A legislative proposal by Senator Mondale

ECONOMIC STABILIZATION

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, FIRST SESSION

Vol. 119 WASHINGTON, WEDNESDAY, APRIL 11, 1973 *No. 57*

Senate

By Mr. MONDALE (for himself and Mr. HUMPHREY):

S. 1542. A bill to impose a 60-day freeze on prices and rents and direct the President to establish a long-run economic stabilization program. Referred to the Committee on Banking, Housing and Urban Affairs.

CONGRESS SHOULD IMPOSE 60-DAY PRICE FREEZE

Mr. MONDALE. Mr. President, the announcement last week of a 2.2-percent increase in wholesale prices during March—the biggest 1-month jump in 22 years and an increase of 26.4 percent on an annual basis—demonstrates clearly that phase III has been a colossal and unmitigated disaster.

The normally staid and low-key Wall Street Journal began its report on the March wholesale price jump by saying:

The failure of the Phase 3 economic controls was spectacularly documented anew by a wholesale price explosion in March.

The report then went on to speak of "prices—gone wild," "a bombshell report," and "a stunning burst of price boosts for industrial goods" that "left Government economists open-mouthed."

The report quoted a "top Federal analyst" as saying that his reaction was "shellshock" and that: "The numbers are absolutely, incredibly bad."

We are clearly in big trouble. Prices are soaring totally out of control. We must act now before the situation gets even worse.

I am, therefore, today proposing legislation that would:

First. Freeze all prices and rents "at levels no higher than those prevailing on March 16, 1973";

Second. Direct the President to roll back prices and rents to levels lower than those on March 16 when necessary to control inflation; and

Third. Direct the President to establish a "long-run" program to control inflation to take effect after the 60-day freeze expires.

The bill would also give the President authority to make adjustments during the freeze to correct "gross inequities."

We need a breathing period to put our economic house back in order. Congress must do it if the President will not. This 60-day freeze will give us the time needed to put together an economic stabilization program that will work. The President should consult with the Congress, labor, business, consumers, and as many other interested citizens as possible—just as he did before instituting phase 2—in order to work out the best possible control program for the long run.

The events of recent months have shown that one-man rule over the economy is a prescription for disaster. The President—acting on his own—initiated phase 3 just 2 short days after announcement of the biggest jump in wholesale prices in 21 years. Higher prices for the consumer were clearly on the way, but the warning signs were not heeded.

The freeze on meat prices announced by the President on March 29 is both inadequate and unfair. What good does it do to have controls on meat prices when all other prices are going wild And how is it fair to the farmer to impose a freeze on the prices he receives but no freeze on the costs he must pay? We need an across-the-board freeze on all prices that applies fairly and equitably to everyone.

The March wholesale price figures show clearly that it is unfair to single out the farmer as the scapegoat for higher prices. Prices for industrial commodities—the single best indicator of inflation—went up at an annual rate of 14.4 percent in March—the sharpest 1-month jump in 22 years. And prices for consumer finished goods ballooned at an annual rate of 26.4 percent, equaling a 25-year-old record.

Mr. President, we are now in the midst of an inflationary psychology gone berserk. Businessmen are rushing headlong to establish higher prices on the assumption that another freeze will be imposed. To head this off we should make it clear—as this bill does—that the freeze will not allow prices higher than those prevailing on March 16. Making the freeze retroactive to March 16 will remove any incentive for further anticipatory price hikes.

Although the freeze I propose does not cover wages and salaries, this will pose no great problem for a period as short as 60 days. Wages and salaries will remain under the phase 3 controls, which so far have been very effective on the wage side. In addition, businesses will be very reluctant to agree to any sharp wage increases while the prices they can charge are frozen, and while the shape of the long-run control program mandated by this legislation remains unclear.

I ask unanimous consent that the text of S. 1542 be reprinted at this point in the RECORD.

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

S. 1542

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

SECTION 1. The Economic Stabilization Act of 1970 is amended by inserting after section 203 the following new section:

"§ 203A. Freeze on prices and rents

"(a) Notwithstanding any other provision of this title, all prices and rents are hereby frozen at levels no higher than those prevailing on March 16, 1973. The President may, by written order stating in full the consid-

erations for his actions, make adjustments with respect to prices and rents, in order to correct gross inequities.

"(b) As soon as practicable, but not later than 60 days after the date of enactment of this section, the President shall by written order stating in full the considerations for his action, roll back prices and rents to levels lower than those prevailing on March 16, 1973, but not lower than those prevailing on May 25, 1970, in order to reduce inflation and otherwise carry out the purposes of this title. The President may make specific exemptions from the rollback by written order stating in full the considerations for his determination that such rollback is unnecessary.

"(c) The President shall, not later than 60 days after the enactment of this section, issue orders and regulations establishing a long-run control program to—

"(1) stabilize prices, rents, wages and salaries in order to reduce inflation; and

"(2) stabilize interest rates and corporate dividends and similar transfers at levels consistent with orderly economic growth."

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PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, FIRST SESSION

Vol. 119 WASHINGTON, WEDNESDAY, APRIL 11, 1973 No. 57

Senate

By Mr. MONDALE (for himself, Mr. NELSON, Mr. HUMPHREY, Mr. PELL, Mr. CRANSTON, Mr. MOSS, Mr. HUGHES, Mr. TUNNEY, Mr. CLARK, Mr. ABOUREZK, and Mr. HATHAWAY):

S. 1544. A bill to prohibit the further expenditure of funds to finance the involvement of the Armed Forces of the United States in armed hostilities in Cambodia. Referred to the Committee on Armed Services.

Mr. MONDALE. Mr. President, today I am introducing, along with Senators NELSON, HUMPHREY, PELL, CRANSTON, MOSS, HUGHES, TUNNEY, CLARK, ABOUREZK, and HATHAWAY, a bill to prohibit the further expenditure of funds to finance the involvement of the Armed Forces of the United States in armed hostilities in Cambodia unless such expenditure has been specifically authorized by Congress.

Mr. President, my bill is simple. It provides that money can be spent for U.S. combat efforts in Cambodia only if authorized by Congress.

My purpose is also simple. It is to avoid a constitutional tragedy as well as further human tragedy. Twelve years after American forces were first committed to Vietnam in the name of protecting a friendly but vulnerable government, once again a President of the United States, entirely on his own, is using U.S. military force in a foreign country with absolutely no constitutional authority for doing so.

In pursuit of a will-of-the-wisp—the North Vietnamese Command Headquarters—COSVN—we invaded Cambodia in April 1970. On March 12 of that year, the Nixon administration indicated, in a letter to Chairman J. W. FULBRIGHT, that it was no longer depending on the Gulf of Tonkin resolution "as legal or constitutional authority for its present conduct of foreign relations." The sole constitutional authority claimed by the administration for our military activity in Indochina has been, as the President stated in 1970, "the right of the President of the United States under the Constitution to protect the lives of American men."

But now that U.S. combat forces are out of Vietnam, U.S. participation in the Vietnam war has ended. Hence any renewed military activity anywhere in Indochina constitutes—even according to the President's own reasoning—a new war and therefore the need for the advance consent of Congress.

Yet incredible as it may now seem, we are witnessing massive air raids over Cambodia. On April 10, U.S. B–52 and F–111 fighter planes struck insurgent forces for the 33d consecutive day. As many as 60 B–52 sorties are flown in a single day, dropping an estimated 1,800 tons of bombs. We are told that this bombing is essential to support the beseiged Lon Nol government.

