenge you to continue to do yours, renewing your commitment to the cause of veterans employment.

Somehow, we must find a way to get the message across to the Executive Branch that the very Federal Government that called on these veterans to serve their Nation must take the lead in fulfilling our Nation's obligation to aid veterans to secure employment.

You, as representatives of the National Alliance of Businessmen, must play a key role in helping to get that message across, by being vocal, active, and involved advocates of efforts to create and provide jobs for veterans. Your workshops here in Washington can produce a valuable coordinated plan of action which can in turn yield important results.

Your contribution as catalysts between the government, the private sector, and the veteran, is an important one and your response must be rapid and massive. Nothing less will do.

So now I want to ask you to do three specific things:

First, set your FY 1976 veterans goal at the 200,000 placement level you set but failed to reach in 1975. As I said at the outset, this is surely no time to diminish efforts to help veterans. I know there are less jobs and less training opportunities in the present employment market. But I believe there are other realistic factors to help counter this.

I believe the Labor Department will shortly be issuing proposed regulations on contractor affirmative action programs and state employment service performance standards. The new regional veterans employment representatives are in place. The Veterans Employment Service, under a 1974 law I wrote, has been given an expanded role and a louder voice in departmental decision making. We have a new, committed, experienced V.E.S. Director in Ralph Hall.

I believe these factors can greatly enhance your efforts and vice versa.

Certainly the bicentennial year is not time to be cautious in setting realistic goals. Let's get 1,000 veterans placed for every year of our Nation's liberty.

Second, I ask you to work closely with the Labor Department and help us monitor their implementation of the new laws I've described. No new statute is ever any better than the vigor and foresight with which it is administered by the Executive Branch.

Third, the G.I. Bill OJT program offers particularly promising opportunities. Under it, a veteran with two dependents can receive $2,586 for the first 12 months to subsidize his reduced wage level during his training status. I ask NAB to appoint a special committee to work with the VA and Labor Department to help coordinate their efforts and to promote a much wider use of this program, in accordance with the GAO report findings.

I know that this means a lot of time and effort.

We are all being challenged greatly during this period of economic hardship.

But great challenges can produce great deeds.

I look forward to continuing to work with the National Alliance of Businessmen as we pursue our mutual goal and attempt to fulfill our national obligation of providing meaningful employment for all veterans.

THE GENOCIDE CONVENTION

Mr. PROXMIRE. Mr. President, the history of mankind is marred by tragic accounts of man's inhumanity to his fellow man through violation of fundamental human rights. The programs against the Jews in Russia earlier in this century were a genocidal attempt by that government to eliminate its Jewish population. Turkey's efforts to solve its "Armenian problem" resulted in 27 years of bloody horror and the death of 2 million members of the Armenian minority.

Most infamous of all was the systematic eradication of 6 million Jews and others by the Nazis in World War II.

Even in recent years, these tragedies are repeated as the world witnessed during the Biafran struggle.

The need for continued vigilance in the field of human rights is never-ending. Unfortunately, the Senate of the United States has not lived up to its responsibility in this area. In a study of U.S. action in the human rights area, Congressman DON FRASER and his International Relations Subcommittee discovered that the Senate has only taken action on a few human rights treaties. The vast majority of these treaties still await action.

The most embarrassing failure of all is with respect to the Genocide Convention. This treaty has been sitting before this body since 1949, when President Truman first submitted it for ratification. It has enjoyed the support of every President since that time and rightly so. It deserves the support of every Member of this body and I urge my colleagues to join with me in seeking prompt action so that we can reverse our dismal record in promoting human rights.

AMERICANS SHOULD BE INFORMED OF NATIONAL POLICY

Mr. BAKER. Mr. President, I invite the attention of my colleagues to an article that appeared in the editorial section of the New York Times on September 17. The author, Mr. Robert Mosbacher, was formerly a member of my staff and is now a student at the Southern Methodist University School of Law.

Although I am proud that a respected and affectionately held former staff member has articulated so cogently his point of view, my motive for asking that this article be inserted into the RECORD is that Mr. Mosbacher has reminded us that a most important question from the painful experience of Vietnam remains unanswered.

That question is whether this Government, or in fact any truly representative government, can embark with any credibility on a course of national policy without a full and comprehensive explanation of that policy and all of its possible ramifications to the people that Government represents.

Reserving the right to use nuclear weapons in a tactical environment is a

matter of national policy. Indeed, it may well be that such is a desirable and viable alternative. If so, the desirability of preserving this option should be fully explained to the American people. As Mr. Mosbacher so persuasively argues, this explanation must be prospective, and not after the fact.

I think it has been abundantly demonstrated in recent years that no national policy can long be sustained without the knowledgeable and informed support of the American people. Without this support we will continue to suffer the divisiveness and distrust of the past decade. By fully informing the public on all the various policy issues, and by giving heed to its counsel, the formulation of national policy will be a unified effort—and if ever we ought to present the facade and the reality of "togetherness" in matters of national policy, it is now.

I ask unanimous consent that the article be printed in the RECORD.

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

[From the New York Times, Sept. 17, 1975]

NUCLEAR ARMS AND THE STAKES IN KOREA

(By Robert A. Mosbacher Jr.)

DALLAS.—Several times in recent months, Defense Secretary James R. Schlesinger has indicated that the United States would resort to the use of tactical nuclear weapons if conventional forces failed to halt serious aggression in certain "vital parts" of the world. The two areas specifically mentioned were Europe and Korea.

Although many would understand the use of tactical nuclear weapons on the battlefield in Europe as a last resort to a Soviet seizure, the same cannot be said for Korea. The community of interests and vast cultural heritage we share with the Europeans simply do not exist with respect to Korea.

Nor can the Secretary's statements be dismissed as mere saber-rattling for the sake of deterrence. Rather, it appears there are two other goals of this rhetorical offensive: to reassure the South Koreans and our remaining allies in Asia and to re-emphasize that the United States genuinely has a vital interest at stake in South Korea.

What causes concern is the total lack of any effort by the Ford Administration to explain that interest to the American people.

Explaining now the need for the United States to actively assist in the defense of South Korea, even to the extent of using tactical nuclear weapons, would serve two important functions. First, it would avoid the distrustful pattern set during the Vietnam conflict in which seemingly arbitrary military action was taken repeatedly but explained only belatedly. Second, it could result in widespread public acceptance of our Korean commitment, which would help in persuading North Korea not to test our resolve.

This all assumes that a vast majority of Americans can be convinced of the wisdom of our current policy. It will be difficult, for we must overcome a natural intransigence on the part of many to any new military involvement in Asia.

Korea is different from Vietnam, where it became increasingly difficult to assure anyone that the fall of the country would have a serious and lasting impact upon the United States. It is different because of the repercussions a Communist victory would have upon our Asian allies and the strategic balance.

The most profound impact would be felt by Japan. Since the end of World War II, the Japanese have forsaken military might for reliance upon a mutual-security agreement with the United States and our nuclear umbrella.

In the ensuing 30 years, Japan has made remarkable economic progress and a majority of her people now adamantly oppose rearming. Their opposition is more practical than self-serving for not only would Japan have to rearm to the hilt in order to adequately effect a policy of deterrence, but would also have to do so without provoking her Asian enemy of long-standing, the Soviet Union. A move to rearm would be incredibly divisive, not to mention expensive, and it is for those reasons that Japanese leaders have strenuously sought to avoid the issue by continuing their alliance with the United States.

All of that would most likely change were South Korea to fall to the Communists. Regardless of whether we maintained and reconfirmed our commitment to Japan, faith in that commitment, which has already begun to erode, would evaporate. Out of absolute necessity cries for rearmament would be heard throughout Japan.

The Communist and Socialist parties would propose "accommodation" with the major Communist powers as a less-costly, divisive and dangerous recourse to rearmament. Accommodation is a polite phrase for a partial surrender of sovereignty in return for pledges of nonbelligerency.

Although such an alternative might appear attractive in the short run, it would surely ripen into economic and political blackmail. The impact upon United States-Japanese economic relations could be devastating. The Soviet Union might gain the one capability that enables the United States to maintain strategic parity at a fraction of the cost: advanced technological expertise.

The Japanese people would be caught in the middle between proposals to rearm and arguments for accommodation. Relative internal stability could quickly turn into complete chaos with the Communists and Socialists the probable victors.

A second possible result of a Communist victory in Korea involves our European allies. Knowing that the United States had abandoned Korea, despite the destabilizing effect upon Japan and the strategic balance, many would conclude that America's word was no longer credible.

Europeans who remained stanchly anti-Communist would urge sharply increased individual and collective-defense capabilities. It would be difficult to afford, though, for it would require diverting funds from burgeoning social programs whose costs were already out of control. Alternatives to the reallocation of funds would be offered and prominent among them would be accommodation.

In European governments where Communists are well-represented in the legislative bodies or cabinets, it could be very difficult to avoid accommodation and there would be little the United States could do.

And finally, there is the possible effect of a North Korean victory upon the Sino-Soviet situation. Although the North Koreans historically have relied more heavily upon the Chinese than the Russians, there can be no doubt that in the event of renewed fighting, the Russians would attempt to gain as much influence as possible to the detriment of China.

It is that possibility that has prompted the Chinese to urge the maintenance of American troops on South Korean soil as a deterrent to war and as a means of containing Soviet influence.

China fears that the Russians would attempt to trade weapons for the right to station Soviet forces in North Korea along an additional 350 miles of Chinese border. The question then would become how much encirclement is Peking willing to witness before it feels compelled to take military action.

My point is not to cause alarm by describing such a grim spectacle. Indeed, no one can say with any degree of certainty that the events in the wake of a North Korean victory would evolve as I have suggested.

Nevertheless, I believe it is possible, and in the case of Japan probable. For that reason, it behooves the Ford Administration to explain what is actually at stake in Korea now and why the use of tactical nuclear weapons may be necessary.

By doing so, it perhaps can gain the support of the American people necessary, if not to deter an attack, then at least to meet it both militarily and diplomatically with the full force of public opinion.

RECESS UNTIL 1:30 P.M.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate stand in recess until the hour of 1:30 p.m.

There being no objection, the Senate, at 12:43 p.m., recessed until 1:30 p.m.; whereupon the Senate reassembled when called to order by the Presiding Officer (Mr. STONE).

The PRESIDING OFFICER. Is there further morning business?

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

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

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE APPROPRIATION ACT, 1976

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of H.R. 8069, which will be stated by title.

The legislative clerk read as follows:

A bill (H.R. 8069) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes.

The Senate resumed the consideration of the bill.

The PRESIDING OFFICER. The pending question is on agreeing to the perfecting amendment by the Senator from West Virginia (Mr. ROBERT C. BYRD) to the amendment by the Senator from Pennsylvania (Mr. HUGH SCOTT) and the Senator from Minnesota (Mr. HUMPHREY).

Under the previous order, the Senator from Alabama (Mr. ALLEN) is recognized.

Mr. ALLEN. I thank the Chair.

Mr. President, what the Senate has before it at this time is the appropriations bill for the Departments of Labor, Health, Education, and Welfare, a bill providing for the appropriation of some $36 billion.

Under the rules of the Senate, an appropriations bill cannot be amended to add legislation. It can be amended by increasing or decreasing the amount appropriated, and under the rulings in the

Senate it can be amended by adding words of limitation, so long as they do not rise to the point of being legislation.

So that last week, the distinguished Senator from Delaware (Mr. BIDEN) introduced an amendment which was cosponsored by the distiguished Senator from North Carolina (Mr. HELMS), the distinguished Senator from Texas (Mr. TOWER), the distinguished Senator from Georgia (Mr. NUNN), the distinguished Senator from Texas (Mr. BENTSEN) and the distinguished Senator from South Carolina (Mr. THURMOND).

This amendment, which was adopted by the Senate, provided words of limitation on the manner and method by which funds appropriated by the bill could be expended. It provided, in very simple language, as follows:

None of the funds appropriated under this Act shall be used to require any school, school system, or other educational institution, as a condition for receiving funds, grants, or other benefits from the Federal Government, to assign teachers or students to schools, classes, or courses for reasons of race.

So, Mr. President, the amendment did not offend against the rule proscribing that there shall be no legislation on an appropriation bill. It merely stated, as words of limitation, what the funds could not be expended for, and, therefore, the amendment was in order. It was adopted by the Senate and is now part of the bill.

Then, Mr. President, on the following day, an amendment was offered by Mr. HUGH SCOTT, amendment No. 901, for himself, Mr. HUMPHREY, Mr. BROOKE, Mr. JAVITS, Mr. CRANSTON and Mr. MATHIAS, that adds further words of limitation but in another category.

This amendment provides that:

None of the funds contained in this act shall be used in a manner inconsistent with the enforcement of the 5th and 14th Amendments to the Constitution of the United States and title 6 of the Civil Rights Act of 1964.

What is new, Mr. President, about that contrary to the 5th and 14th amendments and contrary to title 6 of the Civil Rights Act of 1964? This amendment is also an amendment of prohibition or a limitation. For the legislative history, I will state that it does not in any way alter the force and effect of the Biden amendment because both are amendments of limitation or prohibition.

We find, Mr. President, in the bill itself other categories ticking off methods or purposes for which funds cannot be expended.

Section 207, on page 44 of the bill, reads:

No part of the funds contained in this title may be used to force any school or school district which is desegregated, as that term is defined in title 4 of the Civil Rights Act of 1964, to take any action to force the busing of students; to force on account of race, creed or color the abolishment of any school so desegregated—

And on and on.

I use this merely to illustrate that the Biden amendment and the Scott-Humphrey amendment are merely separate and distinct amendments constituting prohibitions on the manner in which funds appropriated by the act shall be expended, neither one supplanting the other, but each to be read, you might say, in pari materia with the other sections of the bill.

So there is a field of operation for the Biden amendment and there is a field of operation for the Scott amendment, just as there is a field of operation for section 207 and there is a field of operation for section 208:

No part of the funds contained in this title shall be used to force any school or school district. . . .

And on and on.

For each of these two amendments, the Biden amendment which has already been adopted, and the Scott amendment, though it survived a tabling motion by a vote of only 42 to 44, there is a field of operation. There is nothing in the Scott amendment that vitiates the provisions of the Biden amendment. They each can stand on their own two feet, each having a field of operation. The Biden amendment is:

None of the funds appropriated under this Act shall be used to require any school, school system, or other educational institution, as a condition for receiving funds, grants, or other benefits from the Federal Government, to assign students to schools, classes, or courses for the reason of race.

I will just set that apart over here and that becomes a part of the law. I will get down to other amendments and the Scott amendment later.

In the event the Scott amendment should be adopted, this merely adds another set of limitations or prohibitions on the use of the money, in no way vitiating, destroying or altering the provisions of the Biden amendment.

Let us see if that is correct. It adds to section 209 the following words:

None of the funds contained in this Act shall be used in a manner inconsistent with enforcement of the Fifth and Fourteenth Amendments to the Constitution of the United States and title VI of the Civil Rights Act of 1964.

It just goes one step further. The Biden amendment says none of the funds shall be used to force the assignment of teachers or students on the basis of race and this one goes a step further and says:

In addition to that, no funds shall be used in a manner inconsistent with the fifth and fourteenth Amendments to the Constitution and title VI of the Civil Rights Act.

The Biden amendment does not provide for the spending of anything at all. It merely provides that no funds shall be expended for a certain purpose. The Scott amendment goes one step farther and, in effect, says:

In addition to what the Biden amendment provides, this amendment provides that none of the funds shall be spent in violation of Amendments 5 and 14 of the Constitution and title VI of the Civil Rights Act of 1964.

