Congressman Hubbard
Mayfield, Kentucky
, Dec 1982

Itinerary -- Chairman Volcker

Thursday, December 16, 1982

12:15 PM	Depart National Airport on US Air #133 (with Joe Coyne and Congressman Hubbard)
1:06	Arrive Pittsburgh, Pa.
1:55	Depart Pittsburgh on US Air #321
3:44	Arrive Louisville, Kentucky
	Depart Louisville on charter plane
	Arrive Paducah, KY (room at Holiday Inn - 502-443-7521)
	TV Interview
	~~Press Conference~~
	Car to Mayfield, KY
6:15	Dinner at Liberty Savings Bank in Mayfield
7:30	PAV Speech - Mayfield High School Gymnasium
	Return to Louisville
	Reservation at Executive West (502) 367-2251)

Friday, December 17

7:55 AM	Depart Louisville, Kentucky on US Air #238
9:07 AM	Arrive National Airport

Car will meet you

December 15, 1982

To: Chairman Volcker

From: Don Winn DW

In connection with your visit to Kentucky, attached is some biographical information on Congressman Carroll Hubbard and recent statements he has made in the Congressional Record concerning deficit spending, taxes, interest rates, etc.

You may also want to be aware that Mr. Hubbard has signed on as a cosponsor to the House bill on interest rate targeting.

Attachment

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ple, I am apprehensive that the massive tax breaks won by the administration in last year's tax bill will allow some corporations to accumulate tax benefits and thus become attractive acquisition candidates.

Nonetheless, I am pleased with the proposals in H.R. 4961 that will tighten the partial liquidation tax laws along the lines suggested in the Small Business Committee's 1980 report on mergers. Hopefully, Congress will follow up on this important first step toward removing tax inducements that provide artificial market incentives for merger and acquisition activity.

Mr. MINETA. Mr. Speaker, I yield 2 minutes to our distinguished colleague, the gentleman from Kentucky (Mr. HUBBARD).

Mr. HUBBARD. Mr. Speaker, I thank the chairman of the subcommittee for yielding this time to me.

Having heard my colleagues in their recent comments, I feel compelled to speak about the Paducah, Ky., airport in my district, but there are many other problems in my district which are even greater than the problems of the Paducah airport.

Mr. Speaker, let me assure you that high interest rates and unemployment across our country are two serious problems that we need to continue to address ourselves to this afternoon.

In my own Kentucky district, high interest rates and unemployment have been devastating.

My constituents want a balanced budget. However, they want less government spending and not higher taxes.

I sincerely believe that the tax bill that we are voting on this afternoon is unconstitutional. It did not originate in the House of Representatives as required by our U.S. Constitution. Every word in House bill 4961 originated in the Senate, and it now comes to us after conference.

I repeat what the voters of this country so loudly said in November 1980, which is that the people want less government spending, less government controls, and less taxes.

Could it be that we today would inflict upon our people higher taxes instead of cutting back on government spending? It is impossible for me to vote western Kentuckians the biggest tax increase in history while my constituents see their current tax dollars going overseas to foreign countries, some of which are not even friendly to the United States.

I urge my colleagues to think seriously before they vote. This should not be a vote on whether or not we go along with the President, but whether we go along with the great majority of the American people who do not want higher taxes. They want a balanced budget by way of reduced Federal spending.

Mr. SNYDER. Mr. Speaker, I yield 1 minute to the gentleman from Louisiana (Mr. MOORE).

Mr. MOORE. I thank the gentleman for yielding.

Mr. Speaker, I simply point out that the debate in which the gentleman and I participated in defeating the previous question on the rule on H.R. 2463 several weeks ago, due to the raising of the tax rates on the aircraft, airline, and air pilot industry, and those revenues not being spent out of the trust fund in the past 10 years. This bill now brings in even higher taxes than H.R. 2463, which we never got around to considering, and the whole reason for the passage of this bill, we are being told, is to bring down the deficit.

That confirms my worst fears: That those air taxes are being collected, put into the trust fund, but will not be spent for air safety, but will remain there as a prisoner or frozen, to help balance the budget, as they have been in years past.

Mr. SNYDER. Mr. Speaker, I would say to the gentleman, if this conference report is defeated, that a rule has already been adopted and we are ready to take up the ADAP bill. We can adopt what is in this title separately the same as it can be adopted in this bill.

I would recommend to the House that course of action.

Mr. Speaker, I yield such time as she may consume to the gentlewoman from Rhode Island (Mrs. SCHNEIDER).

(Mrs. SCHNEIDER asked and was given permission to revise and extend her remarks.)

Mrs. SCHNEIDER. Mr. Speaker, I rise in support of H.R. 4961. There are many reasons to vote against this bill, but in my opinion there are many more compelling reasons to vote for it. Today's economic climate demands action, and this revenue bill represents one clear opportunity to reduce the deficit and show the financial markets and the American people that we are serious about addressing the problems of interest rate pressure due to Government borrowing and fundamental fairness in our tax laws.

As has been said so eloquently over the past few days, this is not a time for finger pointing. We are not faced with a Republican problem or a Democratic problem, but with an American problem, and it is time for us to join together in positive action.

Why should we vote for this bill? There are many important reasons:

A clear opportunity to reduce the deficit by $20.9 billion during the first year and an additional $78 billion over the following 2 years;

Improved collection to the tune of $48 billion over 3 years, or nearly one-half the revenue generated by the bill—the first place to start raising revenue is to insure that we collect taxes that are owed;

Closing of loopholes in the amount of $32 billion, or one-third of the revenue generated. This makes this legislation the most comprehensive tax reform measure ever undertaken by the Congress. This is a clear chance to insure fairness, including minimum tax reform for the very wealthy in our society.

An opportunity to provide for extended unemployment benefits for those who simply are unable to find work. Unemployment is a national problem, and we in the Congress have a clear responsibility to lend a hand to those encountering hard times.

Like many Members of the House, I am not happy with some of the provisions of this bill. In fact, I have joined with others of our colleagues in seeking a reexamination of the withholding provision. Certainly, those undesirable portions of the bill need not be there, had the nearly 2 to 1 majority on the committee permitted reform of oil taxes and other, further reform measures not affecting most Americans. But they did not, and we are now faced with a package which we must evaluate in terms of the greatest good or greatest detriment.

Mr. Speaker, after days of soul-searching, I believe that H.R. 4961 is a bill which we should all support. Failure to enact this measure promptly will insure continued misdirection in the financial markets and kill any chance to bring fairness to the tax laws for some time to come. My constituents want to buy cars, homes, and borrow capital for their small businesses. Until we can grapple with this country's economic problems and show the ability to exercise leadership on the road to economic recovery, the only signal we will be sending will be one of polarization and inability to move in any direction. This bill represents the only clear shot we may have for a long time to come.

Mr. Speaker, many voices are calling for a courageous vote today. I am calling for the only right vote—a vote in favor of this bill.

Mr. SNYDER. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. SHAW).

Mr. SHAW. I thank the gentleman for yielding to me.

Mr. Speaker, I came into this debate uncommitted, not knowing for sure how I was going to vote. I have been listening attentively all afternoon.

I have come to the decision that the only responsible vote on this particular bill is a "yes" vote.

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I did not vote for all of the spending that has created historic deficits. I did not approve of all the spending. I just talked to the President a few moments ago from my office, and I told him that I felt like the man who had to feed the cow and did not get the milk. We did not get all the milk we paid for, but I think now is the time to ante up.

I think any vote but yes is a bad vote, a vote that is not responsible and certainly not in the best interests of our country. I urge a "yes" vote.

ple, the Government of the Philippines has already indicated that it may request the extradition of Benigro Aquiro, Jr., whose major offense seems to have been having the audacity to oppose President Marcos in the last free election there.

The bill also would limit the ability of courts to decide a case. Courts would be prohibited from inquiring into allegations that a foreign country is seeking extradition because of political opinions, race, religion, or nationality. This indicates a basic distrust in the impartiality of our judicial system. I have seen little evidence that such a measure is necessary. Our courts have not been cavalier in their treatment of extradition requests. They have treated such requests very seriously.

I also object to the provision which permits the detention of a person, whether a citizen of our own country or of another, without evidence that a criminal offense has been committed. Such a provision is contrary to the basic precepts of American jurisprudence. We should not arrest and detain people without evidence. Furthermore, the very heart of our legal system is that the burden of proof is on those who are bringing the charges. Under this provision, a person would not be granted bail unless the person can affirmatively demonstrate that he or she should be released. We should be adamant in making clear that a foreign dictator cannot cause an American citizen, or any other person, to be held without bail in our country unless the same standards are met as are necessary for detaining someone under American law.

I would ask my colleagues not to be hasty in considering the provisions of this bill. As it was reported out of committee, H.R. 6046 has some serious flaws. As innocuous as it may appear, it does violence to some of the very basic principles on which our society has been based. Our individual liberties are fragile, and we should not support a measure which jeopardize them. A number of amendments will be offered to correct the flaws in this bill. I would urge my colleagues to give careful consideration to each of the amendments.●

WE MADE A DEAL; LET'S STICK TO IT

HON. CARROLL HUBBARD, JR.

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Monday, September 20, 1982

● Mr. HUBBARD. Mr. Speaker, I would like to take this opportunity to share with my colleagues an editorial from one of the newspapers in my district, the Paducah Sun. Fred Paxton is president, Jack Paxton is editor, and Don Pepper, the author of the August 22 editorial, is editorial writer for the Paducah Sun. Mr. Pepper urges the Congress to take a serious look at the budget deficit problem. Further, he urges the Congress to quit playing party politics. Now that the tax increases have been enacted it is time to cut spending as well. I would like to share this editorial with my colleagues, as follows:

WE MADE A DEAL LET'S STICK TO IT

Let's hope we've been wrong.

We—The Paducah Sun, that is, The Wall Street Journal, all nine members of Kentucky's congressional delegation, the conservative wings of both political parties and, as polls showed, a substantial majority of the American people—thought it was foolish to raise taxes in the midst of a recession.

President Reagan and the Congress thought otherwise, so now we have a $99 billion tax increase. If higher taxes can fix a sick economy, that should do it.

If we've been right, the new taxes will not fix the economy but burden it. The recovery, which is surely coming sometime, will be slower than it would otherwise be.

We'd be glad to be proved wrong.

But maybe something positive has been achieved which hasn't been mentioned by either President Reagan or the Congress. Let's think about it a moment.

On one point both sides in this debate have agreed, and that agreement may be the most important result of the whole struggle, more important than the disagreements.

That agreement is that budget deficits are bad things. Let's spell it out in capital letters and bold type; and try not to let anyone forget it:

Budget deficits are bad. When even Tip O'Neill, Teddy Kennedy and the television commentators can be brought to say that it's urgent to reduce the gap between what the government takes in and what it spends, it's a major achievement, maybe even a historic one.

These folks have never paid any noticeable attention to deficits before. They never seemed to think they were important. The spectacle of Tip O'Neill leaving the Speaker's chair in the House rostrum to plead for cutting the budget deficit, to hear him warn that deficits keep interest rates high—well, it's a moment to treasure.

He's on record. He should not be allowed to forget it.

Mr. Reagan believes he got a deal. That's what he told the American people the other night. He'd hold his nose and swallow the tax increases if Tip's people would agree to some spending cuts.

Mr. Reagan believes he got the deal—$284 billion in spending cuts in exchange for $98 billion in tax increases.

We hope he's right and The Wall Street Journal is wrong. The Journal believes that $284 billion figure was obtained by some wishful thinking and self deception. If you want to make a show of cutting spending, the Journal noted, you start by "setting a 'base line,' which theoretically represents what the government would be spending three years from now if you simply let programs follow their natural tendencies to balloon. If you project the base line high enough, you can project some enormous savings."

Clever. Congress projected fiscal 1985 spending at $1.1 trillion, then cut its $284 billion from that. It came up with spending which has been cut to $881 billion in fiscal 1985.

That figure, the Journal notes wryly, is up "only 21 percent from the current fiscal year."

And when the appropriations committees got down to actually making the cuts for the coming fiscal year, they set a target of $27.15 billion to be cut. But after they finished, they didn't come close. The final figure was about $13.6 billion, about half of the target.

This tends to confirm our fear that we will never be able to pay as much in taxes as Congress, even a Congress making a show of budget cutting, can spend.

We who pay the bills, in the form not only of taxes but of inflation and high interest rates, have a right now to say to Congress:

We all agree at least that deficits are bad. We differ on how to reduce them. We believe in cutting spending. You believe in raising taxes. We have agreed to do both.

Now that the tax side of the bargain has been accomplished, it's up to you to make sure that the spending side is accomplished, too.

President Reagan has kept his side of the bargain. Now you keep yours.

You've raised taxes. Now cut spending. And make it real spending cuts, not phony ones.●

EDUCATIONAL OPPORTUNITY AND EQUITY ACT OF 1982

HON. LAWRENCE COUGHLIN

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, September 20, 1982

● Mr. COUGHLIN. Mr. Speaker, as a longtime advocate of tuition tax credit initiatives and a cosponsor of President Reagan's tuition tax credit proposal for elementary and secondary education, I am pleased to note that the Senate Finance Committee last week approved S. 2673, the Educational Opportunity and Equity Act of 1982.

Education has been and will continue to be one of the Federal Government's highest priorities and educational alternatives are an important element in our Nation's educational system. While our public school system offers excellent instruction for the majority of students, I am sure no one would deny that not all children's educational requirements can be met under the same system of instruction or in the same schools.

Currently, 11 percent of all elementary and secondary school students are enrolled in private institutions. The majority of these children come from families with yearly incomes under $25,000. These families are now faced with the double burden of paying taxes to support the public school system while paying tuition expenses for private education. Unfortunately, increasing tuition costs, coupled with our troubled economic situation in general, has made it increasingly difficult for many families to exercise their right to choose between public and private education. Tuition tax credits are one way to insure that alternative education continues to be a viable option for many of these families.

The President's tuition tax credit proposal, as amended by the Senate Finance Committee, provided a maximum credit of $100 in 1983, $200 in

The CHAIRMAN. The time of the gentleman from California (Mr. HUNTER) has expired.

Mr. EDWARDS of Alabama. Mr. Chairman, I yield 3 minutes to the gentleman from New York (Mr. KEMP).

Mr. KEMP. Mr. Chairman, one of the previous speakers talked about arms control, and mentioned that ALBERT GORE has a plan to reduce the Soviet ICBM force. I just wonder, with all due respect to the gentleman from Tennessee and the mutual desire of all of us in this great body to bring about arms control and indeed arms reduction, how can it possibly be accomplished without the willingness and the determination of the United States to do what is necessary to modernize that leg of the strategic forces that is the most vulnerable?

I am not suggesting that we have wholly lost our second-strike capability, but the window of vulnerability is either open now or will be in the very near future if these asymmetries are not redressed.

So my question is, How can we negotiate with the Soviet Union by unilaterally undercutting the heart of our deterrent forces?