Efforts by the administration in recent days to justify its bombing policy have been imaginative but futile. The SEATO Treaty commitment has been suggested, but the government of Lon Nol has not altered Prince Sihanouk's 1955 decision to exempt Cambodia from the treaty's protection. A tenuous link has been offered by Ambassador William Sullivan of the State Department and Secretary of Defense Richardson between the President's mandate to make war and his reelection mandate. Surely this cannot be a serious point. State Department lawyers have reportedly produced a complex rationalization, but so far they are reluctant to reveal it. The administration has also tried to rely on a tacit understanding of an ambiguous section—article 20—of the Paris Agreement—an agreement which was not even submitted to Congress for ratification—as justification for its actions.

Finally, Secretary Richardson said that the administration feels its constitutional authority to bomb Cambodia "rests on the circumstance that we are coming out of a 10-year period of conflict."

This is the wind up . . . So I think one way of putting it is that what we are doing in effect is to try to encourage the observance of the Paris agreements by engaging in air action at the request of the government, which is the principal victim of the nonobservance of the agreements.

Such a rationale could easily be extended to involve us again in both Laos and Vietnam as well as Cambodia. And it is ominous that Richardson, in fact, refuses to rule out the reintroduction of American troops into Vietnam. Because of this possible danger, I continue to support the legislation introduced by the senior Senator from New Jersey (Mr. CASE) and the senior Senator from Idaho (Mr. CHURCH) prohibiting the reengagement of U.S. forces in land, sea or air combat anywhere "in or over or from off the shores" of the entire Indochina area.

Mr. President, we no longer can permit the President's warmaking powers to go unchecked and unchallenged. The legal legerdemain that the administration offers is an open challenge to the Congress to assert our constitutional responsibility.

Accordingly, Mr. President, I send the bill to the desk for appropriate reference, and ask unanimous consent that the text of the bill be printed in the RECORD at this point.

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

S. 1544

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to avoid further involvement of the United States in armed hostilities in Cambodia, no funds heretofor or hereafter appropriated may be expended to finance the involvement of any member of the armed forces of the United States in armed hostilities in or over Cambodia unless such expenditure has been specifically authorized by legislation enacted after the date of enactment of this Act.

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, FIRST SESSION

Vol. 119 WASHINGTON, TUESDAY, MAY 8, 1973 No. 69

Senate

By Mr. MONDALE:

S. 1749. A bill to provide continued rail transportation in rural America. Referred to the Committee on Commerce.

Mr. MONDALE. Mr. President, I am introducing legislation to establish within the Department of Transportation a Rural Rail Transportation Administration.

This legislation is designed to provide rural community groups with a way to continue rail service when it is important to the economic growth and development of communities.

The Rural Rail Transportation Administration would have the responsibility of aiding the continuation and improvement of rail service in rural America. It would be authorized to make loans or loan guarantees to reestablish service of an abandoned rail line or to continue and improve service on a line to be abandoned. This type of financing program would enable cooperatives or other nonprofit organizations made up of shippers and residents to purchase and operate short-line railroads.

I have not included in the bill a ceiling on the size of loans. This was done on the assumption that the Commerce Committee, through hearings and appropriate study, will be able to establish fair and practical limits and percentages.

Increased reliance on motor carriers is not the answer for farmers or for other residents of rural America. In my home State of Minnesota, a recent study indicates that 304 communities will lose railroad service by 1980. Of those communities, 98 now have roads which are restricted to less than 9-ton carrying capacity. The Minnesota highway department informed me that it would cost State and county governments $79.7 million in additional highway construction money to provide unrestricted access to those communities. I am afraid that many rural communities would be left to die, because of the prohibitive cost of providing adequate transportation facilities to replace railroads.

But even if it were possible to obtain the vast investment required to improve rural roads in the next 5 years, it is becoming more and more apparent we should not permit rail service to be discontinued.

This spring the Nation is experiencing serious gasoline shortages, and industry spokesmen predict that there is almost an even chance of gas rationing. Independent distributors throughout the Midwest and Northeast regions of the country may be forced to close for lack of fuel supplies.

The fuel shortages are in many ways related to the growing agricultural transportation crisis. As we become more and more dependent upon overseas sources for oil, the Federal Government is looking toward a dramatic expansion in domestic agricultural production to feed world markets, and to alleviate the balance-of-payments deficit created by large-scale imports of oil. Reports indicate that by 1980, the United States may be spending $18 billion overseas to pay for oil imports alone, compared with a $4.2 billion expenditure in 1972.

that the United States could achievement $18 billion in agricultural exports by 1980.

We see already the vicious cycle which could occur. The U.S. imports greater supplies of oil from overseas. The Agriculture Department opens up millions of acres of farmland to production to pay for these imports. Rail transportation is reduced while we increase the amount of agricultural produce which must be moved. Thus we are forced to rely more and more on trucks to haul not just present but also greatly expanded production. Yet highways in many cases are not capable of replacing rail transport without costly improvements. And the increased reliance on trucks adds to the skyrocketing demand for fuel.

Trains can move one ton of freight for nearly one fourth the fuel required by trucks.

It is therefore critical to not only the agricultural community but also to the Nation's over-all economic future, that we maintain rural rail lines.

Corporations which presently own the railroads want to abandon rural lines. They have shown clearly that they do not want to live up to their responsibilities. Service to rural communities has been declining for a number years.

A year ago, I had an opportunity to examine some of the rail lines in the State of Minnesota, which were slated for abandonment. The rails were old, ties were rotted out, and in many places it was difficult to tell whether there were any ties at all because the entire roadbed was covered with sod.

The railroads argue that this faulty equipment is a reason to be granted permission to abandon the branch lines. But the poor condition of the track and roadbed are not the fault of the shippers and rural communities serviced by the lines. Who else but the companies owning the railroads is at fault?

Not long ago, railroads were allowed to abandon passenger service to many major cities. They said that was necessary in order to run freight trains profitably. Now they want to abandon freight service in rural areas. They say they must do this to keep main freight lines operating. And so it goes on. A dangerous trend continues and rural America is the victim.

In my judgment, we should initiate a transportation program similar to the Rural Electrification Administration. The REA has been one of our Nation's truly great rural development successes. Rural electric cooperatives, owned and operated by rural residents and farmers, provide services that big business cannot or will not provide. And REA's pay back all loans that they get from the Government.

Three or four decades ago opponents of the REA effort said it would never work. They said farmers don't need electricity, and if they had it, they could not pay for it.

Today rural America has electric power. All the bills get paid. And I am

nities.

Mr. President, I ask unanimous consent that the text of the bill be printed at this point in the RECORD.

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

S. 1749

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 "Rural America Rail Transportation Act of 1973."

RURAL RAIL TRANSPORTATION ADMINISTRATION

SEC. 2. The Secretary of Transportation (Hereinafter referred to as the "Secretary") shall establish within the Department of Transportation a Rural Rail Transportation Administration which shall be headed by an Administrator who shall be appointed by the President by and with the advice and consent of the Senate and shall be compensated at the rate provided for level IV of the Executive Schedule in title 5 United States Code. The Secretary shall carry out his functions under this Act through such Administration.

STUDIES, RESEARCH, AND DEMONSTRATION PROGRAMS

SEC. 3. (a) In order to promote the continuation and improvement of rail service in rural areas of the United States the Secretary is authorized to contract or enter into other arrangements for studies, research, and demonstration programs as may be necessary to—

(1) develop improved equipment for such service;

(2) determine means of continuing and improving such service under existing railroad management;

(3) determine means of restoring such service where it has been discontinued.

(b) In carrying out the provisions of this section the Secretary shall consult and cooperate with appropriate State and local agencies, shippers, railroads, and other appropriate organizations and groups.

