JEANE KIRKPATRICK: UTILITARIANISM AS U.S. FOREIGN POLICY

HON. WALTER E. FAUNTROY
OF THE DISTRICT OF COLUMBIA
IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. FAUNTROY. Mr. Speaker, Ms. Margaret D. Wilde, a citizen of the District of Columbia, has published this week in the ecumenical weekly, Christian Century, an article entitled "Jeane Kirkpatrick: Utilitarianism as U.S. Foreign Policy." The article is a valuable contribution to constructive thinking and debate on the orientation and objectives of U.S. foreign policy.

I submit this article for the Record and call it to the attention of my colleagues:

JEANE KIRKPATRICK: UTILITARIANISM AS U.S. FOREIGN POLICY

Before Ronald Reagan announced his choice of Jeane Jordan Kirkpatrick as U.S. ambassador to the United Nations, the story of her rise to prominence was circulated as an indication that her recommendations would be likely to shape his policy toward right-wing and military regimes. Kirkpatrick's November 1979 Commentary article, "Dictatorships and Double Standards," had drawn favorable notice from a Reagan aide and eventually led to a friendship with the candidate himself.

Human values were conspicuously absent from the 1979 article: that was not altogether surprising for a university professor specializing in pragmatic policy implementation. Her recommendations were embraced as public policy—including a call for support of "tested friends" who happen to be "moderately repressive autocrats"—that the ethical implications of supporting repression became an issue. Patricia Derian, the Carter administration's human rights spokeswoman, summed up those implications expansively: "What the hell is moderately repressive?"

Human values, once again, are central to the Reagan cabinet. Kirkpatrick relaxed the confrontation somewhat by acknowledging that ideals do indeed play a part in foreign policy. In a January 1981 interview in Washington, D.C., she did not define those ideals but said that political power was needed to achieve them, and that the pursuit of ideals and call for support of "tested friends" who happen to be "moderately repressive autocrats"—that the ethical implications of supporting repression became an issue. Patricia Derian, the Carter administration's human rights spokeswoman, summed up those implications expansively: "What the hell is moderately repressive?"

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Thus she seemed to make room for the view that human values stand above economic and military interests—although her failure to wish it were otherwise. Traditional autocracies are "deeply offensive to modern American sensibilities," says Kirkpatrick:

"The notion that public affairs should be ordered on the basis of kinship, friendship and other personal relations rather than on the basis of objective 'rational' standards generates our concern and our pride in a modern and democratic society. The extremes of wealth and poverty characteristic of traditional societies also offend us, the more so since the poor are usually very poor and bound to their squalor or by a hereditary allocation of role. Moreover the lack of control over susceptible autocrats for the poverty, ignorance and disease of 'their' people is likely to be intolerable to modern Americans as moral dereliction pure and simple. . . . Confronted with them, our vaunted cultural relativism evaporates and we become as conscious as Cotton Mather confronting sin in New England."

4. Kirkpatrick then claims that systemic differences make revolutionary autocracies more aggressive and less susceptible to change than traditional ones:

"Traditional autocrats leave in place existing allocations of wealth, power, status, and other resources which modern societies favor an affluent few and maintain masses in poverty. But they worship traditional values and observe traditional taboos. They do not disturb habitual rhythms of work and leisure, habitual places of residence, habitual patterns of family and personal relations. Because the miseries of traditional life are familiar, they are bearable to ordinary people who, growing up in the society, learn to cope with them. Untouchables in India acquire the skills and attitudes necessary for survival in the miserable roles they are destined to fill. Such societies create no refugees."

HUMANITY VS. STABILITY

The January 1981 Commentary article reflects Kirkpatrick's recent thinking about security threats—some real, some imagined, some invented in the face of clear evidence to the contrary—through early December, when she was already on her way to public prominence. Her failure to identify human goals as a context for realistic policymaking is remarkable.

In the new article human welfare is generally recognized as an objective, but it is totally relativized. Kirkpatrick refers to lower infant mortality rates and increasing levels of education in Central America, but emphasizes how slowly the improvements come about and at what cost to stability and security: "It has been easier to break down the myths justifying the old distribution of values in society than to improve access to
education, medical care, decent housing, good food, respect, and political power. The instability of this trade-off for other goals is underlined in Kirkpatrick's conclusion: we must think again about the alternatives to existing governments, and about the amounts and kinds of aid and time that would be required to improve the lives and expand the political participation of the people of Latin America. The choices are frequently more Nicaraguas than in the Latin America or in terms of pragmatic political and military interests always to establish a viable as a single policy standard than was Kirkpatrick's thesis is not the answer, either before God and the people of Latin America or in terms of pragmatic U.S. interests. What she proposes in both Commentaries and in the B'nai B'rith speech is not political realism, but utillitarianism—and the new government will soon discover that utillitarianism is no more viable as a single policy standard than was humanitarian concern.

It is time to expect U.S. economic, political and military interests always to serve human values. But neither is it realisic to ignore the existence of those values above and beyond political power relationships; when ideals no longer exist in the abstract, then the nation will have lost its soul and will also fail to serve its own pragmatic interests.

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noon, August 30, 1965, thrust a strong, welcoming hand toward me, smiled and asked me to join him. He was in a pleasant mood, a little distant, quiet, gentle.

It was the first time I had ever met the Rev. Dr. Martin Luther King. Away from the crowds and the camera flashes, he seemed strangely alone, almost shy. It was the private man, I realized, whom I was interviewing.

A mutual friend of ours, the Rev. Wyatt Tee Walker, who had once worked on Dr. King’s staff, had arranged this last-minute exclusive interview for me when I was reporting for the New York World Telegram and Sun, covering the civil rights movement.

Dr. King, president of the Southern Christian Leadership Movement, was to have met that afternoon with the United States Ambassador to the United Nations, Arthur Goldberg, to discuss the situation in Vietnam. But the meeting had been postponed and I was the fortunate recipient of the one-hour break in Dr. King’s schedule.

It is a great regret to me that my interview with the Rev. Clayton Powell, a “strong voice” in Harlem, could also help the Negro civil rights movement, by joining in helping move the black ghetto.

“Do you think it would be helpful if President Johnson toured the ghettos of America?”

“It would have a tremendous psychological value,” Dr. King replied. “The vast majority of Negroes have a high regard for Mr. Johnson. They feel he is working for them. There is no bitterness toward him in the rioting and the violence that has erupted. He is not personal responsibility.”

Yet the rioting in Los Angeles and other parts of our country has hurt the movement and had to be stopped to give it a chance to tour by the President—seeing poverty conditions for himself—should be followed by a massive economic program to give the people a stake in society.

I asked him if he felt his non-violent movement might spread to the North?

“I consider New York and the North a place where it will work,” he replied. “It seems to me that if it doesn’t take hold in Harlem and in Bedford-Stuyvesant, there could be trouble. Frustrations can erupt at any time.”

Three months later, on Sunday, November 14, 1965, in the audience of a reporting assignment in the Abyssinian Baptist Church in Harlem, where the Rev. Adam Clayton Powell was about to begin his Sunday sermon.

He stood up, raised both hands and within minutes his followers were spellbound by his rhetoric. He had emotional appeal of aέ charge. He asked his “brothers and sisters” to join in with him and before the 30 minute speech was over, everybody in the church was cheering wildly.

Then he introduced the Rev. Dr. Martin Luther King, who had been sitting patiently on the platform awaiting his turn. He had kept his word and had come to Harlem to seek support for his non-violent Southern Christian Leadership Movement. He started talking very quietly. The contrast between him and Rev. Powell was noticeable.

But as he began to warm up, the audience sensed his emotions peeling off, layer by layer. Within 15 minutes, he, too, had his listeners in a joyful response with every sentence he uttered. As his cadence quickened, the crowd became more and more exalted.

When he finally sat down he received a standing ovation. He had out-performed Adam Clayton Powell on Mr. Powell’s own podium.

That was the last time I saw the Rev. Dr. Martin Luther King.

For three years more, he would continue to be an inspirational force for equality and justice in America. Long after he received the Nobel Peace Prize, he continued to strive for the peace that has yet to come, the peace between races in America.

He was and still is, in the eyes of many, one of the great men of America in this century. And he inspired millions, black and white alike, until he was taken from us by an assassin’s bullet on April 4, 1968, at the age of 39.

He would have been 52 tomorrow.

SOIL CONSERVATION ACT OF 1981

HON. WILLIAM C. WAMPLER
OF VIRGINIA
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. WAMPLER. Mr. Speaker, today I join my colleagues, the Honorable En Jones of Tennessee and Jim Jeffords of Vermont, in sponsoring the Soil Conservation Act of 1981. The purpose of this bill is to coordinate Federal and local efforts to address the critical needs of soil conservation, water management, and other related problems that exist in many areas of the United States.

Mr. Speaker, one of the most serious problems this country faces today is the permanent loss of productivity from our land due to improper management and erosion. Rising demands on American agricultural productivity, the conversion of cropland to urban use, and extreme drought conditions throughout the country have caused severe damage and loss to our agricultural land base. Studies indicate that we are losing about four billion tons of soil a year, 2 billion of which come from cropland. Some areas are losing as much as 100 tons of soil per acre per year.

The costs and losses associated with soil erosion have a profound effect on our economy. Failure to control soil erosion on farms and ranches could double the cost of producing food and fiber over the next 50 years, without regard to inflation or other factors.

The Soil Conservation Act of 1981 provides the means to address this problem with a rational and comprehensive approach. Participation is completely voluntary and will be targeted to the areas of the country which are most in need of assistance.

Essentially, the bill has five proposals. Title I establishes a special areas conservation program which will provide cost-sharing and technical assistance to areas of the country which have extremely severe erosion problems. This nationwide effort is modeled after the Great Plains conservation program which has been so successful in 10 Midwestern States.

Title II provides for a program of matching grants for State and local agencies to carry out conservation activities. This would allow each county to identify and address its conservation priorities and expand its sources of assistance.

Title III authorized the Commodity Credit Corporation to guarantee loans to farmers and ranchers for the purpose of installing sound conservation practices which will protect land and enhance agricultural productivity.

Title IV establishes a program for volunteers in conservation. This would allow voluntary service by interested people who are willing to assist the conservation programs of the Department of Agriculture without compensation and without displacing USDA employees.

Title V would target technical and financial assistance to watershed drainage areas above a few large reservoirs which the Secretary of Agriculture recognizes as having severe sedimentation problems. The intent is to demonstrate that conservation practices on the land can reduce sedimentation in the reservoirs and protect water quality but also lengthen the effective life of the storage capacity of the reservoirs.

Mr. Speaker, I am not without reservation in supporting this or any other measure which may have some impact on the Federal budget. The proposals contained in this bill deserve the close scrutiny and careful consideration of every Member of Congress.