So, Mr. President, I point these things out as a matter of the legislative history to show that even if the Scott amendment is adopted, it will not have one bit of force and effect, it will not effect any change whatsoever, in the terms of the Biden amendment, both having a field of operation.

Then the distinguished Senator from North Carolina (Mr. HELMS) introduced, as a substitute for the Scott amendment, amendment No. 902, providing that "none of the funds appropriated under this act"—following the same formula as the Biden amendment and the Scott amendment, because, while we cannot legislate by an amendment to an appropriation bill, we can limit or prohibit, contain, or restrain the use of funds—

None of the funds appropriated under this Act shall be used to require any school, school system, or any educational institution, as a condition for receiving funds, grants, or other benefits from the Federal Government, to treat teachers or students differently for reasons of the race of such teachers or students; or to classify teachers or students by race with respect to school, class, or course assignments.

This is offered as a substitute for the Scott amendment and would be the pending question but for the fact that the distinguished Senator from West Virginia (Mr. ROBERT C. BYRD) offered a perfecting amendment to the Scott amendment.

Mr. President, some feel that the rules of the Senate are technical, that sometimes possibly there is not too much logic to the Senate rules; but I maintain that there is great logic to the Senate rules and the procedure with respect to amendments.

The distinguished Senator from Pennsylvania (Mr. HUGH SCOTT) offers his amendment. Then, from the floor, comes the Helms amendment (No. 902), which, if adopted, would swallow or wipe out all of the provisions of the Scott amendment, and would then become the pending question, and, since it is a substitute for that amendment, would, if adopted, be the end of the road. That would be the last amendment, because the Senate, in its wisdom, decided to substitute that for the first-offered amendment.

But the rules provide that when there is an amendment pending, and then a substitute for that amendment, that before we have to decide between the two, and decide whether we take the substitute and thereby wipe out other amendments, we can first see if we cannot perfect the original amendment to make it more palatable in sustaining the assault, so to speak, from the substitute amendment.

That is exactly what happened here on the Senate floor last Friday. The distinguished Senator from West Virginia offered an amendment, now cosponsored by himself, the Senator from Virginia (Mr. HARRY F. BYRD, Jr.), the Senator from Florida (Mr. CHILES), the Senator from Kentucky (Mr. FORD), the Senator from North Carolina (Mr. HELMS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Georgia (Mr. NUNN), the Senator from Florida (Mr. STONE), the Senator from Georgia (Mr. TALMADGE), the Senator from Delaware (Mr. BIDEN), and the Senator from Alabama (Mr. ALLEN).

This amendment is not a substitute; a substitute would not be in order, because there is already one substitute pending. But it is a perfecting amendment to the original Scott amendment, and the agreement to or rejection of this perfect-

ing amendment would have an extremely large and important bearing on whether or not the substitute offered by Mr. HELMS could be adopted. Because what does it do? It takes the first few words of the Scott amendment, "None of the funds contained in this Act shall be used"—it adopts, in other words, all of the Scott amendment down to and through the word "used"—but then it puts in an entirely different set of words of prohibition or limitation.

What does the Byrd amendment say the funds shall not be used for? "To require, directly or indirectly, the transportation of any student to a school other than the school which is nearest the student's home, and which offers the courses of study pursued by such student, in order to comply with title VI of the Civil Rights Act of 1964."

One might say, Mr. President, that this amendment is a "neighborhood schools amendment." It would limit the use of funds appropriated under this act by saying that none of such funds should be used to require, directly or indirectly, the transportation of any student to a school other than the school which is nearest his home, and which offers the courses of study pursued by such student in order to comply with the Civil Rights Act of 1964.

So, Mr. President, the "neighborhood school amendment" is the amendment now pending before the Senate.

On Friday, the distinguished Senator from West Virginia (Mr. ROBERT C. BYRD), on offering his amendment, immediately stated that he was not offering the amendment for the purpose of prolonging the discussion on this bill, but that he was ready to vote on his amendmend 1 hour later. This was last Friday; to vote on it 1 hour later, and he asked unanimous consent that the amendment be voted on 1 hour later. Objection was made.

Then he asked unanimous consent that the amendment be voted on at 5 p.m., Friday afternoon. There was objection to that certainly reasonable request.

The distinguished Senator from West Virginia has stated that all he wants is a definite time set for a vote, as is said here in the Senate, up or down on his amendment, that is, voting for or against his amendment on the merits and not voting on some parliamentary motion that would be offered to the amendment. In other words, let Senators say whether they are for the amendment or against the amendment.

I might state, Mr. President, that except by an agreement this amendment has to be disposed of before the Senate can proceed further on this matter.

The distinguished Senator from West Virginia was required to be absent from the Senate during the early hours of the session today, though he will probably return to the Chamber between 4 or 5 p.m. this afternoon.

I do not want to prolong debate on the amendment. The distinguished Senator from West Virginia shows enough confidence in the Senator from Alabama that he requested that the Senator from Alabama discuss this matter until such time as an agreement would be reached on a time for a vote. Inasmuch as it is uncertain as to when the Senator from West Virginia (Mr. ROBERT C. BYRD) will be back in the Chamber, he has requested that the vote not occur until tomorrow and that a 1-hour period be set aside for the discussion by both sides, an hour equally divided by both sides of the question, that no motion to table be made, and that Senators take a position with respect to his amendment.

I am somewhat surprised that an agreement was not made to allow the distinguished Senator from West Virginia, a member of the leadership, to have his amendment voted on up or down.

If the Senator from Alabama had made that request, he would not have been surprised if objection from some source might have been made. But the distinguished Senator from West Virginia, who is so very accommodating to every Member of the Senate in trying to work out time agreements, postpone consideration of measures until Senators are in the Chamber, in all sincerity has offered a most important amendment. As far as I know, that is the only request he has ever made, within my memory, of any special consideration with respect to any legislation that he has offered, and he asked only that a time be set for voting on his amendment and that the Senate proceed to vote on it.

What is so bad about that?

Why this objection to voting up or down on an important amendment such as this? That is something that escapes the Senator from Alabama.

The same question is involved. Either the Senate is for it or they are against it. Call the roll and see where they stand.

But, no, an agreement has not been forthcoming for the setting of a time and agreement that a vote may be had up or down on the amendment.

Now, at such time as such an agreement is made, there will be no further discussion from the Senator from Alabama with respect to this amendment.

But he does feel that the request of the Senator from West Virginia, requesting a vote on his amendment at a given time and without intervening motion, should have that request honored.

At such time as an agreement can be made, we can proceed to the other features of this bill. As the Senator from Alabama has stated and as has been stated by the distinguished chairman of the committee and floor manager of the bill, some $36 billion are involved here, and we are off on a collateral issue. But it is an important issue, and it ought to be voted on.

Is there a feeling that Senators might vote differently when the question is presented on one way and voted another way when the question is presented in a different fashion? It would seem to the Senator from Alabama that the votes should be identical. The Senator from Alabama would vote "no" on a motion to table. He would vote "aye" on the amendment. But that is not what the Senator from West Virginia requested. He requested that this amendment, that he has offered, be voted for or against by the Members of the Senate.

Each day the Senator from West Virginia makes agreements here in the Senate or suggests agreements and works between the parties, reaches agreement between conflicting views, and agreements are made that will expedite the work of the Senate. But when he offers an amendment, asks that a time be set for passing on it, and that there be a vote up or down on the amendment, what happens? The simple request is not honored.

Mr. President, it seems to me that it would only be fair that such an agreement be entered into.

A little later on, Mr. President, after this matter has been disposed of, the Senator from Alabama expects to offer an amendment that will reduce by $1 billion the amount appropriated by this bill. It would take a reduction of somewhat less than 3 percent in the various amounts appropriated to accomplish a reduction of $1 billion in the amount appropriated, and with the Federal deficit reaching out toward $80 billion for this fiscal year, it would seem that the saving of $1 billion is certainly a result that would be beneficial to the Treasury and to the taxpayers.

Mr. MAGNUSON. Mr. President, will the Senator from Alabama yield for a question, before he gets into that phase of the subject?

Mr. ALLEN. I will yield for a question.

Mr. MAGNUSON. Without the Senator losing his right to the floor.

Mr. ALLEN. Yes.

Mr. MAGNUSON. There has been a great deal of discussion, of course, on the so-called busing amendments. The Senator has discussed them in the forepart of his speech. I am a little confused, and I think the Senator from Massachusetts and the other members of the committee will be, because there is in the bill, as the Senator well knows, section 207.

Mr. ALLEN. Yes. I read that.

Mr. MAGNUSON. And section 208. Both sections deal with busing.

I hope the Senator will take a look at those sections. Will the Senator state whether any of these amendments repeal sections 207 and 208 and insert in lieu thereof an amendment which may or may not be agreed to by the Senator?

Otherwise, we will have two busing provisions in the bill which may be contrary to one another. I do not think any of the amendments that have been proposed, including the Biden amendment, have clarified whether or not sections 207 and 208 should be repealed.

Mr. ALLEN. Sections 207 and 208—if the Senator will refer to those sections—refer to schools or school districts which are desegregated, as that term is defined in title IV of the Civil Rights Act of 1964.

Mr. MAGNUSON. Section 207.

Mr. ALLEN. Section 207 has that in it, as does section 208. That is as to schools that have been desegregated. The Biden amendment and the Helms amendment have application to school systems, whether or not there has been desegregation. So there are two different fields of operation here, I say to the distinguished Senator.

Mr. MAGNUSON. So the Senator from

Alabama suggests that, if whatever busing amendments we have been discussing are adopted, they would not be in conflict with sections 207 and 208. This is language the House put in, and we left it in. We did not discuss it any further. But the Senator does not think they are in conflict?

Mr. ALLEN. No. I think it is field operations for both. One is as to all school systems——

Mr. MAGNUSON. We were a little concerned as to what these amendments were to do with respect to the busing amendment that is now in the bill. It was in the House language, and we accepted it and brought it to the floor.

Mr. ALLEN. Of course, these provisions, sections 207 and 208, are meaningless, because they apply to schools that already are desegregated. Naturally, there would not be any busing orders in such schools because they already have them.

Mr. MAGNUSON. I wish the House would think they were meaningless, but they insist on these two sections.

Mr. ALLEN. I am sure the distinguished chairman thought they were meaningless, or he would not have left them in the bill.

Mr. President, I was stating that, when the present amendments are disposed of—that is, the limitation on the expenditure of funds appropriated by this bill, as to forcing the assignment of students or teachers—the Senator from Alabama has an amendment that he hopes will be adopted which would save $1 billion on the amount appropriated by this bill.

Is that a reasonable amount? Page 1 of the committee report says that the bill as reported to the Senate is over the estimates for 1976 by $1,108,000,000. So it still would be more than $100 million above the estimates.

This bill, I also point out, is $286 million above the House figure.

I also point out this fact: On the desk of each Senator is a copy of a letter bearing a stamp that reads "From the Office of Senator HUGH SCOTT, Republican Leader"; and it is on the stationery of the Secretary of Health, Education, and Welfare, signed by David Matthews, Secretary.

Mr. President, I am proud of the work and the record of the distinguished Secretary, who is from my home State of Alabama, a man who gave up the presidency of the University of Alabama to accept the challenge for meaningful public service by becoming Secretary of Health, Education, and Welfare.

At the time he was nominated and was awaiting confirmation—he was approved unanimously in this body—I told him if he wanted the position, I was for him, and I am for him. But I question his wisdom or judgment in giving up the presidency of the University of Alabama to take this well-nigh impossible job involving this tremendous, unmanageable conglomeration of agencies and functions. I believe he will do an outstanding job as Secretary.

His very first recommendation that I know of—certainly, his first to Congress—makes sense. He wrote Senator HUGH SCOTT. This is not divulging any private correspondence, because a copy of this letter is on the desk of each Senator, with Senator SCOTT's rubber stamp on it—not rubber stamp of approval, necessarily, but a rubber stamp showing that he was transmitting the letter.

Secretary Matthews wrote:

I want briefly to provide you with my views on H.R. 8069—

That is the bill we have before us today. the fiscal year 1976 appropriations bill for the Departments of Labor, Health, Education, and Welfare, and related agencies. I believe the amount of money in that bill is excessive in today's difficult fiscal times.

Wait a minute. What is it that the Secretary said? Here is the Secretary of Health, Education, and Welfare, who says, "Why, you are appropriating too much money for my Department."

My, my. The Secretary is new in Washington, Mr. President, to make a statement such as that. He takes issue with the fact that this bill appropriates too much money to his Department.

Well, now, I do not recall many other Secretaries coming in and saying, "You are appropriating too much money for my Department." Usually, they come in and want a few extra billion dollars inserted in the bill. Here is the former president of the University of Alabama—I shall not say naive enough, I shall say using the good judgment—to comment on this staggering sum that is appropriated under this bill. How much is it before we get through amending it here on the floor? The sum of $36,265 million. That does not take into account, I believe, Mr. President, the fact that the public service jobs appropriation and the appropriation for unemployment benefits were both on a 2-year appropriation basis and that no further appropriation is required this year to cover those programs, because the appropriations were made last year for last year and this year.

Actually, then, it would run very near to $40 billion, if I mistake not, if the second half of these 2-year appropriations were taken into account—because, Mr. President, the 2-year appropriation in 1975 fiscal year for unemployment benefits was $5.7 billion and public service jobs $2.5 billion.

Although I am not a member of this committee, just at first blush, I should say if we add those two figures together, we will get $8.2 billion. That is how much was appropriated last year for the 2 years. If we divide that by two, we would have $4 billion more to add to this $36 billion. I could be wrong on that, but I dare say if I am, I shall be challenged. That would be the arithmetic of the Senator from Alabama. It really is not a $36 billion bill, it is a 40 plus billion dollar bill.

So, Mr. President, I say that saving a mere billion dollars on a $40 billion appropriation is a mere bagatelle. It is 2.5 percent of the $40 billion appropriated under this bill and under the legislation of last year.

Let us go on and see what Dr. Matthews says about this appropriation:

The total bill exceeds the President's January budget by more than $1 billion. For HEW, it is more than $900 million over the budget.

I assume from that that each department gets up a budget, submits it to the President, and the President then comes out with his budget, which is the sum total of all of the departments' budgets as revised and altered by the OMB. But he says that the total bill exceeds the President's January budget by more than $1 billion, and for HEW, it is more than $900 million over the budget.

So it looks as if we can draw an inference from the letter. Going back to the letter, it looks as though HEW had a budget and the Senate bill exceeds that budget by $900 million and it exceeds the Presidential budget by more than $1 billion. All that my amendment—which I trust we shall get to in due course—seeks to do is retrieve $1 billion of this escalation in the appropriation. I hope it will be adopted. I do not believe that a reduction of 2.5 percent in these various items will cripple the Agency a great deal.

Now let us go back to Dr. Matthews' letter: "These expenditures"—expenditures provided by this staggering appropriation bill—

These expenditures are proposed at a time when the overall fiscal picture of the nation demands an even greater restraint on spending than in those prior years when the Congress appropriated more for health and welfare than requested by the President.

The President has drawn the line on the budget deficit for FY 1976 at $60 billion.

On May 14, Congress drew its own line at $69 billion.

Congress' own July 21 budget scorekeeping report estimates a possible deficit of over $83 billion.

This little amendment that I plan to offer—it seems strange to talk about a billion dollars as being a little amendment, but when it is stacked up against a deficit of $83 billion, it becomes quite insignificant indeed. But this amendment that we will be offering will at least save the taxpayers a billion dollars at a time when our country is in a critical financial condition, at a time when we know that these tremendous Federal deficits that we are having serve only to add fuel to the fires of inflation. If we can save a billion dollars here and a billion dollars there and a billion dollars somewhere else, we might find that we will have a combined saving somewhere along the line of several billion dollars.