LOANS AND LOAN GUARANTEES TO RESTORE ABANDONED SERVICE

SEC. 4. (a) The Secretary is authorized to make loans or loan guarantees pursuant to this section to reestablish service on an abandoned railroad line, or to continue service on a line to be abandoned, in any case in which he determines—

(1) a valid need for such service in order to maintain economic growth and development of areas along the line;

(2) that the applicant has the capability of providing such service and for the purpose of this section any applicant which is a nonprofit organization made up of shippers and residents, or is a State or local government agency, of the area to be served, shall be given preference;

(3) that the applicant has complied with the provisions of the Interstate Commerce Act to provide such service; and

(4) that the provision of such service is, or can be made, economically feasible.

(b) Any such loan or loan guarantee—

(1) shall be made in accordance with the provisions applicable to loans and loan guarantees made pursuant to section 7(b)(5) of the Small Business Act (15 U.S.C. 636(b)(5)), except as otherwise provided in this section;

(2) may be made for costs of any necessary acquisition of tracks and right-of-way and other real property and necessary acquisition and improvement of equipment;

(3) may be made for not to exceed —— per centum of such costs or $————; and

(4) may be made subject to such other terms and conditions as the Secretary determines necessary to carry out the purpose of

by such abandonment. In determining whether the public convenience and necessity permit the granting of such request, the Commission shall give thorough consideration to the economic importance of such line to all areas which it serves.

"(b) As a condition to the granting of any certificate authorizing such abandonment the Commission shall require such carrier to—

"(1) cooperate to the extent possible with communities served by such line in efforts to restore operations on such line, including making the right-of-way and tracks available for lease on a reasonable basis; and

"(2) not disturb the tracks and roadbed of such line for five years after the date on which such certificate was granted.

"(c) The Commission shall notify the Secretary of Transportation of the receipt of any request for a certificate of abandonment pursuant to this part and shall, to the extent possible, give priority to any proceedings initiated to continue or restore rail operations on an abandoned railroad line.

"(d) The Commission may reduce the five-year period required by subsection (a) or subsection (b)(2) of this section in any case in which it determines, after notice and public hearing, that the public convenience and necessity does not require such period."

AUTHORIZATION

SEC. 6. There are authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act.

tive rlationship to the role of the American family.

Mr. President, I ask unanimous consent that this interview by Elizabeth Drew be printed in the RECORD.

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

A REPORTER AT LARGE—CONVERSATION WITH A SENATOR

Walter Frederick Mondale, a forty-five-year-old Democrat from Minnesota, is an increasingly important member of the United States Senate—one of the second tier of leaders (the first is made up of those whose power lies in their seniority), who define the issues and get them on the agenda, and occasionally even win acceptance of their ideas. He is a liberal in the Minnesota Democratic-Farmer-Labor tradition. A protege of Hubert Humphrey, he became Attorney General of the state at thirty-two and was appointed to fill Humphrey's Senate seat when Humphrey was elected Vice-President in 1964. Mondale was returned to the Senate in 1966, and again in 1972. Despite Mr. Nixon's overwhelming victory last year, Mondale won reelection then by fifty-seven per cent, and his efforts on behalf of Senator McGovern are credited with reducing Mr. Nixon's victory margin in Minnesota to only six percentage points. Mondale has established credentials with both the center and the left of the Democratic Party, and has a growing reputation among members of the press and others in Washington who observe, and can affect, politicians' careers. He was comanager of Humphrey's 1968 Presidential campaign. He supported the war in Vietnam longer than many of his Democratic colleagues did. He has also fought for the powerless in our society, identifying himself with such unpopular issues as welfare and busing.

I interviewed Mondale recently, in his Senate office—Room 443 of the Old Senate Office Building. The office contains the typical objects a politician accumulates: the state seal; awards; books written by colleagues and friends. The furniture is Undistinguished Government Issue. Mondale, wearing a short-sleeved shirt, sat in a corner of the only unusual piece of furniture, a pale-blue tufted Victorian sofa. Above him were large color photographs of the St. Croix River. Mondale is slim, youthful, with a touch of gray at the temples. He has prominent blue eyes, a nose that is slightly beaked, and straight, dark-blond hair cut in such a way as to avoid commitment on the length issue. He has the earnest air of a son of a Midwestern Methodist minister, which he is. But he also has a streak of wry irreverence, which has made him popular among Senate staff members. As we talked, Mondale piled the loose pillows of the sofa under his right arm, arranging and rearranging them, and occasionally pounding them for emphasis. From time to time, he put his feet on a coffee table that was in front of the sofa.

I began by asking Senator Mondale about the dilemmas of the contemporary liberal. What gave the Senator his belief that the social programs of the nineteen-sixties were really worth defending?

"Well, first of all, I have no argument with those who seek reform in these programs, and maybe even termination of some of them, because I don't argue that they're perfect and that there is not waste," he replied. "But I believe that the federal government has a fundamental role in delivering services to people who are overwhelmed by problems that they can't handle themselves: hungry children, and children who need to be educated; people who are handicapped, mentally ill, or retarded; people who have special learning difficulties; people who can't find work; old folks who can't care for themselves. And then there is a need for social programs that deal with the environment, transportation, and a whole range of human problems, in which I think the federal government has an indispensable role—leading, and helping to find national solutions. And I think many of those programs must include the provision of services, which means people, bureaucrats, delivery systems; and those programs cannot be disbanded. The President's attack has not been one of reform. It's been fundamentally one of assaulting the whole notion of the delivery of services to people who need them. As a matter of fact, there's a very disturbing notion that I find which somehow suggests that in our free society we're incapable of efficiently and effectively delivering essential services through government employees."

I asked him if he believed we were capable of doing so.

"I think there is more good going on than the President's dark appraisal of these programs suggests," he replied.

"Do you have appraisals that suggest to you that these services are getting through to the people who need them and are improving their lives?"

"It depends on the program. I could give as examples many programs where you have signs that two things have happened. First, the services of this whole range of poverty-related programs (student assistance, and so on), together with the philosophy that poor people can make it—which is what Johnson and Kennedy were saying in the sixties—have encouraged thousands and thousands of persons from disadvantaged backgrounds to believe that they can make it, and that the government and society would like to help them make it. And I think that what we learned in the sixties is that these problems are more difficult to solve than we expected, that government does not work automatically and efficiently and without waste, but that the fundamental commitment to help is a valid and essential role for this country, and I think that that's what Nixon is attacking—the notion that we can help. I think he's telling the federal government to get out of the social-reform business, and I think that that's a terrible notion."

"You said in response to my first question that you do believe these programs need some reform and some of them should be eliminated. What sorts of reforms would you propose?"

"Many. Because I think that it's in these social programs that the contemporary liberal is most vulnerable, and this is where some of us have been trying to do something for some years. I set up a pathetic little subcommittee on social-policy planning and evaluation a few years ago to try to begin, to to evaluate and plan what we're doing."

"What ever happened to that?"

"It was a pathetic little subcommittee. We had no staff, and the one thing we did do which was important was we continued to push a bill, which I was—and am—very interested in, calling for a Council of Social Advisers, which would be an institution like the Council of Economic Advisers but would concentrate on human programs. It would be required to put out an annual social report indicating how we were coming, and to try to do some pioneering in what we call social indicators, to see if we couldn't apply computer technology and data-gathering to give us a better understanding of how well we're doing. One of the things that appall me about our government programs is we just don't know how well they're doing. You can go out in the field and you can get anecdotal examples of how we're succeeding. You can talk to teachers who are thrilled with smaller classrooms or with new textbooks or with a school-lunch program, and they say it has changed their classrooms, but you can't get any data to back them up."