Nevertheless, I believe the problems which this country faces in preventing erosion and maintaining a strong agricultural land base cannot be ignored. I am looking forward to working with the House Agriculture Committee, the administration, and the other body in developing a program which will accomplish the goals of the Soil Conservation Act of 1981 without unnecessarily expanding the Federal budget.
THE SUPPLY-SIDE IMPACT OF OCCUPATIONAL CANCER

HON. DAVID R. OBEY
OF WISCONSIN
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. OBEY. Mr. Speaker, I would like to take just a minute of the House's time to say that I think the administration is ignoring the supply-side effects of work-related cancer. Each year between 50,000 and 80,000 Americans die of work-related cancers. The dissavings, compensation, and medical bills which these deaths entail amount to billions of dollars each year, dollars that might otherwise be spent on new plant and equipment.

I believe it is important to point this out, particularly in light of two things that the administration has done in recent days. First, the new administration has ordered the withdrawal of a current intelligence bulletin issued by the National Institute for Occupational Safety and Health and by the Occupational Safety and Health Administration which simply reports to business, workers, and the general public the results of tests of formaldehyde which the Chemical Industry Institute indicating that formaldehyde may cause cancer. This is not a question of Government's requiring that workers be protected from such substances; it is simply a question of whether or not workers should be informed. I intend to insert the text of the bulletin in the Extensions of Remarks tomorrow.

Second, the Secretary of Health and Human Services yesterday fired Dr. Robbins, a commissioned Public Health Service officer as head of the National Institute for Occupational Safety and Health. Dr. Robbins had served only 2 years of his 6-year term as Institute Director. The 6-year term for the NIOSH director came about as a result of an amendment offered by Senator Javits to insure that the Institute Director was selected and allowed to serve based on scientific qualifications rather than partisan politics. In the history of the Institute the no Director has ever before been fired.

Dr. Robbins graduated cum laude from Yale Medical School in 1966, and he held, in addition, a masters in public health from Harvard. He had served as State director of public health in both Vermont and Colorado. In his 2 years at NIOSH he brought order out of the chaos which has continued to pervade that small agency since its inception. He improved the quality of the scientific output and developed the first constructive relationship with the U.S. Department of Labor in the agency's history. He was, in short, the type of uniquely qualified and dedicated individual which Government agencies are too rarely able to attract. One can only surmise that his firing was made in hopes of finding a Director whose scientific findings will be more politically acceptable. I would therefore like to remind the Department and Dr. Robbins' successor that cancer has a negative net impact on productivity.

WHY JAPAN CAN AND WE CANNOT

HON. PAUL FINDLEY
OF ILLINOIS
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. FINDLEY. Mr. Speaker, a question which arises frequently in economic discussions by the voters is: Why is the U.S. economy so out of control when other industrialized nations like Japan can keep inflation at a moderate rate? A recent editorial in the Pike Press in my district addresses this very issue and offers a rational explanation into why they can and we cannot.

(From the Pike Press, Feb. 23, 1981)

LESSONS FROM JAPAN

President Reagan told the nation in his recent economic broadcast that America had the lowest rate of gain in productivity of virtually all the industrial nations with which it competes in the world market. Japan, he said, outproduces America in both automobiles and steel.

While the U.S. rate of inflation is running at more than 12 percent a year, in Japan in the fiscal year ending March 31, consumer prices are expected to rise about 7.5 percent from the previous year, when prices gained 4.8 percent. And this in a country that depends more heavily on foreign oil than any other industrialized nation.

How come?

For one thing, workers' wages in Japan aren't rising as fast as prices. Last year's wage increase was 6.9 percent.

More importantly, productivity gains are keeping pace with wage increases. For 1980, productivity is estimated to have grown about six percent. The previous year it rose 11 percent.

Another thing, unlike the U.S., cost-of-living clauses are not common in Japan so wages don't rise automatically with prices. And if you want an example of truly staggering inflation take a look at Israel with a rate of 135 percent, second only to Argentina, and headed for a world record.

One reason for the extreme inflation in Israel is a wage system, both for union and non-union workers, that is pegged to the cost-of-living index, the same self-defeating device that has caused inflationary headaches in the U.S. and that Japan was wise enough to avoid.

WALTER CRONKITE: DEDICATED TO EXCELLENCE

HON. JOSEPH P. ADDABBO
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. ADDABBO. Mr. Speaker, this is the way it is, on Friday evening, March 6, Walter Cronkite, a man many consider the most trusted man in America, as well as one of the most famous news anchormen in the history of the broadcast journalism, will give his final broadcast from the set of the CBS evening news. His absence from the evening news will be missed by millions of his loyal viewers, and I would like to take this opportunity to thank him for bringing a semblance of order and reason to the many confusing, hectic, and frightening events which have been beamed into our living rooms for the past 19 years. Without Walter sitting at his desk, giving it to us straight, it would have been impossible to comprehend how quickly the world was changing, whether it was for the worse or the better.

Walter did many things for us, though what many will remember is how he made the world a little more understandable for us. He understood how important personalities were, whether it was at conventions or space shots. News was, and still is, people, and Walter helped bring those people into our homes, where we could study them. A man dedicated to excellence, his confident delivery and objective news reports we feel as if he were genuinely concerned how the events he was reporting would affect us. Whether he was covering an inauguration, the signing of a peace treaty, or July 4, 1976, the setting standards for broadcast journalism that others will long aspire to.

Thank you Walter, thank you for giving us your best, night after night, year after year. There may be more conventions, inaugurations, and explorations into space, but somehow it just would not be the same without you. We will miss you, and never forget what you did and may you find your rewards and outstanding as your past.

FOSTER CARE EMERGENCY AND THE NEED TO ENCOURAGE ADOPTIONS

HON. THOMAS E. PETRI
OF WISCONSIN
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. PETRI. Mr. Speaker, I would like to call the attention of my colleagues to an editorial in yesterday's Washington Post.

The editorial highlights the problems of foster children and the pressing need to get the children back to their natural parents or to stable, permanent homes within a reasonable period of time. Because of the need to do something at the Federal level to assist the settlement of foster children in permanent homes, I recently introduced a bill, H.R. 1397, to amend the
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Internal Revenue Code to treat adoption expenses in the same manner as medical expenses. Under current law, medical costs incurred for births can be deducted from Federal Income tax, and this would be a fair way to balance lawful costs involved in adoption proceedings in the same way. This legislation would encourage strong family ties and improve the welfare of the children.

In my opinion, the editorial drives home the need to encourage alternatives to foster care—something my bill is designed to do. The text of the editorial follows:

(From the Washington Post, Mar. 4, 1981)

Foster Care Emergency

Pretend for a moment that you are a foster child in the District's care. If you are a typical foster child, here is what will happen to you, according to a report released by the D.C. Auditor's office last week: After entering foster care at age 3, you will remain with the foster care system for over 10 years. During that time, chances are good that you will be moved between situations and foster homes at least three times. Three times you will be moved from place to place, breaking up relationships with adults, changing schools and friends. And all the while it won't be certain that the District's Department of Human Services knows that you are there. The department admits that it does not know how many children are in its foster care or where they are, for that matter. What it does know is that you are, there will be no plan for getting you back to your natural parents or for finding a stable couple who would adopt you.

The city and the courts are supposed to review a foster child's status at a hearing every two years. In fact, the foster care system is so overloaded that the hearings are usually not held and the reviews are generally limited to a reading of the child's commitment papers. Even so, the city auditor's report estimates that 10 percent of the foster care children in the District are being held in the system for over 10 years. For that 10 percent and most of the other children in foster care as well, there is no plan for returning them to their natural parents other than the continuation of foster care.

Getting a child out of the city's foster care system and up for adoption is now so rare that families seeking to adopt children are often forced to look to other cities and states. The decision on severing the child's bond with its natural parents hinges on factors other than the continuation of foster care.

The need to begin a system of review for every child—neglecting children as if they are orphans—has been pointed out by officials of the Children's Defense Fund, and the need to make the system work in the vocational guidance program is not the only reason.

In addition to these activities, Ned Hill has been a charter member of the Comedores Club of Commerce, a chamber of commerce group that serves as a member of the board of directors, is past president of two Kiwanis Clubs, is a gold card charter member of the YMCA and in 1980 received the Man of the Year Award from the chamber of commerce.

EXTENSIONS OF REMARKS

Hardly the role of the city government to neglect and emotionally abuse these children a second time.

EDGAR R. HILL TO BE HONORED

HON. ROBERT E. BADHAM
OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. BADHAM. Mr. Speaker, today it is my privilege to pay tribute to one of those rare individuals whose accomplishments and contributions to his community are an inspiration to us all. I am speaking of Edgar R. Hill, who will be honored on March 30, 1981, with the Civic Leader's Award, to be presented by the Voluntary Action Center of Newport Beach, Calif., which I have the honor to represent in the U.S. Congress.

"Uncle Ned" Hill, who is 87 years old, joined by his wife, Dora, have spent almost 50 years improving the quality of living by sharing their great talents, time, and energy working with, and for, others. Ned and Dora came to California not long after they were married in the Midwest in 1932, where he founded a building materials company. Later, Ned moved to Newport Beach where he founded a shipbuilding company and produced subschasers for the U.S. Navy during World War II.

In recognition of this work, Ned was appointed in 1959 to the Advisory Council on Naval Affairs. In the field of business, he helped found a bank and later served as a bank consultant. He is currently a charter member of the Newport Beach City Council.

In local and national affairs, "Uncle Ned" Hill has served the city as mayor, learned that the Newport Beach Chamber of Commerce was deeply in debt and in danger of extinction. Ned became president and within 3 years the chamber was solvent, membership on the increase, and a headquarters building program planned.

Today the Newport Harbor Area Chamber of Commerce is the largest of all chambers in Orange County.

In addition to these activities, Ned Hill has been a charter member of the commodores club of the chamber, serves as a member of the board of directors, is past president of two Kiwanis Clubs, is a gold card charter member of the executive club of the YMCA and in 1980 received the Man of the Year Award from the chamber of commerce.

He received the Leadership Award from the Harbor Area United Fund in 1971 and a certificate of merit from the Newport Harbor High School for work in the vocational guidance program.

If ever there was a man who stood tall among men in Newport Beach and its neighboring communities it is Ned Hill, whose life and deeds have made his city a better place for all to live. It is my great pleasure to rise before this honorable body to pay tribute to Ned Hill.

HUMAN RIGHTS

HON. DON BONKER
OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. BONKER. Mr. Speaker, as the debate rages regarding the future of a human rights policy, I would like to commend to the attention of the Reagan administration and my distinguished colleagues an extremely thoughtful essay on that subject by Colman McCarthy which appeared in The Washington Post of March 1, 1981. The article follows:

WITNESSING THE BEST AND WORST OF HUMAN RIGHTS POLICIES

(By Colman McCarthy)

The same day last week, the world had a chance to see two kinds of human rights policies being advanced. One was bold and humane, the other self-serving and manipulating.

In Manila, Pope John Paul II spoke as a genuine world leader eager to use his moral force on behalf of the oppressed in the Philippines. "Even in exceptional situations that may at times arise," he said, with the brutal President Ferdinand Marcos sitting a few feet away, "one can never justify any violation of the fundamental dignity of the human person or of the basic rights that adumbrate this dignity.