I, too, reject the idea of MX as some kind of a bargaining chip. It is not a bargaining chip. I think it is a vital necessary program at this moment in the life of this Nation. We have a new regime going into the Soviet Union. We have talks going on in Geneva; we have theater nuclear force talks going on over the Soviets unprecedented deployment of IRBM's targeted at Europe. Yet the committee has eliminated production funds for Pershing II. How is it possible to negotiate from a position of unilaterally withdrawing from our negotiating team its sole source of leverage over the Soviets?

My other question is simply this: How could it be possible to leave our negotiators in Geneva if we gut a strategic modernization effort? The Soviets will never be serious about arms control if they see that we are not serious about making our essential defense requirements. Indeed, we, as I suggested before, are reducing unilaterally the leverage, the strength, and the ability of this country to bring about the very arms control agreement that all of us want, from President Reagan all the way to that side of the political aisle; that kind of arms control agreement that would make a real contribution to peace and stability.

The Congress has declared to law that a survivable land-based ICBM system is vital to U.S. national security, and has time and again committed itself to the MX program.

Today, we are asked to reaffirm that commitment.

We are not equipped on the floor today to debate the technical merits of the President's proposed basing plan for the MX. In part this is so because the Congress, in its many responsible committees, has not had the opportunity to examine and review the intricacies of closely spaced basing. The Armed Services and Intelligence Committees, along with the defense appropriations subcommittees, have yet to hold the necessary detailed hearings on CSB.

When these hearings are held, in due course, and all interested Members have had the opportunity to study CSB and to make informed judgments as to its merits, perhaps the Congress will elect not to proceed with this basing mode. Or perhaps we will find CSB desirable and supportable. I just do not want to prejudge that review.

I believe it would be shortsighted and even irresponsible for us to interrupt the continuity of this program before all the facts are in. Make no mistake, if we deny funding today, we would a priori be foreclosing our option to initiate production of the system in this fiscal year. And we would risk impairing our ability to meet the congressionally mandated IOC of 1986.

Only by supporting the committee's mark can we insure full freedom of Congress to review and judge the merits of the President's proposal, without jeopardizing the success and timeliness of the plan.

I would also like to point out that the consequences of our vote today extend beyond the practical requirement of preserving our options. We must also be aware that other governments will look to our action as evidence of our national determination—of failure of will—to respond to the severe and unprecedented growth of the Soviet military threat to peace.

The governments of our NATO allies, for the most part, recognize the urgent need to modernize our defense in Europe. But how are they to explain to their citizenry why they should support a new generation land-based missile in Western Europe if we refuse to support a new land-based missile in this country?

The President, in his November 22 televised address, stressed the importance of our ICBM modernization program to the success of our arms control efforts. Undeniably, Soviet perceptions of America's willingness to commit the resources necessary to defend our interests affect Soviet behavior at the negotiating table, just as it affects Soviet willingness to take risks in many part of the world.

This is a time of testing for the United States. Just when the Soviets' vast investment in military power is nearing its peak return, a new regime has come to power in the Soviet Union. Yuri Andropov's long years of service to the Soviet police state have made him a skilled observer of U.S. behavior. If this committee should today deny funding for the MX, our action, without fail, will be interpreted as a sign of weakness. that is a signal we can ill afford to send at this delicate moment in history.

Deterrence, and therefore peace, depends upon the quality of America's strategic forces. Because of the Soviets' steady modernization of their offensive forces, the survivability of our land-based force is in jeopardy and our ability to protect our allies is called into question. The MX missile was conceived and developed in response to that threat, with the support of Congress and four administrations.

The MX missile represents an important improvement to our ICBM force. Its added throwweight and high accuracy will give our strategic forces a prompt counterforce capability that is an essential feature of our nuclear deterrent not found in any other component of our strategic forces. If we undercut the MX program now, we will be signaling our acceptance of a continued decline in American strength. Is this the future we envision for our Nation, a world defined by an unchecked Soviet drive to render the United States vulnerable and unable to support our allies?

To repeat, our vote today is not a referendum on the merits of closely spaced basing. It is, however, a referendum on our willingness to preserve our options, to allow for a careful and responsible congressional review during the new Congress, consonant with our recognition of the urgency of our strategic modernization needs. And it will be viewed by others as a referendum on our determination to preserve America's security and strength, which alone has insured the peace for 30 years.

Mr. EMERY. Mr. Chairman, will the gentleman yield?

Mr. KEMP. I yield to my friend, the gentleman from Maine.

Mr. EMERY. Mr. Chairman, I think my colleague, the gentleman from New York (Mr. KEMP), is making an extremely important statement. The fact of the matter is that last June we embarked on what could be the most important of all our negotiating activities. Undermining those activities at this point would be criminal.

Mr. KEMP. Mr. Chairman, Solzhenitzyn, said that if America does not lead the free world, the free world will have no leader. By our vote today, our leadership will be known.

The CHAIRMAN. The time of the gentleman from New York (Mr. KEMP) has expired.

Mr. DICKS. Mr. Chairman, I yield 3 minutes to the gentleman from Kentucky (Mr. HUBBARD).

(Mr. HUBBARD asked and was given permission to revise and extend his remarks.)

Mr. HUBBARD. Mr. Chairman, I rise today in support of the Addabbo amendment to the Defense Department's appropriations bill for fiscal year 1983.

During my 8 years in Congress, I have supported the appropriations re-

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quests of the Department of Defense. I want the United States to have everything necessary to be militarily superior to any countries who would attack or invade us or our allies.

I have served in both the Army and Air Force. Fort Campbell, Ky., is in my district. Fort Knox, Ky., is adjacent to my district.

Yesterday other Members of Congress and I had the privilege of meeting with President Reagan, Vice President BUSH, and Secretary of Defense Caspar Weinberger at the White House.

We were told by these outstanding men that the MX missile program is "absolutely essential" to our national security.

Secretary Weinberger told us yesterday that "survivability is the name of the game."

President Reagan told us yesterday: "National security—this is the No. 1 responsibility of the Federal Government."

It appears to me that we in America are waging a war among ourselves regarding our ability to wage a war.

Question: Should we now spend an estimated $35 billion for 100 intercontinental MX missiles in underground silos near Cheyenne, Wyo.?

As one who sincerely believes in a strong national security and an excellent defense system, I say no, not now to the MX missile program.

I see our current economy—high interest rates, record level unemployment, business bankruptcies, et cetera—as more of a problem in December 1982, than continuing to add to our national defense capabilities. I believe our defense is adequate.

On this MX missile issue I say no to the Pentagon. Our Federal budget deficit is all but totally out of control.

Right or wrong, the words, "Here come the Russians" nowadays do not scare Kentuckians half as much as "Here come the creditors."

Yesterday I said: "Our people don't want higher taxes." I voted no to the 5-cent-per-gallon gasoline tax increase. I strongly believe the American people want lower taxes, less Government and spending restraints across the board. And "across the board" includes defense spending.

I urge my colleagues to vote "yes" for the Addabbo amendment.

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Mr. EDWARDS of Alabama. Mr. Chairman, I yield 4 minutes to the gentleman from Florida (Mr. YOUNG).

Mr. YOUNG of Florida. Mr. Chairman, if the United States is going to maintain the triad system that has served us well for such a long time we are going to have to do something about the land-based leg, our ICBM system.

We are talking about upgrading now the Minuteman systems that have included technologies that were developed in the 1950's. Since we put the Minuteman in their holes in the ground, the Soviets have deployed eight new missile systems.

As one listens to this debate one might become suspect that there are those in the Chamber who do not believe in the triad system any longer. There may be those who believe that we no longer need a land-based leg for the Triad.

I would like to suggest, Mr. Chairman, should that be the case, the land-based leg of the triad, the ICBM, is the most powerful deterrent missile system that we have. It is the most accurate. It is the most easy to maintian. It is the easiest to keep on alert, and we are able to communicate with the land-based leg more readily than any of the other systems. Command and control become extremely important if we are talking about a nuclear exchange or strategic situation.

It has been suggested that the Trident submarine, and I support the Trident submarine, but that the Trident submarine could easily replace the land-based system. I think all of the Members in the Chamber are aware that it is very difficult to communicate with the submarine at the depth that he would have to be at to protect himself. It is possible that a nuclear submarine could have been destroyed, taken out of action, and the President or the command authority would not even have knowledge of that for an hour or more after that happened.

That, of course, would not happen with the land-based ICBM.

I think it is important we pay close attention to the necessity, the viability, the importance of the Triad, the three-legged defensive system, and to recognize that the land-based leg is an extremely important part of that.

I hope that we are not talking about eventually doing away with the Triad, with the land-based leg, but I get the suspicious feeling that maybe we are when I hear some of the debate that is taking place today.

One of our colleagues commented on what kind of reaction we have had around the world here in the Congress and the Soviet Union. I can tell you what one of the reactions was just by reading in the newspapers. I read what Yuri Andropov has had to say about it. You recall who he is. He is the new leader of the Soviet Union. He was the Director of the KGB for 15 years.

Well, Andropov is really upset. He is really unhappy to think we might go ahead with building a new missile system despite the fact they have fielded, deployed eight new systems since we deployed the Minuteman.

Andropov does not like it and I do not blame him because it certainly is a deterrent to any adventurism that they might want to get active with.

Mr. ADDABBO. Mr. Chairman, I yield 3 minutes to the gentleman from Tennessee (Mr. GORE).

(Mr. GORE asked and was given permission to revise and extend his remarks.)

Mr. GORE. Mr. Chairman, this has been a good debate and I think there is obviously good faith on both sides with Members genuinely seeking to do what is best for the country in their view.

My own conclusion is we should keep the research and development money for the MX missile but stop the Dense Pack deployment.

I come to that conclusion for two reasons. First of all because according to some of the best technical and military experts in this country it simply will not work.

Second, what are the implications if this deployment mode does not work? Are we seeking to close our own window of vulnerability or merely open a comparable window of vulnerability onto the Soviet Union?

If we are going to create a world in which both of the superpowers are vulnerable to a first strike we will create a hair trigger situation that will not be good for either country.

I would submit to my colleagues that the disarray and confusion that surrounds this weapons program reflects the lack of a thoughtful, unifying strategic principal or plan tying together America's weapons programs and our arms control efforts.

We have division where we should have unity.

After this vote I believe we could forge a consensus around the principle of stability and an effort to eliminate the fear of a first strike by either nation. Stability, Mr. Chairman, is not a function simply of weapons building but of weapons building and arms control. Neither is it a function merely of the forces of one side in isolation. It is a function of the relationship between the two forces.

If this weapons system was part of a sensible plan which combined arms control and weapons building to achieve that kind of result I would support it. But in the present environment it is surrounded by confusion and it is said by the experts to be incapable of working as it is advertised.

So I urge an aye vote.

Mr. ADDABBO. Mr. Chairman, I yield 1 minute to the gentleman from Florida (Mr. BENNETT).

(Mr. BENNETT asked and was given permission to revise and extend his remarks.)

Mr. BENNETT. Mr. Chairman, the triad is not the Trinity. The triad has been a method of defending ourselves and for deterring nuclear war. But if we do not have a third arm of the triad that is truly credible it does not do any good to spend billions of dollars on it to pretend that we do.

A noncredible leg of the triad is not a bargaining chip.

I think there is too much money at stake in this matter to spend this money on such an incredible type of defense as involved in the Dense Pack. I believe it will be useless by the time it is in place.

Furthermore, I think the money is desperately needed for conventional ponent in delivering services to people who can't read, namely, volunteers.

The've begun an all-out campaign to mobilize B. Dalton employees, nationwide, to become individual tutors and community leaders for literacy in their local communities.

At its headquarters in Minneapolis, B. Dalton offers time off from work for training to be tutors, and they purchase the training materials for any employee who's willing to help those who can't read.

Even though the program is only a few months old, already the response of B. Dalton employees had been overwhelming. At headquarters, there's even a waiting list for the training program.

What's especially heartening, is that B. Dalton people at all levels have become actively involved in the tutoring program and other aspects of the literacy campaign.

Everyone from sales clerks, to the maintenance man at corporate headquarters, to regional managers and vice presidents, all the way up to the C.E.O.

What this all adds up to is this: B. Dalton has put together a comprehensive effort that includes some important elements: First, a well-chosen and strategic issue (in a field where they have a special interest, concern and expertise); second, a commitment of financial resources; and third, a commitment of the time, talent and personal resources of their people.

We think it's an excellent example of an effective public involvement program, a program that makes sense for the business—and for society.

Incidentally, I might add that each of our businesses has selected its own areas of concentration—areas that make sense for their business.

Dayton's, our Minneapolis-based department store company, sees women as its major customer, so they focus their contributions and involvement in programs for women and girls.

Mervyn's (our California-based promotional department store chain), and Target (our "upscale" discount chain), both serve young families as their primary customer. So issues of concern to that group are the focus of their attention.

Likewise, each of our companies strives to focus its efforts, to maximize the impact of its giving and its community involvement. It's an approach that makes sense to us, and we think every business should choose its own field in which to invest its money, time and corporate expertise.

The second example I'd like to use today is a very recent one: The Dayton Hudson Hispanic Symposium held last month in San Antonio, Texas.

From the sound of it, you might think this was one of those nice image-building public service conferences—sponsored, perhaps, by an enlightened corporate foundation and attended by people who already know a lot about the subject.

Not so, in this case. This was an internal business conference, conceived for business reasons. It was planned by a corporate-wide task force and coordinated by the corporate development department at Dayton Hudson, which is the department that heads up our on-going strategic planning effort.

The symposium was attended by top executives from key areas in each of our eight operating companies, and corporate staff headquarters. Key people from marketing, advertising, personnel, strategic planning and community relations.

Plans for it grew out of our recognition of two facts: First, that the Hispanic population is growing in significance, especially in the strategic "Sunbelt" areas of the country. And, secondly, that Spanish-speaking citizens have some unique needs, not only as potential customers in our stores, but as potential employees and potential partners in the community at large.

Our awareness of Hispanic cultural differences had been heightened, first of all, because of our on-going commitment to be an affirmative action employer. And that commitment includes increasing the number of Hispanic employees beyond the 5,000 we already have.

But our sensitivities were really raised by the Dayton Hudson Foundation's funding of a Hispanic Leadership development program: a quarter-of-a-million-dollar commitment, over a 3-year period, to assist in developing some 500 Hispanic leaders in California, Texas, and Michigan.

Our involvement in that program heightened our awareness, but the numbers really drove home the significance of this population for our business.

If 1980 census trends continue throughout this decade, by 1990 Spanish-speaking people will represent 35 percent of the population in California, 32 percent in Texas, 22 percent in Arizona, and 50 percent in New Mexico.

Those areas are precisely where several of our operating companies are already doing business, and where almost 80 percent of Dayton Hudson's projected capital commitments for the next five years is targeted to go.

The result of the awareness and the planning was an intensive two-day experience in which some 40 Dayton Hudson executives were the "students," Hispanic leaders were the "teachers" and the San Antonio Hispanic community was the "classroom."

Our people not only listened to Hispanic elected officials and Hispanic community leaders, they toured schools and neighborhoods, as well. They saw for themselves the unique needs and unique traits of this special population.

The participants came away from the meeting with a new understanding of how those needs impact our business, and with a renewed commitment not only to market appropriately to the Hispanic community, but to recruit from there as well.