"Isn't that one of the points about this

INTERVIEW WITH SENATOR MONDALE

Mr. NELSON. Mr. President, the May 19 issue of the New Yorker magazine contains an interview with the senior Senator from Minnesota, Mr. MONDALE.

In the article Senator MONDALE ably articulates the need for positive and humane leadership in a wide range of domestic areas. In addition, he offers valuable insights into a number of issues ranging from the congressional-execu-

whole debate—you have an anecdotal syndrome that works both ways? Some people will tell you success stories, and the Secretary of Housing can talk about a public-housing project that's a calamity, and in fact there is no base of information that gives us any broad picture?"

"That's correct. That's correct. So the question, then, is what you do about evaluation and data in the face of this anarchy, and of the lack of a strategic approach to human problems, and of the lack of the data base that gives you the hot facts rather than the cold facts."

"What do you mean by 'hot facts' versus 'cold facts'?"

"Well, most of the cold facts are inputs facts. I mean, how many teachers, how many bricks in the building, how many soybeans south of Mankato. The hot facts are the output facts, like what we are feeding hungry people, whether we are educating children, what comes out of the system. This is what's missing in so many programs. We know how much money is going in; we don't know what we're getting for it. We know how much we're spending on manpower; we don't know how many are being trained and finding jobs, improving their position, and so on. That's what I tried to do in this little subcommittee, and there are several things I would suggest. First of all, I would like to see my Council of Social Advisers' annual social report—for social indicators—set up. Second, I would like to see a national social-science foundation set up to concentrate on the social-science questions in the same way the National Science Foundation concentrates on the natural-science questions. The N.S.F. claims it's doing both, but it isn't. Third, I would like to see us in the Congress be required when we pass a bill to define specifically what it is we claim we're going to accomplish. If we pass a Head Start program, how many children do we expect to reach? What do we expect those children to receive? What do we expect the result will be if this is done? How much money do we want? And then, once the bill is passed, I would like to see us set aside a percentage of the program's funds—say, one-half of one per cent—to be controlled by the committee (the Labor and Public Welfare Committee in this case), and we'd hire some of the best social scientists in the country and say, 'Now, your job is to go out in the field, evaluate these programs, test them, and prepare a report two years from now. Did we achieve those objectives? Why didn't we? Is there waste? Did we do better than we thought? Did we do less than we thought? How can we improve our program?' So that every program we passed would have built into it an independent, highly sophisticated public evaluation. In other words, so that all of us would have to face the music and no program would be sort of an unguided missile on its own. You see, right now the evaluation usually comes from agencies that have a tremendous built-in incentive to either approve it or destroy it, depending on the policy."

"But, as I understand it, there could be several problems with that, as there have been even within agencies that have tried to get honest evaluations. These things are very hard to measure. Over at the Office of Education, they're knee-deep in reports on whether or not their programs have 'worked.' But nobody really knows what the criteria for deciding that should be."

"Well, I would hope that the Council of Social Advisers would help bring us out of the anarchy that you describe."

"Also, isn't there a time-lag problem? In other words, you would want an evaluation, you say, in two years. But aren't you talking about things that you would like to see improve people's lives in ways whose effects might not show up for some time, or might not be measurable at all?"

"Yes. The time frame would, I think, depend on what you were doing. Education is a slow process, and I think one of the things we do that are unfair to educators is to expect a quick yield that's quantifiable. Second, as your question implies, we don't give much credit for things like a healthy child or a child who has been sick mentally and is now becoming healthier. So much of our data and so-called quantifiable material dismiss the human element and ask—you know—how are they doing in math? How are they doing in reading? But I still think we should insist on quantifiable data in basic skills, and so on. What bothers me today is that there is no manageable structure or approach for finding out what's going on, for leading these discussions in terms of reform in this government. John Gardner [Secretary of Health, Education, and Welfare during the Johnson Administration] said when he left that we've got a time-honored way of backing into the future.

Joe Califano [Joseph A. Califano, Jr., Special Assistant to President Johnson for Domestic Affairs], when he finished in the White House, noted how little data they had to work with on fundamental questions, like welfare reform and manpower, that we spend billions on. He said that our way of deciding questions about basic human programs more closely resembles the intuitive judgment of a tribal chief in Africa than it does modern decisionmaking techniques. And what I'm saying is that we ought to be geared up in a way that would permit us to evaluate, to understand, to reform, and to build into every program some kind of system that would help us find out what's happening. That's all."

"Isn't the results of the current debate that the liberals are busy defending what has been happening, and trying to save the programs from being cut, instead of thinking about new ways to accomplish the same purposes?"

"Yes, and partly that's our fault and partly it's the President's fault, because when he attacks the whole idea of federally assisted housing, say, we have to counterattack in a tough way. You just can't go back into your social-science laboratories and say that three years from now you're going to come up with a better delivery system because then there won't be any program at all. In other words, he's created what I think is a radical environment, where we have to fight back on political terms to create a counterforce that will prevent the dismemberment of all these programs."

"Do you reject the idea that in attacking the programs of the sixties Mr. Nixon may have been on to something: perhaps an incipient national mood that was tired—tired of federal programs, tired of taxes, tired of guidelines, tired of bureaucracies, and disappointed in the results?"

"I think he very shrewdly and cunningly exploited a sense of frustration and fatigue in American life. For nearly a decade, at least, Kennedy and Johnson and many of us were pleading with the American people to move on—more solutions, more programs. I think the public saw just an endless number of programs being passed, many of them oversold, and then they waited for the results. Many times, the programs weren't fully funded. Many times, they were maladministered, and many times it was impossible to achieve what it was claimed those programs could achieve—in the time frame, at least, that we talked about. And I also think the impression was given—which Nixon exploited very shrewdly—that part of what was being done was to make it possible for lazy people not to work, so that those who had the work ethic worked and paid their taxes for those who just would not work. I think he has exploited it and hoped to convert it into an enormous social retreat, which I think would be—well, I don't know what else to call it—immoral, because there are a lot of problems behind those statistics. And it's all right to flail the bureaucrats, but there are those poor kids out there who need help—who are handicapped, who are mentally ill, who are retarded, who desperately need help and affection—and the thousands of children out there who are poor, and hungry, and live in lousy housing, and many of whom don't have two parents. The Indian kids who never go to school with a textbook or a teacher that has any respect for them. The Chicano children who never hear a word of Spanish, or Portuguese children that no one speaks to in their language. There are a lot of problems out there. There are a lot of lonely old folks who live in housing by themselves, in poor health and with no one to care about them, and a lot of decent people who are looking for work and can't find it, and a lot of bright kids who can't afford to go on to college or to vocational school. There are a lot of disabled people who can't live on what's available to them. There are so many human problems in the midst of our wealth that need a country that cares and a government that tries. I don't think the average American is that selfish, and I think this is where the Nixon approach is going to go wrong. I think the average American is more just and more compassionate than Nixon thinks he is. I think we're going through a period of reaction from the sixties, but I think it's going to spring back. I don't think the American people want to live on a diet of selfishness, which is what is served up to them now. I think they'd rather be united and hopeful and helpful and humane than be just niggardly and selfish, and I think our time will come. It may not be right now, but I think it's going to come."

"There is also, as you know, an attack on the liberal programs from the other side, which says that the liberal approach amounts to simply tinkering with the status quo. That argument runs that if you're really talking about equality of opportunity in this country, which was one of the fundamental premises of these programs, you have to do much larger things, you have to have much greater transfers of income. It says that these programs did not really go to the heart of the matter of unequal opportunity or unequal existences in this country."