In Washington, Alexander Haig went to Congress to win support for the Reagan administration's encouragement of the junta in El Salvador, a regime implicated in some of Central America's grossest human rights violations. Haig's effort was part of the administration's announced withdrawal from what it sees as useless human rights advocacy.

The words of the pope were forcefully direct, with no follow-up clarifications needed from the Vatican's explainers-of-papal-subtleties. If any doubts existed, the pope did his own clarifying: No government, no matter "the exigencies of security," can claim "to serve the common good when human rights are not safeguarded.

With world attention on him, Marcos was as pious as an altar boy serving his first Mass. "Forgive us, holy father," the dictator said of past church-state differences. "Now that you are here, we resolve we shall wipe out all conflicts and set up a society that is harmonious to attain the ends of God's holy purposes."

That syrup is impressive, except that another pope—Paul VI—was in Manila 11 years ago. God's ends have not been much served since then, except for a little air-
Two years ago, Lefever told a House said, for human rights and humanitarian affairs, increased observance of internationally Reagan to be the assistant secretary of state on one's own religious and social theologian who wrote in a recent issue of theology, John Paul II was doing much more observance of internationally engaging in "prophetic criticism," a phrase of Rosemary Ruether, the American theologian who wrote in a recent issue of Theology, John Paul II was doing much more observance of internationally rights advocacy were merely something that rights advocacy were merely something that an overly zealous Jimmy Carter cooked up. It wasn't at all. In 1976 Congress passed a provision in the Foreign Assistance Act that said, "A principal goal of the foreign policy of the United States is to promote the increased observance of internationally guaranteed human rights." With Ernest Lefever selected by Ronald Reagan to be the assistant secretary of state for human rights and humanitarian affairs, this law is likely to be ignored or broken. Two years ago, Lefever told a House subcommittee that "it shouldn't be necessary for any friendly country to pass a human rights test before we extend normal trade relations, before we sell arms, or before we provide economic or other assistance." This approach, I believe, should be adopted toward adversary states like the Soviet Union.

With the murderous junta of El Salvador well within this definition of "friendly"—and what's the killing of a few nuns or other "renderly repression" acts among buddies—the victims of human rights violations can only feel betrayed by the United States.

In Congress, some hope exists. Reps. Gerry Studds, Robert Edgar and Barbara Mikulski have introduced legislation to cut off U.S. arms sales to El Salvador. It will lead only to more violence, they argued, as well as create more enemies for the United States. But perhaps this effort to join the effort for a negotiated settlement of the revolution should also be a recognition that a belief in the church on human rights is sound morality—and for a nation, it is sound politics.

EXTENSIONS OF REMARKS

Adoption expenses would include reasonable and necessary adoption agency fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law.

There is a great need for this legislation. Many people who could not otherwise afford to pay adoption costs would be able to adopt homeless children. This need was given attention at the recent White House Conference on Families by passage of a resolution calling for Federal tax policy to provide additional exemption or credits for families adopting a child. The delegates to the Conference expressed the view that adoption is a time-honored and legitimate mode of family formation and is the best method for insuring every child's right to a family.

Another important aspect of this legislation is the potential reduction of some of the social and financial costs associated with State and Federal foster child programs. Adoption is the long-term solution to problems of instability and insecurity that children in foster care often face. While foster home programs provide great service and solutions to many problems, they do not provide a permanent family. Breaking the financial barrier to adoption would mean that more foster chil-

H.R. 2311 WILL MAKE ADOPTION EXPENSES TAX DEDUCTIBLE

HON. WILLIAM LEHMAN OF FLORIDA IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. LEHMAN. Mr. Speaker, I have introduced legislation, H.R. 2311, to amend the Internal Revenue Code of 1954 to allow individuals a deduction for certain expenses paid or incurred in connection with the adoption of a child. The deduction would apply to the amount of adoption expenses paid by the taxpayer during the taxable year.

Adoption expenses would include reasonable and necessary adoption agency fees, court costs, attorney fees, and other expenses.
EXTENSIONS OF REMARKS

March 5, 1981

A bill to amend the Internal Revenue Code of 1954 to allow individuals a deduction for certain expenses paid or incurred in connection with the adoption of a child (H.R. 2311)

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That (a) ALLOWANCE OF DEDUCTION.—In the case of any expense paid or incurred in connection with the adoption of a child, there is allowed as a deduction under section 212 an amount equal to such expense.

(b) ADOPTION EXPENSES.—For purposes of this section, the term "adoption expenses" means reasonable and necessary adoption agency fees, court costs, attorney fees, and all other expenses which are directly related to the legal adoption of a child by the taxpayer and which are not incurred in violation of State or Federal law.

(c) ADDITIONAL BENEFIT.—No amount which is taken into account in computing a deduction or credit under any other provision of this chapter shall be allowed as a deduction under this section.

(d) ADAPTATION EXPENSES.—The deduction allowed by section 221 shall apply to taxable years beginning after December 31, 1980.

FIGHT CRIME BY ELIMINATING $100 BILLS

HON. ANTHONY C. BEILENSON
OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. BEILENSON. Mr. Speaker, there is one easy way for us to make it difficult for criminals to conduct business: Remove $100 bills from circulation. Cash is the means of doing business for those involved in numerous illegal activities—from drug smuggling to tax evasion. It is obvious and cumbersome their illegal payments become, the more likely there will be discovery by law enforcement officials. Because removing $100 bills from circulation will deter crime, but not interfere with legitimate transactions, except for, perhaps, occasional inconveniences. I am introducing a bill to prohibit the Federal Reserve from printing notes in denominations of $100, and to provide that after January 1, 1982, $100 bills will no longer be legal tender.

Long ago the Federal Reserve stopped printing bills in denominations larger than $100. Who has missed them? Only those who need to carry or hide large amounts of money, in cash. Likewise, it is evident that the only people who would miss $100 bills are those who want to do business only in cash in order to avoid bank records and the involvement of an outside party in their transactions. People avoiding bank records are doing something illegal—or at least questionable—with their money. It is an undisputed fact that cash is the method of payment in the world of drug dealing, gambling, racketeering, extortion, political payoffs, and other unlawful activities. Cash payments are also used as a way to evade taxes—professionals and contractors, for example, can demand cash payment and, by avoiding bank records, can avoid paying taxes on the money collected.

Removing $100 bills from circulation will not put an end to illegal cash payments, but it will make such transactions much more difficult. Without these bills, criminals are forced to use $50's, $20's, and $10's for cash payoffs. It is much harder to smuggle money out of the country, hand a person $5,000 in a public place, or carry an envelope containing $10,000 in one's pocket if a person must use bills of small denominations rather than $100's. Without $100's, the means of criminal activity become at the very least twice as bulky, unwieldy, burdensome—and most of all, conspicuous—as they are with $100's.

Depriving criminals of such a convenient means of business as large-denomination bills would hardly be worth considering if there was not such good reason to be suspicious of widespread use of these bills. A remarkably large portion of our currency consists of $100's—yet law-abiding citizens have little, if any, use for these bills.

There is about $49.3 billion worth of $100 bills in circulation, making up nearly 40 percent of the total amount of currency in circulation. It is astonishing that there are more than 493,000,000 $100 bills in circulation, because it is so rare that the average person ever missed them? It is difficult for criminals to transfer and hide large sums of money. If we can reduce the increase in the use of credit cards, personal checks, payroll deductions, and other forms of cashless payments over the last decade, there has been a corresponding decrease in the number of $100's in circulation. In the last 10 years, in fact, the percentage of all cash in circulation represented by $100 bills has almost doubled—from 22 percent to nearly 40 percent. The Treasury Department has studied the flow of $100's and concluded, not surprisingly, that $100's are probably being hoarded, and that hundreds of millions of dollars in $100's have been transported out of the country in recent years.

We can guess who is not using $100's: The average, law-abiding citizen. Even with inflation, there is little cause for carrying $100's. It is hard to imagine a situation where a few $20's would not be sufficient cash for one's day-to-day transactions—and as much anyone would pass in one's hand to his or her person. People who do not use credit cards—which most people do use for purchases costing more than the average amount of cash which they carry with them—use personal checks or use traveler's checks for major purchases. Almost no one making a legitimate large transaction uses cash any more.

The inconvenience that removing $100's from circulation might cause people who use these bills for legitimate purposes seems very minor indeed compared to the advantages that might be gained by making it more difficult for people involved in illegal activities to transfer and hide large sums of money. If we can reduce
crime at such a small expense and with minimal inconvenience to law
enforcement agencies on the theory that a certain worth a
try. I would urge the members of the Banking, Finance and Urban Affairs
Committee to consider this proposal—a simple but powerful one—and act on it
favorably.

**ALCOHOL AND DRUG ABUSE AMENDMENTS OF 1981**

**HON. HENRY A. WAXMAN**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. WAXMAN. Mr. Speaker, I am pleased to announce the introduction of H.R. 2272, a 3 fiscal years the authorization of approp-
riations for programs of assistance sponsored by the National Insti-
tute on Alcohol Abuse and Alcoholism (NIAAA) and the National Insti-
tute on Drug Abuse (NIDA). NIAAA and NIDA represent the Federal Gov-
ernment's first line of defense in the battle against two of this Nation's
most intractable public health prob-
lems. Each day, programs sponsored
by the Institutes support prevention
activities and provide treatment ser-
dices to thousands of Americans crip-
pled by drug and alcohol abuse.

The future of these Federal pro-
grams is very much in doubt. The
Reagan administration has proposed
that Federal funding for alcohol and
drug abuse programs be reduced over
25 percent and the remainder folded
into a multibillion dollar discretionary
State health block grant. H.R. 2272
stands in sharp contrast to the ex-
ension of State revenue sharing and is,
I believe, a more efficient use of limited
Federal alcohol and drug abuse funds.

I do not object to States playing a
greater role in the delivery of health
services; indeed I welcome it. What I
object to is the discretionary
nature of the administration's propos-
al and the potential it poses for the
wholesale closing of hundreds of treat-
ment programs and a reduction in pre-
vention activities nationwide.

H.R. 2272 assumes a cautious and
more realistic approach to State ad-
mistration of Federal alcohol and
drug abuse dollars. The bill provides
authority for the award of grants, di-
rectly to State governments, for the
development and administration of
drug and alcohol abuse prevention
and treatment services. These grants are
categorical and require a 50-percent
match to assure that the Federal con-
tribution will build upon, rather than supplant, State funding. Reports on
the administration's health block
grant indicate that it does not require
cost sharing and therefore may en-
courage an overall reduction in the
level of State funding for these activi-
ties. If we are to transfer a greater
portion of Federal funding responsi-
bility to the States, I believe we should
transfer program accountability as well.

Hearings on H.R. 2272 will be held
Wednesday, March 11, 1981, beginning
at 9:30 a.m. At that time, the subcom-
mittee will hear from a wide range of
witnesses representing State govern-
ments, the private voluntary sector,
public health experts, as well as
NIAAA and NIDA. It is my intention
to carefully review the strengths and
failures of current Federal programs
and explore the impact of the adminis-
tration's health block grant on our Na-
tion's commitment to reducing the
impact of drug and alcohol abuse on
society.