Mr. President, in further support of this amendment that I have reference to, I quote further from Dr. Matthews' letter:

I recognize that some of the increase over the budget would, on their merits, be money well spent. We must, however, view the work of this Department in the context of the many other legitimate demands on Federal, State, and local funds.

In some instances, moreover, the merits of the additional spending are questionable. For example, I think that there is a consensus among medical researchers that the expenditure of more than $800 million for cancer research is not justified if we are to maintain a balanced biomedical research program. The Senate has added $100 million more for cancer research than is contained in the House bill which is already more than $100 million over the proposed budget.

We are at a point where we believe the fight against inflation can be won. Increased Federal spending such as is contained in

H.R. 8069 could well tip the balance in the wrong direction. To do so will hurt the beneficiaries of this Department's programs far more than they will be helped by the additional money in this bill.

It is our view, therefore—

Dr. Matthews talking, the Secretary of Health, Education, and Welfare—

that the best course of action would be for the Senate to return the bill to the Appropriations Committee with instructions to make significant reductions.

Well, Mr. President, feeling that the Senate probably is not going to send this bill back to the Appropriations Committee, and feeling it might have some little better chance of getting the bill reduced here on the floor, I will, at the proper time, offer an amendment that would cut $1 billion pro rata from the various amounts appropriated by the bill.

A cloture motion has been filed here on this bill. They do not want to discuss this thing at length, this $36 billion bill and, as I said, counting the appropriations made last year, that continues over this year, so it is a $40 billion bill. So it would be actually incorrect to say it is a $36 billion bill when actually it is a $40 billion bill.

Do we have free and unlimited discussion on this bill? Well, they filed a cloture motion just Friday. I believe that it had been under discussion 1 day before that, but they are going to gag the Senate and say we are going to cut off debate, we cannot discuss it any longer.

That matter is going to come up for a vote tomorrow. If I had to guess as to what is going to happen on it, I would predict the Senate is not going to gag itself on that bill. The Senate is going to allow a little free discussion of this bill involving $40 billion.

Mr. LONG. Mr. President, will the Senator yield for a question at that point?

Mr. ALLEN. Yes, I would be glad to.

Mr. LONG. Might I just submit the problem that troubles the Senator from Louisiana is that when we approach cloture on this bill is it not so that those of us who do not serve on the Appropriations Committee cannot be expected to have the familiarity with all the various considerations that went into recommending what is before us that are available to those who served on the committee and put the bill together?

Mr. ALLEN. That certainly is true.

Mr. LONG. Well, now, as we go through the bill and hear the various suggestions made in ways that the bill could be improved or ways that the bill might fail to meet the objective of statesmanship, is it not possible some of us who do not serve on the committee might have some thoughts about ways that the bill could be improved, for better or for worse?

Mr. ALLEN. I think it is entirely likely, and I think each Senator ought to have an opportunity to make some input into this staggering bill.

Mr. LONG. Now, in the event that one of us should think of something that might improve the bill, either on the high side or low side or with regard to some restriction in the way that the funds would be spent or even something that should be added to the bill in the way of appropriations, once cloture has been voted would we not then be foreclosed from offering our amendments to improve the bill?

Mr. ALLEN. That certainly is correct. You would be limited to whatever amendments——

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

Mr. ALLEN. Let me answer the question.

Mr. MAGNUSON. Yes.

Mr. ALLEN. You would be confined to amendments at the desk, and it takes unanimous consent even to get those eligible for consideration unless they have been read. Just my own looking at this bill a few moments ago disclosed the fact that it is not a $36 billion bill but it is a $40 billion bill because they are not figuring into the amount shown here a carryover of appropriation on two items last year that add some $4 billion to the bill, as the Senator from Alabama understands it. If he is wrong, he can be corrected.

Mr. MAGNUSON. Mr. President, will the Senator yield to me?

Mr. ALLEN. For a question only; yes.

Mr. MAGNUSON. I am very glad that we are discussing the money part of the bill. I hope to have a full discussion on the money parts of the bill. We wanted to get the busing thing out of the way and then get down to what the bill is all about.

Mr. ALLEN. I yield only for a question I will say to the distinguished Senator from Washington.

Mr. LONG. Are we to understand the cloture motion is limited only to the busing amendment?

Mr. MAGNUSON. Yes; I believe that is correct.

Mr. ALLEN. Senator, I will have to beg his pardon for pointing out that he is incorrect. I have a copy of the cloture motion in my hand and it says:

We, the undersigned Senators, in accordance with the provisions of Rule XXII of the Standing Rules of the Senate, hereby move to bring to a close the debate upon H.R. 8069, the Labor-HEW Appropriation Bill for 1976.

So it is directed against the whole bill, I will have to advise the Senator.

Mr. MAGNUSON. Well, if that is the case, we understood the cloture motion—it was Friday when we filed it—dealt with the busing provision.

Mr. ALLEN. Yes, I yielded only for a question, and I will have to tell the Senator that I will yield no further.

Mr. MAGNUSON. Is it true——

Mr. ALLEN. No, sir; I will yield for a question only.

Mr. MAGNUSON. Is it true that the cloture motion first filed deals with the whole bill?

Mr. ALLEN. This was filed on September 19, 1975, and it deals with the whole bill. I have a copy in my hand.

Mr. MAGNUSON. I may consider voting against that myself because I want a full discussion.

Mr. ALLEN. I thought the Senator would. That is the reason I was commenting on the fact that we were being gagged here under the provisions of cloture.

Mr. MAGNUSON. Well, I want a full discussion of the money provisions of this bill.

Mr. ALLEN. I would be willing at a later time, when the Senator from Alabama yields the floor, and I hope the Senator will ask unanimous consent to withdraw this cloture motion, and the Senator from Alabama would not object. But I yield no further. I yielded only for a question. I must proceed with my discussion because I have a lot of ground to cover.

Mr. LONG. Mr. President, will the Senator yield for a question?

Mr. ALLEN. Yes, I will yield for a further question.

Mr. LONG. If we are going to be asked to vote for a cloture motion which would apply to the entire bill, would not that present then—and if that is what is before us would that not then present—the problem the Senator from Louisiana speaks to, that someone might point out the defects in the bill which could be corrected by amendment or else someone might offer an amendment which might be meritorious on a $40 billion bill insofar as the amendment goes, but it might leave much to be desired, and would we not then be left in a situation where we could not improve upon the amendment or improve upon the bill because those of us who do not serve on the Appropriations Committee could not conceivably have had the foresight to have anticipated what an amendment might be before we had a chance to have it discussed?

Mr. ALLEN. That is right. There could be no amendment to an amendment. It would have to be up and down on the amendment or else on a motion to table.

Mr. MAGNUSON. Mr. President, will the Senator yield for another question?

Mr. ALLEN. Yes.

Mr. MAGNUSON. As the Senator knows, the chairman of the subcommittee has not participated in this debate on busing at all.

Mr. ALLEN. That is correct.

Mr. MAGNUSON. I am going to vote as a Senator from the State of Washington in the way I please on the busing amendment, but even though I do not think it belongs on this bill, I am going to let the Senate work its own will. Does the Senator think that is the best way to do it?

Mr. ALLEN. I think the distinguished Senator from Washington has acted with every conceivable and admirable degree of propriety with respect to the bill, and I commend him for that.

Mr. MAGNUSON. Does the Senator realize that the Senator from Washington would be the last person, even though I did join in the cloture motion when we were talking about busing, to knowingly want to prevent full discussion on the money part of this bill? That is what this bill is all about. It is a big bill; it is a complex bill. I do not want any gag rule on discussing the money items in this bill, because we might get some good amendments that will make the bill more palatable because, apparently, the Senator's colleague from Alabama suggests it might be vetoed. Of course, that is not new for the Senator from Washington. I have been vetoed at least five times.

Mr. ALLEN. Is the Senator through with his question?

I hate to be technical with the Senator, but I must insist that he confine his remarks to a question. If the Senator is through, I would like to proceed.

Mr. MAGNUSON. I wanted my position clearly understood.

Mr. ALLEN. I understand the Senator's position, I have no quarrel with it. I am glad that I was able to point out to him that the cloture motion is directed against debate as against the entire bill. I thought that was unwise and I did not feel that the Senator from Washington would be a party to any such move.

I am delighted to hear from his own lips that he would not be a party to any such effort and that he will vote against this cloture motion, if it is still before the Senate tomorrow. I am hopeful it will be withdrawn between now and then.

Mr. President, discussing further the size of this appropriation at $40 billion, we have to read some of the fine print, it seems to the Senator from Alabama, being unfamiliar with statistics. On the front of the bill it speaks of amount of comparable appropriations for 1975, $43 billion, and this bill, $36,265,000,000, and just at first blush it would look like they were cutting down about $7 billion on the appropriation.

The Senator from Alabama knew that could not be. Whoever heard of cutting an appropriation $7 billion, unless possibly it is the appropriation for the Defense Department, that would have a pretty good chance here in the Senate.

But the explanation given by able members of the staff at my request points out that a substantial portion of this decrease—that is, from the $43 billion in 1975 and the $36 billion in this fiscal year—is the result of a 2-year appropriation, we know that we generally appropriate just for 1 year, a 2-year appropriation in 1975 for unemployment benefits of $5,700,000,000 and public service jobs $2.5 billion.

So as I pointed out earlier in my discussion, this 2-year appropriation amounted to $8.2 billion and since that was for 2 years, half last year and half this year, obviously it would have to add $4 billion to this $36 billion, and I assume—and I will stand corrected if I should happen to misstate it—we would have to take away $4 billion from the amount shown here as to the 1975 appropriation, which says here $43,307,000,000.

It is true, they appropriated last year an extra $8 billion, but half of it for last year and half for this. So, to get a real, true picture, we have to take page 1 of the report here—and I am not stating that there is anything misleading about it, but for someone not used to examining statistics, he would have to look at it the second time to catch up—and one would have to take $4 billion off last year, as the Senator from Alabama would construe it, and then add $4 billion to 1976.

Instead, as this first page says, of this bill being $7 billion less than the appropriations last year, actually it is more than the appropriation last year.

That is just how confused one can get looking at figures. Instead of being $7 billion less than last year, it is more than last year, as I read these figures. The chairman of the committee is here and if I misstate the facts I am sure he will have the opportunity eventually to correct them.

A cloture motion was filed as to the bill. The distinguished chairman of the committee, the distinguished senior Senator from Washington, is entitled to a great deal of credit for the hard work and dedication he puts into his chairmanship of that committee and his chairmanship of the subcommittee of the Appropriations Committee. I have always appreciated the fair manner in which he has handled bills which he has managed here on the floor. He has given every Senator an opportunity to make input into the bill and, as the amount provided in the bill goes higher, higher, higher, higher, by every amendment offered here on the floor, he has cautioned and cautioned and cautioned that the bill is getting out of hand and urges Senators to hold their requests for amendments in line in order that the bill might stand some chance of being approved by the President.

Being realistic, I feel reasonably sure that this bill at some stage of the proceedings will pass, with or without meaningful antibusing amendments.

I do not believe cloture will be adopted on tomorrow, especially in view of the statement of the distinguished manager of the bill that he will not vote for cloture. But eventually, the bill will pass in some form.

I am not sure, Mr. President, that it would be a good thing for this bill to ever leave the Senate. What would that mean? Would that mean the Department of HEW would not have any money on which to operate? Why, of course not.

Our fiscal year started on July 1 and this bill that we are considering here today is the appropriation bill for July 1 through June 30. Then somewhere along the line they are going to adjust our fiscal year to make it October 1 through September 30, and if so, then at least one-fourth of the amount of this appropriation will be added on for the transition period.

But the point I am making is that if we do not have an appropriation bill for the Department of HEW, HEW will keep on going.

We have these monolithic agencies and bureaus that are getting to where they are greater than the Government itself and just have life on their own, and there is no just, no effective control of these tremendous bureaus.

They are going to find a way to stay in operation. We can rest assured of that.

How is it handled? There is no appropriation bill. Here it is the last one-third of September and no appropriation bill covering the period since July 1.

Well, they operate on a continuing resolution. What does that do? That carries on the appropriation for the preceding fiscal year, or, if the bill passes one House, the figure at which it passed the House if it is lower than the appropriation for the preceding year. In other words, they protect the Department by giving it what it received the year before, or, if the bill has passed one House, the figure at which it passed that House if it is lower than the amount of the year before. So if they cannot get a full congressional expression on it by passage of the appropriation bill, they can at least take what they had last year. If Congress is thinking along the lines of a lesser amount then they take the lesser amount proposed by the House which had passed the bill. Of course, if both Houses passed the bill, it would be a moot question because they would then have the appropriation bill, provided the President signs it.

I believe at least 2 years running, and maybe 3, we did not have an appropriation bill for the Department of HEW. I believe we can get along without it again.

Let us see what would happen. Let us see if that would be fiscally responsible if debate on this matter never ends and the bill at long last is withdrawn from consideration here in the Senate. Not being a member of the committee, I did call on the very efficient and dedicated staff to furnish me with some figures. If worse comes to worst, or, I might say, if best comes to best and this bill is not passed here in the Senate, what effect would it have?

The staff advises me that programs contained in the Labor-HEW appropriation bill are presently operating under the terms of the continuing resolution, Public Law 94–41, to which I referred a moment ago. If programs in the bill were to operate under the continuing resolution for the entire fiscal year 1976, it is estimated that the total authorized spending level would be $35.6 billion. That was not counting the $4 billion carryover I mentioned a moment ago. That would be the amount appropriated here.

This represents a $600 million reduction below the pending Labor-HEW bill prior to conference with the House.

Of course, there will not be any conference with the House if the bill stops here.

Well, that is most interesting to the Senator from Alabama. So the most fiscally responsible vote that I could cast with respect to this bill is to vote "No" on it. That would allow the programs to continue at a level of $600 million less than the bill provides. That would not be quite as much of a reduction as is contained in the amendment I plan to offer, which would result in a reduction of $1 billion. A $600 million saving is not too bad. That would be a pretty constructive vote if by my vote I could help save the taxpayers $600 million. I would say that was a pretty good day's work. We do not often have the opportunity to save $600 million here in the Senate.

It may well be, Mr. President, that those pushing this bill, because of conservative thought, have done quite a bit of good, those who are pushing the effort to obtain cloture, the effort to cut off debate. As long as that cloture petition is pending, we are going to have a vote on it tomorrow. I would predict that with the chairman feeling as he does he is going to vote against it.

I do not believe it is going to get the required 60 votes. It might get 59. I doubt

if it gets 60. That 60 sometimes proves a little difficult.

The PRESIDING OFFICER. Will the Senator yield for a minute?

CLOTURE MOTION

The PRESIDING OFFICER (Mr. BROOKE). I send to the desk a cloture motion, presented under rule XXII, and, without objection, direct the clerk to read the motion.

The assistant legislative clerk read as follows:

CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, hereby move to bring to a close the debate upon H.R. 8069, the Labor-HEW Appropriation Bill for 1976.

Edward W. Brooke, Charles McC. Mathias, Jr., Richard S. Schweiker, Mike Mansfield, Robert T. Stafford, Gale W. McGee, Lowell P. Weicker, Jr., Mark O. Hatfield, Hugh Scott, Alan Cranston, James B. Pearson, Clifford P. Case, Edward M. Kennedy, Mike Gravel, Walter F. Mondale, Gary Hart.