Apparently, the experience was mutually-beneficial. To illustrate, let me quote from a letter we received after the symposium from Andre Guerrero. He is the director of Ohio's Commission of Spanish Speaking Affairs, who served as a consultant in planning the conference. Even though it was a business conference, paid for as business expense, Mr. Guerrero called the symposium, "a unique gift to the Hispanic Community" because of the extensive involvement of Hispanics in the planning, and because of the openness and receptivity of our people.

"As with all good gifts," he said, "the giver also received from the experience. Dayton Hudson created a working environment with major sectors of the San Antonio community which is usually only developed over a much greater period of time. And the good will and trust established is something that could not have been purchased at any price, however intense a public relations campaign might have been."

My point is this: We gained far more than good will. We gained far more than an entree into the Hispanic community. Our biggest gain was that we broadened the perspective—we broadened the vision—of our management team.

And that, ladies and gentlemen, is absolutely crucial to effectiveness in business. To me, it is the mark of a professional executive, and the hallmark of a throughly professional organization.

Although I don't have any hard data to back me up, my personal observation is that the quality and effectiveness of a management team goes up as it becomes really involved in the community, as its members think more broadly about the world around them, and about the issues of the day; and as the corporation backs up that awareness and personal commitment with philanthropic dollars.

The talents we develop, the skills we develop, the special sensitivities we develop, all carry over to help us meet the business challenges that confront us every day. We think they certainly help us to manage better in this rapidly changing world.

At Dayton Hudson, we are throughly convinced that involved management is more enlightened, that enlightened management is more effective, and that enlightened management and enlightened giving are two sides of the same coin.

Our experiences in the community and in the business world confirm that view. Furthermore, we think it's a view that holds true for other businesses, besides retailing.

Granted, retailers must be espcially sensitive to the total community and to changes in that community. Thus, retailers have a very real business reason for keeping their finger on the public pulse.

But, in closing, I would also have to ask: Is that not true for any business that depends on the public for its franchise to do business? Is that not true for any business that serves people? When it comes right down to it, is that not true for any industry?

Could it be that some of the problems currently besetting some of this country's major industries (industries now suffering decline)—could it be that some of these problems might have been lessened, had their managements been more involved in their communities, more sensitive to changes in society and more responsive to those changes?

Could some of the unsuccessful efforts to manage change be traced to lack of attention to broader issues, a lack of involvement in addressing the needs of society as a whole, rather than just the business?

Might not many of the changes have been more apparent to management, and management better able to respond, had there been more corporate involvement? More volunteerism, more philanthropy, more strategic planning with an eye toward the changing consumer, and more targeting of corporate resources into solving problems that affect the total society, and thus business?

Based on our experiences at Dayton Hudson, we think the answer to those questions is an unqualified "yes." Our business is healthier because of our efforts to be both responsible and responsive.

And we are extremely pleased that, in awarding us Columbia's first Lawrence Wien Prize in Corporate Responsibility, you have taken note of the connection between the two.

On behalf of the more than 70,000 employees of Dayton Hudson Corporation, on behalf of our management and our board of directors, thank you very much.●

EFFECTS OF INTEREST RATES AT THE GRASSROOTS

HON. CARROLL HUBBARD, JR.

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Friday, December 3, 1982

● Mr. HUBBARD. Mr. Speaker, one of my constituents, Rev. Jerry Hopkins, the pastor or Reidland Baptist Church in Paducah, Ky., has written me an excellent letter in which he stresses the adverse effects of soaring interest rates upon persons at the grassroots. Indeed, too many individuals have lost everything due to escalating interest rates—including their businesses, homes, educational opportunities, and much more for which they have worked throughout their lives. I believe my colleagues will be interested in Reverend Hopkins' comments. His letter follows:

REIDLAND BAPTIST CHURCH,
Paducah, Ky., September 17, 1982.

Hon. CARROLL HUBBARD,
Congress of the United States, House of Representatives, Washington, D.C.

DEAR SIR: There is a matter which I would like to bring to your attention having noted that you serve on the Banking, Finance and Urban Affairs Committee. High interest rates are very disturbing to me. Having some knowledge as a result of my graduate work at Eastern and the University of Kentucky of the nature of our economic system I find it contradictory to growth and productivity. We live in a consumer oriented economy and when consumption declines you have a dangerous situation. If people do not have money, they cannot buy products. If people cannot buy products, manufacturers are not going to employ or continue to employ people. If people are unemployed they will not have money with which to buy. This is a simplistic view of our situation, but I believe an accurate one. The automobile and housing industries are examples of this very problem. My question—what is being done to bring down these unreasonable rates?

I do not believe those who are financially secure, even wealthy, understand the plight of those at the bottom of society or near the bottom. I find it hard to take President Reagan's words seriously when I see little "cutting" in the White House regarding extravagance. These are not bitter words, but what I have come to feel from observation and listening to folks at the grassroots. It might be more helpful to give the financially oppressed and neglected a forum at which to speak. There are many sad stories of folks who have lost everything through soaring interest rates—businesses, homes, educational opportunities for children and much more.

Perhaps we might be able to talk at some point in the future about some of these issues. The mood of our time seems to parallel that of the 1920's, let's hope and pray that the conclusion will not be another 1929 and decade like the 1930's.

Sincerely,

JERRY HOPKINS.●

IMPACT OF NEW FEDERALISM

HON. BARBARA B. KENNELLY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Friday, December 3, 1982

● Mrs. KENNELLY. Mr. Speaker, I rise today, to call to the attention of my distinguished colleagues some thoughtful testimony presented last September at a forum in West Hartford, Conn., held to discuss the impact of the New Federalism on the children of our State. I was most pleased to join my good friends Representative GEORGE MILLER and Representative TOBY MOFFETT in soliciting a variety of views on this important issue.

State and local officials, service providers, and other interested observers testified at this hearing. Time and again they pointed out the vital importance of caring for this Nation's children. Several of them made another excellent point which is well worth repeating. As we search for ways to slow the growth of the Federal budget, they said, we must be careful to look not only at the bottom line cost of the programs we authorize, but at their structure as well. We must carefully review existing programs to make sure they are structured efficiently. We must review them to make sure they meet the goals we have set for them and the needs of the people we intend them to care for.

I am grateful to St. Joseph College, host of last September's forum, and to the many service providers who took time out to contribute their thoughtful comments.

I include at this point in the RECORD several statements presented at that forum.

STATEMENT OF MONA FRIEDLAND, DIRECTOR OF PROGRAM DEVELOPMENT, WINDHAM AREA COMMUNITY ACTION PROGRAM

The Windham Area Community Action Program, Inc. is a private, non-profit action agency which administers three of the State funded day care centers in Northeast Connecticut.

Day Care budgets have always been tight. Federal funding through Title XX reimbursements to the State have enabled the day care centers to maintain an adequate adult-child ratio. During hiring freezes, which we have experienced several times over the past few years, staff support has been critically low, invariably affecting the quality of care at the centers. Cutbacks to this supplemental funding will force the States to raise additional revenue or reduce the number of day care slots available. Either way the impact will be greatest on those who are on the lower end of the earning scale and therefore have fewer options available to them.

Similarly, cutbacks in the Child Care Food Program in 1982 have resulted in reducing the number of meals which can be claimed and in some cases resulted in an increase of fees to parents.

It has been shown that the CCFP helps to keep the cost of child care down. When providers are reimbursed for the meals they serve, they do not pass this cost on to parents, thereby keeping child care costs at a minimum. For working poor families, particularly single parent families, reasonably priced day care allows them to continue to work and to stay off welfare rolls.

Continued, adequate funding of Federal food programs and Title XX funding will help to maintain quality day care in Connecticut. Please help to keep this vital service working in our communities.

STATEMENT OF ANN HORNE, EXECUTIVE DIRECTOR, THE SAUGATUCK DAY CARE SERVICE, INC.

Thank you for inviting our agency to your forum on September 8, 1982. We learned a lot and appreciated the chance to become more familiar with other Connecticut agencies serving children.

We strongly support Congressman Miller's resolution to create a Select Committee on Children, Youth and Families (H. Res. 421) in the House of Representatives. Children must be defended against the increasing burden of enormous cutbacks in federal programs. The New Federalism appears to have been brought to us courtesy of the nation's children.

In support of your positions and to emphasize the need for the proposed Committee, here are some facts and figures demonstrating the impact of 1981-82 budget cuts on people served by our organization.

We are a private, nonprofit agency serving families in Fairfield and New Haven Counties, through three programs:

(1) Our Family Day Care Network involves fifteen local state-licensed Family Day Care Providers, who earn their living in their own homes, caring for children. Providers are chosen, continuingly trained and supervised by our staff, which enrolls children in care and offers limited financial assistance, funded by donation, to parents in need. (Working couples and single parents should have Federal financial help toward Family Day Care costs.)

(2) A Child's Place is our professionally staffed, flexible-time center serving children eighteen months through six years of age. The program is designed to meet part-time day care, socialization and cognitive needs of young children in a setting that promotes social, emotional, intellectual and physical growth.

(3) Our Nutrition Program serves about one hundred licensed Family Day Care Providers in our Network and in outlying towns. The USDA Child Care Food Program, through the Connecticut Department of Education, reimburses Providers for healthful food served to children in their care. Our agency enrolls, trains, supervises and gets reimbursement for Providers. It is the Nutrition Program which has been hard hit by budget cutbacks. Here are the figures. Reimbursements are never overly generous. For example, the average payment in 1981-82 was: 48 cents for breakfast, 94 cents for lunch or dinner, and 28 cents for snack.

In 1981-82, two installments of cutbacks affected our program. The first, set in motion September 1, 1981, decreases cents amounts spent to reimburse for each meal or snack. Levels varied slightly through both fiscal years, but the average reimbursement drop from one year to next per child per feeding was: minus 5 cents for breakfast, minus 3 cents for midmorning snack, minus 6 cents for lunch, minus 3 cents for midafternoon snack, and minus 6 cents for supper.

At a time of galloping information in food prices, a Family Day Care Provider is expected to feed each child on 23 cents *less* for a full day's food.

The second cutback was even more devastating to our children's nutrition. Beginning January 1, 1982:

(a) Day Care Providers' own children are no longer paid for unless eligible under the School Lunch Income Guidelines. This cuts off payments for food for one hundred twenty-one children of Providers in our program, which serves about seven hundred children each year.

(b) Providers are reimbursed for only two meals and one snack they serve to day care children, instead of three meals and two snacks, the previous maximum. A child in family day care full-time is assured of nutritious food only three-fifths of the time. This arrangement clearly discriminates against full-time day care children in favor of part-time children. It is in fact the children of working parents who are in family day care full-time; part-time day care is passes, that evidence will be sufficient to send this democratic politician back into the hands of the dictator he opposed.●

H.R. 4374—THE SHIPPING ACT OF 1982

SPEECH OF

HON. CLAUDINE SCHNEIDER

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, September 13, 1982

● Mrs. SCHNEIDER. Mr. Speaker, I rise today in opposition to consideration of H.R. 4374, a bill to exempt the merchant marine industry from antitrust laws, under suspension.

I supported this bill in committee because I believe it deserves debate on the floor. However, I think passing it under suspension, without discussion and possibility of amendment, is inappropriate.

My concerns are that H.R. 4374 would expressly allow the merchant marine industry to "discuss, fix, and regulate or prevent competition among themselves" and where antitrust exemptions are deemed necessary, we must follow regular order. In addition, the benefits of this bill may go largely to the foreign carriers, since more than 70 percent of American import and export liner traffic is carried by foreign carriers.

I urge my colleagues, therefore, to vote against this legislation under suspension.●

TAX INCREASES VERSUS REDUCED SPENDING

HON. CARROLL HUBBARD, JR.

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 15, 1982

● Mr. HUBBARD. Mr. Speaker, I have received an excellent letter from one of my constituents, attorney Wayne B. Youngblood of Mayfield, Ky., in response to the tax increase package which recently passed the Congress and was signed into law by the President. Mr. Youngblood strongly urges Members of Congress to reduce Government spending and show the citizens of this Nation that they are fiscally responsible. Reckless disregard of the ever-growing deficit must not be tolerated. I would like to share his letter with my colleagues. The letter follows:

WAYNE B. YOUNGBLOOD,
Mayfield, Ky., August 19, 1982.

Hon. CARROLL HUBBARD,
Washington, D.C.

DEAR CONGRESSMAN HUBBARD: I just heard your floor speech on the 10 P.M. news tonight concerning the "tax increase." Although I very much favored the "tax increase" bill, I was elated to hear your reason for opposing it. I too agree that we need to balance the budget by reducing spending; however, everyone else seems to be saying that that's not possible or that the Congress will never reduce spending that much. In the past, I favored the tax cut (and I've opposed tax increases) solely because I wanted to keep the pressure on the need to reduce spending. However, this current year's projected deficit just seems to me to be making our long-term goal of eliminating the national debt that much harder. With this $100 million package, with perhaps more spending cuts with your help, and with economic recovery; the next three years look great to me.

It's my view that gradual economic recovery over a few years is the best we can hope for. That slow but steady method will, in my view, teach us a lot of economic lessons along the way and leave our country with a very efficient and sound springboard for long-term growth.

I'm thrilled that you and so many others in Congress seem to agree that we must reduce spending. I'd like to see another "massive" spending reduction (I thought the last one just whittled!), and most of the government employees dislocated by it could be shifted to a collection function rather than their current "hand-out" function. I'm very much for firm enforcement of the tax laws we do have. When our country makes it clear to all that we'll never again live beyond our means with deficits year after year, I sincerely believe that we'll see an outpouring of financial and patriotic support from our citizenry. There's millions of patriotic Americans who realize that we're all heirs of the greatest country in the world; but in the past no one wanted voluntarily to throw good money in a treasury being spent with reckless disregard. The Congress seems to be talking fiscal responsibility now; when we make further progress in cutting out all the nonsensical programs in the budget, I think we'll see a degree of cooperation unseen since WWII.

Thanks for listening, and please advise if ever I can be of any help.

Sincerely,

WAYNE B. YOUNGBLOOD.●

SOVIET EXPANSION

HON. DON RITTER

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 15, 1982

● Mr. RITTER. Mr. Speaker, I would like to insert into the CONGRESSIONAL RECORD an article that is well worth the attention of my colleagues and should be read by every Member in this Congress. It is an excellent article written by our colleague MICKEY EDWARDS who zeros in on the real essence of the Soviet expansion issue.

The article follows:

SOVIET EXPANSION AND CONTROL OF THE SEA-LANES

(By Mickey Edwards)

Americans felt the pinch some years back when an Arab embargo cut down the flow of oil to U.S. shores. Consider how much greater the impact might be if the expanding Soviet Navy were to cut the sea-lanes which bring oil and many other vital resources to our shores.

Soviet expansion is a growing threat to the unhindered use of the world's sea-lanes, the vital threads by which nations are linked in a web of interdependence. Anything less than global access to the world's waterways places the United States in serious jeopardy. Let us, then, consider specific examples of Soviet expansion and the likely consequences for the West if it goes unchecked.