"Well, I would say two things. First, I think most Americans accept the notion that every child ought to have a chance in terms of opportunity—not in terms of result but in terms of opportunity. I think that if we abandon the notion that people have to, through their own effort, through excellence and through energy, through trying to learn, be a part of society and achieve on those terms—I think we've cheapened society. I'm too old-fashioned to abandon that notion and I think that this country must do a far better job than it's done, and spend more than it has and spend it more wisely and with more spirit and compassion, and with a fuller commitment than we ever have had, to give every child a chance, and I think that's so central that I am sickened by some who would abandon that effort. Now, second, I also believe in dealing with the problem of the unequal distribution of America's wealth, and that's why I'm interested in tax reform, and that's why I'm interested in reform of welfare programs, that's why I'm interested in public-service employment, interested in improved antitrust-law enforcement and other things that might help the average American get a better break in the distribution of the vast wealth of this country. But I do not believe in some massive program of dollar redistribution of wealth. I don't think the American people would stand for it, and I think it's folly to spend much time on it."

"You have often said that one of the problems of the programs of the sixties was that 'we authorized dreams and appropriated peanuts.' Would you, then, be willing to argue that taxes should be raised in order to do the things you think are necessary?"

"Well, I might, but there are some things that come first here, in my opinion. I think there are some very substantial revenues that can be raised in tax reform. I reported the other day—on the basis of some figures I got from the I.R.S.—that two hundred and seventy-three Americans who earned a hundred thousand dollars or more in 1971 didn't pay a dime in taxes. Two who earned more than one million dollars didn't pay a penny in taxes. Then we looked at those who paid practically nothing, and we found that some thirty-four thousand Americans in 1971 reported loophole income of a hundred and sixty-seven thousand dollars on the average and paid only four per cent tax on it.

"They took in nearly four billion dollars, and they paid something like a hundred and thirty-six million dollars in taxes. So there's several billion dollars that can be picked up by closing loopholes, or by reducing them in a way that does not hurt the business climate and that, in my opinion, would create a better sense of equity in America, because the average worker and his family think they're taking a hosing, and they've got a pretty good case. Also, I think there's still enormous waste in American government. For example, they're proposing, in effect, an increase of eight billion dollars in the defense budget this year, when we're supposed to be entering a generation of peace. We have something like two thousand bases overseas, in thirty countries. I think we're spending seventeen billion dollars this year in NATO. We just cannot continue to spill money on things in that way and have the money we need to deal with the problems of our own people. I'm not an isolationist, but I think we lack a sense of balance."

"Those are fairly familiar liberal arguments, if I may say so."

"Yes, they are, but they are still arguments. And we're not winning them."

"You have been moving into—at least by definition—a new set of issues, having to do with children and the family. Is it really a new set of issues, or is it old issues in new rhetoric? Why has your attention taken this turn?"

"Well, I sort of slipped into it. I started with problems of poverty and hunger and migrants, and the rest, and became more and more convinced that we were multilating thousands and thousands of children before they had a chance, and that if we wanted this fundamental notion of social opportunity and fairness and justice to have significance and substance, we had to deliver justice in those first few years of life. And we had to help the family do so. I helped create the Subcommittee on Children and Youth, which I now chair, and we've simply tried to look at a whole range of problems, from crib deaths to child abuse, child care, day care, the question of the mother's health during pregnancy—all those issues. And I'm becoming convinced that one of the revolutions under way, which is perhaps the most damaging thing going on in this country, is the growing pressure on and destruction of the American family. I believe, for ancient historical and biological reasons, and for psychological reasons and health reasons, that it is absolutely fundamental that a child be brought up in an atmosphere of security and love and respect, with stimulation and self-respect and all that goes with a healthy, strong family, and that children who are denied that pay the price All of us pay the price, in a host of tragic and sometimes bizarre ways. We're starting to try to see behind some of these pathological problems, like child abuse, or the divided family, and ask what's happening about them. It's estimated, I think, that over forty per cent of mothers now work. With inflation and economic pressure, I think that percentage is going up. Is it a wise thing to require mothers to work when they have children at home? Do our tax laws encourage people who work when at least one of them ought to be home with the kids? If it's necessary that both parents be gone, are we really concentrating on adequate alternatives—decent, warm, supportive child-development centers—or are we just dumping them in cold custodial areas? What happens when a family breaks down and it leads to divorce or leads to a separated family, or where there's a family that's psychotic or so emotionally in trouble that the parents abuse their children or don't raise them properly, and so the children stop thriving and they have profound psychological problems, and all the rest? How do we deal with the necessity of strengthening the family and strengthening the ability of the family to produce those healthy, loving children that are the hope not only of our country but of the world? That, I think, is an issue that needs to be looked at."

"Is that not suggesting a range of government concern about the nature of people's lives that is unprecedented?"

"No—I do not think that the government ought to substitute for parental guidance and authority. And I think that idea is one of the reasons people shy away from this issue—because they think it smells bad. I'm very much opposed to that. But what I want to do is to have policies that strengthen the family, so that it isn't necessary that both parents work when they don't want to. Take, for example, these child-abuse cases that we're looking at. When the parents are scalding, mutilating, poisoning, dismembering an infant child, it doesn't help the situation just to say that you're strong for the family. Now, we found that in ninety per cent of the child-abuse cases the child can stay at home and the parents can be helped, and the family unit can be strengthened to everyone's benefit. That's the direction we ought to go in. Then, I think one of the questions we might ask is whether government isn't already interfering with the family and putting pressures on it that many families can't resist. Under the present welfare laws in many states, the only way the parents can take care of the family when the father is employed is to separate—the mother and the family can get help *only* if the man leaves. And that doesn't seem to me to strengthen the family. Also, I guess we're about the only Western society or modern industrial society that doesn't have some kind of children's allowance, so that during the early, formative years of the family it gets a little extra help to stay together, to help the kids until the kids are older. When we do provide day care, I think we're chiseling. We put a lot of these children in centers where there is no emotional support, no education, no stimulation. The children are just rejected for hours per day, and they must feel that. I mean, children are like flowers—you can damage them, and you can damage them permanently. Child psychiatrists will tell you that you find a serious psychological problem and often it's traceable to some things like that—things that happened in those first couple of years of life. We've got these environmental-impact studies that are great. With everything the government does, there's now supposed to first be a study that asks 'What does this do to the environment?' I think that's a good thing. I wonder if we shouldn't have a family-impact study. When we pass tax laws or welfare laws or housing laws or transportation laws, we ought to say, 'Well, what will this do to the families?' Urie Bronfenbrenner [professor of Human Development and Family Studies at Cornell University] said that it is remarkable that over the million-year history of mankind almost every society, no matter what the differences of religion and culture, ended up with the family unit. And he said that before we destroy that unit we'd better ask why they all found it essential. Wouldn't it be ironic if this nation, the wealthiest and most powerful in the world, should be the first to substantially destroy that system which mankind has always found essential?"

"You also took on the question of busing, and, when it was controversial, volunteered to head a special committee to examine the problem of how to achieve equal educational opportunity. You recently put out a report that called for 'quality integrated education' and said that busing was a misleading issue, but it's still busing that you're advocating, isn't it?"

"It is and it isn't. I'm not for busing for busing's sake."

"Well, no politician would say that he is."

"No, but I don't know of any reason he should be, either. In other words, the idea that American children, for the sake of some theory of computerized mixtures, ought to be bused to carry out some kind of balance notion never has made any sense to me, and I've said so many times. Where I draw the line is in trying to deny the court the power it needs to eliminate discrimination—and by discrimination I mean deliberate public policies that separate children on the basis of race. That, I think, is intolerable under the Constitution and intolerable from a public-policy standpoint. And that's why I have resisted attempts to limit the courts' jurisdiction to eliminate discrimination—attempts that often include a ban on busing. There are many other ways that we can work on this problem, but fighting limits on the courts is one that we must work on if we intend to eliminate discrimination. And that's been my position, and I don't know how you could say that you're against discrimination without taking that position."