The PRESIDING OFFICER. The Chair would like to make it clear that the Chair submitted that cloture motion in his capacity as a Senator from Massachusetts and not in his capacity as the Presiding Officer of the Senate.

Mr. MANSFIELD. Will the Senator yield without losing his right to the floor?

Mr. ALLEN. Yes, sir.

ORDER FOR HOUSE CONCURRENT RESOLUTION 400 TO BE HELD AT THE DESK

Mr. MANSFIELD. Mr. President, I ask unanimous consent that House Concurrent Resolution 400, relating to the enrollment of the bill, H.R. 4005, be held at the desk.

DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATION ACT, 1976

The Senate continued with the consideration of the bill (H.R. 8069) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes.

Mr. MANSFIELD. Mr. President, will the Senator yield without losing his right to the floor so that I might suggest the absence of a quorum.

Mr. ALLEN. I yield with that understanding.

Mr. MAGNUSON. Will the Senator yield for a half minute?

Mr. ALLEN. The distinguished majority leader asked that I yield without losing my right to the floor so that he might put in a quorum call. Is that correct?

Mr. MANSFIELD. That is correct.

Mr. MAGNUSON. May I have a half minute?

Mr. ALLEN. I will yield for a question.

Mr. MAGNUSON. I just wanted to make the record clear. If a cloture motion is filed to limit debate on the matter of the busing amendment, I will vote for it, but I do not want to limit debate on the money items in the bill.

Second, just to clear the record, the figures which the Senator from Alabama stated today are basically correct. If there were no Labor-HEW appropriation bill for fiscal 1976 and we were to remain on the continuing resolution for the balance of fiscal 1976, we would be providing budget authority totaling about $35.6 billion.

It is true that the present HEW bill is $600 million over the continuing resolution level.

We would be voting to cut a great many essential programs if we did not vote for this bill. I want that clear in the RECORD.

Mr. ALLEN. Mr. President, insofar as the agreement was made that I might yield for the request for a quorum call without losing my right to the floor——

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

Mr. ALLEN. In other words, when the quorum call has been completed, the Senator from Alabama will be recognized?

The PRESIDING OFFICER. The Senator is correct.

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

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

Mr. MANSFIELD. Mr. President, will the distinguished Senator from Alabama yield to me again on the same basis as before?

Mr. ALLEN. If I may be granted that permission.

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

ORDER FOR RECESS UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 10 o'clock tomorrow morning.

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

DESIGNATION OF TIME FOR VOTE ON CLOTURE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the vote on the cloture motion occur at approximately the hour of 2:15 p.m. tomorrow, with the live quorum call mandatory under the rules to begin at 2 o'clock.

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

Mr. MANSFIELD. I ask unanimous consent that all amendments at the desk at that time be considered eligible.

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

QUORUM CALL

Mr. MANSFIELD. Mr. President, I again suggest the absence of a quorum, under the same conditions.

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

The assistant legislative clerk proceeded to call the roll.

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

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

DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE APPROPRIATION ACT, 1976

The Senate continued with the consideration of the bill (H.R. 8069) making appropriations for the Departments of Labor and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes.

Mr. ALLEN. Mr. President, earlier, immediately before the quorum call, I had the floor and was discussing the various amendments having to do with busing and assignment of students and teachers by reason of race, and discussing the tremendous amount of appropriation provided in the HEW appropriations bill. I also read an unusual letter from Secretary of the Department of Health, Education, and Welfare, Dr. David Mathews, former president of the University of Alabama. I was pleased to note that he, as Secretary of the Department, took exception to the magnitude of the appropriation to his department. He suggested that it was far out of line, that it was more than $900 million more than the Department of Health, Education, and Welfare budget request, I assume he meant, and that it was more than $1 billion out of line from the President's budget. I assume that meant the budget of the OMB.

I was pleased that this highly knowledgeable, dedicated, and able Secretary of the Department of Health, Education, and Welfare, from my home State of Alabama, has not laid aside his Alabama views, his Alabama conservatism, just because he has taken on duties here in the Federal bureaucracy.

Whereas his recommendation that the bill be recommitted to the Committee on Appropriations has not gathered a great deal of support, I have offered an amendment, that would come up in due course, seeking to cut this overall appropriation by $1 billion, and get it very well in line with the President's recommendation, for it is $1,100,000,000 over the President's recommendation.

That would constitute about a 2½-percent reduction in each of the various appropriations to the various agencies, departments, and functions of the Department of Health, Education, and Welfare.

I would believe that, with a little bit of belt tightening, this department could eke out the year with just $39 billion to spend instead of some $40 billion. I be-

lieve they could make enough of a sacrifice there to save this $1 billion proposed by my amendment.

This savings would only be a drop in the bucket against the tremendous upcoming deficit of the Treasury for this fiscal year, which now looks as though it would run in excess of $83 billion.

But the way to stop the increases in spending is to cut appropriations, and that is what this amendment—that will not be voted on today, perhaps will not be voted on tomorrow, but it will be reached—would do.

Mr. President, an interesting byplay took place a moment ago. The Senator from Alabama, having the floor, and the distinguished Presiding Officer of the Senate, the distinguished Senator from Massachusetts (Mr. BROOKE), acting in his capacity as the Senator from Massachusetts, interrupted the Senator from Alabama to file a cloture motion seeking to bring to a close debate on this bill.

It is interesting, Mr. President, that the rules are such that they protect the right of a Senator to intervene in a discussion to the extent of allowing the filing of a cloture motion, even though that temporarily stops the speaking Senator while the cloture motion is being received and is being read. Without that rule, a Senator might talk for 2 or 3 days, if he did not yield, and during that time a cloture motion could not be filed. This rule is logical.

We were talking earlier about the parliamentary situation: An amendment and a substitute to that amendment and then a perfecting amendment offered to the original amendment. This chain is very logical and gives the Senate an opportunity to test conflicting and disparate views of its Members. It gives the Senate an opportunity to waive the various refinements offered to legislation as it is pending on the floor. This method of presenting a cloture motion is logical and it is right and it is proper.

I was interested in the development earlier in the afternoon, when I spoke of the fact that on this $40 billion bill, a cloture motion was filed on Friday, calling for a vote on tomorrow, because the issue comes up for a vote on the second day thereafter. I was saying that, surely, with a $40 billion appropriation involved, it would not be proper to cut off debate and to limit amendments, with so much involved.

The distinguished manager of the bill, Mr. MAGNUSON, the chairman of the committee, was of the opinion that the cloture motion was directed not at the bill as a whole but at the amendment in the first degree, by Mr. HUGH SCOTT and Mr. HUMPHREY, which is now pending. But when he found that the cloture motion is not directed at the so-called busing amendments but at the entire bill, even though he had signed that cloture motion, he stated that he was going to vote against cloture on tomorrw. The second cloture motion, the one that was filed just a few moments ago, does not contain the name of the distinguished Senator from Washington (Mr. MAGNUSON), and he stated on the floor of the Senate that he is going to vote against that cloture motion.

Mr. President, cloture has been invoked rather easily in the Senate. Sometimes they bring up a bill and file a cloture motion before a single word is said in debate on either side, and they go ahead and vote cloture by a top-heavy vote. But I would hazard the guess that cloture is not going to be invoked tomorrow, and I would hazard the guess that cloture is not going to be invoked on the next legislative day. I believe it will not be invoked because of two very basic reasons. One is that we need a showdown on the issue of forced busing of schoolchildren to achieve a racial balance in our public schools, and we need full discussion of this $40 billion bill.

Mr. President, these tremendous bureaus of the Federal Government are becoming so large, are mushrooming in size to such an extent, that they are becoming well nigh unmanageable. It is hard to slow them down. It is hard to rein them in. So when we have a $40 billion appropriation before us and they talk about cutting off debate, I do not believe the Senate is going to look with favor on that; and when they talk about limiting debate with respect to legislation involving our schoolchildren, I do not believe they are going to cut off debate on that vital issue.

Mr. President, suppose we come to an impasse. Suppose the debate goes on. Suppose it goes on for such a time that this bill is withdrawn. Does that mean that HEW will have no funds with which to operate? Well, hardly. We have a continuing resolution that provides that until such time as provided in the bill—it is more or less piecemeal—or until an appropriation bill is passed, we would operate on last year's appropriation or the appropriation provided in the bill passed by either House, whichever amount is lower.

The committee has furnished me figures to the effect that if this bill is not passed, it will have the effect of carrying on the program of HEW, but at a $600 million reduction below the amount provided in the Senate bill. That is some reduction, but it is not nearly enough. It is not as much as the reduction provided by my $1 billion cut, but it would be a saving over the amount in the Senate bill.

Mr. President, the distinguished Senator from Louisiana (Mr. LONG) pointed out why it would not be fair to choke off discussion and choke off amendments on this tremendous bill. He pointed out that only those amendments could be received which were at the desk at the time of the cloture vote; that frequently, the pendency of an amendment, in the light of the discussion that takes place, points out the need for an amendment to that amendment. But that is not permitted after we vote cloture. We have to take these amendments exactly as they appear. We cannot make a comma out of a period or a period out of a comma. We cannot dot an "i" or cross a "t." It is unchangeable as the law of the Medes and the Persians. Whatever is there is what is voted on. So amendments to amendments would be eliminated.

A real defect in a bill, pointed out during discussion after cloture vote, that everyone admitted should be changed, could not be changed except by unanimous consent, unless there were an amendment at the desk. So it is very dangerous on a bill of this sort to cut off debate.

Yet, Mr. President, in the face of the fact that the distinguished chairman (Mr. MAGNUSON) stated that he would not vote for cloture if it were directed against the entire bill, yet the second cloture motion comes in—a few moments ago—and it, too, is directed at the entire bill. I should assume that, since the distinguished manager of the bill states that he is against this cloture motion and he refused to sign it, I feel there is a good likelihood that the cloture will not be voted.

Mr. President, why this discussion this afternoon? Well, in the first place, it gives an opportunity to point out the tremendous size of this appropriation. It gives an opportunity to analyze some of the figures in the Senate committee report. Here is the report, with table after table—more than a dozen tables, well over 100 pages of hard facts as to this bill. If one picks the report up and glances at it, one is overwhelmed with the tremendous reductions that have been accomplished in this bill as compared to last year's bill. Here, in the next-to-bottom line on the first page, it says that this bill pending "is under the comparable appropriations for 1975 of $7 billion."

That just looked so good to the Senator from Alabama that he wanted to examine it a little bit further and see where this reduction came from, because he saw that the amount of the comparable appropriations for 1975 were $43,307,000,000 and this appropriation is only $38 billion; hence, an apparent saving of $7 billion. Well, with a little aid from the able staff, we were able to analyze that a bit and see that instead of there being a $7 billion saving, there is no saving at all. In fact, this appropriation is greater than the appropriation for last year. So this bill will require just a little bit of scrutiny.

This is not a $7 billion error. This is reporting the thing a little bit differently. All of the facts and figures are here in the fine print, I am sure. But the able and, I shall say, impartial and dedicated staff has pointed out to me, at my request, where the joker is in that amazing statistic, converting a $7 billion saving into a loss of millions of dollars. I do not know just how many; I have not figured it out that close, other than to say it is greater than the appropriation of last year, even though the statistics here show that it is less by $7 billion.

How did that come back? A substantial portion of this decrease, according to the staff, is the result of a 2-year appropriation in 1975 for unemployment service jobs of $2.5 billion.

In my earlier remarks, calculating this from a glance at this note, it is apparent that, in 1975, Congress appropriated $8.2 billion for these two functions—unemployment benefits and public service jobs. In my previous remarks, I divided that equally between the 2 years. This is a 2-year appropriation, whereas, gener-

ally, other appropriations, even with the Department of Health, Education, and Welfare, Department of Defense, Department of Agriculture—all the departments—as a general rule are a 1-year appropriation. But these emergency appropriations were for 2 years and in calculating this, I took roughly half of this figure, which would be $4,100,000,000, off of the $43 billion for last year. Then, of course, I would add the same $4 billion to the $36 billion shown here in the report as the appropriation for this year. The appropriation is less this year, because the 2-year appropriation was made last year and obviously, they did not have to reappropriate when the money was there, available. So we have to add at least the $4,100,000,000. But I am advised that the appropriation was made well into the fiscal year and even though the amount was $8.2 billion, less than half of that amount, considerably less than half, was used last year and considerably more than half will be used during this fiscal year. So, actually, the $36 billion will be increased by a sum greatly in excess of $4.1 billion, possibly as much as $5 or $6 billion.

It is not shown in this appropriation, because it was appropriated last year. So we are looking at an appropriation of in excess of $41 billion. And we talk about cutting off debate on that? I do not believe the Senate is going to do that.

Now a stalemate has been reached in this matter, resulting from what, to the Senator from Alabama, seems to be a minor consideration and that is the pendency of the present Robert C. Byrd amendment.

Senator ROBERT C. BYRD has asked that there be an up-and-down vote on his amendment. It is an important amendment. It has to do with preserving the neighborhood schools and forbidding HEW from using any of the funds appropriated by this bill to order the assignment of students beyond their nearest school or the nearest school offering the course of study they are pursuing. When I said "assignment" the word is "transportation," "require directly or indirectly the transportation of any student to a school other than a school which is nearest to the student's home and which offers the course of study pursued by such student."

How does the Byrd amendment figure into the parliamentary situation? Why can that not be disposed of and get on to something else in the bill so we will be able to complete our action on the bill in the reasonably near future?

Last week the Senate added to the bill the so-called Biden amendment. This amendment was sponsored by Mr. HELMS, Mr. TOWER, Mr. NUNN, Mr. BENTSEN, and Mr. THURMOND. It provided that—

None of the funds appropriated under this Act shall be used to require any school, school system, or other educational institution, as a condition for receiving funds, grants, or other benefits from the Federal Government, to assign teachers or students to schools, classes, or courses for reasons of race.

Mr. President, an appropriation bill is different from other bills pending in the Senate in that amendments constituting legislation, that is, having to do with affirmative matters providing for the method and procedure of handling matters or prescribing additions by way of legislation as to required affirmative action, that would be legislation. In other words, if a bill appropriates $10 billion for a given function, if the Senate wanted to say that this money shall be used to accomplish this purpose or that purpose or the other purpose, and spelled out a different procedure from that provided by the bill, that would be legislation.

But the rules do permit any Senator to offer an amendment not to prescribe what an agency may do but it can, through words of limitation, prohibition, or restriction, provide for things for which the funds cannot be used. So it makes quite a distinction. The Biden amendment passed by the Senate qualified under that procedure, which is part of the Senate rules.

Then, Mr. President, subsequent to the passing of the Biden amendment, the distinguished Senator from Pennsylvania (Mr. HUGH SCOTT) and the distinguished Senator from Minnesota (Mr. HUMPHREY) offered an amendment which, too, was and is an amendment of limitation, prohibition, or restriction, and, as such, it would be germane. In fact, it was ruled to be germane by the Senate itself under one of the rules of the Senate where the question of germaneness of an amendment can be decided by the Senate itself or the point raised by a Senator.

But the Scott amendment takes nothing away from the Biden amendment. It, too, is an amendment of limitation, prohibition or restriction. In what way? Well, let us read it. It is only four lines long. It is as follows:

None of the funds contained in this Act shall be used in a manner inconsistent with the enforcement of the fifth and fourteenth amendments to the Constitution of the United States and title VI of the Civil Rights Act of 1964.

Well, does not that language sound quite similar to the Biden language? Biden says:

None of the funds appropriated under this Act shall be used to require any school, school system, or other educational institution, as a condition for receiving funds, grants, or other benefits from the Federal Government to assign teachers or students

And so forth.