**EXTENSIONS OF REMARKS**

**HON. JIM SANTINI**

OF NEVADA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. SANTINI. Mr. Speaker, I would
like to enter in the Record a newspa-
per article that appeared in the Janu-
ary 14-15, 1981, issue of the Desert
News in Utah. It was written by Maj.
Gen. W. T. Fairbourn of the U.S.
Marine Corps, a former senior strategic
planner with the U.S. Joint Chiefs of
Staff. Major General Fairbourn se-
niously questions the effectiveness of
the Air Force's MX racetrack proposal
and suggests other alternative systems
reviewed. I hope my colleagues will
give it the serious attention I believe it
merits.

**THE PROPOSED MX DEPLOYMENT IS STRATEGIC LUNACY**

(By W. T. Fairbourn)

Early in World War II, Franklin D. Roose-
velt secretly commissioned the Manhattan
project which resulted in the production of the atomic
bomb.

Harry Truman ordered that the first
two bombs produced be used against the Japa-
nese in order to end World War II in 1945.

The United States continued to improve
the fission weapons and to stockpile them
and enjoyed a world monopoly in atomic de-
structive force until the Soviets tested their
first weapon.

When the United States tested its first
fusion weapon at Eniwetok, the island
(Engebi) where the weapon was exploded
disappeared. The Soviet Union followed suit
developing its own fusion weapon.

The United States developed and de-
ployed the MIRV (Multiple Independent Re-
entry Vehicle). The Soviets have followed suit.

The United States developed the missile
submarine which is now in its fifth genera-
tion. The Soviet Union is following suit and
has missile submarines deployed.

The United States is preparing to deploy
the cruise missile. The Soviets have a coun-
terpart.

The United States is preparing the MX as a
“mobile” missile. The Soviets are follow-
ing suit by modifying their SS-18.

In every case the United States has been
“first and farthest.” Thus history will assign to the United
States the ultimate responsibility for the creation and disposition of this awesome
weapon.

Is it not time to decide whether we wish to
perpetuate human life as we now know it on
this planet or whether we wish to partici-
pate in its annihilation?

There are various estimates as to the meg-
atonnage needed to render the Soviet Union
militarily ineffective. I will use a nominal
figure of 400 megatons. In our strategic con-
figurations we have more than eight times
that amount. If we add to this the amount we
have in theater and tactical weapons
configuration it will exceed 20 times the
figure of 400 megatons.

Is there justification for the 370 addition-
al metagons that MX will produce? I find
none.

This is proliferation where none is justi-
fied. At a time when the United States
should be taking the lead in the reduction of nuclear weapons it is unilaterally taking
deliberate action to increase it.

There is a considerable body of opinion
that holds that the United States should
be superior in both megatonnage and in war-
heads in order to maintain her position via a
vis the Soviet Union. This belief will not
be sustained by history. What the United States
needs is adequate nuclear force to accomplish its
mission, e.g., to render the Soviet Union
militarily ineffective. More weapons are
unnecessary. Overkill serves no useful
purpose.

As a part of keeping our technology
advanced in the world we need the MX
as a replacement. We deserve the best mis-
sile in the world because we can produce it.

The administration “perceives” that the
Minuteman III is becoming vulnerable. For
the moment let us accept this “perception”
as a fact. Still, it is my view that a new weapon in essentially the same configu-
rates as the present minuteman? It is my
conclusion that a weapon that weighs
195,000 pounds, is buried beneath the level
of the ground, moves once or twice a year,
for a minimum of 7,000 feet and a maximum
of 10 miles, is hardly a mobile weapon.

Whether placing the weapon in any one of
23 prepared emplacements will effectively
hide it for its lifetime is conjecture. It is my
professional opinion that neither a prudent
individual nor a prudent nation would risk
the survivability of such an important weapon to such an improbable future.

The proposed location in Nevada and
Utah would make construction relatively
difficult. With the clusters located relatively
close together, command, control and com-
unication would be relatively simple. Local security in an isolated area with a sparse
population would be enhanced. These
appear to be all the advantages.

Turning to the disadvantages, there are
none. If the U.S. military and the Secreta-
ry of Defense announced at the Demo-
cratic National Convention “To structure
our strategic forces as to convince the Sovi-
EXTENSIONS OF REMARKS

HON. RICHARD L. OTTINGER
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. OTTINGER. Mr. Speaker, I am today introducing legislation which was sponsored in the 96th Congress by Les W. Wolfe, of New York, which will settle an issue that has dragged on for over 30 years. This measure will repay—at no cost to the U.S. taxpayer—those U.S. citizens who have valid claims against the Government of Czechoslovakia arising from losses they sustained as a result of their property being seized by the Government of Czechoslovakia during World War II.

The impasse in the settlement of these claims is, in part, due to the linkage of American claims and Czechoslovak gold reparation claims. This gold was confiscated from Germany at the end of World War II after having initially been looted by the Germans from the various European countries, including Czechoslovakia, which Germany occupied during the war.

This linkage of American claims and Czechoslovak gold reparations was officially established in section 408 of the Trade Act of 1974 in which Congress provided "that Czechoslovak monetary gold held under control of the United States may be returned until a claims agreement has met congressional approval."

Since congressional enactment of the Trade Act of 1974 instructed the Department of State to renegotiate a compromise agreement with the Czechs, 7 fruitless years have passed during which the Czechs have refused to negotiate. Regrettably, the State Department has stopped pressing the matter.

Thus, more than 30 years after the Czechoslovak confiscation program was completed, American claimants remain largely uncompensated for the losses which they have sustained.

One need only communicate personally with some of these aging awardholders, as I have, to appreciate their pain and disappointment as this matter goes unresolved.

This legislation offers the only assurance available that the 2,600 American awardholders will be repaid. It calls for a fair negotiated settlement, but, failing that, would require:

First, liquidation of Czech gold located in the Federal Reserve Bank in New York;

Second, investment of the gold's proceeds; and

Third, repayment of the American awardholders from the investment interest.

I should note that this bill is also fair to the Czechoslovaks as it stipulates that the liquidated gold's full value would be returned to Czechoslovakia after payment of the American awards from the investment interest.

Mr. Speaker, these aging American awardholders literally cannot wait any longer for relief. If the State Department cannot guarantee a prompt, compensatory settlement—and it has repeatedly admitted that it cannot—then the Congress should act swiftly to end this cruel impasse by enacting this important piece of legislation.

IZOLDE TUFELD CASE

HON. PATRICIA SCHROEDER
OF COLORADO
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mrs. SCHROEDER. Mr. Speaker, I would like to bring to the attention of my colleagues the case of Izolde Tufeld. She has been suffering for the last 2 years with a neurological disease which, if treated, is curable. Her husband, Dr. Vladimir Tufeld, has been in contact with neurological surgeons Dr. Verner Friedman in Denver, Colo., by letter and telephone, and has been advised by Dr. Friedman that his wife is suffering from an acoustic neuroma, or some other cerebellum pontine angle tumor. In the absence, however, of laboratory test and a CT scan, neither of which are available in the Soviet Union, this diagnosis cannot be confirmed. Dr. Friedman has invited Dr. and Mrs. Tufeld to come to Denver so that she can be treated. Their request has been denied by the Soviet Government.
EXTENSIONS OF REMARKS

standing and appreciation of nature which so characterized his work and his writing. It was no greater tribute

Mr. Speaker, the report issued on March 2, 1981, by the Comptroller General of the United States, Elmer Staats, on the question of Puerto Rico's political future as a result of requests made by Senator J. Bawerri Johnston and myself is a well-documented study analyzing the options of statehood, changes in commonwealth status, and independence.

On the very appropriateness of a different viewpoint, the report gives an analysis of the economic, social, and political development in Puerto Rico and the Congress in the event of such declarations. It presents the ramifications of each status alternative.

The exposition of the three status alternatives—statehood, changes in commonwealth status, and independence, as they are described by advocates of each formula is serious and responsible. We, as Puerto Ricans, should feel proud of the degree of sophism and sophistication shown by proponents of each of the three formulas as they defend policies and strategies concerning economic development, scope of government services, and revenue sources to finance such activities.

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Looking into some of the specifics in the report, as they pertain to the economic viability of statehood, it is important to note that:

One. Payment of Federal taxes by individuals under statehood will not be burdensome to our population and will be set off by substantial increases of additional Federal funds coming to Puerto Rico both to individuals as well as the government. The island's Federal individual income tax liability would have increased by only $246 million over what we now pay under the current status if we had been a State
in 1979. Because of Puerto Rico's low per capita income, about 43 percent of the Puerto Rican tax returns in 1979 would have had no Federal tax liability and 70 percent of Puerto Rican tax returns could have been eligible for an estimated $36 million in earned income credits.

Two. The government of Puerto Rico may reduce Puerto Rican income taxes as a relief to individuals paying Federal income taxes. For instance, the $240 million paid by individuals in Puerto Rico to the Federal Government in income taxes under statehood could be reduced by the Puerto Rican government by tax cuts under the Puerto Rican income tax laws.

Three. If Puerto Rico had been a State in 1979, the island would not have received $273 million in Federal excise tax and custom duty rebates-mainly from alcoholic beverages, gasoline, cigarettes, and others—but such lost revenue would have been replaced by the estimated increased Federal aid unsecured income program.

We should begin to design the blueprint for a more solid economic development toward the future adjustable tax exemptions for profits made by U.S. mainland firms doing business in Puerto Rico. Congress may unilaterally eliminate the benefits of section 936 of the Internal Revenue Code any time. We would oppose such move, but we should not be caught unprepared. Adjustments would be made to existing Federal and Puerto Rican tax laws.

Four. The main tax impact under statehood would go to corporations and the needs of private enterprises and ventures-local, from the U.S. mainland and abroad—willing to participate in our progress.

Finally, it should be noted that while the process of change toward statehood requires the careful development of appropriate economic and fiscal policies, and there is no absolute certainty that such process will be an easy task, the fact is that the economic vulnerability of our current status creates even more difficulties. The economic development of Puerto Rico, to a large degree, has been made hostage to a shaky fiscal policy of Federal tax exemption for profits made by U.S. mainland firms doing business in Puerto Rico. Congress may unilaterally eliminate the benefits of section 936 of the Internal Revenue Code any time. We would oppose such move, but we should not be caught unprepared. Adjustments would be made to existing Federal and Puerto Rican tax laws.

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The urban development action grant program has been perhaps the most successful Federal program, per dollar spent, for inducing businesses to bring dollars back into economically depressed areas.

Mayors from all regions of the country—both Democrats and Republicans—as well as business leaders, community activists, and ordinary citizens, have praised UDAG's action grants as a way to revitalize failing business districts.

These folks talk with pride and hope about new partnerships between government and industry that have rebuilt factories, re-opened businesses, and redeveloped neighborhoods. They also talk about thousands of jobs that have been produced. Many UDAG projects are not completed yet, and the level of government support will mean the difference between their success or failure.

President Reagan says he wants to "integrate" UDAG with community development block grants to provide "a more efficient and flexible grant mechanism." He says he wants to cut the budgets of these two programs by $584 million in 1982 with progressively deeper cuts the following years. UDAG's 1981 budget was $675 million.