"One issue that has been before us this year, in various forms, is the relative power of the Congress and the executive. Do you think the Congress is really capable, institutionally, over the long run, of acting effectively—of leading on important issues?"

"Yes. We haven't always done as well as we should, and there's much that we should do, but I think we can do it."

"Yet isn't there a streak of passivity in every legislative body?"

"Yes. I think that's correct. We're slow to anger and even slower to organize, but it may be that when we get organized, it's more definite and final. There's much that we should do to improve the way in which we act here in the Congress. I would like us to move toward some sort of arbitrary retirement age. I would like to see us eliminate seniority. I would like to see the Congress build in, under its own control, an adequate system for evaluation and planning, and the ability to tear apart a budget and start from zero and work on up to see what we can do in each of the agencies to cut out waste. I would like to see us set a spending ceiling. There are many things I think we must do here, and I think that if we did them there would be far more public respect for the Congress than we see today. But, having said that, I must say I also think that we often do better than we get credit for doing. I think the average American, with some good reason, wants to see expedition and efficiency in the Congress. I think there's a certain value to delay, and to the aging of an issue, that one perhaps appreciates only after one has been around here for a while. I think that in a democracy there's some value in allowing time for issues to be ventilated, for digging out facts, for having the debates, for having the efforts to compromise, which take time and for which the Congress is given little credit, because what people say is 'What are you producing?' Sometimes it

looks as if you weren't getting anywhere, but I think in the long run the Senate, more than any other institution in America, is the forum for great public-policy debates in which the public takes a part. The Senate is the only agency I know of of which that's true. It's certainly not true of the executive. Too much of the hot stuff has been decided behind doors. It's not true in the House as much, just because of the numbers—they can't have four hundred and thirty-five people debating. But in the Senate we can debate. And, looking at the great issues of the war, the environment, the consumers' movement, civil rights, I'm proud of the kind of forum that we have had on these great issues over the years. Now, we've not accomplished all that much, but once an idea is out, once the public sees the clash, I believe that in a strange fashion the public finally gets its way and decency finally gets there. It may be a little slow in getting there, but it gets there. So I think sometimes the standard that we're judged by—efficiency, prompt action—is one that does not give us credit for an even more fundamental role that we perform."

"Do you not at times find yourself impatient with the pace, though?"

"Yes, but I must concede this as a liberal: many times I have to concede that an ornery, cantankerous conservative in the committee or on the floor asking mean questions about my beloved programs—many times he makes me face up to issues that I should face up to, and I think there's a certain validity to this business of democracy and give-and-take and listening to all sides."

"Isn't it still true, whatever happens as a result of the upheaval over Watergate, that the executive, as an institution, has inherent advantages, which a President can use to dominate the government, and which may, over the long run, make an accumulation of power in the executive branch inevitable?"

"I hope not. I think we need a coequal system. The executive will always have certain advantages, because there's only one President, and he can make almost any decision he wants to—especially if he doesn't believe in the law. Also, he can get access to television and dominate the news when he wants to. He can make television and radio practically a private communication system with the American people. We have few ways to counterattack."

"Is it possible, though, that the increasingly complicated questions and large-scale enterprises and organizations that the federal government is dealing with just do not lend themselves to parliamentary control?"

"Oh, I don't believe that for a minute. I think that control may sometimes be more difficult. Let me say this—I think Watergate, when it's all over, is going to be very encouraging in terms of the fundamental strengths of American society and its institutions. As I understand it, there was a strategy for corrupting the last election, for literally buying it and then keeping the facts from public view, so no one knew what had happened. But slowly the courts were angered, the Congress was angered, the press bestirred itself, and the truth started coming out, and I believe we can follow now with legal reforms to prevent or discourage that sort of thing in the future. We were slow getting there, but I think the fact that we did get there showed that the traditions and strengths of our institutions were greater than even the tremendous power and inside advantages of the Presidency. And I don't think for a moment that the government is bigger than democracy. You know, I've been through some fights that I've lost here, but it's interesting to see what happens. I led the fight against additional aircraft carriers. I'm not against *all* aircraft carriers, but I didn't see why we needed a new one every year, costing a billion dollars. I lost on the Senate floor. But it's an interesting thing that we've now reduced the aircraft-carrier attack-force level by three carriers; that's a thirty-billion-dollar saving over the life of those carriers. I think the public debate here in the Congress made people face up to some of the realities they didn't want to face up to. I've been leading a fight lately against the space shuttle, which I think is a horrible waste. That never won on the Senate floor, but I noticed the other day that the chairman of the Appropriations Committee said that one of the ways we can save a lot of money is by delaying that space shuttle—which may mean the end of the space shuttle. I think that sometimes things work slowly, but if you're right they work, even against enormous commercial and governmental interests on the other side."

"Have we had an example here of the axiom that where you stand depends on where you sit? When the liberals were in charge of the White House—when one of their own was in power—there were frequent complaints that the Congress was blocking things. We heard about the 'deadlock of democracy.' There were all sorts of proposals for strengthening the hand of the President at the expense of the Congress. But then the Democrats lost the White House, and the power of the Congress to block the President looked more attractive. Do you think the liberals are coming to some new conclusions about this?"

"Well, I hope that to some extent we are, but I also think that the nature of the challenge the President posed at the beginning of the year was different from anything we'd had in the past, and ought to be a warning to us. I don't think that that was just another effort on the part of the President to crowd the Congress. What the President tried to do amounted to a massive, wholesale, unConstitutional dismantlement of our system, in an attempt to convert it into a Presidential system. I think you have to look at the domestic side differently from the foreign one. I think in foreign relations the Congress has permitted itself to forfeit its Constitutional powers and responsibilities through many different Administrations, of both political parties. I think it's going to take us thirty years to repair the damage to the foreign-relations powers—warmaking powers, treaty powers—of the Congress. And we must do so. We're beginning to do it, but it's going to be a slow show. The Administration people tried to apply the same unlimited Presidential powers domestically that they've applied to foreign relations, and that's what was new about this challenge, it seems to me."

"How seriously will the Watergate controversy affect the President's power and affect the nature of his relationship with the Congress?"

"Some people have been saying that the damage will be so great that he can't govern. I don't believe that this is true, unless it develops that the President was personally involved in or personally knew of widespread illegal acts. Even so, I think the scandal is much greater than anything else that has happened in or around the White House in our nation's history. If it would just make the President realize the strengths that come from working with the system, I think we could begin to restore government to some legal, due-process proportions; and I think the dramatic erosion of public confidence in the President and the great doubts about those who have been around him will inevitably force him to give some ground on these questions of Constitutional importance. And I think the weakening of the President politically will make him deal more realistically with other institutions, too."

"Does that mean that we have to wait for a President to get himself in trouble before politicians in the Congress will take him on?"

"Well, I think that there is what is always referred to as a 'honeymoon period,' when a President who's been newly elected or just been reelected is given a period of special deference to develop and propose legislation. And I think the length of that honeymoon depends upon how he behaves and how he uses it. In the case of Mr. Nixon, he blew one of the largest mandates in American history in about a month by his divisive, hostile, and other negative tactics and his wholesale disregard for the law. In other words, I think that you can't suspend human nature, and it's the proper thing to do, in terms of normal Western traditions of civility, to be decent to a new President, to give him a chance. I think Herblock said every new President gets a free shave, and that's what we try to do, and that's what I do."