MIDDLE EAST

The 1979 invasion of Afghanistan compels us to recognize anew the centuries-old Russian desire for warm-water ports. With the southern border of Afghanistan 350 miles from the Arabian Sea, Soviet aircraft based in southern Afghanistan are now some 500 miles closer to the sea-lanes serving the Persian Gulf. At present, the Soviets are moving to upgrade the airports at Herat, Shindand, and Farah to the south into full-fledged advance air bases, In fact, Soviet aircraft are now closer to strategic points in the Persian Gulf than they would be if based in Tehran.

The ports at Gwadar in southwestern Pakistan and Chah Bahar in southeastern Iran beckon the Soviets enticingly. Naval bases in this area would provide ready access to the Gulf of Oman and the Strait of Hormuz, which lies at the entrance to the Persian Gulf. The strait is a vital "choke point" through which about 60 percent of the oil destined for Western Europe moves everyday. About 77 ships a day (roughly one ship every 19 minutes) negotiate the narrow strait. Most of them are oil tankers. Since both the eastbound and westbound shipping channels are located in Oman's territorial waters, this conservative, pro-Western country is responsible for guarding the increasingly vulnerable waterway. The Omani Navy numbers around 15 ships.

The Soviet Union could obtain a corridor to the Arabian Sea if political instability grows in the area adjacent to Afghanistan's southern border. They key area is Baluchistan, a volatile and disputed territory which straddles southeastern Iran and southwestern Pakistan and whose inhabitants spill over into Afghanistan. Throughout the last decade, the Baluchis have tried to form a separate state that would be independent of both Iran and Pakistan. The separatist movement on the Iranian side has been picking up steam in recent months.

An independent Baluchistan would almost certainly need the support of an ally powerful enough to guarantee its security against Iran and Pakistan. In such an event, the Soviets could present themselves as a logical choice, possibly under the guise of a legitimate Afghan Government. The southern flank of a separate pro-Soviet Baluchistan would contain the port towns of Gwadar, Chah Bahar, Pasni, and perhaps Karachi. As much as 700–800 miles of seacoast would thus be included in the new state. Advanced air bases in southern Afghanistan coupled with access to ports on the Arabian Sea would give the Soviets a double-fisted threat to Persian Gulf oil. The Soviet Union would also possess greatly enhanced ability to neutralize U.S. naval forces in the area.

Considerations that make a drive for autonomy in Baluchistan more likely are beginning to receive careful attention in Western intelligence circles. A guerrilla organization among radical Baluchi nationalists has been forming for at least a year. In addition, there have been reports, so far unconfirmed, that the Soviets have been using Afghan intermediaries to supply arms to Baluchis in Iran. To the extent that the regime of President Babrak Karmal strengthens its control over Afghanistan, it will be increasingly able to give attention to exploiting separatist movements south of its border.

When we turn our attention west of Afghanistan, the picture is just as bleak, for that way lies Iran. Within weeks of the invasion, Soviet forces were concentrated in western Afghanistan, along the Iranian border. The strongholds of the anti-Soviet Afghanistan rebel tribesmen are located in the north and east, away from Iran. The air hand-held rifle at a muzzle velocity approaching 180 miles per hour. The impact on a human being is the same as being hit by a 90-pound weight. Unlike its predecessor, the rubber bullet, designed to be bounced off of the pavement and merely break a leg bone, the plastic bullet is aimed directly at the person to be hit. Since the introduction of these weapons in 1971, 16 people have been killed by their use—eight of them children under 14.

In the case of Julie Livingstone, witnesses stated that Julie was walking home when they saw a British Army Saracen (armored car) traveling toward her at a high rate of speed. As it passed by Julie, the witnesses reported hearing a loud pop. As the Saracen sped away, Julie was found lying face down on the pavement mortally wounded from a head injury. A blood-stained plastic bullet was lying nearby.

Last year alone, 12 civilians were killed by plastic bullets in Northern Ireland, among them a girl of 12, a girl of 14, and two boys less than 14. Mrs. Nora McCabe, 30, was shot and killed by a plastic bullet fired at a range of less than 20 feet while she was returning from a shopping trip. She left behind a husband and three small children.

Earlier this year, Mrs. Kathleen Stewart of Belfast was brought to Toledo to speak at Christ the King Parish under sponsorship of Clan na Gael of Toledo. She had lost her 12-year-old son Brian to a plastic bullet in 1976 as he stood waiting on a corner while his family was preparing to celebrate his birthday. Two weeks later, Mrs. Stewart's two younger children were stopped on their way home from school by a British patrol. One of the soldiers asked them if they like the birthday present he had given their brother two weeks before. Laughing, he then told them he might give them the same present next year.

In the last 12 years, close to 1,000 innocent civilians have been killed in Northern Ireland by British troops or Loyalist paramilitaries. In that time not one British soldier has been brought to trial or convicted of any crime committed while on duty in Ulster.

On May 13, 1982, the European Parliament voted on a text condemning and banning the use of plastic bullets. The only group to vote against the passage was the Conservative Party of Margaret Thatcher and the Rev. Ian Paisley.

In the U.S., Congressman Mario Biaggi (D-N.Y.) has submitted House Resolution 356 which calls on the British government to end the use of plastic bullets in Northern Ireland.

As head of the Ad Hoc Committee on Irish Affairs, Congressman Biaggi has been most vocal in denouncing the violence committed by all sides in Northern Ireland. It was because of his untiring efforts in the cause of justice and peace that he was nominated for the Nobel Peace Prize to be awarded later this year.

If there is ever to be a chance for peace, it will only come when there is a change in policy on the Ulster problem. And that will only be when England realizes that it also must accept responsibility for a large portion of the violence.●

A TRIBUTE TO JAMES WILLIAM MAZZU

HON. JACK F. KEMP

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1982

● Mr. KEMP. Mr. Speaker, I wish to bring to the attention of my colleagues and the Nation a remarkable man. Cpl. James William Mazzu was a soldier who lost his life in the Korean conflict on November 30, 1950.

I am extremely proud to say that Corporal Mazzu was a member of my district. A man of many talents, Corporal Mazzu belonged to the 2d Infantry Division Bag Pipe Band and was an intelligence map designer. Corporal Mazzu was a dedicated artist who drew cartoons for his division paper.

Corporal Mazzu had a special talent for drawing cartoons depicting the Korean conflict. His colleagues appreciated his cartoons because they provided thoughtful insights into the lives of the soldiers. The cartoons are presently a valued addition to the Army Historical Center. I am grateful for and proud of Corporal Mazzu's contributions to the United States, his commendable service in the military, and his cartoons that are a reflection of that service.●

THE SALE OF SURPLUS LAND

HON. LES AuCOIN

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1982

● Mr. AuCOIN. Mr. Speaker, I want to bring to the attention of my colleagues a letter I received from one of my constituents, Mr. Joe Reinhart of Portland, Oreg., concerning the administration's plans to sell off our public lands. The arguments made in this letter parallel exactly my own misgivings about Secretary Watt's "asset management" plan.

The concerns expressed by my constituents were repeated everywhere I went in my district during the August recess. Oregonians are proud of their heritage—they do not want America's public lands sold off for some short-term gain.

Mr. Speaker, we would be wise to heed the advice found in Mr. Reinhart's letter so as not to be accomplices in a terrible crime against our citizens. I hope my colleagues will join me in this.

PORTLAND, OREG., *August 29, 1982.*

DEAR CONGRESSMAN AuCOIN: I just finished reading a Time magazine article (Aug. 23, 1982) on the Reagan Administration's plan to sell "surplus" federal land in order to reduce the national debt. I oppose this proposal for the following reasons.

First, our short term economic problems should not dictate national policy regarding public lands. These lands should be considered part of our national heritage; a savings account. The interest from our capital investment is sustained-yield forests, national recreation and wildlife areas, and aesthetic and other intangible values. All citizens benefit from that national investment. And considering our present economic problems, once that capital reserve is withdrawn, it will not be replaced.

Second, the health of Oregon's economy is closely linked to the vitality of the timber industry. As the time article points out, large timber companies are in favor of the Administration's sell-off (or sell-out) because they have overcut their own lands for short term profits. Now, in the name of the "free market," they want to "manage" public lands. God help us. In the past few years, many small, locally owned mills have either folded or been taken over by large, national companies. I am opposed to a policy of letting out of state corporations dictate Oregon's economic decisions. Witness, for example, the commitment of Georgia-Pacific to Oregon. As a representative of this state, I ask you to make sure that our resources are available for Oregon lumber companies, not put in the hands of out of state interests.

Third, the Administration's plan is another example of the rich becoming richer at the expense of the rest of us. I ask you, who can afford to buy this land? I will tell you. Neither myself, my family, nor my friends have the money. Who can pay existing mortgages, let alone borrow at today's interest rates? Land speculators, developers, and the wealthy. The Administration's proposal, in a nut shell, is a way for the federal government to take land available for everyone's use, and put it in the control of a select group of individuals: Not very democratic.

In conclusion, everyone agrees that the federal government must balance its budget, the national debt must be reduced, and the economy started on the road to good health. And, there are undoubtedly truly "surplus" federal lands. However, I do not trust Secretary of the Interior James Watt. By using executive orders without Congressional review, the Administration's proposal opens the door for abuse. If the Administration needs more money, it should reduce military spending and/or raise taxes again. At the very least, Congress should hold hearings on this important national question.

Thank you for your time and consideration. I eagerly await your response.

Sincerely yours,

JOE REINHART.●

THE EFFECTS OF HIGH INTEREST RATES

HON. CARROLL HUBBARD, JR.

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1482

● Mr. HUBBARD. Mr. Speaker, as Americans throughout the country are pleading with Congress to provide relief from high interest rates and inflation, one of my constituents, Mrs. Jody Walker from Princeton, Ky., has written a thought-provoking letter to me in order to illustrate what our Nation's present economic climate is doing to small businesses. I think my colleagues will be interested in Mrs. Walker's comments. Her letter follows:

JUNE 19, 1982.

DEAR SIR: This is not a letter of complaint but rather an attempt to show you what the present economic climate and high interest rates are doing to small businessmen, and to us in particular.

Ken and I bought a Dairy Queen Brazier in Princeton, Kentucky 3 years ago. The interest rate at that time was 9%; our monthly payment of $2,000.00 included $1,100.00 interest; and the loan would have been paid off in 10 years.

In April of this year we had to refinance the business. The interest went to 17%; our monthly payment of $2,500.00 includes $2,350.00 interest; and the loan had to be extended to pay off in 15 years.

We are a small business, grossing about $280,000 per year and employing twelve. Ken and I have worked without pay for 3 years in an attempt to make the business a success.

We had hoped to be able to open another Dairy Queen in a nearby town this year, but after finding out what the interest rate would be, we are not going ahead with our plans. This keeps 12 or 15 people from finding jobs and eliminates several construction jobs. It means less sales taxes to be paid and less income taxes to be paid. We simply are not willing to pay $2,500.00 per month and have $2,350.00 applied to interest while we work for nothing. When interest rates are 17% and 18%, the small businessman pays little on principal and the entire payment is used to pay interest. As a result, the small businessman is unable to reduce his debt which prevents him from improving his building or adding new equipment. As a result companies supplying the products and services must lay people off. The small businessman pays little tax in that interest is deductible. The small businessman is hurt and the Federal Government is hurt.

This is only one small example but when you mulitiply it by all the small businesses that must pay these high interest rates, you can see it is a problem of great dimension.

In our town (Princeton, Ky.) the Ford Agency, a grocery store, a clothing store, a department store and a furniture store have all closed in the last eight months. Princeton's population is 8,500. The Federal Government must get this situation under control. I do not have the answers but I do know that if we operated our business like the Federal Government operates we would have closed down 2½ years ago. Something must be done to stop the Government from competing with individual citizens for loan money. Also, I feel a sincere effort must be made to balance the budget.

I am writing this in hopes a graphic demonstration of the effects of high interest rates will have more impact than the overall statistics.

Sincerely yours,

MRS. JODY WALKER.

FARM LABOR CONTRACTOR REGISTRATION ACT

HON. GEORGE MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1982

● Mr. MILLER of California. Mr. Speaker, today I am introducing, by request, the administration's recent proposals to replace the Farm Labor Contractor Registration Act with the Migrant and Seasonal Agricultural Worker Protection Act.

The negotiations which led up to the administration's proposals were long and at times frustrating. Representatives from all sides had serious concerns with the existing law that they felt needed to be addressed. Agricultural producers have long labored under the uncertainty of the 1974 FLCRA. In the past 10 years growers and producers have faced extensive private litigation and enforcement actions by the Department of Labor.

We have attempted to establish certainty during these long negotiations. That is also the goal of the administration's bill. It will answer the question "Who is responsible for the protections and duties available under the act?" with the answer, "He or she who provides the service or employs the worker—farm labor contractor or not—has the duty to protect the workers."

Certainty will benefit all parties. Agricultural employers will be relieved of the excessive burdens of FLCRA and will for the first time be sure of their duties to migrant workers. Agricultural employees will, in turn, know who is responsible for their protections, by fixing the responsibility on those who ultimately benefit from their labors—the agricultural employer. Unions, likewise, will be assured for the first time that they will not fall within the coverage of an ever-increasing maze of conflicting definitions which characterize the current law.

All of the problems of the migrant workers in this country will not disappear after this bill becomes law. Today, as always, exploitation, poor housing, and abuse all too often go hand-in-hand with the backbreaking work performed by the agricultural worker. As this bill is put into place, I will continue to use this subcommittee's oversight authority to investigate the effect of these changes on the lives of the migrant worker and to look for ways to insure a better quality of life for these workers and their families.

I remain concerned about another group of workers who perform the same services as those covered by this law, the temporary foreign workers brought into this country under the H-2 worker program. The Judiciary Committee this morning will begin markup of the Simpson-Mazzoli amendments to the Immigration and Nationality Act. That bill, as passed by the Senate fails to address adequately the future of the labor protections found in current regulations. If we do not insure that those protections for both the foreign and domestic workers are retained, we will have opened up a "guest worker" program under a different name. Congress cannot create a new statute, on one hand, which attempts to protect workers, while on the other hand pass another statute that weakens labor protections for workers doing similar work.

The parties that took part in the negotiation should be congratulated on their efforts to work out a compromise in a difficult area. They have recognized a problem that needed attention and have worked tirelessly to see that it is resolved.

I am introducing the administration's legislation because I believe that it should become law. I was involved in its development. I believe that it represents a positive step in the protection of migrant workers and I will continue work to see that it is enacted.●

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HON. PAUL FINDLEY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1982

● Mr. FINDLEY. Mr. Speaker, most Americans are unaware of the tremendous stake our country has in a successful conclusion of the efforts of Assistant Secretary of State Chester Crocker to negotiate a settlement leading to a free and fair election in Namibia under the truly impartial supervision of the United Nations Resolution 435.

As a member of the Foreign Affairs Committee of the U.S. House of Representatives, I have watched with increasing concern the efforts of the Soviet empire to expand further into the southern part of Africa. Numerous committees of the Congress have inquired into the continuing "resource war" being conducted by Russia in its effort to gain control of the sources of oil and strategic minerals in Africa. Congressional studies show that 62 strategic minerals are extremely important to the industrial base of the United States economy. Namibia has many of these minerals, including the largest uranium mine in the world and one-sixth of all the uranium in the free world. Such other important minerals as copper, zinc, gold, diamonds, cadmium, arsenic trioxide, germanium dioxide, and possibly gas and oil are found in Namibia.