To propose a consolidation of UDAG and CDBG is less devastating than OMB Director David Stockman's original proposal to eliminate UDAG entirely, but it is still a bad idea.

Integrating UDAG with CDBG would misconstrue the uses of the two programs and take away the unique qualities that make UDAG so effective.

Community development block grants are awarded to thousands of local governments nationwide on a formula, no-strings-attached basis. This is a valuable program—one that helps communities rehabilitate housing facilities, repair streets and sewers, develop commercial and industrial areas, and provide urban parks. However, these block grants do not require private investment and they do not focus directly on projects that will create permanent jobs in depressed areas.

UDAG, on the other hand, is sharply targeted to those areas most in need of economic assistance. It is not a formula program, but one in which proposed projects compete for Federal dollars on the basis of local commitment by private industry and local governments and citizens. These groups must be willing to invest money and human resources.

While block grants and action grants both help local communities, they serve different purposes and should not be combined. UDAG's record of achievement speaks for itself. In fact, if we decide to reduce the size of Federal programs according to their proven merit, then UDAG should be
EXTENSIONS OF REMARKS

The UDAG program is a new initiative that works. To eliminate or reduce this program blindly, because of some misdirected fervor for so-called across-the-board budget cuts would be a senseless act of false economy. If it would the hopes of millions of Americans to improve their local economies and their lives.

WAR POWERS RESOLUTION AND EL SALVADOR

HON. WILLIAM S. BROOMFIELD
OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. BROOMFIELD. Mr. Speaker, as my colleagues know, the Reagan administration, intent upon preventing the success of what it views as a clear case of Communist supported insurgency in El Salvador, last week announced that it was sending 25 U.S. military training personnel to that country in order to train El Salvadoran forces. These are in addition to 19 such personnel sent to El Salvador by the Carter administration.

Concern has been expressed to me by some of my colleagues as well as some constituents over the applicability of the war powers resolution to this situation. As the ranking Republican on the House Foreign Affairs Committee and its Subcommittee on International Security and Scientific Affairs, which has oversight over this committee, I have posed certain questions to the Department of State regarding its applicability. The Department's response follows:

APPLICATION OF THE WAR POWERS RESOLUTION TO EL SALVADOR

The War Powers Resolution does not apply to the present situation in El Salvador. The Resolution applies only where U.S. military personnel are introduced (1) into hostilities or situations where it is clear that their involvement in hostilities is imminent, or (2) into foreign territory while equipped for combat.

HOSTILITIES

The U.S. personnel in El Salvador are not being introduced into hostilities or a situation where their involvement in hostilities is imminent:

The level of hostilities in El Salvador has receded since the insurgent offensive in January, and significant fighting is not presently occurring in the areas to which U.S. military personnel will be sent. To date, there have been no attacks on U.S. military personnel.

These personnel will be stationed either in San Salvador (the capital) or in certain carefully selected regional military garrisons. Special precautions will be taken to provide constant security for their living and working areas.

This personnel will not go on patrol or combat missions with Salvadoran forces, or otherwise be placed in situations where combat is likely. They will not act as combat advisors, but rather will provide training to Salvadoran personnel who come to their training centers.

This situation has been carefully examined by military and foreign service experts who are familiar with current conditions in El Salvador. On the basis of their advice, the Administration has concluded that present circumstances do not indicate an imminent involvement of U.S. personnel in hostilities.

However, this aspect of the situation in El Salvador will be kept under continuing review by the State and Defense Departments. If some change in circumstances should occur in the future which raises the prospect of imminent involvement of these personnel in hostilities, we would of course comply with the requirements of the Resolution.

EQUIPPED FOR COMBAT

Section 4(a)(2) of the War Powers Resolution requires a report to Congress within 48 hours after the introduction into foreign territory of U.S. Armed Forces "while equipped for combat" (with some exceptions). This provision does not apply to the U.S. military personnel who are already in El Salvador or to the additional mobile training teams which are about to be sent to that country.

These personnel will carry only personal sidearms, which they are only authorized to use in their own defense or the defense of other Americans.

It is not unusual for U.S. military personnel abroad in non-combat roles to carry or have access to personal weapons for individual self-defense (for example, U.S. aircrews), and this has never been regarded as triggering the War Powers Resolution.

A small training team whose members carry sidearms would have no meaningful combat capability, and is not a force equipped for combat within the meaning of this section.

ACCOMPANYING FOREIGN FORCES

Section 8(c) of the War Powers Resolution states that the term "introduction of United States Armed Forces" includes the assignment of members of such armed forces to participate in the movement of, or accompany the regular or irregular military forces of any foreign country or government when such military forces are engaged, or there exists an imminent threat that such forces will become engaged, in hostilities.

This Section was designed to make clear that the Resolution applies to individual members of U.S. forces who may enter hostilities as commanders or advisors, as well as U.S. combat units. It was not intended to require a War Powers report any time U.S. military personnel may be involved in training or advising foreign military personnel if there is no imminent involvement of U.S. personnel in hostilities.

In the case of El Salvador, U.S. military personnel will not act as combat advisors, and will not accompany Salvadoran forces in combat, on operational patrols, or in any other situation where combat is likely. For
the purpose of Section 8(c), they will not "command, coordinate, participate in the movement of, or accompany" Salvadoran forces at any time or place where involvement in hostilities is imminent.

TOO MUCH CAPITAL FOR HOUSING?

HON. BENJAMIN S. ROSENTHAL
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 5, 1981

Mr. ROSENTHAL. Mr. Speaker, the Housing and Community Development Act of 1980 (Public Law 96-399) at section 603 expresses the sense of Congress that--

Lending by federally insured lending institutions for the conversion of rental housing to condominium and cooperative housing should be discouraged where there are adverse impacts on housing opportunities of the low and moderate-income and elderly and handicapped tenants involved.

The Subcommittee on Commerce, Consumer and Monetary Affairs, which I chair, has been monitoring enforcement of this provision in connection with its investigation of Federal activities impacting the conversion issue. I have asked the General Accounting Office to report on what, if anything, the banks and thrift institutions have been doing to discourage lending where the adverse impacts mentioned in the law occur.

In addition to section 603, there are other reasons for banks and thrift institutions to carefully consider loans for certain condo and co-op conversions. In an article in the summer 1980 issue of the Brookings Bulletin, the highly regarded housing expert Anthony Downs makes the point that we are providing too much money to finance housing generally. Mr. Downs states:

Much of that money simply inflates the market prices of the existing inventory rather than adding to the total housing supply.

In my view, we are not encouraging investment in new housing or rehabilitation, but instead are encouraging speculative investment in existing housing, and converted condos and co-ops make up an increasing portion of this market.

Mr. Downs's article follows:

Too Much Capital for Housing?

High interest rates and the recent curtailment of mortgage credit have cast a shadow over the housing industry. Many people in the housing industry fear that the United States cannot invest more funds in housing. Their concern is understandable, yet I see evidence that in recent years we have been investing more capital in financing housing than is good for us.

For more than a half a decade, our nation has been experiencing a slowdown in productivity growth and recently an absolute decline in productivity. We need to make high-quality investment in industrial plant and equipment to compete in world markets. Yet more American capital flows into mortgages for housing than into any other single use, including business investment or state and local government finance.

Some evidence suggests that much of this capital is diverted into housing rather than used to produce additional housing units. So large a use of resources should be neither inevitable nor inescapable.

We should be asking: Is our system of financing housing diverting too many resources from other investments that might help counteract declining American productivity?

I emphasize that I have not reached a definitive answer to this question. In exploring it with you, I will offer a series of propositions that may stimulate additional thinking.

Our Postshelter Society

The first proposition grows out of the changing attitude toward housing held by American consumers. Housing is no longer considered merely shelter. Many buyers now view it primarily as an investment that allows them to accumulate capital and to hedge against inflation. As George Sternlieb has put it, we are becoming a "post-shelter" society where the family or group of homebuyers and homeowners is often dominated by investment considerations.

The pervasive attitude leads many people to invest in more space than they really need and to buy homes at an earlier age than they did just a decade ago. It has also led them to expand the share of their incomes they devote to housing. Surveys conducted by the U.S. League of Savings Associations show that median spending on housing among home purchasers was 24 percent of income in 1979, up from 22 percent in 1977. Since that was the median, many homebuyers are devoting more than the usual 25 percent share of their income to housing.

The second proposition is that housing as an investment offers extraordinary tax advantages compared to any alternative form of investment, such as corporate stocks, bonds, or even direct investment in small business. Yet those alternative investments, especially in small business, provide most of the innovation and new private job creation in our economy.

The attraction of homeownership is increased by interest payments and property taxes from taxable income. But the really stupendous tax advantages result from the ability to sell a house without paying capital gains taxes on the proceeds so long as another home is purchased, and to take out $100,000 in capital gains after the age of fifty-five without paying any tax whatsoever. No other form of investment offers anything remotely approaching these advantages. Moreover, they induce households to purchase ever more costly homes as time goes on.

The Rewards of Inflation

Inflation has brought about an increase in consumer housing decisions, an even larger consideration in recent years has been inflation. My third proposition is that investment in housing has become far more than a strategy to "keep up" with inflation. In addition to that, inflation magnifies the other benefits of homeownership.

The clear advantage lies in the high leveraging that is possible. The Investor can borrow up to 80 percent of the purchase price of the initial cost of a house. With so small a down payment, any significant percentage rise in the price of the whole asset provides a huge return on equity. Take the example of a California home bought in 1976 with 20 percent down. The median price of homes sold in California rose at a compound annual rate of 20.9 percent from 1976 to 1980, increasing the value of a typical home by more than 100 percent every year.

Post-Shelter Nation as a whole, the price of existing single-family homes has increased by an average of 12.7 percent each year since 1979. The average house purchased with a 20 percent down payment has thus shown a 63.5 percent annual increase in initial equity. Even after deducting associated costs, the profits resulting from homeownership are remarkable—and totally tax-free.

Consumers are alert to this opportunity. Millions of households have rushed to buy homes, thereby stimulating housing price increases at a rate greater than the overall rate of inflation, at least until last year. Borrowers in constant demand have not curtailed the number of units demanded, as economic theory would predict. Rather they have increased the number by stimulating greater total demand by people who expect additional price increases.

Inflation also causes the carrying costs of occupancy, the costs of owning a home, to decline in real terms over time. Debt service usually accounts for well over half the costs of owning a home during a period of accelerating inflation. These costs like utility bills and local taxes rise rapidly, with mortgage payments fixed and household incomes rising, homeowners pay greater proportion of their real income to real property taxes each month—as well as falling percentages of household income. This fact has been observed in all the economists, as well as in other simplified calculation will make this clear.

If a borrower pays 12 percent interest on a mortgage when prices are rising 10 percent, the real cost of the interest is 1.8 percent before taxes. If inflation is 12 percent, the real cost of the interest is 1.8 percent. If the borrower has 1 percent of his annual income in the form of an interest deduction, the saver has a 1 percent tax credit, so the borrower pays 11 percent after taxes and 40 percent less than the capital interest tax bracket. If the home itself is rising in value at 12.7 percent a year, as it has on the average for the entire nation in the 1970s, then the holding period return is negative and the after-tax rate is minus 4.8 percent.