The Scott amendment does not detract from that, does not supplant it, does not amend it, does not modify it. It does not constrain it in any way saying, "None of the funds contained in such act shall be used in a manner"—this is the Scott amendment—"inconsistent with the 5th and 14th amendments to the Constitution of the United States and title VI of the Civil Rights Act of 1964."

So here we have two items of limitation, prohibition, or restriction, each one having a separate field of operation. So the passage of the Scott amendment will not affect the Biden amendment, and I say that as part of the legislative history here in the Senate on this, on the construction of this bill. Both sections will be there. It will be read in pari materia, giving each section the field of operation required here. Biden says no funds shall be used for this purpose, and SCOTT saying no funds shall be used for still another purpose.

So neither one wipes out the other. They both have a field of operation. They both can exist and coexist, I might say, simultaneously and side by side.

As further evidence of that, Mr. President, the bill itself in sections, I believe, 207 and 208, list other sections of limitation, prohibition, and restriction on the use of these funds.

Section 207:

No part of the funds contained in this title may be used to force any school or school district which is desegregated as that term is defined in title IV of the Civil Rights Act of 1964, Public Law 88-352, to take any action to force the busing of students;

and so forth and so on.

That is the rule they apply to desegregated schools, school systems where they have a so-called unitary system to the satisfaction of the Civil Rights Act, title 4.

Then section 208 has another section of limitation, prohibition, and restriction:

No part of the funds contained in this title shall be used to force any school or school district which is desegregated to take any action to force the busing of students,

and so forth and so on, a similar amendment having to do with desegregated schools.

If the Scott amendment should pass as introduced, then we would have four different sections in the bill, each having a separate field of operation, but none impinging on the validity and authority of any of the other sections.

One would refer to each section to see what the rule is with respect to the facts set forth in that section, and it would give each one of them a field of operation. In no sense does the Scott amendment abrogate, or nullify, or repeal, or take from, or detract from the Biden amendment to which I have alluded.

The Scott amendment was filed and then the distinguished Senator from North Carolina (Mr. HELMS) offered a substitute to the Scott amendment.

I will read that. It is amendment No. 902. It states in effect, if it is adopted, it will wipe out the Scott amendment and the words of this amendment will become the pending amendment before the Senate, and further, it having been substituted for the other amendment, it would not be subject to further amendment and would stand, to be adopted or rejected by the Senate.

So that was the status of the proceedings on Friday: the Scott with the Helms amendment offered as a substitute.

The Helms amendment, being an amendment in the second degree to the Scott amendment, which is the amendment in the first degree, could not be amended further. So the distinguished Senator from West Virginia (Mr. ROBERT C. BYRD) offered his amendment, amendment No. 903, and he was joined by Mr. HARRY F. BYRD, JR. of Virginia, Mr. CHILES of Florida, Mr. FORD of Kentucky, Mr. HELMS of North Carolina, Mr. HUDDLESTON of Kentucky, Mr. NUNN of Georgia, Mr. STONE of Florida, Mr. TAL-

MADGE of Georgia, Mr. BIDEN of Delaware, and Mr. ALLEN of Alabama.

What this amendment does, or seeks to do, is to perfect the Scott amendment. The word "perfect" in the Senate parliamentary parlance does not necessarily mean that it is going to preserve the idea of the first amendment, the amendment in the first degree, but it is going to change it, or offer to change it.

So that the amendment of the Senator from West Virginia (Mr. ROBERT C. BYRD), amendment No. 903, offered as a perfecting amendment to the amendment of the Senator from Pennsylvania (Mr. HUGH SCOTT), amendment No. 901, adopts the language of the Scott amendment as long as it is not saying anything of a substantial nature or a controversial nature. It preserves these words:

None of the funds contained in this act shall be used. . .

It just has the prohibition or words of limitation or restriction, preserves those but it adds the meat of carrying forward the words:

None of the funds contained in this act shall be used

And then taking up with his own language:

to require directly or indirectly the transportation of any student to a school other than the school which is nearest the student's home and which offers the courses of study pursued by such student in order to comply with title VI of the Civil Rights Act of 1964.

Here we have an amendment in the first degree, the Scott amendment, which I have discussed and the effect of which I have discussed, sought to be amended by the Helms amendment, which changes the entire force and effect and substantial meaning of the Scott amendment.

Then the reason, I assume, was that while an amendment to the Helms amendment would not be in order, a perfecting amendment to the Scott amendment would be in order. That is what Mr. BYRD offered, the theory being, I assume, that before we vote on the substitute possibly the amendment in the first degree can be changed in such a way that it would be preferable over the substitute amendment. So an opportunity thereby is given to perfect the Scott amendment. The distinguished Senator from West Virginia (Mr. ROBERT C. BYRD) has availed himself of that right.

If the Byrd amendment is adopted, unless further perfecting amendments are offered, the next order of business would be to vote on the Helms substitute, which I have also discussed.

On Friday, when the distinguished Senator from West Virginia (Mr. BYRD) offered his perfecting amendment, he immediately stated that he was ready to vote on his amendment 1 hour from that time, and asked unanimous consent that a vote take place on his amendment 1 hour later. That was objected to by those who favor the Scott amendment. Then he offered to vote on it at 5 o'clock Friday afternoon. That was some 2 or 3 hours later. Objection was made to that request.

Then the distinguished Senator from West Virginia stated that, in view of the fact that no unanimous-consent agreement could be reached allowing a vote on his amendment, he felt the amendment should be discussed.

The distinguished Senator from West Virginia had to be out of the city early today, though he has now returned to the Senate and is available if the necessity should arise.

He has asked—he asked Friday, and I, acting on his behalf, have asked today—for agreement on voting on the Byrd amendment up and down, as it is called, which means that the roll will be called on agreeing or not agreeing to the amendment. In other words, an up and down vote is a vote on the merits, voting yes or no, and not on some parliamentary tactic that might possibly intervene.

I was very much surprised, Mr. President, when the distinguished assistant majority leader (Mr. BYRD) was unable to get that agreement. I have seen him here in the Chamber smooth over differences between Senators holding conflicting thoughts. I have seen him work out near impossible agreements on time limits on votes on controversial measures. I have seen him get agreements here in the Senate that there would be no motions to table, that there would be direct votes on various amendments. I have seen him save hours and days of the Senate's time working out unanimous consent agreements with respect to legislation pending here in the Senate. But I do not recall a single time during the 6½ years that I have had the honor of serving in the U.S. Senate—not a single time do I recall, though possibly there were such times—that the Senator from West Virginia has made a request for unanimous consent for special handling of any legislation that he was handling here in the Chamber of the Senate.

I dare say there is not a single Senator who has not at one time or another asked for and received from the distinguished assistant majority leader (Mr. BYRD) special consideration on the time of votes, the question to be presented, or the limitation of debate on measures in which such Senators had a particular interest.

The Senator from Alabama, with the few legislative proposals he has made since he has been in the Senate, on more than one occasion has called on the assistant majority leader to help him work out agreements by which votes might come at a particular time; that certain time might be limited. I dare say there is not a Senator who has not been involved in special consideration on Senate procedures with respect to legislation in which he was interested.

From time to time they make requests here in the Chamber that on Monday that there be no votes in the Senate prior to 3 o'clock.

Well, I do not like a unanimous consent agreement. There are a lot of things that I do not like in the Senate that I do not subject to. That would be one that I would object to, because I think the Senate ought to come in at a reasonable hour and we ought to be able to vote on anything that comes up at any time.

I will say this: If we did not know when measures were coming up, that there would not be a vote today on anything, that there would not be a vote before 3 o'clock on Monday, that there would not be any legislation regarding certain issues brought up on a certain day, if all of the legislation over which the Senate has jurisdiction and which had proceeded to the point of Senate action was available at all times for consideration and action by the Senate, I would say we would have about 95 Senators present all the time.

These agreements as to when we are to vote and what we are to vote on discourage attendance. Yet that is the procedure. But when the Senator from West Virginia, who has worked out as part of his duties as whip and as assistant to the majority leader ways of speeding legislation here in the Senate, requests that there be a vote on his amendment and not on a motion to lay on the table, I think that consideration ought to be shown to the distinguished assistant majority leader.

I have to suggest that if we are going to follow this kind of procedure, and requests of this sort are not honored, we will just have to consider taking a new look at all of the unanimous-consent agreements that are made. I think the Senate would be a whole lot better off without unanimous-consent agreements governing every step of our procedure, every action we are going to take and when we are going to take it. If Senators had to operate on a catch-as-catch-can basis, we would have a lot better attendance and it would certainly expedite the business of the Nation.

Later on, when this amendment is disposed of by up-or-down vote or by motion to table, I plan to offer an amendment that would cut $1 billion off of this $40 billion appropriation. It is anticipated that the Federal deficit this year is going to run more than $83 billion, and one might say that a $1 billion saving would just be a drop in the bucket.

That is true; it would just be a small amount as compared to a $83 billion deficit. But the only way to stop spending or reduce spending is to reduce appropriations; and if we do reduce this appropriation, or the amount provided in the Senate bill, by $1 billion, it will certainly be a step in the right direction.

But before we get to that point, we must first dispose of the Byrd amendment; and I might state that if the Byrd amendment is turned down, I am told that there are other amendments that will be offered to the Scott amendment, and I doubt if we are saving a great deal of time by saying that we are not going to agree to an up-or-down vote on the amendment.

Why not permit the Senate to act? That is what the Senator from Alabama cannot understand. Personally, I would have no objection to voting on a motion to lay on the table if that were to be followed immediately by a vote up or down on the amendment itself. But the Senator from West Virginia, the author of the amendment, wants an up-or-down vote on his amendment, and that is the reason why the Senator from Alabama is discussing the matter.

It was not possible for the Senator from West Virginia to be here when the Senate convened at 12 o'clock, and an order

was entered on last Friday that in his stead the Senator from Alabama would be recognized to discuss the amendment. The Senator from West Virginia explained to the Senator from Alabama that he was not seeking to delay a vote on his amendment; that his wishes with respect to the amendment continued as they were on Friday, when he was ready and willing to vote an hour later, after both sides had had a short time to discuss the amendment. He was ready to vote Friday 1 hour after he put the amendment in. He was ready to vote Friday at 5 o'clock, and asked unanimous consent that there be a vote at 5 o'clock. That was objected to. And at the start of my remarks earlier this afternoon, I offered, on behalf of the Senator from West Virginia, to end my discussion of the bill at this time provided an agreement was reached to vote up or down on the amendment at some time tomorrow.

It is quite obvious to the Senator from Alabama that there will be no vote this afternoon on the amendment. I wonder how many Senators would have been available had there been a call for a live quorum. I wonder how many would have come in to answer to their names. The Senator from Alabama could have asked for a live quorum, and it might have been somewhat easier waiting on Senators to come in than discussing this matter. But I did not wish to call attention to the absence of any other Senator.

Tomorrow, by unanimous consent, we are going to vote on the cloture motion, on the matter of whether or not we are going to cut off debate on this bill, before a single one of these items in the bill—and here is some fine print over 100 pages in length, and about a dozen tables—before a single amendment has been allowed to be discussed or be voted on, a single amendment having to do with the amounts appropriated by the bill, and actually I do not believe there has been a single amendment voted on up or down with respect to this bill in any of its aspects.

A motion to table was made with respect to the perfecting amendment of the Senator from North Carolina (Mr. HELMS) without a single bit of discussion of that amendment. For some reason or other, just as fast as they offer amendments, without any opportunity to discuss, they move to table. That cuts off debate. I do not know why the insistence on cutting off debate. I do not understand that. Why should not these matters be debated? Why should not there be votes with respect to the amendments? Why must the votes be on a motion to table?

I will explain that, I believe, for the record. I believe that the reason that the insistence is being made that a motion to table be the vehicle by which the Senate expresses itself on this issue is that those who are advancing the Scott-Humphrey amendment feel that, by offering a motion to table the Byrd amendment, they can muster more votes of Senators who do not want to vote against neighborhood schools but still would vote for a motion to table and explain it by saying: "Well, I never did get an opportunity to vote on the real issue. I just voted on a motion to table. I did not vote on the real issue."

I suspect, Mr. President, that those who are pushing the Scott amendment feel that there might be more affirmative votes cast on a motion to table the Byrd amendment than there would be negative votes cast in an up-and-down vote on the Byrd amendment.

Mr. President, I do not believe that Senators are all that fearful of taking a stand on this issue. I believe Senators are going to vote against the motion to table if they favor the Byrd amendment. So I believe that all of this delay, that is being forced on the Senate by those pushing the Scott amendment, would go for naught, because certainly I will vote against a motion to table the Byrd amendment because I favor the Byrd amendment, and I believe that a majority of Senators are going to vote "no" on the motion to table because they want to vote "yes" on the amendment itself.

So, Mr. President, I do not feel that a great deal is being accomplished by those who oppose the Byrd amendment by insisting on the right to vote on a motion to table.

Then, too, Mr. President—and I serve fair warning to those who think otherwise—there is a deep resentment in this Chamber against those who are unwilling to grant the request of the distinguished assistant majority leader that he have an up-and-down vote with respect to his amendment.

I have stated, Mr. President, that since I have been in the Senate, to my knowledge, I do not remember of a single occasion when the distinguished assistant majority leader sought any special concession for himself or with regard to any legislation in which he had an interest in this Chamber, and the one request that he has made is not being assented to.

This matter obviously is going over until tomorrow. I am hopeful that on tomorrow we will jointly and severally reach the conclusion that the distinguished assistant majority leader is entitled to have the Senate vote on his amendment and not some parliamentary maneuver to keep it from coming to a vote. I am hopeful that that action will take place, because I feel that as to those who are pushing the Scott amendment and opposing the Byrd amendment I believe they are getting to the point where their obstructionist efforts are being counterproductive in the counting of votes that will take place, with respect to the motion to table, or an up-and-down vote on the amendment.

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

Mr. ALLEN. I yield for a question, yes.

Mr. HELMS. The Senator from North Carolina understood the Senator from Alabama to say a moment ago that in the event that the perfecting amendment offered by the distinguished Senator from West Virginia (Mr. ROBERT C. BYRD) is rejected then the question will automatically recur to the substitute amendment submitted by the Senator from North Carolina.

Mr. ALLEN. That is correct. Did the Senator ask if it is rejected?

Mr. HELMS. Yes.

Mr. ALLEN. In either event, as soon as action is taken, the question would then recur on the substitute amendment of the Senator from North Carolina. However, as to the motion to table, if such a motion is made, if it should carry, then the Scott amendment would be open for the offering of perfecting amendments as to it.

Mr. HELMS. That is the point I was going to make——

Mr. ALLEN. Yes.

Mr. HELMS. Because I have four more perfecting amendments at the desk at the moment, Nos. 904—if the Senator will forgive me. I have them in order.

Mr. ALLEN. That will be 905, 906, and 907, then, I imagine.

Mr. HELMS. Yes; 905, 906, and 907. I thank the Senator.

I have one other question, and I must address it in the form of a question. Will the Senator permit me to commend him on his excellent remarks with respect to the distinguished assistant majority leader? I agree with everything he said.

I have observed the Senator from West Virginia handle the most difficult circumstances meticulously, and he always does it as gentleman, and he always is most accommodating to everyone, including, and especially, the Senator from North Carolina.

Mr. ALLEN. I thank the distinguished Senator for his complimentary remarks with respect to the distinguished assistant majority leader.