"But there are other times, not only after elections, when there is the phenomenon of the politicians backing off because they think the President may be powerful, even if he isn't right. I can think of President Nixon's November 3, 1969, speech about Vietnam, which a lot of people up here disagreed with but were not very vocal about, for fear that the President had in fact captured public opinion—a fear that then became self-fulfilling."

"I can't deny that that's what happened. But, fortunately, the fact is that there were some here who didn't follow that strategy and spoke up and criticized it. There was clearly an effort on the part of the White House to silence dissent. They warned everybody, 'Don't criticize us or you're going to be embarrassed.' The same thing followed the Cambodian invasion. I don't think the critics of the war will ever get credit—at least, in the short run—but I think those criticisms and that debate helped end the war."

"That brings up something else I have been wanting to ask you. You supported the Vietnam war for a longer time than several of your colleagues. In 1967, you gave a very closely reasoned speech laying out what you considered to be the dilemmas, and came out on the side of supporting the war. How do you now look back on that?"

"The biggest mistake of my public career."

"How did you make it?"

"Well, several ways. First of all, I think I trusted the executive and its answers too much. I just couldn't believe that they could be that wrong. And I recall going to Vietnam myself for a week and going all over."

"What year was that?"

"It was early '66. And I came up with some questions about 'Why are they still fighting so close to Saigon if you're winning, if the people are for you?' And the leadership all had answers—the Defense Department or the State Department—and I guess if there's one thing that I learned out of all that it is that you have to trust your own judgment. You can't be sure of the accuracy, or sometimes even the honesty, of what you hear from established departments. That was one of my big mistakes. Another mistake I made was that I was applying what you might call the European analogy to Asia. It had no relationship at all, but I thought it did. Then it slowly dawned on me that there are limits to American power, limits to how we can influence what are essentially indigenous problems of another country. Finally, I saw first-hand what the war was doing to this country. It was not a pretty sight. The deaths and the injuries—permanent injuries. The costs—over a hundred billion dollars—which devastated so many human programs. But also the incredible spiritual and emotional costs. The war poisoned the public dialogue. It divided our country. It destroyed the affection of millions of Americans for their own government,

and I think we'll be paying for it for the rest of my life."

"In what you were saying earlier, you painted a more positive picture than many do of the potential effectiveness of the Congress, and particularly the Senate. I'd like to ask you a little more about some of the human and realistic factors that make it difficult for senators to organize their colleagues to take action, or for the Senate in general to do very much at certain times. Each senator has his own constituency, has his own reelection to think about. Collective action is not easy. It seems that after a large effort up here it's very difficult to mount another one; people get tired, they want to go home, they're caught up in having to answer their mail and greet constituents. Are these not also factors that affect what really happens?"

"Sure, they're factors. This is a democracy. We all have to be mindful of what our own people want in our states and how they want us to spend our time. That's part of our job, and anybody who said that wasn't true would not be realistic. And sure we get tired. We don't fight every fight that we perhaps should fight, and we don't win every round that we should, because of these factors that you mentioned. And I think we can do better; I think we should do better. I think we should reorganize in some of the ways that I've suggested. More fundamentally, I think we need campaign-funding reform. I keep coming back to that. People do not realize the skyrocketing cost of campaigns and the growing temptation for compromising the public interest because of money. Now, that certainly has been exposed in an ugly way in the Watergate episode—how that money came in and how it was used and how it was falsely received and reported—but money in politics is the dark side of the political moon, and until we take full, pervasive action to solve that problem, we're going to have this continuing tawdry, tragic, dispiriting, demoralizing spectacle of public men trading public decisions for private money."

"Does this affect even those politicians who would like to be honest—who would like to feel that they are making decisions regardless of who has contributed how much?"

"It affects everybody. I think the miracle is that the system has remained as honest as it has. But the temptations are undeniable, and some people are weak. And the thing is subtle. For example, take just the access question. If you give money, you get an ear. I try very hard not to take money in amounts or from sources that would affect my course of action. But I would be less than candid if I did not say that when I've had a large contributor he gets in to see me and I talk to him. While I try very hard to listen to everyone, I must admit that this is true. We're all a part of this system, and I think maybe in subtle ways that we don't even appreciate. We tend to remember who helped us financially, and even the most honest person cannot be unmindful of that support. And I just hope that we can get out from under this system."

"How?"

"Well, this goes back nearly seventy years. Teddy Roosevelt once called for public support of federal campaigns. I think we ought to begin with the Presidency and do that right. We've seen enough, I think, to understand the corruption of money. Maybe we could have a system like the one Albert Gore talked about a few years ago, where we would estimate approximately what a campaign would cost, give a candidate an amount out of the public treasury which would pay for a decent campaign, and then prohibit any outside money—something like that."

"What makes you think, from what we've seen, that federal support of campaigns could be set up in such a way that the process itself would not be corrupted or manipulated?"

"I can't be sure about it, but I am sure that the present system isn't doing it, and we'd better try. Maybe then the public could trust the government again. People all think it's being bought off. Even my son—he's eleven years old—said to me the other day when we were talking about Watergate, 'Daddy, are the courts honest?' Eleven years old, talking that way. The American people are being served up a raunchy, smelly, nostrilfilling mess, and so much of it comes from money. It wouldn't cost much to try to change that. We have a national budget of about two hundred and sixty-nine billion dollars, and we're talking about an expenditure of a few million dollars to keep the thing honest. Well, why not do it? Well, I'll tell you the reason I think we haven't done it. It's that the people who control the American system with money now don't want to, because they *know* they control the American system and they don't want to let loose. It's been such a long, deeply embedded tradition in American life that you restrain and influence government through money—and that that's part of doing business in America—that they all do it and have more or less accepted it as being the proper thing to do. Well, it isn't proper. It's wrong and it's corrupting, and I think it's getting to the point where it's shaking American confidence in the basic integrity of our free system, and someday a demagogue is going to come along and really ride that wave unless we can correct it in a way that will restore confidence in the system. And I don't think Mickey Mouse changes are going to work; I think you need a basic system of public support. You know, I saw a poll the other day that showed that, of all the occupations in this country, the politician ranked second to last in public confidence, just ahead of a used-car dealer. Well, one more month of this and we're going to be behind the used-car dealer."

"But you do think it is possible to restore faith in the governmental process and institutions?"

"It has to be done, and underneath all the current tragedy I feel better today than I have in a long time, because the institutions stood up to this mess. When you look at what Mr. Nixon's people had in mind—to sidetrack that last election and to hide what they did and to receive and spend money corruptly . . ."

"But wasn't there a failure of confidence in the institutions even before the Watergate story began to come out?"

"Yes. But what I'm saying is that four or five months ago I was really feeling depressed, on the ground that there was no hope in the courts, there was no hope in the Congress, there was really no hope in the press, and a cynical Administration could ignore the laws, could ignore and could corrupt the truth, and could get away with it. In the middle of this mess, I think what we're learning is that the strength of our institutions is great—is greater than even the President—though it takes some time, it takes some pressure for the strength to show itself, it takes a while to anger. I feel that after this whole mess we can move for the kinds of reforms we're talking about in the Congress, in the way we fund elections, in the way we prohibit who can contribute and how they can contribute. If we just look at this whole investigation when we get done with it, we can say 'Now, all right, where did the system break down?' and pass laws and establish institutions that protect it."

"Do you feel that recent events—Watergate—will accelerate the kinds of change you seek?"

"Yes, I do. I hear more talk now about the system—how it can be improved and strengthened and made more honest—than I have heard before in my entire public career. I think leaders are both hopeful and worried. It can't go on like this. It must be changed."