These considerations are based on a one-year loan. The results are even more dramatic when compounded over a long-term loan during a period of accelerating inflation such as we have experienced. Most lenders did not anticipate that acceleration. Hence they charged interest rates that were too low, and their own margins have gone down. For the owners whose deposits supplied much of the money for home loans. The increased cost has been more than offset by tax benefits during the 1970s at the expense of lenders and savers.

Naturally, this situation has discouraged consumers from saving out of current income. They have simply moved their savings under their own roofs, so to speak, by regarding increases in their home equity as savings. After all, they can earn for greatness...
er rates of return on investments in real estate, the inflation of the reported money—than they can on savings accounts. They have come to look upon borrowing to purchase housing as the best way to increase their family savings. They believe, as my father used to say, that "what you owe tomorrow is less than what you own today." A related issue is the restriction of new housing production by local governments. When the demand for increased sheltered demand in growth areas by restricting additions to the supply, escalation of the prices of existing units is inevitable. Higher prices soak up more financial capital and fewer new units are produced than would otherwise be the case. Such restrictions are often imposed in the name of environmental protection; but local officeholders surely know that the restrictions add money to the balance sheets of the homeownership majority of voters in their jurisdictions. In California, for example, the production of new units declined by 21 percent in 1978 from the peak it had reached two years earlier; this stimulated a rapid increase in the median price of existing units, which rose 39 percent from February 1979 to February 1980 alone and represented a gain of about $20,000 per home.

It may seem inconsistent to criticize local governments for restricting new home construction when I have just argued that current estimates of future housing needs may be exaggerated. Yet many parts of the United States have urgent needs for more housing units, especially fast-growing areas experiencing heavy net in-migration. Precisely those areas tend to place the most restrictions on new homebuilding. It is not that the United States is building too much housing. We undoubtedly will need a great many new more housing units in the next few years. The point is that we are providing too much money to finance housing. Much of that money simply inflates the market prices of the existing inventories of the total housing supply. Restrictions placed on new development by local governments tend to worsen the housing supply problems.

The fraction of all capital raised by non-federal governments in housing finance is often justified by references to demographic trends. Its defenders claim that high rates of household formation demonstrate a "need" for more housing. But do people put more capital into housing as they are buying? In 1976, for example, 22 percent of all home purchases were made by single persons. Many bought houses large enough to shelter their families—far more space than one person must have for shelter. They bought for investment reasons. Cash buyers purchased their first home from 36 percent in 1977 to over 50 percent in 1979.

ARE HOUSING NEEDS EXAGGERATED?

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rollover or renegotiable mortgages is a 
move in this direction. If future buyers do 
not receive a greater share of real rewards 
from the housing investments they finance 
than they have in recent years, many will 
save less out of their current incomes. This 
is shown by the decline in the savings rate 
in the 1970s. This problem could be eased by 
raising the real cost of capital for 
homebuilding purchases so profitable. After all, 
not everyone can be a borrower; someone 
must defer immediate consumption by 
saving or no borrowing will be possible. 
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believe to have been just and honorable, and their comrades were not permitted to fight to win.

On the other hand, some veterans who believe in越战 was wrong felt wrong from the outset and an unjustified interference in the affairs of the Vietnamese, share the same kinds of despair, pain and bitterness as part of their symptoms.

Thus, our regular experience in rep group now is that the political disagreement is verbal and important, but transcended in the search for a common healing outcome.

A third major factor which has caused the perpetuation of stress syndrome in Vietnam veterans came about when the veteran returned home. Many veterans came home to friends, family and community who lacked the capacity to help in the emotional de-briefing process which all war veterans need to overcome.

Because of the seemingly endless exposure to the war on television, or the deep divisions which came into our society over the war, or because so much of the civilian population was discouraged by the fact that so little was accomplished and so much lost, many Vietnam veterans could not stand to hear any more about Vietnam. By the end, at least as many professional advocates and friends as they who were there at all. They had to overcome the wounds to heal, with not much left over with which the veteran worked it out.

I must emphatically add that many psychologists, psychiatrists and other counselors with few exceptions have, until very recently, not been able to help those Vietnam veterans who needed to talk out the war. These professionals, too, have not been well enough trained to do it.

The hitch has been that for most Vietnam veterans with a stress syndrome, a true solution lies in the institution of a new re-experiencing, to some extent, the events which they lived through in Indochina. They must be remembered before they can be forgotten.

That need for talking it out will be instantly recognized by many veterans of other wars of the modern era. Without returning to those wars, the Vietnam veterans and their families, friends and other veterans can honestly—and with feelings—bring the burden to their present and make it a constructive part of the future.

The core of the psychological difficulties which some Vietnam veterans are now struggling to recover from is the same as in veterans from other wars: the trauma of death, horror, humiliation, and suffering. Those who served in Vietnam, Vietnam veterans and Korea to this day are fighting the same struggle.

It is this struggle that through the concentrated attention which we professionals, community workers, Vietnam veterans and friends are now directing toward stress disorder in Vietnam veterans, we shall inspire the Veterans Administration and the nation at large to a deeper understanding of the past, present and wisdom of all veterans of war, and to a more sensitive appreciation of the ways in which returned warriors can fully contribute to a happier and more peaceful society.

EXTENSIONS OF REMARKS

EULOGY OF MSGR. D. JOSEPH CORBETT, MINISTRY OF LEADERSHIP AND SERVICE TO ALL

HON. CLEMENT J. ZABLOCKI OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. ZABLOCKI. Mr. Speaker, upon the passing away of Rev. Msgr. D. Joseph Corbett on February 19, 1981, my fellow parishioners at the Shrine of the Blessed Sacrament, Catholic Church—as well as the entire Christian community of Washington—lost a beloved pastor and inspirational religious leader.

In his 30 years as a priest of the Washington Archdiocese, Monsignor Corbett served as pastor in three different parishes; director of the Confraternity of Christian Doctrine; secretary to Cardinal O'Boyle; rector of the Archdiocese of Washington Preparatory Seminary; and elected member of the archdiocese's priests' senate.

In reflecting on Monsignor Corbett's lifetime ministry of service to the people of Washington, an overflow congregation of fellow priests and sisters, relatives, friends, and Blessed Sacrament parishioners attended his Mass of Christian Burial on February 23. With Cardinal Patrick A. O'Boyle in attendance, and joined by Bishop Thomas W. Lyons and Bishop Eugene A. Marino, the Archbishop of Washington, James A. Hickey, celebrated the mass at Blessed Sacrament.

In his eulogy, Fr. James Lockman, acting administrator at Blessed Sacrament, noted the positive influence that Monsignor Corbett had on countless people, including and especially the parishioners of Blessed Sacrament Parish.

Though countless the achievements of Msgr. Corbett, none surpasses the dedication, personal, and humble way in which he gave of himself to all whom he knew, counseled, and served. With relentless dedication, he committed himself to the spirit and vision given to the Church through the Second Vatican Council and he shared this vision together with all those to whom he ministered.

Monsignor Corbett's impact on the many people he so ably served included the future of our country—our youth. This was most poignantly reflected by an 8-year-old parishioner who, at Monsignor Corbett's funeral mass, observed to her father: 'Daddy, I have lost a friend.'

The wellspring of Monsignor Corbett's strength and hope is best reflected in one of his favorite psalms which he had written in his personal breviary and prayed daily.

You, Oh Lord, are my lamp.
My God who lightens my darkness
With you I can break any barrier.
And with my God I can scale any wall.—(Ps. 18: 30-31)

CHILD WELFARE AND ADOPTION

HON. SHIRLEY CHISHOLM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mrs. CHISHOLM. Mr. Speaker, the Children's Defense Fund (CDF) has worked over a decade to improve the lot of the poor, homeless, and handicapped children and their families. It is the feeling of this group that the poor and their children stand to lose much if the President's proposed budget cuts are approved.

In response to what it calls the Stockman plan, CDF has prepared "A Children's Defense Budget: A Response to President Reagan's Black Book."

Following is the first chapter of the document, entitled "Child Welfare and Adoption."

CHILD WELFARE AND ADOPTION

WHAT IS THE ADOPTION ASSISTANCE AND CHILD WELFARE ACT OF 1980?

The Adoption Assistance and Child Welfare Act of 1980 (Public Law 96-272) passed the House by a vote of 401 to 2 after years of effort. It seeks to provide the federal leadership needed to produce long overdue reforms in the child welfare system which has encouraged family break-up and long term, expensive out-of-home care for children. The new law attempts to redirect federal fiscal incentives and encourage states to keep families together, get children out of the limbo of foster care and into permanent families through return home or adoption.

The reforms uniquely link federal incentives to keep families together, get children out of the limbo of foster care and into permanent families through return home or adoption.

Children enter care only when necessary. Children who must enter care are placed in the most appropriate family-like setting.

Children's placements are reviewed periodically to prevent them from staying in care any longer than needed and protect them from getting lost in the foster care system.

Children are returned home or provided with new permanent families in a timely fashion.

The act also provides federal reimbursement to states for subsidies to assist with the adoption of children with special needs (such as mental, physical, or emotional handicaps).

* These reforms revise the Title IV-B Child Welfare Services program, and combine the federal Foster Care program and new Adoption Assistance program in the Title IV-E program.
WHO BENEFITS FROM THE ADOPTION ASSISTANCE AND CHILD WELFARE ACT?

The act brings desperately needed help to the over half million homeless children added to the nation's rolls since 1970. The number of children in foster care and the number of foster parents who enter foster care each month...More who enter foster care each month.

Many of these children have been needlessly removed from their families and are left to linger in costly facilities that range from foster family homes to large child care institutions.

Many of these children have special needs stemming from physical, mental, or emotional handicaps; some are victims of parental abuse and neglect; others have been involved with the juvenile court. Approximately 60 percent of these children are...over half million homeless children: many things for herself. Yet the school system argued it had no services for her, foster family homes to large child care institutions.

Child care an average of five years, moving from foster home to foster home or institution to institution. They are neither returned home nor given legal access to their own families through adoption. Often, they are cruelly forgotten or written off as lost causes.

Cindy is a seven-year-old retarded child whose mother made numerous unsuccessful attempts to enroll her in the public school system in the southern rural community where they live. Cindy could already do many things for herself. Yet the school system argued that she had no services for her, foster family homes to large child care institutions.

She has not seen her own parents in four years but...afraid to keep Cindy at home. Cindy and her mother were receiving public assistance but the local welfare officials did nothing to help Cindy's mother insist the schools provide an appropriate education. Instead, they wanted to place Cindy in a state institution for the mentally retarded. When Cindy's mother refused, the local department formally charged her with neglect. The Court upheld the decision to place Cindy in the state institution.

These children and thousands of others like them in the southern rural community where they live...to give total responsibility to the schools. The department is conducting on finding permanent homes for children...are the children in care by 30 percent. These reductions will never be realized if the Act is gutted.