I am hopeful that this matter will come to a vote tomorrow, so that we can proceed with other matters. We are trying here, I assume, to let the Senate work its will with respect to these issues. How we are going to allow the Senate to work its will without letting it vote on these issues up and down is something the Senator from Alabama finds difficult to understand.

Mr. HELMS. Mr. President, will the Senator yield for a question, under the previous conditions?

Mr. ALLEN. I yield.

Mr. HELMS. Does the Senator now believe it is important that we get this matter behind us and get to the energy situation that is so plaguing this country?

Mr. ALLEN. I certainly do. As I pointed out in my remarks, I feel that even if we never pass this bill, that might be the most constructive thing we have done in a long time in the Senate, because it will save the taxpayers 600 million in the difference between the amount of the continuing resolution and the amount provided by this bill.

In addition, this bill has not gone through the gauntlet of the Senate with the number of big spenders that might possibly want to up this $41 billion to an even higher figure. So I think it would be one of the most constructive things we have done in the Senate in a long time if we should reject this bill out of hand.

I am sure the Senator was in the Chamber when I read the letter of the distinguished Secretary of the Department of HEW, Dr. David Mathews of

Alabama, former president of the University of Alabama, who says that this bill is far out of line, and he recommends that it go back to the committee.

I believe it would be better to take some decisive action on the floor of the Senate which would reduce that amount, rather than to leave it up to the committee. We do not know what the committee might do. It might come out with $45 billion, if it goes back to them to work on. I would like to see this bill cut at least $1 billion by the Senate.

I am delighted that the distinguished Senator from North Carolina is cosponsoring this amendment with me. I have high hopes that it will be approved by the Senate.

I point out something else to the distinguished Senator from North Carolina: As to the Budget Committee that the Senate set up, while I voted for it and wished it well and hoped for the best, I had some misgivings about what would happen in the Budget Committee, because it seems to me that many of the big spenders in the Senate were members of that committee.

But, to my pleasant surprise, this committee, under the leadership of the distinguished Senator from Maine (Mr. MUSKIE) and the distinguished Senator from Oklahoma (Mr. BELLMON) has been a constructive force as we have considered appropriations bills. I wish the Senator from Maine (Mr. MUSKIE) were here at this time, so that we might have some comments from him with respect to the $1 billion cut that the Senator from North Carolina and I are seeking to have the Senate adopt.

I have been extremely well pleased with the work of the Budget Committee in the Senate. Sometimes they hit agencies and functions of the Government that I feel should not be hit. I cite as an example hitting the defense appropriation. I did not feel that they should cut so deeply on that. I feel that the axe is being wielded pretty evenly. Whereas the Defense Department is hit heavily and possibly social programs not so heavily, I believe that is caused by the fact that is the order in which these bills have come to the Senate.

I expect highly constructive action by this committee. I took occasion just the other day to say to the distinguished Senator from Maine (Mr. MUSKIE) that I thought he was arising to the challenge of the responsibilities of his committee and was doing an outstanding job as chairman of the Budget Committee. I am hopeful that they can help cut spending.

I believe we had some word from the distinguished chairman of the Budget Committee with respect to this tremendous appropriation. I pointed out a moment ago that, instead of being the $36 billion that the report shows, it actually is $41 billion or thereabouts.

I believe that a little constructive criticisms or suggestions from the distinguished chairman of the Budget Committee would be most effective and helpful at this time. I hope he will make further comments. He has commented already to some extent. I hope he will make further comments with respect to the lack of fiscal responsibility shown by this bill. Either way, it would suit me: to cut it $1 billion on the floor of the Senate or to deny it passage in the Senate.

I also was very much intrigued by the fact that the distinguished chairman of the HEW Subcommittee, the Appropriations Committee, the manager of the bill, Mr. MAGNUSON, does not favor the cloture motion that is going to be voted on tomorrow, and he does not favor the cloture motion that is going to be voted on the next day. My authority for making that statement is the statements made by the distinguished manager of the bill on the floor of the Senate.

I do not believe that without the support of the manager of the bill, this cloture motion is going to get very far tomorrow and I doubt that it is going to get very far on the next legislative day.

It may well be that the most constructive action, the way we can work to the best interests of the American taxpayer, is to deny this bill passage in the Senate. That would save the taxpayers $600 million, and that might be better than the $1 billion saving that would be accomplished by our amendment, because it might not stick in the conference. The Senator well knows how these things operate.

I point these things out as a further extension of the answer I gave the Senator.

Mr. HELMS. Mr. President, I wonder whether the Senator will yield, on the condition that he not lose his right to the floor and that upon resuming, it not be considered a second speech.

Mr. ALLEN. I have no objection.

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

Mr. HELMS. I thank the distinguished Senator from Alabama. As the distinguished Senator from Alabama has indicated, both he and I are cosponsors of the amendment offered by the distinguished Senator from West Virginia and both of us strongly support it.

Mr. President, I commend the distinguished assistant majority leader, for offering his amendment to reinforce the determination previously voiced by the Senate to stop forced busing.

Indeed, on April 10 of this year, I offered a substantially similar amendment. My amendment provided:

> Notwithstanding any other provisions of law, in order that students may walk to the school nearest their residence, or be transported through public means of conveyance to such school, no state, or local agency of any state, shall use or contract for the use of any gasoline or diesel fuel for the transportation of any public school student to or from any school if such transportation is for the purpose of implementing or continuing any plan or program required, or ordered, by any Court of the United States, or by any Department or agency of the Government of the United States.

Of course, the amendment offered by the distinguished assistant majority leader also seeks to insure the right of a student to attend the school "nearest the student's home." I am pleased to stand with the distinguished assistant majority leader as we urge the Senate to continue the support of the neighborhood school concept that the Senate expressed support for this past Wednesday when it agreed to the amendment offered by the distinguished Senator from Delaware (Mr. BIDEN).

When I first came to Washington back in January of 1973, a little over 2½ years ago, I believed then, as I believe now, that the forced busing of schoolchildren and the imposition by HEW of arbitrary quotas, based solely upon statistics, were destroying the public schools of my State and the Nation. Therefore, I immediately set out to do what I could, as a newly elected freshman Senator, to focus attention on this travesty. During that first year—1973, I offered legislation on four separate occasions to stop forced busing and HEW harassment of our schools. Three of those pieces of legislation were amendments on the Senate floor—all three were defeated. The fourth was a bill, the Public School Jurisdiction Act, which to this very day has never been reported out of committee.

Then, during 1974, I offered antibusing amendments on the Senate floor on three additional occasions. In one of the three instances, my amendment of September 17, 1974, passed. It passed the Senate by a vote of 45 to 42. But, on September 19, 1974, another amendment was offered to the same bill. That amendment was agreed to the same day. Even though the Senate had gone on record, for the first time, against forced busing, the intention of the Senate responding to the desire of the American people was negated by parliamentary maneuvering and vaguely drafted amending language.

However, in the winter of 1974, much to everyone's surprise, an amendment sponsored in the House of Representatives by the distinguished Representative MARJORIE HOLT, which had been approved by the House, was reported by the conference committee in technical disagreement. That is to say, the conference committee did not directly kill the provision designed to stop forced busing and HEW quotas. It left the matter up to the House and the Senate to decide. The House promptly agreed to the provision as it had done in the past.

But in the Senate, once again a vague amendment was offered by those who favor forced busing. That vaguely drafted provision was again designed to negate the will of the Congress and thereby continue forced busing and the like. Realizing what was about to happen and benefiting from our past experience whenever legislation to stop busing was before the Senate, I prepared an amendment to the probusing amendment. However, my efforts were defeated, as they had so often been defeated in the past, by the probusing majority in the Senate. But, the experience was not without value. I learned what to expect from the advocates of forced busing. I learned how they have been able to continue to impose the destructive HEW quotas on the schoolchildren of America.

With the beginning of the 94th Congress, in January of 1975, I reintroduced the Public School Jurisdiction Act, designed to end forced busing. Typically, it has never been reported out of committee. Therefore, on April 10, 1975, I

offered in the form of a floor amendment the provision previously mentioned which is substantially similar to the amendment of the distinguished assistant majority leader, now pending. Again, the effort to stop forced busing was defeated.

With the opening of schools this September and the implementation of still more forced busing around the country, I joined with the distinguished Senator from Kansas, Mr. DOLE, in supporting an amendment to finally stop forced busing. It was defeated. But the will of the American people was beginning to have an effect upon the Congress. Increasing sentiment against forced busing and HEW quotas was becoming apparent.

Finally, this past Wednesday—September 17—I offered another amendment to stop forced busing and HEW quotas. It failed by only five votes. Immediately following that vote, the distinguished Senator from Delaware, Mr. BIDEN, with my full support, offered a somewhat watered-down but still strong version of my amendment. It passed the Senate by a margin of seven votes—50 to 43. The Senate had agreed to the strongest anti-busing, anti-HEW quotas legislation in history.

Now, just as they have always done before, the probusing Senators have offered, as a new section, an amendment to the bill designed to nullify the effect of the antibusing amendment cosponsored by the distinguished Senator from Delaware and me, and agreed to by the Senate. As before, it is a vaguely drafted provision, difficult to construe, and unclear of meaning. By skillful parliamentary maneuvering and technical legalities, they are again attempting to negate the will of the Senate and the American people.

However, we have learned by our experiences over the past 2½ years. This time, we knew what to expect, and we were ready. We were ready with amendments designed to keep their probusing amendment from being effective. We were ready with antibusing amendments of our own. We had benefited by the example of their parliamentary maneuvering and their technical legalities. Indeed, we had some parliamentary maneuvering and technical legalities of our own. So, this past Friday morning, I stood on the Senate floor as the day began. I filed my amendments at the desk. The probusing amendment was offered. The action started.

And now, here we are—deadlocked over the question of whether there is to be a vote on the merits of the distinguished assistant majority leader's amendment in the second degree, designed to preserve the will of the Senate and the American people, or whether there will be a vote on the oblique question of tabling the amendment—a parliamentary maneuver designed to make it less apparent to the American people what is happening.

So here we are, as I say, engaged in extended debate—filibustering to preserve the right of the American people and their children to attend their neighborhood schools. We stand on the Senate floor using the historic, and time-honored weapon of civilized debate in order to fight to preserve the most basic remnants of educational liberty. So, I commend the distinguished assistant majority leader, the able Senator from Alabama, and others, who are willing to vote the way they talk back home, and to adhere to their constitutional responsibilities, rather than evading the issues. If we can win this battle, millions of American children will enjoy a measure of freedom not currently available to them.

I thank the Chair and I thank the distinguished Senator from Alabama.

Mr. ALLEN. I did not know that the distinguished Senator was going to return the floor to me quite as early as he has. There are a number of matters that I would like to call to the attention of the Senate.

Mr. President, the discussion on this amendment of the distinguished assistant majority leader (Mr. ROBERT C. BYRD) joined by a number of cosponsors, has been occasioned by the fact that there has not been agreement that this amendment be voted on up or down—that is, on its merits—without intervening motions or parliamentary maneuvers. At any time, Mr. President, that an agreement can be reached on a vote on this amendment on tomorrow, it being provided that no motion to table be in order and a short time be allowed to proponents and opponents of the amendment, then this discussion will be brought to a close.

Mr. President, I do uphold and defend the right of the assistant majority leader to have his amendment voted on by the Senate and to have the Senate say yes or no to the amendment of the distinguished assistant majority leader. I do not believe that there are many Senators in the Chamber who would object to voting up or down on this amendment. Vote on the amendment on its merits: if you are for it, vote for it. If you are against it, vote against it. It is as simple as that. This is no strange request, it is no unreasonable request. It is a perfectly logical request for the distinguished assistant majority leader to make. He does not offer many amendments on the floor of the Senate. As I have stated several times in the past, I do not know of a single request prior to this one that he has ever made with respect to special consideration of any piece of legislation that he has offered in the Senate. I do not regard this as an unusual request, merely that the Senators take a stand for or against his amendment.

I do not know of any Senator who wants to hide behind a motion to table, because that certainly discloses a Senator's thoughts with respect to the amendment itself. I favored the amendment and am proud to be one of its cosponsors. Naturally, if an agreement is not reached to vote up or down on the amendment, then, at some stage in the proceedings, doubtless, a motion to table will be made. I would have no difficulty voting no on a motion to table, because I want to vote yes on the amendment. It is as simple as that.

Some Senators, it must be felt—I do not agree—would want to hide behind a motion to table so they will not have to vote up or down on the merits of the amendment. But I do not believe Senators are going to seek to disguise their vote. I should say that Senators would be proud of whichever stand they take. Why should they be ashamed of voting up or down on the amendment? What possible objection could they have? So it seems to me this is a very reasonable request, a request that I feel the vast majority of the Senate wants to agree to.

Of course, it takes unanimous consent to make an agreement of that sort and any one Senator can object to this consideration being given the assistant majority leader. But I am hopeful that on tomorrow, after reflection overnight, an agreement will be made that a vote be had on this amendment, I hope prior to cloture vote. The cloture vote comes at 2:15, I believe. I am hopeful that this matter can be disposed of prior to that time.

Of course, the distinguished Senator from Massachusetts, by not agreeing that we can have an up or down vote on this amendment, is merely inviting a series of additional amendments that will require still further tabling motions. It may well be that if this amendment is voted up or down, it will certainly lessen the possibility of there being other amendments offered.

No one on the side of the proponents of the Byrd amendment is trying to string this matter out. There are two separate and distinct issues here. One is a matter of curtailing to some extent, or containing to some extent, the order for forced busing of schoolchildren to accomplish a racial balance on the one hand, and a desire for fiscal responsibility on the other. So there are two basic issues involved here. If we do dispose of the Byrd amendment by any method other than by an up or down vote on that amendment, we are going to have a large number of other amendments surface that might not be necessary if we could just have the up or down vote on this particular issue.

I sense, as I stated a moment ago, that there is a growing resentment in the Senate against those who would forbid or prevent the distinguished assistant majority leader from having a vote on his amendment. And there is a growing feeling of resentment against those who are holding up action on this $40 billion bill simply because they will not agree that this amendment can be voted on on its merits.

What is wrong with voting on a proposal on its merits? Is that not what we are here for? We have 500 to 550 rollcall votes in the Senate. Why should we not be willing to vote on the merits of the amendment offered by Mr. BYRD? Why must we insist on hiding behind a motion to table?

I feel that there is a real and present danger that, instead of having a stronger vote on the motion to table by those opposing the Byrd amendment, there is a good likelihood that we are going to have a weaker vote for the opponents of the Byrd amendment on the motion to table because of the resentment against this tactic of not allowing a vote on the merits of this amendment.

Mr. President, why should there be objection to the amendment? It is a vast improvement over the Scott amendment, which seems to be merely a statement of the law itself. The Byrd amendment brings something new into the picture. The Scott amendment, to the Senator from Alabama, seems merely to be a statement of the existing law. Let us see what it says. This is the Scott amendment, No. 901:

None of the funds contained in this act shall be used in a manner inconsistent with the enforcement of the Fifth and Fourteenth Amendments to the Constitution of the United States and title VI of the Civil Rights Act of 1964.

Well, that is the present law, is it not? How could the Department of HEW do something or spend money in a manner inconsistent with the enforcement of the 5th and 14th amendments to the Constitution? If the Constitution forbids spending money in a certain way, this little amendment is not going to add any force to the constitutional provision. Who would feel like an amendment to this bill is necessary to give force and effect and retain—give force and effect to and retain—the benefits and protections of the 5th and 14th amendments to the Constitution? They are there. Those rights are there, and it does not take an amendment to this bill to guarantee that such rights as are guaranteed by the 5th and 14th amendments to the Constitution will be adhered to and that the Department of HEW is not going to act contrary to the provisions of the 5th and 14th amendments.