Let us hope that Dr. Crocker is not maneuvered into any kind of a cosmetic settlement which, in effect, will open the door to slow-motion domination and control of Namibia by SWAPO or some other Soviet "proxy" government of the kinds now controlling Angola, Mozambique, Ethiopia, Afghanistan, and other targets of Soviet Empire expansionism.

Any settlement which would permit even the remotest possibility of a future Soviet takeover by the terrorists of the South West Africa People's Organization (SWAPO), the Soviet-financed organization which has been conducting a guerrilla campaign against the people of Namibia for the last 15 years, would be totally unacceptable. The following lead editorial from the Wall Street Journal of August 23 states the case very well. I hope my colleagues in Congress, as well as other interested Americans, will read it carefully.

I

97TH CONGRESS
2D SESSION

H. R. 6967

To amend the Federal Reserve Act.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 11, 1982

Mr. ST GERMAIN (for himself, Mr. WRIGHT, Mr. REUSS, Mr. FOLEY, Mr. ALEXANDER, Mr. MURTHA, Mr. FLIPPO, Mr. COELHO, Mr. FAZIO, Mr. MINETA, Mr. HAWKINS, Mr. RATCHFORD, Mr. FASCELL, Mr. LEHMAN, Mr. BRINKLEY, Mr. ANNUNZIO, Mr. BENJAMIN, Mr. HARKIN, Mr. SMITH of Iowa, Mr. GLICKMAN, Mr. HUBBARD, Mrs. BOGGS, Mr. DYSON, Mr. DONNELLY, Mr. MAVROULES, Mr. FORD of Michigan, Mr. WOLPE, Mr. DWYER, Mr. FLORIO, Mr. MINISH, Mr. RODINO, Mr. ROE, Mr. ADDABBO, Mr. LUNDINE, Mr. NOWAK, Mr. PEYSER, Mr. RANGEL, Mr. ROSENTHAL, Mr. SOLARZ, Mr. ZEFERETTI, Mr. HEFNER, Mr. APPLEGATE, Mr. ECKART, Mr. LUKEN, Mr. MOTTL, Ms. OAKAR, Mr. SEIBERLING, Mr. SHAMANSKY, Mr. EDGAR, Mr. FOGLIETTA, Mr. MURPHY, Mr. WALGREN, Mr. BONER of Tennessee, Mr. DE LA GARZA, Mr. FROST, Mr. GONZALEZ, Mr. HANCE, Mr. HIGHTOWER, Mr. MATTOX, Mr. BONKER, Mr. LOWRY of Washington, Mr. MOLLOHAN, Mr. WASHINGTON, Mr. DICKS, and Mr. PATMAN) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

---

A BILL

To amend the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Balanced Monetary Policy Act of 1982".

SEC. 2. PURPOSES.—It is the purpose of this Act to insure that monetary policy is conducted in a way which assures both economic growth and stable prices. It is the further purpose of this Act to return predictability and stability to financial markets, thus providing for lower, more stable real rates of interest.

SEC. 3. (a) Section 2A of the Federal Reserve Act is amended—

(1) by inserting "(a)" after "SEC. 2A."; and

(2) by striking out all after the first sentence and inserting in lieu thereof the following: "In furtherance of these goals the Board of Governors and the Federal Open Market Committee of the Federal Reserve System shall establish yearly targets, consistent with economic growth and stable prices, for long-term interest rates, and for money and credit aggregates, together with the range above and below such targets that they deem appropriate.

"(b) The Board of Governors and the Federal Open Market Committee shall take such actions as are necessary to assure that these targets are achieved, on average, on an annual basis.

"(c) Nothing in this section shall be interpreted to require that these targets be achieved if the Board of Governors and the Federal Open Market Committee determine they cannot or should not be achieved because of changed economic conditions such as rapidly accelerating inflation or high unemployment, and if within ten days of making such determination, the Board transmits a written report to the committees of the Congress referred to in subsection (d) explaining the reasons for any revisions to or deviations from such targets and notifying the committees of the new targets and of the objectives and plans for meeting those targets.

"(d) In addition, the Board of Governors shall transmit to the Congress, not later than February 20 and July 20 of each year, independent written reports setting forth—

"(1) a review and analysis of recent developments affecting economic trends in the Nation;

"(2) the objectives and plans of the Board of Governors and the Federal Open Market Committee with respect to achieving its targets;

"(3) the relationship of the aforesaid objectives and plans to the pursuit of full employment, stable economic growth, low inflation, and affordable interest rates for productive sectors of the economy; and

"(4) the relationship of the aforesaid objectives and plans to the short-term goals set forth in the most recent Economic Report of the President pursuant to section 3(a)(2)(A) of the Employment Act of 1946 and to any short-term goals approved by the Congress. As a part of its report on July 20 of each year, the Board of Governors shall include a statement of its objectives and plans with respect to its targets for the calendar year following the year in which the report is submitted. The reports and statements required under the two preceding sentences shall be transmitted to the Congress and shall be referred in the Senate to the Committee on Banking, Housing, and Urban Affairs, and in the House of Representatives to the Committee on Banking, Finance and Urban Affairs. The Board shall consult with each such committee on the reports and statements and, thereafter, each such committee shall submit to its respective body a report containing its views and recommendations with respect to the intended policies of the Board.

"(e) To promote order and stability in the financial markets and full information about economic conditions for all citizens, the Board of Governors shall publicly announce changes in objectives and plans at the times those changes are determined.

"(f) The President, as to each vote on monetary policy of the Board of Governors and the Federal Open Market Committee of the Federal Reserve System, shall state for the Federal Reserve Systems's record the administration's position on such vote.".

(b) The amendment made by subsection (a) takes effect on enactment.

KENTUCKY

(Population, 1980 census, 3,661,433)

SENATORS

WALTER D. HUDDLESTON, Democrat, of Elizabethtown, Ky.; born in Cumberland County, Ky., April 15, 1926; son of Rev. Walter F. and Lottie (Russell) Huddleston; educated in the public schools of Bowling Green, Livermore, Smith's Grove, Monticello, and Jeffersontown, Ky.; graduated from Jeffersontown High School, 1944; B.A. in radio arts, University of Kentucky, 1949; honorary doctor of laws degrees from Eastern Kentucky University and Kentucky Wesleyan College; served in the U.S. Army, 1944–46, as a tank gunner, 9th Armor Division, European Theater of Operations; elected to Kentucky State Senate, 1965; chairman, State Government Committee, 1966; majority caucus chairman, 1968; majority floor leader, 1970 and 1972; program and sports director, radio station WKCT, Bowling Green, Ky., 1949–52; general manager, radio station WIEL, Elizabethtown, Ky., 1952–72; partner and director, radio station WLBN, Lebanon Ky., 1957–72; former president, Kentucky Broadcasters Association, Elizabethtown Rotary Club, and Elizabethtown Chamber of Commerce; former chairman, Elizabethtown Planning and Zoning Commission; twice named Outstanding Young Man of Elizabethtown; one of three Outstanding Young Men in Kentucky; member, Memorial Methodist Church; married Martha Jean Pearce of Middletown, Ky., 1947; two sons: Stephen and Philip Dee; elected to the United States Senate, November 7, 1972, for the term ending January 3, 1979; reelected November 7, 1978, for term ending January 3, 1985.

WENDELL HAMPTON FORD, Democrat, of Owensboro, Ky.; born in Daviess County, Ky., September 8, 1924; attended public schools of Daviess County, University of Kentucky; served in the U.S. Army, 1944–46, Kentucky National Guard, 1949–62; was a partner in the firm of E. M. Ford and Company Insurance; held the position of chief assistant to the Governor of Kentucky; State senator, 1965–67; Lieutenant Governor, 1967–71; Governor, 1971–74; president of the Kentucky and National Jaycees; Junior Chamber of Commerce; chairman, National Democratic Governors' Caucus, 1973–74; member of Carter-Mondale Steering Committee and chairman of National Democratic Campaign Committee, 1976; chairman, Democratic Senatorial Campaign Committee; recipient of University of Louisville Minerva Award of Merit; also Boy Scouts of America Silver Antelope Award; Kentucky Conservation Man of Year, 1973, and Kentucky Agriculture Man of Year, 1973; member, Democratic National Committee, 1972–76; son of late Mr. and Mrs. E. M. Ford; holds honorary degree from Universities of Kentucky, Morehead, Eastern Kentucky, Murray State, Kentucky Wesleyan, Union, Ky., and Brescia College; married the former Jean Neel, 1943; two children: Shirley (Mrs. William Dexter) and Steven; elected to the United States Senate, November 5, 1974, for the term ending January 3, 1981; reelected November 4, 1980, for the term ending January 3, 1987.

REPRESENTATIVES

FIRST DISTRICT.—COUNTIES: Ballard, Butler, Caldwell, Calloway, Carlisle, Christian, Crittenden, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Logan, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, and Webster. OHIO COUNTY: That part contained within the following voting precincts: 4, 6–9, and 11–17. Population (1970), 460,754.

CARROLL HUBBARD, JR., Democrat, of Mayfield, Ky.; born in Murray, Calloway County, Ky., July 7, 1937; educated in the public schools of Beaver Dam, Ashland, and Louisville, Ky.; graduated from (Louisville) Eastern High School, 1955; B.A., Georgetown College, Georgetown, Ky., 1959; J.D., University of Louisville School of Law, 1962; admitted to the Kentucky Bar, 1962, and commenced practice in Mayfield, Ky.; served in the Kentucky Air National Guard, 1962–67; Kentucky Army National Guard, 1968–70; active duty: Lackland Air Force Base, Brooks Air Force Base, San Antonio, Tex.; rank, captain; position, legal officer, selective service system; elected to Kentucky State Senate, 1967; reelected, 1971; chairman, Judiciary Committee, 1970; chairman, State Government Committee, 1974; former president, Mayfield Rotary Club, 1966; chosen one of the three outstanding young men of Kentucky in 1968 by Kentucky Jaycees; chosen in 1972 by Kentucky Young Democrats as Outstanding Young Democrat Legislator; chosen among "Outstanding

Young Men in America" in 1970; recipient of Outstanding Service Award at 1971 Southeastern Kentucky Homecoming; chosen in 1966, 1967, and 1968 as Outstanding Young Man of Mayfield-Graves County, Ky., by Mayfield Jaycees; member, deacon, and moderator of First Baptist Church, Mayfield, Ky.; former member, State Executive Board, Kentucky Baptist Convention; married to the former Joyce Lynn Hall of Metropolis, Ill., 1966; two children: Kelly Lynn and Krista Leigh; chairman, 94th Democratic class, 1975; associate whip, 95th, 96th, and 97th Congresses; chairman, Panama Canal Subcommittee; elected to the 94th Congress, November 5, 1974; reelected to each succeeding Congress.

SECOND DISTRICT.—COUNTIES: Allen, Anderson, Barren, Breckinridge, Bullitt, Daviess, Edmonson, Grayson, Hancock, Hardin, Hart, Larue, Marion, Meade, Nelson, Simpson, Spencer, Warren, and Washington. OHIO COUNTY: That part contained within the following voting precincts: 1–3, 5, 10, 18, and 19. Population (1970), 459,416.

WILLIAM H. NATCHER, Democrat, of Bowling Green, Warren County, Ky.; born in Bowling Green on September 11, 1909; educated in the public schools of Bowling Green and high school at Ogden Preparatory Department; A.B., Western Kentucky State College, Bowling Green; LL.B., Ohio State University; married Miss Virginia Reardon, of Bowling Green, Ky., on June 17, 1937; two daughters: Celeste Jirles and Louise Murphy; practicing attorney, Bowling Green, since March 18, 1934; Federal Conciliation Commissioner 1936–37 for Western District of Kentucky; elected county attorney of Warren County in 1937 and served three 4-year terms; elected Commonwealth attorney of the Eighth Judicial District, composed of Allen and Warren Counties, in 1951 and served until August 15, 1953, having been elected to Congress; sworn in as a Member of Congress on January 6, 1954, and never missed a day or a vote since being sworn in as a Member; Baptist; past president of the Young Democratic Clubs of Kentucky; during World War II served in the U.S. Navy from October 1942 to December 1945; elected to the 83d Congress on August 1, 1953; reelected to each succeeding Congress; member, Committee on Appropriations; home address, 638 East Main, Bowling Green, Ky.; district office: 414 East 10th Street.

THIRD DISTRICT.—JEFFERSON COUNTY: That part of the county of Jefferson which includes the city of Louisville, the city of Shively, and unincorporated areas. Population (1970), 460,340.

ROMANO L. MAZZOLI, Democrat, of Louisville, Ky.; born in Louisville, Jefferson County, Ky., November 2, 1932; education at St. Xavier High School Louisville, Ky.; University of Notre Dame, B.S. in business administration (magna cum laude), 1954; University of Louisville Law School, J.D., 1960; U.S. Army, 1954–56; admitted to the Kentucky bar 1960; Louisville and Nashville Railroad Co. Law Department, 1960–62; private practice of law, 1962–70; lecturer in business law, Bellarmine College, Louisville, 1963–67; elected to Kentucky State Senate November 1967; named Outstanding Freshman Senator, 1968 session; named Best Senator from the Public Standpoint, 1970 session; member: Louisville, Kentucky State, and American Bar Associations; Notre Dame Club of Kentucky; Notre Dame Club of Washington; board of directors, Notre Dame Alumni; married the former Helen Dillon, 1959; two children, Michael and Andrea; elected to 92d Congress November 3, 1970; reelected to each succeeding Congress; member of House Committee on Judiciary, House Committee on the District of Columbia, and House Permanent Select Committee on Intelligence.

FOURTH DISTRICT.—COUNTIES: Boone, Carroll, Gallatin, Oldham, and Trimble. CAMPBELL COUNTY: That part contained within the following voting precincts: The cities of Bellevue, Dayton, Newport, Fort Thomas, and Woodlawn in their entirety. JEFFERSON COUNTY: That part contained within the following voting precincts: Second ward of Louisville 35, 36, and 38; sixth ward of Louisville 31; seventh ward of Louisville 18; A district 1–16, 18–38, and 40–81; B district 3–7, 9, 14, 17, 19–24, 26–29, 31, 33–39, 41, 43–47, 50–53, 55, 56, 59–62, 64–66, and 68–70; C district 6–8, 11, 14, 17–19, 21, 23, 24, 30, 31, 33, 34, 40, 42–47, 50, 53–58, 60, 61, 64–66, 69, 70, 73–75, 78, 79, 81, 84, 85, 87–91, and 94. KENTON COUNTY: That part contained within the following voting precincts: The city of Covington in its entirety; Ludlow 1–5; Bromley; Villa Hills 1 and 2; Crescent Springs; Erlanger 3–9; Edgewood 1–3; Crestview; Lakeside Park 1–3; Fort Mitchell 1–6; Fort Wright 1–5; Park Hills 1–3. Population (1970), 458,896.