The Reagan Administration proclaims a budgetary wisdom but ignores findings proving that public dollars used to keep families together now are more cost-effective in the long run than placing children in care. In 1977 the state of Washington passed legislation mandating intervention services for "families in severe conflict." About 40 percent of these services were delivered to children to help them stay in their own homes. Washington state officials say that the legislation and an increased emphasis on finding permanent homes for children saved the state about $2 million in a six-month period alone.

EXTENSIONS OF REMARKS

March 5, 1981

The Administration's current proposal cuts the Adoption Assistance and Child Welfare Act of all its procedural reforms and fiscal incentives by placing it in a block grant, the Social/Community Services and Health Program Consolidation, with over 30 other programs and by reducing their combined budgets by 28 percent from fiscal year 1981 levels. In fact, states are free to eliminate the child welfare and adoption programs in this act. The federal leadership anticipated by the act and necessary to stop state neglect and abuse of children and families will be gutted in this proposal.

Homeless children will get lost. Thou­sands of our country's most vulnerable children will continue to get lost in the foster care system. The procedures, assumptions in the information systems, case plans, and case review systems—to identify the most needy children will no longer be required under the consolidation proposal.

Children will continue to languish in foster care for years waiting for promote the lack of leadership and revised fiscal incentives will mean that the children will continue to be spent for costly out-of-home care because it is an easier and more familiar course of action for child welfare workers. Without the incentive to develop service programs that specifically keep families together or reunite them, states are not apt to use dollars for the upfront costs of implementing these programs. And the long range cost-savings which...to keep children at home. Cindy and her mother were receiving public assistance but the local welfare officials did nothing to help Cindy's mother insist the schools provide an appropriate education. Instead, they wanted to place Cindy in a state institution for the mentally retarded. When Cindy's mother refused, the local department formally charged her with neglect. The Court upheld the decision to place Cindy in the state institution.

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Between October 1975 and November 1978 the State of Iowa's Department of Social Service ran, within a seven-county district, a group of preventive services for children already dispositioned to be placed in institutions. The services were delivered to families in their own homes. The department estimated their savings from these programs as $1,534,211.

THE REAGAN ADMINISTRATION'S CURRENT PROPOSAL IS ANTI-FAMILY

It deliberately underfunds the program designed to strengthen families which Congress enacted only last year. It doesn't even give the act a chance to work after hundreds of hours have been spent designing it so that it will. The hopes raised for families and children less than eight months ago, when the Adoption Assistance and Child Welfare Act was enacted, will be ruthlessly crushed now that these same families are told that a targeted investment on their behalves is not a "wise" investment.

The Reagan Administration's proposal makes no similar attempt to preserve families. In fact, when coupled with the effects of other current administration proposals to cut back food stamps, Aid to Families with Dependent Children, and Medicaid, the stability of more and more families will be threatened. It makes no sense in any terms—particularly not fiscal ones—when we recognize, as recent data do, the growing number of families today. And it resigns to oblivion the greater and greater number of children who will enter the limbo of foster care without any way of fighting back.

MASS TRANSIT MUST NOT BE IGNORED

HON. RICHARD L. OTTINGER
OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 5, 1981

Mr. OTTINGER. Mr. Speaker, on February 17, the Subcommittee on Commerce, Transportation, and Tourism held a hearing in New York City on commuter rail service provided by Conrail in the Northeast. The hearing focused on whether Conrail should continue to operate commuter service in the Northeast. The hearing on Wednesday, March 5, 1981.
March 5, 1981

which plague many public transportation systems across the country are faced with shrinking budgets and increased ridership. I urge my colleagues to study, understand, and address the complex problems facing the mass transit industry and to propose solutions which foster well-being and growth in this critical industry—an industry which is the lifeblood of our economy.

Statement of Hon. Richard L. Ottinger
Before the Subcommittee on Commerce, Transportation, and Tourism—February 17, 1981

Mr. Chairman, I appreciate this opportunity to participate in the Subcommittee's examination of Conrail commuter rail service in the state of New York. I represent Westchester County, New York. One-hundred and sixty-six thousand of my constituents travel the 234-mile Conrail Hudson, Harlem and New Haven lines each day. These rail services contribute both to the economic health of my communities and New York City and also play an important role in reducing congestion, and holding down pollution in the metropolitan area.

The present organization of commuter rail management is a nightmare with a dozen entities having a role in policy and funding of the service including not just the Metropolitan Transportation Authority (MTA) and Conrail but also the Urban Mass Transportation Administration (UMTA), Federal Highway Administration (FHWA), National Transportation Safety Board, the New York and Connecticut Departments of Transportation, and the County Department of Transportation. Financial, management, equipment acquisition, and heavy maintenance responsibilities for our commuter rail system rest with the MTA. The MTA contracts with Conrail to operate the commuter rail service on the Harlem and Hudson lines. Conrail has a joint agreement with the MTA and Connecticut Department of Transportation for service to commuters on the New Haven line. Although it contracts with Conrail for operating services, the MTA cannot directly assess penalties against Conrail for standard performance or non-performance. Any disciplinary actions must be taken by Conrail, and it has failed to provide any such authority in its contract.

Commuter rail service in Westchester County is atrocious and we are literally a gawp away from total disaster. The system is ready to collapse. As MTA Chairman Richard Ravitch told a State Assembly panel several weeks ago, things have deteriorated to a point that "a state of emergency" now exists.

Between November 7 and December 5 of last year, there were six accidents on the MTA/Conrail lines. The November 7 head-on collision at Dobbs Ferry injured 100 people and an accident on December 5 killed 2 Conrail workers. On a daily basis, commuters are faced with serious overcrowding and inadequate ventilation. Heating and air conditioning are inadequate on many direct trains. The MTA Chairman noted in December, 1980, for example, the Harlem and Hudson lines were lacking 27 cars on the normal morning rush trains. Last summer, conditions on the commuter rail lines were so horrendous that literally hundreds of my constituents contacted me sharing tales of horror and begging for relief. In one letter which I received a commuter detailed his experiences noting: "In the fourteen years that I have been riding the commuter trains into New York City, conditions have never been as bad as they were on the Harlem Division." He went on to recount what had become a "fairly typical" daily train trip. He commented: "On the morning of May 18, there were only half the normal complement of cars, which resulted in severe crowding for what has become the usual complement of standees. There are no straps for standees in the cars and passengers, including many elderly persons and women, were badly jostled. In the evening, my train had a breakdown at the Mount Vernon station and the undercarriage on my car caught fire and became enveloped in the billowing smoke. There was panic in the car, but, fortunately, the doors were open and the passengers were able to escape."

He went on to state that, "You should know that I am not complaining here about the many cars in which the air conditioning does not work or stiff lighting failures or about well-intentioned trainmen who are too embarrassed or unable to collect tickets in overcrowded cars." Mr. Chairman, the situation is so critical that I can say in all seriousness and candor that we should consider taking warning and make every effort to correct the problem. I believe that such a team performed a similar function on the Louisville/Nashville line resulting in a 43% reduction of train accidents in one year.

There have been many proposals for reorganizing the Conrail commuter operation ranging from creating a new public authority to run the commuter rail system, to transferring the responsibility of the commuter system to Amtrak, to granting MTA full authority for the management and operation of the rail lines. I have intentionally not endorsed any particular because of my reluctance to focus attention away from the really critical problem with the system—years and years of inadequate funding and neglect of the system in the use of obsolete equipment and deferral of adequate maintenance resulting in safety and health hazards.

I am certainly not opposed to changing the current structure of the Conrail commuter operations in Westchester; however, I want to make sure that any change is not just a cosmetic one and we are not merely "reshuffling the deck chairs on the Titanic." As one observer noted, we want to make certain that we are not just offering a "fresh target for the frustrated commuter." Prior to my endorsement of any plan, another must be convinced that there is some assurance of good management, adequate funding, and that appropriate labor and management relations questions are addressed.

We must also recognize that at long last MTA has an able chairman who takes improve rail service very seriously and is addressing himself creatively to analysis of the problems and proposal of reasonable solutions. Also, Conrail has appointed an executive vice president, knowledgeable, available and capable manager, to run the service. It would be a mistake to promote organizational change for its own sake, ignoring the difficulty of getting the kind of experienced and able top management. Conrail also must be exercised to assure that any new entity would have access to federal funds specifically allocated for mass transit and would inherit its UMTA commitment.

I am aware that the United States Railway Association is studying Conrail commuter operations. I am pleased that the UMTA is planning to issue a report in April. It was noted in USRA’s December 1980 report entitled, "Prospects for Public Funding of Conrail Service Objectives and Economic Realities," that Conrail should not be the vehicle through which the responsible agencies obtain their commuter rail services if any reasonable alternative is available. The report goes on to say that Conrail’s commuter operations divert management attention away from the primary freight objective of the railroad and further, the frequent delays in subsidy payments and inadequacy of such payments impose a financial burden on the system. The report seems to indicate that the diversification of Conrail’s commuter operations may be fast approaching.

With probable realignment in store for the future, I suggest that a regional task force be organized to develop an alternative to the current system for providing commuter rail service. In the case of the MTA/Conrail system, I suggest that representatives of the federal, state and local governments, the MTA, Conrail, and most importantly commuter representatives participate in such a task force. Over the years, I have represented a similar group of people on a frequent but ad hoc basis to address the Conrail commuter rail issues. This coordinated approach has succeeded in the past and only a more formalized state would be an improvement.

Capital funding to overcome the years of neglect of the system will be an essential element of any solution, as well as adequate operating revenues. Mass transit advocates fought hard during the last session of Congress to enact legislation which would have changed the formula for allocating operating and capital assistance to the mass transit industry. The formula change to the Section 5 UMTA program would have based the distribution of funds on service-based factors rather than solely federal formula aid. If such legislation were enacted, the MTA system, which carries 38% of the nation’s transit riders and collects 40% of the revenue, would have received double the amount of operating assistance within 5 years—from $207.9 million to $404.7 million. We must continue working for this critical formula change.

We are hearing rumors that the Reagan Administration wants to cut mass transit aid. I will fight hard to at least maintain current level of capital and operating funding levels. Should these critical funds be slashed, all other potential ways of raising capital for the system must be explored. We must be creative in devising and supporting alternative revenue programs.

MTA Chairman Richard Ravitch has identified a list of options for new sources of funding. The MTA’s priority list which MTA has identified as necessary for capital revitalization for the system for the next decade. (Mr. Ravitch has identified $1.33 billion in capital funding which MTA would need a ten-year period to restore the MTA portion of Conrail to "a state of good repair.") Several of the Ravitch proposals are particular-
ly innovative and deserve your subcommittee's careful examination.

One of these is to amend federal law to permit the Secretary of Transportation to enter into contracts with public agencies like MTA to get new funding commitments over several years rather than waiting year by year for appropriations to come forth from Congress. This change would give MTA the ability to borrow substantial amounts of capital backed by those contracts. I strongly support this change.