It goes on and adds "and title VI of the Civil Rights Act of 1964."

Well, if it is already against the law to use funds contrary to title VI of the Civil Rights Act of 1964, what is the use of saying it again?

This does not add one single thing to the law as it now exists. This is the law. It is the law whether this is added to the bill or not. The Department of HEW cannot now use funds—quoting from the amendment—"inconsistent with the enforcement of the 5th and 14th amendments to the Constitution of the United States and title VI of the Civil Rights Act of 1964."

The Biden amendment does not say how they shall be spent, how the funds shall be spent. If it did say how the funds should be spent, and the spending of funds in that fashion was forbidden by the 5th and 14th amendments to the Constitution or title VI of the Civil Rights Act of 1964, then it would be unlawful to spend funds contrary to those provisions of the Constitution and of our statutory law. But the Biden amendment does not call for spending funds. It is a limitation, a prohibition, and a restriction on spending funds.

So the Scott amendment does not undercut the Biden amendment because both of them are amendments of limitation, prohibition, and restriction.

But, as I say, the Byrd amendment takes the Scott amendment as a vehicle to change and to insert in this bill protection, as best could be afforded under amendments that might be offered, to the neighborhood school because it strikes out the Scott amendment, in effect, except the language saying that "No funds appropriated by this act shall be used," it says those words, and then adds "to require, directly or indirectly, the transportation of any student to a school other than the school which is nearest the student's home, and which offers the courses of study pursued by such student, in order to comply with title VI of the Civil Rights Act of 1964."

So this provides that none of the funds appropriated by this act shall be used to require, directly or indirectly, the transportation of any student to a school other than a school which is nearest the student's home—in other words, the neighborhood school—and which offers the courses of study pursued by such student.

In other words, if a child in the public schools required a special course of study and that was not offered at the neighborhood school, then provision could be made for busing that child past the neighborhood school if it did not offer that special course of study on to the next school which did offer that course of study. So it does not limit the child to the neighborhood school if he cannot get the course of study he has been pursuing at that neighborhood school.

But, by and large, Mr. President, this amendment does offer a small degree of protection for the neighborhood school and its preservation.

Mr. President, if this amendment is agreed to, if there is an up and down vote on this amendment, I believe the other votes will follow in rapid succession, and we will be able to get down to the substantive provisions of the bill itself.

When we do get to those provisions, I am hopeful that will come early tomorrow, and when we do come to those provisions, I think the Senate should be on the lookout for amendments that would seek to raise this $40 to $41 billion appropriation bill for the Department of HEW, which is even more than the Secretary wants. He says it is vastly too large, and he suggests sending it back to the Appropriations Committee.

I think the Senate should be on the lookout for amendments that raise even these stupendous figures. And I think it ought to be on the lookout for ways in which the amounts appropriated by this bill can be reduced. I do have an amendment that has been printed or it has been ordered for printing and, I assume, has been printed, and joined in the amendment by the distinguished Senator from North Carolina (Mr. HELMS), that would cut $1 billion from this appropriation, and it would take something like 2.5 percent or slightly more from the $40 billion appropriation. I would feel that most any department of HEW can reduce its spending by 2.5 percent without a great deal of belt-tightening.

I feel that this is the minimum that ought to be cut from the bill. It would still leave the bill $100 million over the President's recommendation, and it would even be $286 million over the amount at which the House passed it.

I pointed out, too, that far from reducing the 1975 appropriation, as shown here on the first sheet of the report, by $7 billion, actually the Senate bill increases that appropriation by quite a few million dollars.

At first blush, one would think this reduced the spending by $7 billion, but it does not do that because appropriations totalling $8.2 billion were made last year for unemployment benefits and public service jobs on a 2-year appropriation basis, even though the regular appropriation bills ordinarily are only for 1 year. So that some $2 billion or $3 billion of that $8.2 billion was used last year and the remainder will be available for use this year.

If we estimated that at an additional $5 billion available under those two bills, that would get the amount of this appropriation up to in excess of $41 billion.

I pointed out that on tomorrow we have a cloture vote and I am not only hopeful but optimistic that cloture will be denied on tomorrow. I am encouraged in that hope and that belief by the fact that the distinguished Senator from Washington (Mr. MAGNUSON), the joint manager of the bill, has departed from those who would impose cloture, or the gag rule, and he states that he is not in favor of the gag rule and will vote against cloture on tomorrow.

As to the cloture vote on the next day, the distinguished Senator from Washington has said he is going to vote against cloture on the following day.

So it does look like we are going to have considerable discussion with respect to this legislation.

Frankly, I would much prefer to be discussing some of the substantive provisions of the bill to see if we cannot reduce the spending provided in the bill, the sum added to the appropriations of last year, some $11 billion provided by the bill, and the legislation of last year.

I would hope that we could cut much more than the billion dollars from the bill that is being advocated by myself and the distinguished Senator from North Carolina (Mr. HELMS).

Be that as it may, we are being required to discuss this matter today and the distinguished Senator from West Virginia was required to discuss the issue on last Friday in order that, hopefully, he will be able to gain an up and down vote with respect to his amendment.

I feel without any doubt that he should be accorded this courtesy, especially in view of the fact that each day or each week he breaks logjams here in the Senate and gets matters up for consideration under unanimous-consent agreements that frequently embrace the very issue to which we are addressing our remarks at this time. It is the right of the distinguished assistant majority leader to have his very basic amendment voted on by Senators, yes or no.

Frankly, I do not believe Senators mind talking a stand on this issue. It is not a difficult issue. I believe the neighborhood school has a great deal of support here in the Senate. I feel it has majority support in the Senate. In fact, I do not see that the Scott amendment itself has overwhelming support in the Senate be-

cause last Friday on a motion to table the Scott amendment it failed by a vote of 42 to 44, which would show a pretty close division of opinion with respect to the Scott amendment itself.

But I believe that the support for the Robert C. Byrd amendment is much stronger than was the opposition to the Scott amendment.

So I feel that the opponents of the Robert C. Byrd amendment are seizing on their right to resort to parliamentary tactics and maneuvers to prevent an up and down vote on the Robert C. Byrd amendment, feeling that they can muster more votes for a motion to table the Robert C. Byrd amendment than they can muster votes in opposition to the Robert C. Byrd amendment.

Mr. President, I am hopeful that we will not be forced to continue this discussion on into another day. I am hopeful even that an agreement might be worked out that on tomorrow at a given time an up-and-down vote could be had on the Robert C. Byrd amendment after a reasonable length of time is provided for discussion of the amendment, I would think that period would be possibly an hour, and the further agreement that no motion to table be introduced to the Robert C. Byrd amendment.

I think that would allow us in very rapid succession to consider the other amendments and get down to the substantive provisions of the bill.

Both issues are important. The issue of putting some sort of cap, some sort of limit, some sort of containment on forced busing of schoolchildren, that is important, and it is important that we have an up and down vote on the Robert C. Byrd perfecting amendment to the Scott amendment.

I feel that those Senators who favor the Robert C. Byrd amendment will have no difficulty realizing that if they favor the Robert C. Byrd amendment they would vote "No" on the motion to table. I doubt if there would be a great deal of change except that I do believe that a number who oppose the Robert C. Byrd amendment are going to vote against tabling it because they do not feel that an agreement should have been denied permitting an up and down vote with respect to this amendment.

It is an important amendment. The distinguished Senator from West Virginia has a right to have it voted on up and down.

Mr. President, there have been two cloture motions filed, one which would require a vote on tomorrow, and that vote has been set for 2 o'clock in the afternoon, then a cloture motion filed today which would require a vote on the day after tomorrow.

I think it is interesting to see a number of Senators whose names are on this cloture motion that I do not recall seeing here today, but I make no point of that. I guess they possibly have a few of these cloture motions stacked up there ready to pull out as the occasion requires, but I do see a number here that I expect are still at home. It might have been interesting to have had a live quorum earlier in the day, but I did not choose to request such a quorum call.

Again, I thought for a moment I would offer Secretary Mathews' letter. It was distributed on Friday to all Members of the Senate by the office of Senator HUGH SCOTT, the Republican leader.

I suppose the distinguished Senator read this letter before it was circulated. It does not speak too highly of the bill itself, H.R. 8069, but it just talks about the fiscal aspects of it and not the busing aspects.

It does discuss that he leaves the amount of money in the bill to the necessity of today's difficult fiscal times because the total bill exceeds the President's January budget by more than $1 billion. For HEW, it is more than $900 million over the budget.

These expenditures are proposed at a time when the overall fiscal picture of the Nation demands an even greater restraint on spending than in those prior years when the Congress appropriated more for health and welfare than requested by the President. The President has drawn the line on the budget deficit for fiscal year 1976 at $60 billion.

That figure is way out of date, the $60 billion figure.

On May 14, Congress drew its own line at $69 billion. Congress's own July 21 budget scorekeeping report estimates a possible deficit of over $83 billion.

So this little bill, on which we are not even allowed to get to the discussion stages with respect to the substantive provisions of the bill, carries a price tag around $41 billion. The Secretary says, of all things, "That is too much."

We do not very often find the Secretary of any of the various departments of Government coming in and requesting a reduction in the appropriation for his department. They generally want a whole lot more than is in the bill. But Secretary Mathews, with his Alabama upbringing and conservative thoughts, suggests this is way out of line. I am hoping he will continue with this sense of fiscal responsibility. That seems to be something that is frequently lost when a person sinks into the Federal bureaucracy here in the national government.

These bureaus are getting so large, so monolithic, that they are just becoming another branch of the Government, greater than all the other branches put together, and spending more money than the original functions of our Government spend. It is hard to change the direction of these vast bureaus and agencies. They seem to have a separate existence, separate and apart from the executive, legislative, and judicial departments of our Government. They just grow and grow and grow, and it is difficult to turn them around. It is difficult to change these trends. It is difficult, if not impossible.

We do have an opportunity, which I hope will be presented later on in the week, I might say, to cut down on this appropriation by at least $1 billion.

Mr. PROXMIRE. Will the Senator yield briefly?

Mr. ALLEN. I yield for a question, yes.

Mr. PROXMIRE. Will the Senator yield to this Senator for 5 minutes, with the understanding that he not lose his right to the floor and that his resumption would not be considered a second speech, for me to speak on an extraneous matter for 5 minutes?

Mr. ALLEN. I will be delighted to yield under those conditions.

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

GOVERNMENT AS EMPLOYER OF LAST RESORT—OUTRAGE OR SALVATION

Mr. PROXMIRE. Mr. President, Federal Reserve Board Chairman Arthur Burns has made what may become an historic suggestion in his proposal at Atlanta on September 19 that the Government should in effect end almost all unemployment by offering a job to anyone willing to work.

The way Chairman Burns dressed this proposal, it not only will be unpopular with many, but it is so unrealistic it would have no chance of enactment into law.

Dr. Burns suggests that this proposal would not be expensive for Government—indeed as he made it—it would reduce Government spending. It would not be inflationary.

How can this be, if the Government is to hire most of the 8 million people who are now out of work?

The answer is that the present income of most of those who would be offered jobs would be sharply reduced under the Burns proposal. Here is the way Burns' proposal would work:

Worker A supporting a family of five had been earning $13,000 a year. He is laid off. For as much as a year or more he might be receiving $6,500 per year or even more as unemployment compensation under present law.

What happens to worker A under the Burns proposal? His unemployment compensation is eliminated a brief 13 weeks or less after he loses his job. But he is offered a Government job at the minimum wage which is now $2.10 per hour. Assuming the worker is employed 40 hours a week for 52 weeks at $2.10 per hour, he would earn $4,368.

Now this would mean a catastrophic drop in income for the worker, misery for his family, and the likelihood that hundreds of thousands, unable to meet their mortgage payments, would lose their homes. Furthermore, welfare and food stamp costs would either soar out of sight or—if they were cut back—actual hunger and want could literally plague millions in this country for the first time since the Great Depression.

For the economy as a whole the proposal would be even more cataclysmic. The Burns proposal would torpedo the income of literally millions of persons who spend virtually all they receive. They have to in order to live. The result: Overall market demand would go through the floor, and the country would be on its way to a truly drastic depression.

Why then do I say that the Burns proposal may be historic? Because this basic proposal for the Government to act as an employer of last resort makes sense, provided it is not used as a system for smashing through the income floor provided by unemployment compensation.

Of course, the great majority of persons would rather work than be on the dole. But it is a fact, as anyone who can read help wanted ads and talk to employers in this country knows, perfectly good jobs, paying twice the minimum wage are going begging—sometimes for months—because there are many able bodied persons receiving unemployment compensation who would have to take a reduction in income to go to work.

What is the answer? The answer is simple. Let the Government provide the jobs as Chairman Burns proposes, but maintain the same level of income provided by unemployment compensation, plus compensating for costs incident to the job, that is, getting to and from work, and so forth.

The costs of such a program to the Federal Government in hiring the laid-off workers would be minimal, because unemployment compensation would have to be paid to most of them anyway. Unemployment compensation is by and large substantially below the regular pay received by laid-off workers so there would be a strong incentive to go back to private employment as soon as it was available.

For new job entrants with few or no skills the Burns proposal of paying the minimum wage makes sense. This would keep the cost to the Government reasonably low, and provide an incentive for seeking and finding private employment.

Meanwhile two great benefits would be achieved:

First. The idle worker would have the chance to regain the self respect that goes with employment, keep job habits and in some cases even job skills in order.

Second. The country would benefit from the immense amount of constructive work in parks, hospitals, environmental projects, and schools that the millions of unemployed could provide.

Mr. President, it is a personal tragedy when a man who is out of work needs a job. It is a national tragedy when 8 million people want to work, want to contribute to this country, want to build something, and cannot find work.

It is beyond me why we cannot follow the basic policy suggested by the Chairman of the Federal Reserve Board, a brilliant but very conservative economist. I think Dr. Burns is half very right and half very wrong. Support should not be used as a means of cutting down the unemployment compensation income, because if it does that, it will drive us into a depression, just as sure as the Sun will rise tomorrow. But the employment should be made available at that level of income, to help get people back to work. Few things are more important now then putting the country to work. A moderate change in what would otherwise be an outrageous proposal would do it.

Mr. President, I thank the distinguished Senator from Alabama for so graciously permitting me to speak, and I yield back the remainder of my time.

Mr. HELMS. Mr. President, will the distinguished Senator from Alabama yield to me under the same conditions, that he not lose his right to the floor?

Mr. ALLEN. I am delighted.

The PRESIDING OFFICER. Is there objection?

Mr. ROBERT C. BYRD. And that the resumption of the Senator's speech not count as a second speech?

Mr. HELMS. Yes.

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

Has the Senator asked for a definite length of time?

Mr. HELMS. No. I shall not be long, Mr. President.

The PRESIDING OFFICER. The Senator may proceed.

PUBLIC SCHOOLS: HEW HARASSMENT OF WINSTON-SALEM/FORSYTH COUNTY SYSTEM

Mr. HELMS. Mr. President, as Senators are aware, Congress has over the years enacted legislation providing various forms of Federal financial assistance to public schools. This assistance money is generally distributed by the Department of Health, Education, and Welfare. In this legislation, Congress provided that no such financial assistance was to be given to school systems that operate in a racially discriminatory manner. These strings were attached because it was felt that they were necessary as a part of the general effort by the Federal Government to abolish all remnants of dual school systems.