GENE SNYDER, Republican, of Jefferson County, Ky., born in Louisville, Ky., January 26, 1928; son of M. G. and Lois E. Snyder; attended the public schools, graduated from duPont Manual High School, took prelaw studies at University of Louisville, and graduated cum laude from the Jefferson School of Law in 1950; began practice of law in Louisville in 1950; elected magistrate of Jefferson County's 1st District for two terms in 1957 and 1961; city attorney for Jeffersontown, 1954–58; primary occupation, realtor and lawyer; farming interests; Protestant; married the former Patricia Creighton Robertson of Fort Thomas, Ky.; one son, Mark; three

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Joe C

PAUL VOLCKER'S VISIT TO MAYFIELD, KENTUCKY

THURSDAY, DECEMBER 16

TIME	EVENT
4-4:30 pm	Chairman Volcker and Congressman Hubbard arrive at Paducah's Barkley Field. Will be met by 3 bank Presidents, State Police escort and Fred Nesler. (Ohio Valley side of Airport)
4:30 pm	Depart Barkley Field enroute to Paducah television station WPSD-TV
4:45 pm	Arrive Paducah TV station. Met by Tom Butler
5-5:30 pm	Interview with Tom Butler on Accent Program
5:35 pm	Depart WPSD-TV enroute to Liberty Savings Bank, Mayfield
6:15 pm	Arrive Liberty Savings Bank for dinner
6:15-7:10 pm	Dinner at Liberty Savings Bank, Mayfield
7:10 pm	Depart Liberty Savings Bank enroute to Mayfield High School gymnasium
7:15 pm	Arrive gym. Met by Principal Ralph Colby and Hubbard's AA Jim Kanouse and escorted to speaker's platform
7:30 p.m.	(Following music and invocation--) Congressman Hubbard will introduce in sequence: William Hale, Reid Hearn, Fred Blume, Wayne Courtney, Howard Shaw
7:40 pm	Congressman Hubbard introduces Mr. Tom Brumley who in turn will introduce Chairman Volcker
7:45-8:15 pm	Speech by Chairman Volcker
8:15-8:45 pm	Questions and answers - Presiding will be Carolyn Reed and Inell Mays
8:45 pm	Congressman Hubbard introduces Bill Green, President of the Mayfield-Graves County Chamber of Commerce who will present Chairman Volcker with a Kentucky country ham
8:50 pm	Congressman Hubbard will present Chairman Volcker with a Kentucky Colonel certificate and will conclude meeting
9:00 pm	Congressman Hubbard, Chairman Volcker, and party proceed to Mayfield airport for flight to Louisville. Larry Mitchell will meet party at the Mayfield airport.
9:15 pm	Depart Mayfield for Louisville
11:15 pm	Arrive Louisville airport --Federal Reserve car will meet party and escort to Executive West Hotel

FRIDAY, DECEMBER 17

7:55 a.m. - USAir #238, Louisville-DCA, arriving 9:07 a.m.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date: December 16, 1982

To: Chairman Volcker

Subject: Chrysler-UAW Settlement

From: Division of Research & Statistics ~~(Ms. Mallinson and Messrs. Kohn~~ & Gay)

On Thursday, December 9, Chrysler announced it had reached a 13-month tentative labor agreement covering its U.S. and Canadian bargaining unit employees (salaried employees will receive comparable increases). Since then, the Canadian workers have ratified the agreement (by a margin of nearly 10 to 1) and have returned to work, ending a 5-week strike that idled about 9,600 Canadian and 4,600 U.S. workers. U.S. UAW officials have also endorsed the pact and ratification by the rank and file is expected by Friday, December 17. LGB staff would like to have your vote on the proposed contract by that date, or shortly thereafter.

The following represents our estimates of the effect of the proposed settlement on hourly labor costs:

CHRYSLER U.S. HOURLY UAW LABOR COSTS

		Proposed contract		
	Sept. 1982	Dec. 1982	Dec. 1983	% change 9/82-12/83
Base wage rate	9.55	10.15	10.15	6.3
COLA[1]	0	.15	.83	
Total straight-time rate	9.55	10.30	10.98	15.0
Contractual fringe benefits[2]	9.21	9.44	9.65	4.8
Total contractual labor cost	18.76	19.74	20.63	10.0
Legally required payments	1.64	1.64	1.72	
Total hourly labor cost	20.40	21.38	22.35	9.5

1. The $.15 December COLA is a negotiated adjustment and will be paid retroactive to September 14, when the old contract was to expire. This figure, along with the subsequent $.68 increase is consistent to the COLA formula assuming a 6 percent inflation rate.

2. Benefit costs are tied to wage increases; we have assumed that no new material benefits are included and that the proportion of the dollar increase in wages that is rolled up into benefits remains constant.

The increase in base wages largely reflects the "swap" of future payments under the previously negotiated profit-sharing and wage bonus plans in return for cash up front.

The settlement for Canadian workers provides an extra \$.25 per hour "special COLA" increase at the start of the contract in recognition of Canada's higher inflation rate. Canadian workers also agreed to forego the present Employee Stock Ownership Plan in exchange for \$.29 per hour up front.[1] As a result, the Canadian workers will have a \$.40 per hour advantage in basic wages relative to the U.S. workers, a spread which will be maintained over the contract.[2] Overall, Canadian compensation will still trail the U.S. level.[3]

The company estimates that total cost of settlement in 1983 as follows:

TOTAL COST OF PROPOSED LABOR CONTRACT: 1983

	U.S.			Canada			Savings from elimination of profit sharing	Total net cost
	UAW	Other	Total	UAW	Other	Total		
Base wage increase	38	17	55	4	1	5	--	60
COLA	94	29	123	16	4	20	--	143
Other	1	11	12	(3)	0	(3)	(17)	(8)
Total	133	57	190	17	5	22	(17)	195

We observe the following about the proposed settlement:

1) the total cost to Chrysler in 1983 falls just within the range Chrysler had allowed for in its plans. In its last set of business plans

1. There is, however, no offsetting saving for Chrysler, which will maintain contributions to the ESOP at currently planned levels.
2. This comparison of Canadian and U.S. wages makes no allowance for the lower value of the Canadian dollar. Translated into U.S. dollars at current exchange rates, Canadian workers would be making less than U.S. workers.
3. Differences in total compensation primarily reflect a higher level of government benefits available to Canadian citizens.

(July 1982), Chrysler included a contingency of $204 million for an increase in labor costs; with this contingency, Chrysler projected profits of $150 million. After also allowing for this "labor contingency", the Base Case V analysis predicted that Chrysler would break even in 1983.

2) the gap in cash wages paid Chrysler workers relative to GM and Ford will close somewhat under the contract and the advantage in hourly total compensation costs to Chrysler will be virtually eliminated. With respect to wages, Chrysler workers will receive about the same COLA increases as GM and Ford workers at the end of the current contracts, but the difference between their wages narrows from the current $2.65/hour to around $2.05/hour as a result of the immediate non-COLA wage boosts given Chrysler U.S. workers. Differences in compensation have been much narrower, primarily because relatively speaking, active Chrysler workers support more retired and laid-off personnel. The current difference in compensation is around $.60, which will be eliminated by the wage boost under the contract.

3) the pact expires in January 1984. In the recent negotiations the desire of the Canadian workers to return to work before Christmas, and thus get paid for the holiday down-time, apparently contributed significant impetus to reach an agreement. No such pressure will exist in the next round. Treasury LGB staff also suggest that by January, 1984 the new T115 van/wagon will be in full production in Canada and that any work-stoppage then will have severe consequences for Chrysler. Because the GM and Ford pacts expire in September 1984, Chrysler workers will have one more opportunity to narrow the wage gap before other auto workers can negotiate new contracts.

4) the settlement does not contain a "subject to Loan Guarantee Board approval" clause. If the LGB cannot make the certifications necessary

to approve this contract under Section 11(c) of the Act, a default under the Act would occur. The only recourse available to the LGB would be to call the loans.

Overall, the terms of this pact are disappointing, especially relative to the last rejected contract, which might even have increased the Chrysler/GM, Ford compensation gap. In addition to the up front payments, some of which might have been expected, given that Chrysler workers hadn't had a pay increase in two years. The short-term of the contract seems to imply that further increases relatively to GM and Ford might be expected in early 1984. Further, the expiration date of the new contract seems timed to maximize the union's leverage in 1984 negotiations.

Under Section 11(c) of the Act, the Board must find that the contract

> "... will not reduce the ability of the Corporation to repay the guaranteed loans as scheduled, will not conflict with the Corporation's operating plan or financing plan as required under this Act, and will not impair the ability of the Corporation to continue as a going concern or to meet such other tests of viability as the Board shall prescribe."

Based on a preliminary analysis, the pact does not appear to be strictly consistent with the operating and financing plans for 1983 now in effect after approval by the Board in early 1982, which assumed that Chrysler wages would roughly parallel to those of GM and Ford. However, the closing of the wage gap implied by this contract above, probably is not sufficiently serious to impair the viability of the Corporation to warrant a negative finding under 11(c). We should note, however, that additional analysis of the effect of this contract is still forthcoming.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date December 9, 1982

To Chairman Volcker

From Joe Coyne

Subject:

NOTES on Western Kentucky

Jim Thompson, who is professor of economics at Murray State University in Western Kentucky and chairman of the Louisville Branch, provides this information about that part of the state:

Unemployment has ranged roughly in line with the national average. This area has some industrial operations. There is a chemical concentration in Western Kentucky and General Tire operates a plant in Mayfield itself. There is another tire plant across the state line in Tennessee. As far as other manufacturing is concerned, Thompson said it is miscellaneous. Foreign competition cost the area several shoe plants some years ago.

Agriculture is also very important. Crops are corn, wheat and soy beans primarily; very little cattle. It is basically a crop oriented agriculture. The area is rolling hills which Thompson says are a bit too hilly for wheat but it is grown anyway. The area is not in the mountains and coal country is to the east of the area. There is no coal in the Mayfield area. Lots of rivers in the area so water transportation is also important.

Thompson says general economic picture is generally in line with the rest of the country. Things are sluggish but not panicky. Loan demand in some banks is way off. Several years ago some banks in the area had an 80 percent loan to deposit ratio and this is now down to 45-50 percent.

December 7, 1982

To: Neal Soss

From: Don Winn DW

Cong. Carroll Hubbard has not had much trouble being reelected to Congress! His district is very Democratic. Here is the record:

1982	--	Unopposed
1980	--	Unopposed
1978	--	Unopposed
1976	--	82 percent
1974	--	78 percent

To be unopposed is not exceptionally rare, but it is not too common either. Only 25 members of the House were unopposed in 1982. Most of them came from the South--8 in Louisiana, 3 in Florida, 2 in Georgia, 2 in Tennessee, and 2 in Virginia.

Chairman -
no risk of offending him
by telling a king of the jungle
story.

1. The Supply-Demand Situation in Agriculture

Large crop supplies and weak demand continue to dominate the economic situation in farming.

1. Growing and harvesting conditions were generally favorable this past year, and <u>aggregate crop production</u> is expected to be about in line with the previous peak in 1981. For the three major crops--wheat, corn, and soybeans--production reached new highs in 1982, and inventories of these crops (particularly corn) are burdensome.
2. The rapid expansion in the <u>export demand for farm crops</u> was halted in 1981 by the combination of weak foreign demand and a strong dollar. More recently, farm export volume has turned down, and prospects for 1983 are not bright.
3. The <u>livestock supply situation</u> differs from that of crops.
   a. Total red meat and poultry production declined in 1982.
      - This was due mainly to a decline in pork production for a third year in a row; the pork industry had overexpanded in the late 1970s.
      - Beef production in the first three quarters of 1982 was little different, on average, from year-earlier levels.

   b. The demand for livestock products has continued to be weak this year, but feeding costs also have fallen. Thus, price-cost relationships in the livestock industry are more favorable than over the 1979-81 period. Nonetheless, with demand prospects uncertain for 1983, producers appear hesitant to expand output although profits have improved.

4. Domestic demand for food has been weak in recent years. After rising rapidly during the expansion of the late 1970s, constant-dollar outlays for food and beverages have shown little net change since early 1980, probably because growth in real per capita income has leveled off.

2. Food Prices and Farm Prices

Food price inflation has slowed considerably in the past two years, and next year's increase also is expected to be relatively moderate.

1. The prices received by farmers fell more than 10 percent during 1981 and have edged down further in 1982. Farm prices this past year have been particularly weak for a number of key crops.
   a. Near the peak of the fall harvest, the price of corn fell 20 percent below its support level, as new supplies glutted the market.
   b. Wheat prices also have been below support levels.
   c. In recent weeks, prices of both crops have risen a little from their harvest-time lows.
2. A deceleration of labor costs in the food-processing sector also has contributed to the slowing of food prices at the retail level. In terms of value-added in food production, labor costs are more important than farm commodities.
   a. Hourly earnings in the food industry slowed to a 5-3/4 percent annual rate over the first three quarters of 1982, down from a peak rate of 10 percent in 1980.
3. The outlook is for relatively moderate food price inflation again in 1983.
   a. As renewed economic expansion gets under way, there will be a cyclical tendency for food commodity prices to rise from their currently depressed levels.

- But because of the large crop inventories that have accumulated in the past two years, the price rebound is likely to be damped.
- Moreover, reduced wage inflation in the food processing industry should help keep consumer food prices in check.

b. The USDA forecast has consumer food prices in 1983 averaging 3 to 6 percent higher than in 1982; the staff's projection is 4-3/4 percent on an annual average basis (5-1/2 percent over the four quarters).

3. Farm Policy Issues

In the past two years, the federal government has assumed an increasing role in supporting farm prices and farm incomes. Even with these programs, farm income is quite depressed.

1. The Commodity Credit Corporation (CCC) has boosted outlays considerably in an effort to keep farm prices from falling below specified levels.
   a. The farm commodity inventories owned or financed by the CCC increased by $7 billion in fiscal 1982, and another large increase is likely in the current fiscal year. The level of these inventories has increased in almost every year since the mid-1970s, but the growth in CCC financing in 1981 and 1982 was especially rapid.
2. The government is providing direct cash payments to many crop farmers to supplement their incomes from cash marketings.
   a. Cash payments to farmers are estimated to have totaled $4 billion in 1982, up from $2 billion in 1981.
   b. These outlays are mainly "deficiency payments," which are triggered whenever crop prices fall below certain specified levels.
3. The government also is becoming more active in supply management.
   a. This past week, the administration proposed that farmers be "paid in kind" to take additional land out of production next year. Farmers participating in the acreage-reduction program already in place would be able to idle additional land out of production, and would receive commodities from government- or farmer-owned surplus stocks in amounts related to the foregone production of the idle land. This would work off some of the accumulated inventories.

4. Farm income remains weak despite the current support programs.

   a. Farm proprietors' income in 1982 is likely to total around $19 billion, the third year in which income has been well below the 1979 peak of $32 billion. Currently, the outlook for 1983 is for a fourth poor year.

5. Farm Debt

Farm debt will rise by about $13 billion, or 7 percent, in 1982, reaching $215 billion at year-end.