Another mechanism proposed originally by Assemblyman Peter Sullivan of Westchester is for Congress to devolve power from Congress. This change would give the Secretary of Transportation the ability to enter into contracts with public agencies like MTA to provide funding commitments for the development of new systems. Under this system, investors (which could include local communities with substantial commuter populations and even groups of individuals) after each inspection would be enabled to acquire equipment, improve the equipment if necessary, and lease the equipment to a public carrier like the MTA. This is a fascinating way in which private capital might be tapped. To be successful, it might require some form of federal assistance to stimulate capital. It certainly merits careful consideration, especially if public funds are to be limited.

Finally, Mr. Ravitch has suggested reducing depreciable life of the cars to seven years from 20 years as compared to the current law which allows private owners to deprecate the cars over a 12-year life.

With regard to the safety issue, I am drafting legislation to address the safety problems facing the current law on the MTA/Commuter lines. I support decreasing the required maximum interval between detailed, general periodic inspections of locomotives/cars from 15 years to 9 years. I also believe at least with respect to lines like ours with bad accident and maintenance records. A required public report must be submitted to FRA after each inspection rather than less than the annual submission presently required. Further, equipment inspection must not be limited to locomotives and the brakes, electrical devices, automatic controls, alarms and protective devices of the cars, but must also address health standards and should include additional inspection of ventilation, air conditioning and heating systems and the condition of signals and the electric generating equipment. Federal safety-related regulations must also address employee training in the railroad industry including evacuation procedures, working with equipment under an emergency situation, shut-down and restoration of third rail power, intake and exhaust operation of emergency ventilation fans and dampers, on scene coordination with fire services, communications with passengers and first aid measures including CPR training.

In closing, there are no simple answers to the crisis which faces us. It is clear that all levels of government must become involved in devising a solution to the commuter rail problem and that in addition to its obvious financial role, the federal government must also become actively involved in addressing the safety and management issues confronting the system. I applaud this subcommittee and its chairman, Mr. Florio, for scheduling these hearings and look forward to working closely with you in an effort to prove commuters with the kind of service which they are demanding and which they deserve. Thank you.

EXTENSIONS OF REMARKS

MAKING A KILLING IN CATTLE FUTURES

HON. NEAL SMITH
OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 4, 1981

Mr. SMITH of Iowa. Mr. Speaker, during my tenure as chairman of the Marketing Subcommittee Committee in the 95th and 96th Congresses, the committee, particularly the subcommittee I was privileged to chair, conducted a study and investigation of the marketing of meat and other commodities.

Last fall, I instructed the committee's staff to examine trading in live cattle futures, and report to me the results. This report was given to me last week and at a press conference I held last Friday and I revealed the results of this study and released the report.

I think it should be of great interest to small businesses, consumers, and others.

My statement on the report follows:

STATEMENT OF HON. NEAL SMITH

This press conference is for the purpose of reporting the findings of that study of cattle futures activities and to report specifically an unprecedented discovery relating to cattle futures trading contract on the Chicago Mercantile Exchange.

It involves the activities of a group of 32 traders, many of whom have business affiliations, who have traded in similar or identical patterns for at least 16 months each time live cattle futures reach the cost of production for Corn Belt feeders as determined by U.S.D.A.

In order to make absolutely sure that I state the information with 100 percent accuracy, I will first read a statement to you in its entirety and will then answer your questions.

Last September, I released the results of a study of trading activities of certain categories of individuals who trade in cattle futures. The report indicated that some traders with access to inside information made huge profits during the period studied.

To begin, let me point out that I have always been concerned about futures markets. When these markets are operating properly, they are one of America's most effective economic institutions and serve to reduce the margins that businesses, especially small businesses, must have in order to remain operating. In the early 1970's when many people were calling for a shut-down of futures trading, I promoted the bill which, instead of shutting them down, established the CFTC to monitor the industry and provide a legal basis grounded in a sound economic purpose. Most futures markets serve this economic purpose, but when one futures contract is abused or does not serve an appropriate economic purpose properly, whether it is silver or cattle, it seriously hurts the reputation of all futures markets.

For the past several years I have conducted an investigation of the live and livestock industry which has uncovered:

1) Extortion at meat unloading docks;
2) Problems with thin market reporting;
3) Problems of concentration of market power among meatpackers;
4) A growing trend toward vertical integration from feedlot to retailer;
5) Problems with the meat pricing system;
6) Problems with the live cattle futures contract.

Some of these problems have been addressed by new laws; others are being improved without legislation. I want to thank all of you who have reported the facts which have been uncovered. The good news is that no progress would have been made but for the fact that some of the news media exposed these abuses and problems to public scrutiny.

Today I will focus some more on one problem area—the live cattle futures market of the Chicago Mercantile Exchange. I point out to you that under the CFTC Act, the administrative agencies keep the names and positions of individual traders confidential. Concealed from Congress and the American public are the identities of these traders and the results of their contracts.

So today, previous studies which I have released have shown that:

1) Corn Belt cattle feeders could have used futures to hedge against a loss on only 28 days out of the 2 1/2 year period studied ending (August 1980);
2) Large traders of which had inside information, made $156 million trading in live and feeder cattle futures over a 16 month period with the major traders losing $156 million (September 1980);
3) Officers of meat, grain and commercial feedlot companies made an average of $2.5 million each in the 16 month period, which feedlot companies made average profits of $500,000 (September 1980);
4) Traders, grain companies and commercial feeders trade to trade these markets in the same way (September 1980);
5) There are serious problems with the way the Chicago Mercantile Exchange designates hedgers in these markets so that there is not, for practical purposes, and effective speculative limit (September 1980).

Today I am reporting on a study which shows that in the live cattle futures, it has been possible to predict with 100 percent accuracy whether the contract will be shut-down or operated properly, whether it is silver or cattle, it seriously hurts the reputation of all futures markets.

Today I am reporting on a study which shows that in the live cattle futures, it has been possible to predict with 100 percent accuracy whether the contract will be shut-down or operated properly, whether it is silver or cattle, it seriously hurts the reputation of all futures markets.

These previous studies indicated there was something drastically wrong with the live cattle futures contract but instead of those involved in the futures market choosing to give up and find and remedy the problems, they chose to ignore them; therefore, we have proceeded to further analyze the necessary data.

We secured the daily positions of traders and analyzed them to see which ones had the third largest positions. We examined confidential forms and used public information such as that filled with the SEC, to determine business affiliations.

Today I am reporting on a study which shows that in the live cattle futures, it has been possible to predict with 100 percent accuracy whether the contract will be shut-down or operated properly, whether it is silver or cattle, it seriously hurts the reputation of all futures markets.

For the past several years I have conducted an investigation of the live and livestock industry which has uncovered:

(1) Extortion at meat unloading docks;
(2) Problems with thin market reporting of cash prices in livestock trading;
(3) Problems of concentration of market power among meatpackers;
(4) A growing trend toward vertical integration from feedlot to retailer;
(5) Problems with the meat pricing system; and
(6) Problems with the live cattle futures contract.

March 5, 1981

HON. NEAL SMITH
OF IOWA
rately predict price moves 100 percent of the time.

But that is exactly what we have been able to do. The table attached to this statement gives the details of 29 predictions of price drops over the last 3 years. Every one of these predictions came true and usually within 2 days.

The prediction technique is detailed in the report I have made available. It is really very simple—everytime the futures price goes above the cost of feeding cattle by those other than the 422 largest who feed 55 percent of the cattle in the United States, that figure is reported by U.S.D.A., the price will drop—every single time. This is operating with such speed that some one trading with this system could have made at least $4,700,000 over the last 3 years on speculation within the legal limits. Some people did make profits of that amount.

Until today, only 5 people knew about the results of this study—myself and 4 staff members. When I was confronted with the results of this study, I had three choices:

(1) The report would have to beFigure something and make several million dollars trading cattle futures. That would obviously be totally irresponsible. I have never traded in cattle futures and will not do so while holding this office.

(2) Another alternative would have been not to reveal this information and to let this condition continue. That would permit some insiders to continue to reap large profits and perpetuate a financial disadvantage to Corn Belt cattle feeders.

(3) The final alternative, which I have chosen, is to reveal what is going on and for the media to disseminate the information widely. That will effectively destroy the artificial advantage the large traders in cattle futures have over small traders and not related to market. It will also allow small traders to take advantage of this market to improve the situation.

As this becomes public, the traders who are causing this to happen will no longer be able to find others willing to take the opposite side of these contracts. This should eliminate the disadvantage of traders who do not have knowledge of this downward bias and also prevent certain traders from occurring prior to the time a Corn Belt feeder could have hedged against a loss.

This downward bias is totally documented in the study. The most important question is what is causing this?

First of all, unlike the grain futures, in live cattle futures there is no significant group of commercial long hedges who act as a buying force regardless of the price level. In fact, the supply of short hedges in live cattle is four times as large as long hedges. The long hedges in this market are limited largely to some wholesalers and retailers. The balance of the longs to offset the short hedges are mostly speculated and small traders. Studies show that most profits were made by short futures when the short price gets over their costs but are still below the level at which most Corn Belt feeders could hedge against a loss. Thus, when the price reaches the Corn Belt feeders cost, the officers and brokers jump on the bandwagon and the selling pressure becomes so great that prices drop—everytime.

The net result of this is that it places a cap on prices at the Corn Belt cattle feeders breakeven level. Instead of futures permitting farmers to shift risks by hedging in the futures, this market is putting them at an exaggerated disadvantage to big commercial feeders who can hedge at the lower cost levels. Commercial lots have a tool in the live cattle futures that permits their continued expansion and the elimination of farmer/feeder.

In my opinion, this alone would show that the live cattle contract is not serving the economic purpose which justified its approval and it would be bad enough if the only problem was the excess of short hedging by the 422 largest, feeders, and by packers and grain companies, many of whom are affiliated with one another. But to compound the problem, this study shows that the selling of a certain group of 32 speculators, officers of various companies, and others is exacerbating the problem.

In studying who was involved in this, we combined business affiliation information with an analysis of the correlation in trading activity and/or common business affiliations and/or highly correlated trading activities.

Over the period January 1978 through April 1979, these 32 traders as a group realied a total net profit (not including commissions, brokerage fees, clearinghouse fees, or other trading costs) in live and feeder cattle futures of approximately $110,000,000 or an average per month. A study of whether these markets are working properly is to compare futures prices to cash prices. If futures are reflecting true supply-demand conditions then futures and cash prices should move together. After 20 out of the 29 futures price drops over the last 3 years, cash cattle prices either stayed the same or went up. This is strong evidence that the futures prices are artificial and not reflecting supply-demand conditions.

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## FUTURES PRICE DROPS AND CASH PRICE CHANGES

(Dollars in hundredweight)

<table>
<thead>
<tr>
<th>Signal date</th>
<th>Futures contract</th>
<th>1 day after signal</th>
<th>Cash price change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2 days after signal</td>
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<tr>
<td></td>
<td></td>
<td>Dollars</td>
<td>Days</td>
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<td>June</td>
<td>$0.15</td>
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<td>Mar. 13, 1978</td>
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1. Futures price drops are calculated from the closing price on the first day after prices drop below the signal level. The number of days indicates how long before the drop occurred, where 1 day equals the day of a signal, 2 days equals the day after a signal, etc.