This provision currently exists as an anachronism in our law. The Federal courts have already accomplished the abolition of dual school systems, racial discrimination, and the like. The court-ordered desegregation plans that accomplished this are still on the books. They survive as a deterrent to the reinstitution of discriminatory policies. Where the courts have already acted, there is no current reason for the existence of a power within the Department of Health, Education, and Welfare to make a determination as to whether a given school system is maintaining discriminatory policies.

On May 16, 1974, I, therefore, proposed an amendment to the education bill which provided that no officer or employee of the Department of Health, Education, and Welfare administering any federally assisted program could withhold funds from any State educational agency, local educational agency, institution of higher education, or other educational institution based upon a determination that such agency or institution was operating any such program in a racially discriminatory manner, if such agency or institution was operating under a desegregation plan ordered by any court of the United States.

While the discrimination question has become solely academic, the problems created by HEW in the exercise of this power are very real. There currently exists within the Department of Health, Education, and Welfare a collection of bureaucrats who, under the guise of racial equality, are destroying the public schools of my State and, I have no doubt, the schools of many other States. In my statement on the Senate floor in connection with that amendment, I called my colleagues' attention to the case of the Winston-Salem/Forsythe County school system. It is a fine, progressive school system of which that community is justly proud. However, the quality of education in that school system is not to the credit of the Federal Government. It is in spite of the Federal Government.

The Winston-Salem/Forsyth County area is inhabited by many fine people and dedicated citizens who have worked unselfishly to provide the best possible education for their children. In addition, the area contains several fine colleges and universities which have provided the best teachers and administrators to be found anywhere.

In spite of the hard work and generous efforts of the people of Forsyth County, the Department of HEW has determined that the school system is operating in a racially discriminatory manner. HEW's determination is predicated upon the assumption that, if a disproportionate number of students of a minority race are placed in a remedial class or receive discipline, racial discrimination exists. According to HEW, this determination, based solely upon statistics, justifies their withholding Federal assistance funds from the school system.

Of course, the real tragedy of the situation is that the school officials must then either redistribute the students in the various classes to meet arbitrarily imposed bureaucratic standards; or they must give up trying to obtain assistance funds. In either event, the students are the losers, because, on the one hand, they are denied the remedial help they need or, on the other hand, their school is denied the assistance funds it needs to help them. Thus, the Department of Health, Education, and Welfare is operating in a manner that is counterproductive to the needs of the children of America.

Although the amendment that I offered on May 16, 1974, to correct this situation received 41 favorable votes, it was rejected by the Senate. HEW continued to harass the Winston-Salem/Forsyth County school system. The Office for Civil Rights of HEW sent a team of seven people to North Carolina to investigate this school system. According to the Director of that office in Atlanta, the Winston-Salem/Forsyth County school officials extended cooperation to this investigating team. Nonetheless, HEW concluded that racially identifiable classes existed. That is to say that certain remedial classes designed to help students with learning deficiencies contained a disproportionate number of minority students for a limited period of the school day. In one instance, 25 percent of the day; in another instance, 33 percent of the day.

HEW placed the burden upon the school system to prove that their attempts to assist students in need of remedial help was justified. The investigating team refused to accept teacher recommendations as a basis for "skills grouping," or even a partial basis for it. HEW required objective criteria through testing but complained about the lack of qualified—that is to say certified—in-

dividuals to administer and evaluate the tests. Apparently the so-called objective criteria arrived at through testing is not acceptable to these bureaucrats if it is not "evaluated" to their satisfaction.

Of course, tests and individuals to administer them are expensive. Under this arrangement, school systems need funds not only to support remedial programs but also to provide evidence to prove that the remedial programs are needed and that the proper students are in the proper classes. This ridiculous situation reminds me of the old question about which came first, the chicken or the egg. The school systems cannot obtain the assistance funds if they cannot prove they have the students properly assigned to classes. They cannot afford the expensive tests, et cetera, if they do not have the assistance funds. And, of course, one wonders just how much of the taxpayers' money is actually devoted to helping children to learn and how much is spent on paying these bureaucrats to require school officials to provide evidence of their competence.

The investigating team that visited the Winston-Salem/Forsyth County school system found other things about which they chose to comment. For example, the team was dissatisfied because the school system was asking parents to consent to the placing of a student in a class for the educable mentally retarded. The team would prefer that parents' consent be given for the students to be tested for possible placement in such a program. In such a situation, parents ask that their children be given special help but HEW says "no."

According to the bureaucrats, children should not receive special help for learning disabilities simply because their parents, who have raised them since birth and who know them better than anyone, ask for this help, and school officials concur in this recommendation. HEW requires that the students be tested to see if the parents and school officials know what they are talking about. Of course, all of this testing, evaluating, investigating and reporting is done at the expense of the hardpressed American taxpayer.

The HEW investigators also chose to mention that a disproportionate number of minority students received discipline; however, HEW offered a solution for that. Let me quote the Director of the Office for Civil Rights:

> Because minority students have been and may continue to be disproportionately and adversely affected by suspensions and expulsions, a reduction in the number of students suspended and expelled would improve your district's compliance posture.

One wonders exactly what the Director means by this statement.

Does he favor not punishing students for their misbehavior simply because the school system has filled its discipline quota for that particular category of students? Or to keep the statistics in balance, would HEW prefer that students in other categories be disciplined whether they deserve it or not? Of course, either alternative would be unconscienable. With the rising rate of crime and the increased incidence of drug abuse among young people, how can any responsible individual, be he Federal bureaucrat or school official on any level, advocate a reduction in proper and responsible discipline. Examples of serious crimes being committed in public schools across the Nation are too numerous to catalog. One needs only to read the daily papers for documentation.

Back to the scenario involving Winston-Salem and Forsyth County, on August 14, 1974, the board of education for the Winston-Salem/Forsyth County School System voted not to attempt compliance with the HEW requirements and to accept the consequent loss of Federal funds. As the matter stands now, Mr. President, the fine Winston-Salem/Forsyth County School System is in litigation—the case is pending before a Federal court. The people of Winston-Salem and Forsyth County have decided to take a stand, even though it meant the loss of over $360,000 in Federal assistance funds.

In my view, the school board is to be commended for its courageous decision. It has put the education of the children of the community ahead of the expensive accessories which may be beneficial, but which are not fundamentally necessary to a good educational opportunity. Furthermore, I have an idea that the good people of Winston-Salem and Forsyth County are finding a way to provide the most beneficial of those accessories, and they are doing so without HEW quotas.

Fortunately, however, the amendment that passed the Senate this past Wednesday, if kept in the bill and agreed to by the House of Representatives and signed by the President, will go a long way in helping put an end to the problems that HEW has caused in Winston-Salem and Forsyth County. I, for one, intend to stand in this Senate Chamber and do everything I can to ensure that this most desirable limitation on the power of HEW to destroy our schools is retained.

Mr. President, I ask unanimous consent that two editorials regarding the Winston-Salem/Forsyth County situation be printed in the RECORD.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Winston-Salem (N.C.) Journal, Aug. 16, 1974]

REJECTING FEDERAL FUNDS

In May, a group of civil rights specialists from the Department of Health, Education and Welfare visited the Winston-Salem/Forsyth County school system in search of any discriminatory practices that might disqualify the system for Federal aid funds. The group's conclusions, presented in a 14-page letter to Superintendent of Schools Marvin Ward the other day, charged that the system did, in fact, practice discrimination, or face a cutoff of students to special education classes, in the grouping of students by ability, and in the expelling and suspending of students charged with disciplinary offenses.

HEW offered the school system two choices: either comply with Federal guidelines to end the alleged discrimination, or face a cutoff of Federal funds—a possible total of $360,000—used for the hiring of some 60 teachers' aides at the elementary and secondary school levels. In a special meeting of the Board of Education on Wednesday, board members first rejected HEW's charges, then voted by a 3–2 margin not to attempt compliance with the Federal guidelines and to accept the consequent loss of Federal funds.

Although three members of the board were not present for the vote, the decision makes sense as a matter of principle and educational policy. To be sure, if any deliberate discrimination by identifiable individuals is involved in any of the three areas mentioned by HEW, it should be—and, one hopes, would be—eradicated immediately by the school board itself. HEW's accusations, however, are based primarily on numbers and ratios, not on an evaluation of human actions in human situations.

The absurdity of the HEW approach is best illustrated in the matter of discipline. According to the HEW report, the system's "discipline policies are discriminatory because minority students are suspended and expelled in numbers disproportionate to their overall ratio in the school district." That is, quite simply, a presumption of guilt based on bookkeeping, not on human beings. If the system, during the course of a week or a month or several months, finds that it has expelled too many students of one race and not enough of another, what precisely is it supposed to do? Kick out a "proportionate" number of students of the other race? Bring back a "proportionate" number of expelled students in order to balance the books?

The solution to alleged discrimination in special education classes and in the grouping of students by ability is only slightly less absurd: According to Mr. Ward, the system would have to re-register all students at the secondary school level in order to achieve racial ratios acceptable to HEW in those areas. With schools opening two weeks from now, that is hardly a sound option, no matter how much money HEW dangles before the board.

"It's time that this total school system took a look at this so-called free (Federal) money," said Board of Education Chairman Omeda Brewer at the Wednesday morning meeting. And, of course, she is right. Federal funds always come with strings attached, and as long as those strings are reasonable, the money may be accepted in good faith. But this time, HEW has attached ropes, and the ropes cannot be justified by circumstances. Better to reject the HEW funds than to follow a course that makes bad sense and an even worse educational policy.

[From the Greensboro Daily News, Aug. 30, 1974]

FORSYTH AND HEW

We have been following with interest and no little admiration the determined effort of the Winston-Salem-Forsyth County school board to go to the mat with MEW's Office of Civil Rights over a $360,000 special education grant.

The neighboring school board, although divided over its response, reportedly believes to a person that HEW has exceeded its warrant under Title VI of the Civil Rights Act in demanding certain modification of Forsyth's special education programs—one for slow learners, one for the "academically talented." It happens, for reasons now under dispute between the two parties, that the first program is mainly but not entirely black, while the second is mainly but not entirely white."

The response of HEW to the situation has been described editorially as follows by the Winston-Salem Journal: "At the start, HEW created a sour atmosphere . . . Apparently accustomed to steamrolling school boards, the Office of Civil Rights set forth its guidelines in a letter that was premptory, officious and seemingly inflexible." The tone is familiar enough, we must say. But as a result, the Forsyth board refused to play dead and instead told HEW on August 14 that rather

than submit to the guidelines in their present form it will forego the Federal grant and find other means of financing the program.

The heart of the dispute is this: HEW has no authority, under statutory law or court order, to act as a super school board and set curricular policy for Forsyth's or any other school system. But HEW has nonetheless, prospered mightily in its steamroller approach, a calculated blend of legal, threat and moral blackmail. It has thereby rendered many school boards unsure of their legal and ethical ground, and cowed them into concessions they deemed educationally unsound. Inevitably, this means that in case after case learning gives way to theories of social betterment which may or may not be valid.

In Forsyth's case, HEW insists that there must be more racial integration in both special education programs. And it is not, we gather, particular as to the mean by which the goal is reached. If it takes more "objective" testing and less subjective teacher judgment to get more whites into the slow-learner group, and more "affirmative action" and less objective testing to get more blacks into the program for the academically talented, then that is how it should be done—never mind the logical contradiction or the inconsistency of policy.

We have no idea who will win this test of wills, nor indeed can it be declared out of hand which side has the better case on the merits. But the school board is to be commended for standing its ground on what it views as a vital question of sound educational policy.

HEW, in its officious attentions to higher and public education, frequently gets away with too much. HEW has every authority to see that there is educational equality under the law; but so far as we are aware, it has no authority to assure educational leveling under the law, which is quite another matter.

If enough school boards and school officials muster the pluck to seek to vindicate their authority and rights under the law, then Congress itself—that great evader or policy-making responsibility—may at last be compelled to establish, so that all may understand, what this Nation's educational policy really is. Is it to assure equality of opportunity for all—which is both right and attainable? Or is it to try to assure equality of educational result for all—which is neither right nor attainable?

Mr. ROBERT C. BYRD addressed the Chair.

The PRESIDING OFFICER. The Senator from Alabama, under the previous order, has the floor.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield to me?

Mr. ALLEN. Yes, I am delighted to yield to the distinguished Senator from West Virginia.

Mr. ROBERT C. BYRD. That is with the understanding that he not lose his right to the floor and that his resumption not count as a second speech.

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

ORDER FOR RECESS UNTIL 12 NOON TOMORROW

Mr. ROBERT C. BYRD. Mr. President, without losing my right to the floor, as the Senator to whom the Senator from Alabama yielded, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 12 noon tomorrow.

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

RECOGNITION OF SENATORS MANSFIELD, GRIFFIN, AND ROBERT C. BYRD TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that after the two leaders or their designees have been recognized under the standing order on tomorrow, Mr. MANSFIELD be recognized for not to exceed 15 minutes, Mr. GRIFFIN be recognized for not to exceed 10 minutes, and that I be recognized for not to exceed 10 minutes.

The PRESIDING OFFICER. Without objection it is so ordered.

ORDER FOR THE TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that after the consummation of the various orders entered into for tomorrow for the recognition of Senators there be a period for the transaction of routine morning business with statements limited therein to 5 minutes each, such period not to extend beyond 30 minutes.

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

ORDER FOR RESUMPTION OF CONSIDERATION OF H.R. 8069

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that upon the conclusion of routine morning business tomorrow the Senate resume consideration of the pending business.

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

ORDER FOR TIME TO BEGIN RUNNING UNDER THE CLOTURE MOTION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the hour of 1 p.m. tomorrow, the 1 hour under the cloture rule begin running.

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

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that I may suggest the absence of a quorum without the Senator from Alabama losing the floor under the previous understanding, and I so suggest the absence of a quorum.

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

The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

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

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

ORDER FOR RECOGNITION OF SENATOR ROBERT C. BYRD ON PENDING AMENDMENT TO H.R. 8069

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that upon each resumption of consideration of the pending amendment, I be recognized, without its being charged as a second speech against me.

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

ORDER FOR RECOGNITION OF SENATOR BROOKE TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the name of Mr. BROOKE be substituted for the name of Mr. GRIFFIN in respect of the order for recognition for a 10-minute speech tomorrow.

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

RECESS

Mr. ROBERT C. BYRD. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in recess until 12 o'clock noon tomorrow.

The motion was agreed to; and at 6:04 p.m. the Senate recessed until tomorrow, September 23, 1975, at 12 noon.

EXTENSIONS OF REMARKS

LYMAN SCHROPE, PATRIOT

HON. RICHARD S. SCHWEIKER

OF PENNSYLVANIA

IN THE SENATE OF THE UNITED STATES

Monday, September 22, 1975

Mr. SCHWEIKER. Mr. President, the Norristown, Pa., Times Herald recently told the story of an 86-year-old American patriot, Lyman Schrope. For more than 20 years Mr. Schrope has personally maintained a World War II memorial on a street island in Norristown. During that time Mr. Schrope has faithfully raised and lowered the American flag each and every day.

Mr. President, because I believe the story of Mr. Schrope's selfless dedication will be of interest to others, I ask that the Times Herald article be printed in the RECORD.

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

STANDS "SOLITARY REVEILLE, RETREAT": "REMARKABLE" MAN TENDS WORLD WAR II MEMORIAL

(By Barry Spyker)

Though the Bicentennial era is arousing the spirits of more and more Americans, one Norristonian will continue to be a prominent figure in his devotion to our country and its flag.

"For many years now I have observed a remarkable man pay homage to his country and the flag he holds most dear," a Norristown resident said recently in a letter to The Times Herald.