1. CCC loans to farmers will rise by about 70 percent, to $13.6 billion. The CCC increase represents two-fifths of the total rise in debt this year.
2. Loans held by the Farmers Home Administration will increase by only 2 percent, a sharp contrast to the rapid expansion of FmHA loans during the five preceding years. The economic emergency loan program has expired (the Administration did not use the final $600 million in new lending authority) and there were few droughts requiring disaster lending.
3. Growth in loans at the cooperative Farm Credit System will have slowed to 5 percent, the lowest percentage gain since 1953 and the first sub-double-digit increase since 1968.
    a. Reduced farm real estate prices and sales slowed the rise in Federal Land Bank debt.
    b. Loans at production credit associations actually fell slightly as they lost the competitive advantage that their average-cost method of pricing farm loans had provided when interest rates were rising.
4. As bank interest rates became more competitive with those of FCS, commercial banks experienced a revival in farm lending after two preceding years of barely positive growth in farm loans.

Loans outstanding will rise by about 7 percent. Loanable funds were ample at most rural banks in 1981 and 1982 as, in contrast to experience at large banks, their loan/deposit ratios remained significantly below the cyclical peak of 1979.

Farm Asset Values

Farm asset values have been falling since about mid-1981, and the average debt/asset ratio has thus risen sharply; however, it is still low relative to that of nonfarm corporate business.

1. The USDA estimates that the total value of farm assets has dropped by 2 percent in 1982. After remaining relatively stable at around 16.5 percent from 1968 through 1980, the debt/asset ratio of the farming sector rose to 18.5 percent during 1981 and to 20.1 percent during 1982.

2. USDA estimates that farm land prices nationally may have dropped by 5 percent in 1982, which implies a total drop of perhaps 10 percent from their mid-1981 peak. (Knowledge of land price developments is somewhat speculative, because the USDA survey of prices is performed only once a year, in early spring.)

   a. Bankers surveyed by Reserve Banks in four Districts indicated that land prices generally continued to fall during the third quarter, and that declines in some areas have substantially exceeded the USDA's estimated national average decline:

F.R. District and type of farm land	Percentage change in farm real estate values		
	1982-Q3	Year ending Oct. 1, 1982	From peak value (date of peak)
Richmond, farmland	-9	-15	-15 (81-Q3)
Chicago, farmland	-5	-15	-15 (81-Q3)
Kansas City			
nonirrigated cropland	-3	-15	-16 (81-Q2)
irrigated cropland	-4	-13	-17 (81-Q2)
ranchland	-4	-12	-13 (81-Q2)
Dallas			
dryland cropland	0	1	n.a.
irrigated cropland	-5	-5	n.a.
ranchland	2	8	n.a.

7. Profitability of Farming

Before debt service, the estimated rate of return to all farm capital averaged 3.2 percent in 1982, compared with a longer-term average of 4 to 5 percent area. As the average interest rate on all outstanding farm debt rose from 8.6 percent in 1979 to about 11 percent in 1982, increased interest payments further depressed returns. The combined rate of return to operator and landlord equity is estimated at 1.4 percent, and to operator equity alone at 0.8 percent.

1. Notably, the average rate of return is still positive, as farm operators earned about $7 billion as a return to equity in 1982. In contrast, for example, operators had losses averaging $8 billion in 1930-32 (in 1982 dollars), and the rate of return to equity was negative in 13 of the 14 years from 1920 to 1933.

2. The return to equity of individual farmers in 1982 was greatly affected by their relative debt position. Farmers with the average rate of return to assets of 3.2 percent and paying the average interest rate of 11 percent on outstanding debt have the following markedly different returns to equity, depending on their individual debt/asset ratios:

Debt/assets (percent)	Return to equity (percent)
No debt	3.2
20	1.4
40	-1.6
60	-7.0
80	-20.0

3. Newly-available data from the 1979 census of agriculture indicates that about one-sixth of commercial farm operators had debt/asset ratios over 40 percent, a level at which debt service costs would likely result in large losses (in the 1970's, these highly leveraged positions produced greater profits). Among large farms, however, the proportion approached one-third.
   a. But on two-fifths of the farms, debt/asset ratios were below 6 percent, and many of these farmers reported they were completely free of debt. This low-leverage group included nearly one-fourth of the large farms and over one-half of the small farms.
4. Recent surveys of rural bankers made by the American Bankers Association and several Reserve Banks indicate the number of farmers forced to liquidate assets or terminate operations because of their financial situation has been about double the levels considered normal.
   a. Aboout 4 percent of farmers went out of business in the South, and about 2 percent in other areas, in the year ending in mid-1982, according to the ABA survey.
   b. For this winter and spring, bankers expect the area of greatest financial stress to shift from the South to the Corn Belt.

8. The Economic Situation in the Rubber Industry

One of the principal employers in Mayfield, Kentucky is General Tire Company. About one-fourth of its workforce is on layoff.

1. The fortunes of the rubber industry, particularly tire manufacturers, follow developments in the auto industry.
    a. Over the past three years, domestic auto sales have dropped from 8-1/2 million units per year to about 5-1/2 million units, and employment in the auto industry has dropped about 30 percent.
    b. Since mid-1979, tire production has dropped 20 percent, and employment in the tire manufacturing is down 21 percent.
2. As with auto workers, wages for rubber workers had risen sharply relative to those received by other U.S. manufacturing workers over the past decade, exacerbating the industry's cost problems. In 1972, rubber workers' wages were about one-third higher than the manufacturing average, and by this year they were more than 50 percent higher.
    a. In April rubber workers signed a new three-year contract, eliminating usual scheduled increases of 3 percent annually. The COLA was retained plus some improvements in benefits were negotiated.
    b. Workers have agreed to additional concessions at Uniroyal and some individual plants.

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Itinerary -- Chairman Volcker

Thursday, December 16, 1982

12:15 PM	Depart National Airport on US Air #133 (with Joe Coyne and Congressman Hubbard)
1:06	Arrive Pittsburgh, Pa.
1:55	Depart Pittsburgh on US Air #321
3:44	Arrive Louisville, Kentucky
	Depart Louisville on charter plane
	Arrive Paducah, KY (room at Holiday Inn - 502-443-7521)
	TV Interview
	Press Conference
	Car to Mayfield, KY
6:15	Dinner at Liberty Savings Bank in Mayfield
7:30	PAV Speech - Mayfield High School Gymnasium
	Return to Louisville
	Reservation at Executive West (502) 367-2251)

Friday, December 17

7:55 AM	Depart Louisville, Kentucky on US Air #238
9:07 AM	Arrive National Airport

Car will meet you

We are reminded daily of the dislocations, the pain, and the uncertainties in the economy today. Far too many are unemployed, housing has been depressed, investment is falling, and interest rates remain by historical standards high. And those concerns are not limited to the United States. Rich countries and poor, with few exceptions, are bedeviled by recession, unemployment, and financial strains.

What is less often noted is that these difficulties had been building for quite a long time. At least for a decade, roughly encompassing the 1970's, our economic performance had been deteriorating in fundamental ways. The origins for this country can be traced back as far as the mid-1960's, when, as a nation, we had for a while become infatuated with our apparent economic success. But no sooner did we congratulate ourselves on our presumed ability to conquer the business cycle, to achieve virtual price stability, and to maintain growth that we took it for granted.

That, I suppose, is one aspect of our common humanity -- and in doing so we refused to recognize what was necessary to sustain performance. One symptom was that we failed to accept the budgetary consequences of spending for a war and vastly expanded social programs at the same time. That may have seemed at the time "socially sensitive," but once we refused to accept financial discipline, the inflationary process got underway and many accepted it as a lesser evil. And once fairly started, it assumed a momentum of its own.

As we came to expect inflation, we built it into our economic arrangements, and anticipated it in our business decisions, in our financial planning, and in our shopping. We tended to leverage our capital, to reduce our liquidity, to divert our energies into more speculative and unproductive activities, to take risks in ways that could not be sustained. In the end, we found the growth we had taken for granted was undermined; by the end of the 1970's, growth in productivity practically disappeared.

It's worth recalling the culmination of the process in late 1979 and early 1980 when concern about inflation, the declining value of the dollar abroad, and the budgetary outlook combined to bring interest rates to levels never before sustained in this country and incited a speculative outbreak in commodity and precious metals prices.

As evidence of the corrupting influence of inflation mounted -- and not just on economic behavior but on social goals and cohesion -- a new national policy consensus emerged. The need to reorient the economy toward greater price stability, increased investment, and improved productivity -- in short, toward the preconditions for sustainable economic growth, for higher real incomes, and for expanding employment opportunities -- was broadly accepted.

The Federal Reserve, by necessity, was thrust in the position of assuming the leading edge in the effort to restore price stability. In a fundamental sense, that was appropriate and inevitable because no inflation can be stopped without appropriate restraint on the growth of money and credit -- and in the last analysis that is our continuing job. But it is also true that job has been made more difficult because complementary approaches are weak or lacking. Instead of declining, budget deficits have risen. They now absorb a bigger share of our savings and place extra pressures on financial markets. For a long while, farmers, businessmen, workers, and consumers continued to plan on, and act on, expectations of continuing inflation in their pricing, wage, and buying decisions -- and even now there is skepticism about whether the recent trend toward stability is "for real."

And, as the continuing demands for money and credit, public and private, clashed with restrained supplies, interest rates remained very high for month after month, with strong repercussions in the very sectors of the economy -- investment and housing -- important to our future well being.

In the circumstances, it is hardly surprising that some have begun to question whether it's all worthwhile -- that somehow there must be an easier "out," or that maybe inflation really was the lesser evil. Well, I have already implied that the adjustment could have been eased had budgets been under better control, had the world environment been more favorable, or had the public been less skeptical of the prospects of restoring price stability. But let's not engage in wishful thinking: In the best of circumstances, we should never have anticipated that dealing with ingrained inflation, and rebuilding a base for growth and productivity,would be fast and easy.

All that I would argue is that we had no real choice then -- or now. The longer the inflation persisted, the more difficult it would have been to control, with even more serious economic and financial repercussions.

In this country we have, historically, been spared the economic and social disruption of really severe continuing inflation. But we had enough by the end of the 1970's to give us a taste of the implications. The true challenge for public policy, it seems to me, is to restore the conditions for growth in a way consistent with stability -- or in the end we will achieve neither.

I would also remind you our problems and challenges in that respect are not unique. Governments around the world have faced, in greater or lesser degree, inflationary, fiscal, and productivity problems. They are embarked on similar efforts to cope with them, and, as they have done so, growth has been slow or non-existent. One result has been that recessionary tendencies in various countries have fed back, one or another.

The difficulties in this situation are very real. But so are the opportunities. I am convinced that in the end the current strains and pain will soon give way to renewed growth and prosperity -- if we only have the wit, the wisdom, and the persistence necessary to capitalize on the opportunities before us.

The philiosophy that has guided monetary policy in recent years has been grounded on those views. As you know, the Federal Reserve has argued consistently for a policy of restrained growth in money and credit. This policy means exactly that -- restraint enought to keep up the pressure against inflation; growth enough to support the needs of the economy.

The policy of restrained growth in money and credit, I must emphasize, is not the equivalent of a high interest rate policy -- quite the contrary. I reject entirely the simplified view that the Federal Reserve over time can itself dictate the level of interest rates in the marketplace. Those interest rates reflect the balance of savings and investment, not just in the United States but elsewhere in the world. They reflect the hopes and the fears of millions as they decide where to put their money, and how much to borrow.

In essence, lending for any period of time is an act of faith -- faith, among other things, that interest paid in the years ahead will yield a real return and not lag behind rising prices. Of course, monetary policy can influence those decisions and thus the level of interest rates. But it does as much or more by affecting the way we look at the future -- and most especially the prospects for stability -- as by the technical manipulation of bank reserves and the discount rate from day to day.

To put it bluntly, over time, achieving and maintaining the lower level of interest rates we would all like to see must be a reward for success in dealing with inflation; without a sense of conviction on that score attempts to force interest rates lower would in the end be fruitless.

Happily, I believe we can now see evidence that the fundamentals are changing. We are still some distance from price stability. But we can now fairly claim the insidious upward momentum of inflation has been broken. I judge that partly by the fact that the common indices of inflation this year have been running at a third to a half of their earlier peak levels, and partly by the fact that growth in workers compensation in nominal terms has declined to the 6 to 7 percent area, while real wages are benefitting from the more rapid disinflation on the price side. I also believe we see signs that the hardened skepticism of financial markets and the public at large about our ability to deal with inflation -- a skepticism bred over years of disappointment and false starts -- is beginning to yield. One reflection is the rapid decline in long-term interest rates in recent months -- although they are still very high historically. And there are hard analytic reasons to believe that progress toward stability can be maintained during a period of recovery.

Specifically, even if I discount by half what my business friends are telling me, recovery should be accompanied by substantial gains in productivity. Combined with the trend toward more moderate wage and salary increases, the result can only be slower growth in unit labor costs, which, I would remind you, are two-thirds of all costs in our economy. For the time being, excess capacity and unemployment are, of course, putting downward pressures on prices. But they cannot be the answer long-term -- we have to "build-in" the discipline and the expectations that will keep inflation declining as recovery takes hold.

I do not equate our progress against inflation so far with victory -- far from it. Concern about inflation is not something we can affort to turn on or off -- not if we want to see that progress continue and price stability restored. And that concern has straightforward implications for the broad directions of monetary policy in the period ahead, although regrettably it does not resolve the myriad of detailed matters that arise in the formulation and conduct of a specific policy course.

For instance, while we know that the inflationary process feeds on excessive growth of money and credit, we are faced today with particularly difficult problems in judging what is "excessive." We know institutional changes are currently distorting some of the various measures of money that we have used as guides for our actions, and we also know that the current period of economic uncertainty has been accompanied by exceptional demands for liquidity. To hold rigidly to pre-determined targets that could not take these factors into account would risk a significantly greater degree of restraint than intended. For all the problems of communication to a worldwide audience that has become habituated to particular statistical relationships, we cannot afford, during this sensitive period, to substitute form for substance in our policy-making.

But we also must be wary -- we are wary -- of permitting liquidity to build up to the point that, with the passage of time, inflationary forces could again get the upper hand. The right balance is, in the end, a matter of judgement -- but it is a judgement that has been, and will continue to be, tempered by the lessons of our past inflationary record.

What is not a matter of judgement but a hard fact is that the inflationary dangers and the interest rate outlook is greatly complicated by our national fiscal position. In the fiscal year just ended, the Federal deficit was $111 billion, and it will probably be much more than 50 percent higher in the current fiscal year.

In assessing the impact of that huge current deficit -- around 5 percent of the GNP -- it is important to distinguish between the "cyclical" and the "structural" components. The "cyclical" component, as the term implies, relates to the effect of current business conditions on the Federal budget. High unemployment cuts revenues and increases spending, temporarily enlarging the deficit. As the economy recovers, that cyclical element will diminish.

It is tempting to suggest tha the "budget problem" can be dealt with as a passive byproduct of recovery -- and I am afraid some in Washington are in a mood where they may not be above temptation, but it is wishful thinking. The hard fact is that, as things now stand, the deficit will remain close to current levels even as the recession passes. As the "cyclical" portion of the deficit recedes, we will face a growing "structural" deficit -- that is the imbalance that would remain even when the economy is operating at a high level, with reduced inflation. I know of no competent budget analysts who comes to any different conclusion.

Left unattended, that situation poses a strong potential for a clash between the need to finance the deficit and the rising financial requirements for housing, for agriculture, and for the business investment needed to support lasting growth in productivity. In the end, all those needs have to be supplied by savings -- and there simply isn't enough to go around.

The problem can in no sense be solved by monetary policy. The Federal Reserve can create money and liquidity, but not savings. Simply pumping out more money and liquidity, year after year, to meet the needs of the government would only risk renewed inflation. Sooner or later -- and it's all too likely to be sooner -- investors would be driven away from the long-term markets once again, and savings would be diverted into inflation hedges. The alternative of the government bidding away a limited supply of credit from the homebuyer or businessman is hardly more inviting -- and would also be reflected in high real interest rates. Understandably, concern about one or the other of those "scenarios" feeds back into today's markets, tending to keep interest rates higher than they would otherwise be.

There was meaningful progress on this front in the passage of tax and spending legislation last summer. Living and working in Washington, and at one remove conscious of the pressures converging on your elected representatives, I am well aware that further progress will not come easily. All I will argue is that it is essential to sustained recovery.

To repeat the point, I am not so concerned about the "cyclical" component of the deficit -- which will account for half or more of this year's imbalance. Indeed, analytically, that portion might be viewed as almost benign, helping to support economic activity and smoothing the adjustment to a more stable economic path. When private demands for credit are relatively weak, and the economy is in recession, large deficits can be financed. But the underlying structural deficit is growing; left unattended, it will retard our economic progress in 1984, in 1985, and in the years beyond. No resolution in the Congress about interest rates, no different targets for monetary growth, no change in the structure of the Federal Reserve can substitute for savings or reduce the structural budget deficits. If we are concerned about money for investment, the problem has to be hit head on.

I share the general view that recovery will be evident through 1983, although at a moderate rate of speed -- probably slower than during previous post-recession years. I know that unambiguous evidence that the recovery is already underway is still absent. But encouraging signs are evident in some rise in housing, in the improved liquidity and wealth and reduced debt positions of consumers, and in surveys reporting that attitudes and orders may be stabilizing or improving, even if from unsatisfactory levels. The Federal deficit, while fraught with danger for the futrue, is of course providing massive support for incomes at present. The rather dramatic declines in interest rates in the latter half of this year, albeit to levels that are still high by historical standards, are relieving some of the financial stress and providing support for some expanded activity.

The temptation is to pull out all the stops in an effort to hasten the recovery process. But -- contrary to the impressions of some -- neither the Federal Reserve nor any other policy body can by itself achieve that result. And beware of the effort to try "at all costs," oblivious to the danger of reigniting inflation, or of undermining the progress toward cost control and productivity. To do so would simply perpetuate and aggravate the pattern of the past. What is crucially important -- particularly in the light of the experience of recent years -- is that we set the stage for an expansion that can be sustained over a long period, bringing with it strong gains in productivity and investment and lasting improvement in employment.

I have emphasized the importance of maintaining progress toward price stability to that outlook. I am convinced that with disciplined monetary and fiscal policies, we can sustain that progress. But I also know there are obstacles, present and potential -- a perpetuation of huge deficits, a closing of our markets to competition, a refusal to support the efforts of other countries to adjust -- that would all work against recovery.

If we turn back those temptations, as I believe we will, then we will indeed have set the stage for turning the 1980's into the mirror image of the 1970's -- a decade in which doubts and uncertainties give way to renewed confidence and vigor. Let us now turn to some of the specific questions you may have.

* * * * * * * * * * *

— not just Americans, but people who are ? all over the world —

Millions of you, when you decide to lend or borrow make those decisions.

We have no majic buttons to press.

— Let me illustrate.

We reduced the dicount rate on Monday

Next day bond prices went __down__, not up.

Why?

Wall St Journal — Market was unimpressed by Fed move in light of enormous financing demands from huge budget deficit.

N.Y. Times — Market was concerned because of fear Federal Reserve action might be interpreted as inflationary.

That is not true — but point is the hopes & fears of everyone moves the market.

Buying a bond is an act of faith

We can & do have an influence — but that influence in the end is more by affecting what you think about the economy and about inflation than all the __technical__ ~~stuff~~ about bank reserves, the ~~effect~~ stuff discount rate, and reserve requirements that preoccupies the traders in the market.

B I know that we are at ~~a~~ critical point when people ~~or~~ begin to question whether the fight on inflation is worth it. — a lot of progress against inflation, but also

Well, certainly we could do the job

better – and we could debate that.

But in the end, I do not believe we have any real choice but to carry through the fight on inflation. Left alone, it's the nature of the inflationary beast to get worse not better. It corrupts not just our economy, but our sense of fairness & equity.

You may or may not agree with that philosophy –

But we don't have a real choice, in my opinion, for another reason – fear of inflation is simply not consistent with the low interest rates & stable financial markets we need to get the economy going.

If we cannot combine progress toward price stability with economic expansion, the risk is we will get neither.

Difficulties in our present situation
are obviously real, and I won't even try to convince you otherwise. But so are the opportunities.

The strains & pains can and should give way
to renewed growth & prosperity — IF we have
the wit & wisdom to look ahead & do what's
necessary.

Part of that is up to the Federal Reserve.
Restrained growth in money & credit

Enough but not too much!

Many technical questions — maybe you
will raise some.

With that, inflation outlook good.
I believe we are going to see more
productivity.
We are seeing reduced gains, in dollars,
in wages & salaries.
That may sound bad — but brings lower
costs & prices.
More real income, and that's what we are
interested in.

I have noted interest rates are down – and with continued progress against inflation → They should move lower.

But here I must cite one large point of reservation. I noted That Wall St Journal story about The deficit. Let me give you some of The background.

$111 billion in Fiscal 1982
50% or more bigger This year –
5% of GNP

Many would like To Think it due to unemployment – That it will go away with recovery.

That is a big factor Today.

But hard fact is, even with recovery, As Things now stand, deficit will get bigger, not smaller.

We save about 6% or 7% of GNP – maybe a little more. If government absorbs 5%, how much is left over for houses, for investment, for The small businessman, for the Farmer?

The answer is obvious

~~We have time to deal with the problem.~~

Wishful thinking to believe the Federal Reserve can deal with that problem.

We cannot generate savings.

~~More credit [illegible]~~

We have an insoluble dilemma

More money + more inflation

or squeeze out other borrowers.

Either course is "no win"

There is an answer - hit the budget problem head on.

You know congress can pass resolutions about interest rates, They can order us to create more money - they can change our structure. But none of those things are going to create savings none of them reduce the deficit,

There is time - but not much time - time to do it right but not time to waste.

Conclusion

I wish I could report to you there are already clear signs of strong recovery.

But the evidence is mixed.

I do strongly share the general view that 1983 will be a year of expansion.

Housing

Stronger consumer financial position.

~~[illegible] confidence~~

Lower interest rates are obviously helping – even if still high.

What is lacking is a sense of confidence & stability.

Temptation to pull out "all the stops".

But would that work? We have tried it in the past.

That's part of the reason why we are where we are. Won't work

~~Not~~ if it sets off more inflation –

We don't want just a quarter or two of recovery, but expansion that will last for years, and that means, as I have emphasized – the need to continue progress against inflation. Means we in the Fed have to work hard, achieve the right balance between enough but not too much money.

~~That~~ It means getting the deficit out of the way. It means productivity. ~~and it's taken patience~~

Often think of one of the Peanuts comic strips I saw a couple of years ago.

Lucy – Psychiatric Advice 5¢ – talking to Charlie Brown

"Two kinds of people on cruise ships"

Those who face their deck chairs ~~towards~~ forward.

Those who face back

"On that great cruise ship of life Charlie Brown, which way will your deck chair be facing?

C. B "I can't get mine unfolded"

Well – our economic deck chair has been pretty well tangled (and it's been frustrating.) But I think we are in

The process of getting it unfolded—

and facing it forward.

We have to deal with them.

Sure there are obstacles. It's takes patience and effort. We are all ~~want to see recove~~ ~~are~~ eager to see ~~see~~ recovery actually underway.

But I want to express to you my conviction that (as we understand our problems, we can deal with them.) the 1980's can + will be

the opposite of the 1970's. Instead of starting

strong + ending weak, we can have ~~years of~~ have renewed growth in productivity + income. We are making progress toward price stability. ~~expansion~~, ~~Inflation is coming under control~~ And as a result,

the doubts + uncertainties of today ~~will~~ should give

way to renewed confidence + ~~prosperity~~ vigor

T

PAV Draft 12/16/82

I read somewhere that Mayfield, Kentucky was an unusual place for the Chairman of the Federal Reserve to go -- that maybe it would improve my image to get out of Washington and New York and foreign financial centers.

Well, I don't know about that. The last time I was in a high school gym with a band playing was 40 years ago, with a basketball in my hand. In those days, if you were 6'6" you still jumped center, and weren't a small guard.

My difficulty was I couldn't jump very high. It didn't help my image, so I had to take up another profession.

But I'm delighted to be down here even briefly, to see Carroll Hubbard at home in his district. I told him I couldn't come until after the election -- I didn't realize down here you're either for Carroll or you're for nobody.

You know, if I believed some of the newspaper talk, you'd think the Federal Reserve was like the lion in the jungle of economic policy. But when I think of Carroll and our relations with Congress, I always try to remember the story of the lion with too much pride.

Kery of the Jungle Story

Gargolye

Chimpanzee

Well, we do try to remember our place in the scheme of things when we deal with the Congress -- but at the same time we do have some thoughts on economic policy.

I'd like to sketch some of those out -- but briefly, because I'd much rather respond to your questions and comments.

I. I'm told that here in Graves County economic conditions are about average for the county -- which, of course, these days means not so good.

Unemployment too high, housing is depressed, business investment has been falling, interest rates seem too high, you know the story.

But the first point I would make is that all these difficulties represent the accumulation of problems building over a long period.

(A) In the mid-1960's we thought we knew the answer.

(B) But took our success for granted, and we neglected doing what was necessary to keep it going.

(C) Budget deficits -- easy money -- soon inflation.

Biggest and longest in our entire history.

Got used to it.

-- Financial consequences.

-- Culmination in 1979 and 1980

-- Productivity falling

-- Rising trend of unemployment.

II. Consensus something had to be done about it.

(A) Federal Reserve front and center.

Need to restrain growth in money and credit -- simple premise excessive money feeds inflation.

(B) Not an easy, magical process.

1. Made more difficult because other policies remained in another direction -- budget deficits got bigger.

2. Not much willingness to believe -- we had come to expect inflation.

(C) Result -- slack in the marketplace -- restrained supply against big demand.

III. By this time, we can see some results.

(A) Inflation down.

(Pena story)

(B) Real wages up.

(C) No victory yet -- can't turn it on and off.

IV. Test of success will be when we combine progress toward price stability with recovery.

(A) Interest rates are important to that prospect.

1. Reject entirely proposition the Federal Reserve can control interest rates.

Tom Brumley Judge Castleman Bill Hale

Mr Mayor
Mr Colley

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You know —

I read somewhere that Mayfield, Kentucky was an unusual place for the Chairman of the Federal Reserve to go -- but that maybe it would improve both ~~my~~ image & my understanding to get out of Washington and New York and foreign financial centers. ~~It didn't hurt Alben Barkley any.~~

Well, I don't know about that. But in ~~any case, who~~ I jumped at the opportunity to get out to the grassroots -- I was tempted to ~~maybe I should~~ say the bluegrass roots, ~~(I know the blue~~ but I really do know that's another part of Kentucky.

The last time I remember being in a high school gym with a band playing and 5,000 people was 40 years ago, with a basketball in my hand. — it wasn't anything like this gym & nothing like this music — In those days, if you were 6'6" you still jumped center, — now you're a ~~and weren't a~~ small guard.

My difficulty was I couldn't jump very high. That didn't help my image, so I had to take up another profession.

But I'm delighted to be down here even briefly, to see Carroll Hubbard at home in his district. I told him The Federal Reserve couldn't be political, and I couldn't come until after the election -- I didn't realize then that down here in the a Congressional election you're either for Carroll or you're for nobody.

You know, if I believed some of the newspaper talk, you'd think the Federal Reserve was like the lion in the jungle of economic policy. But when I think of Carroll and our relations with Congress, I always try to remember the story of the lion with too much pride.

This particular Lion apparently had some sense of insecurity and wanted to establish his position in the jungle.

~~Kery~~ King of the Jungle Story

~~Gargolye~~ ~~[illegible]~~ antelope

poor little Chimpanzee

giraffe

"Just because you didn't know the answer, you didn't have to get so mad about it."

Well, we do try to remember our place in the scheme of things when we deal with the Congress -- but at the same time we do have some responsibilities and thoughts on economic policy.

I'd like to sketch some of those out -- but briefly, in general terms, because I'd much rather respond to your questions and comments.

I. I'm told that here in Graves County economic conditions are about average for the country -- which, of course, these days means not so good.

Unemployment is too high, housing is depressed, business investment has been falling, interest rates seem too high, you know the dreary story.

But the first point I would make is that all these difficulties ~~represent~~ grow out of the accumulation of problems building over a long period.

(A) In the mid-1960's we thought we knew the answers.

High growth, little or no inflation.

(B) But we fell prey to a common human failing - we took our success for granted, ~~and~~ Once we did, we neglected doing what was necessary to keep it going.

War in Viet-Nam & War on Poverty - but we neglected to finance them.

(C) Budget deficits -- easy money whenever unemployment threatened. -- soon inflation.

Biggest and longest in our entire history.

Got used to it.

-- Financial consequences. Borrowed more, reduced liquidity & capital - if nothing could go wrong, why worry.

-- Culmination (↑ inflation) in 1979 and 1980

We began to speculate more on what seemed to be inflation hedges than on production

Meanwhile.

-- Productivity falling

-- Rising trend of unemployment.

Came to realize inflation didn't solve other problems - it aggravated them.

II. Consensus something had to be done about it.

(A) Federal Reserve front and center.

Understandable. We accepted the responsibility because of Need to restrain growth in money and credit - That's our job. -- simple premise excessive money feeds inflation.

(B) But it's Not an easy, magical process.

Frankly,

1. Made more difficult because other policies remained in another direction -- budget deficits got bigger, using up an enormous part of our savings.

2. also because Not much willingness to believe -- people had seen anti-inflation programs come and go -- and they were skeptical. ~~we had come to expect inflation.~~

(C) Result -- ~~slack~~ enormous pressure in the marketplace for credit ~~--~~ restrained supply against big demand, and interest rates remained high for month after month.

III. By this time, we can see some results.

(A) Inflation down. $\frac{1}{2}$ - $\frac{1}{3}$ wages slowed, but real income up.

~~(Pena story)~~

I know there is still a lot of skepticism. (Pena story).

~~(B) Real wages up.~~

Interest rates have begun to turn down.

(C) No victory yet -- can't turn it on and off. and the effort is not something we

IV. Real Test of success will be when we combine progress toward price stability with recovery.

(A) Interest rates are important to that prospect.

There is a theory that by manipulating the discount rate or other factors we can control interest rates.

1. Reject entirely proposition the Federal Reserve can control interest rates over time deliberately attractive