"Do you at least entertain a question about the long-range success of our democratic experiment?"

"Yes, because I don't think it's secure, and I think there's so much more that needs to be done. I think there are so many danger points in our system.

For example, I view these private wars that have gone on as a very dangerous thing—Cambodia, Laos. I think they've been carried on without a shred of legal support. I believe that the President's wholesale attempt to terminate programs he doesn't believe in—unless we can destroy that precedent over the next four years—will lead future Presidents to continue to press for omnipotence in the domestic field. Then we would move toward a Presidential system rather than a shared congressional system, a representative system—and that, I think, would be very dangerous. I can see that unless we deal with this money problem corruption could undermine the fundamental faith of the people in our government to the point where some demagogue could take it over in an anti-freedom and anti-politician campaign. There are many things that could happen. But I believe that we've got the wisdom and the strength to deal with these problems, and I believe that out of this mess may come some very important progress."

"Has the scope of what has been revealed in the Watergate affair suggested to you that there were greater dangers to our democracy than you had supposed—dangers hard to deal with through passing laws?"

"Greater dangers and greater strengths. It had never occurred to me that a major party would adopt and use on our own society tactics that had been developed in the C.I.A. to subject foreign governments to disruption and espionage and dirty tricks. In a sense, the invention has returned to plague the inventor, and it's very dangerous. There is much that we can do in terms of the law, and I've described some of them. I think there should be a study of the connections between our covert disruptive tactics abroad and the political process here at home. We might learn how to safeguard American society, and maybe other societies as well. But I think the fundamental decision is beyond the law. It is founded in the judgment that the American people make about our country, its institutions, and its leadership. If the final judgment is one of despair and cynicism, our nation will be fundamentally weakened. But if it's one of outrage against those who have tired to tamper with our laws, our freedom, and our Constitution—with the just powers of our institutions—and if that outrage is harnessed toward specific reforms, then it may be that out of the tragedy of Watergate can come a new level of confidence and morality in public life."

ELIZABETH DREW.

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, FIRST SESSION

Vol. 119 WASHINGTON, MONDAY, JUNE 4, 1973 No. 84

Senate

SENATE RESOLUTION 123—SUBMISSION OF A RESOLUTION TO AMEND THE STANDING RULES OF THE SENATE

(Referred to the Committee on Rules and Administration.)

Mr. MONDALE. Mr. President, events of recent months have highlighted perhaps more starkly than ever before the dangers of the widening gulf between the executive branch and the legislative branch. Faced with unprecedented Presidential use of impoundment and claims of Executive privilege, we in Congress have often found ourselves unable to obtain the vital information we need on a wide variety of policies affecting the Nation.

We have been faced with continued attempts by the Executive to usurp power from the legislative branch and increasing inability to effectively focus public attention on the dangers of the usurpation of our congressional prerogatives. In addition we have seen that, even within the executive branch, Cabinet and executive agency officers face an increasing inability to make and coordinate within their own jurisdictions.

The events surrounding the Watergate affair have revealed the dangers inherent in the ability of a few men on the White House staff—responsible to no one, mostly without the sobering experience of electoral politics, and beyond the reach of Congress—to control policy. Hopefully, these events will lead to a rethinking of the respective roles of the legislative and the executive branches.

As part of this rethinking, we should attempt in as many ways as possible to increase Congress' ability to conduct meaningful dialogue with those officials in the executive branch in whose offices responsibility for policymaking decisions should rest. This attempt should focus on keeping both Congress and the Cabinet officers and agency heads in better touch with each other.

By making those executive branch figures whose confirmation by the Senate is required by law more accountable to the people—through the Congress—we will enable the balance of power to shift away from a White House staff of a few unelected and unresponsive men and reassert the proper role of the Congress and the Cabinet officers.

As a first step in this direction, I am submitting today a Senate resolution to provide for the establishment of a "Question and Report Period," somewhat analogous to that in use in many Parliamentary systems around the world.

This is neither a new or a radical idea. It was given notice by the first Congress, which in creating the Office of Secretary of the Treasury, declared that "he shall make report and give information to either branch of the legislature either in person or in writing" as either House might require. Indeed, during this first Congress, Cabinet officers appeared before the House 8 times, and before the Senate 14 times.

In 1864, a select committee of the House and in 1881, a select committee of the Senate recommended the right to the floor of both Houses for Cabinet officers both to answer questions and to participate in debate. In 1912, President Taft, in a message to Congress, made virtually the same recommendation. And throughout the 1940's and 1950's, Senator Estes Kefauver championed the idea of a "question hour" and first introduced legislation of the type I am introducing today.

Nor does this proposal affect the constitutional doctrine of separation of powers. The Constitution clearly gives the President the power to "require the opinion in writing of the principal officer in each of the executive departments upon any subject appertaining to the duties of their respective offices." This proposal would not diminish this right in the slightest. It merely would allow the legislative branch the ability to add an additional dimension to the role of these executive officers—that of spirited and productive dialog with members of the legislative branch.

The proposal does not call for the subpenaing of Executive officers to appear before the Senate. It is framed in terms of "requests" to appear, because the central thrust of this proposal is to increase—rather than decrease—the dialog between and mutual responsibilities of Cabinet-level officers and the Senate.

Under terms of this proposal, the heads of executive departments and agencies would be requested to answer orally, both written and oral questions propounded by Members of the Senate. Such a question period would occur at least once every week when the Senate is in session, and would last for no more than 2 hours. Senators would submit written questions to the committee having jurisdiction over the subject matter of the question, and if the committee approves the question, it would be transmitted to the head of the department or agency involved, with an invitation to appear before the Senate.

The Committee on Rules and Administration would also receive a copy of the question, along with a request for allotment of time in a question period to provide for the answering of the question. The Rules Committee will determine the dates and length of time of each question period, and will allot the time in such period to the department or agency head who has indicated his readiness to answer. To conserve time and consolidate questioning in subject-matter areas, any one question period shall be taken up by questions approved by one committee.

In the latter half of each question period, oral questions may be asked, but they must be germane to the subject matter of the written questions. The time in this latter hour will be equally controlled by the chairman and ranking minority member of the committee which has approved the questions.

Senators will be given advance notice at least 2 days before the question period by printing of the time of each question period and the written questions to be answered in the RECORD, and the proceedings of the question period will be printed in the RECORD.

In addition, the resolution provides that question period proceedings may be televised and broadcast on radio live. In an era of mass communication, it is important to provide for both print and electronic media coverage to insure wide dissemination of the proceedings conducted under provisions of this resolution.

During the early 1940's, Walter Lippmann noted that—

> The two branches of Government (executive and legislative) will quarrel endlessly at the expense of the Nation, depriving it of the unity it needs and the collective wisdom it should have, as long as the responsible men at both ends of Pennsylvania Avenue

deal with one another suspiciously and at arm's length.

Never has that remark been more true than today. And never has there been the need for a regularized procedure during which Congress can question the policies of the executive branch, and the executive branch's responsible officers can defend their proposals and actions. Essential to this process is its openness. In contrast to congressional investigative committees, the entire Senate—not just a few Senators—will be able to question and hear the executive branch's defense.

Hopefully, this system of close questioning of Cabinet-level officers will result in Cabinet posts being filled with men and women whose responsibility for defending articulately the proposals or actions of an administration will lead to a greater involvement for those individuals in formulating the policies and actions of their departments.

Most importantly, this resolution will enable Congress and the people to secure the Nation's right to have free and open debate on the central policies guiding our Nation.

Perhaps President Nixon best described both the aura and the importance of the question period device, after he had witnessed the British House of Commons Question Hour in 1969:

> It was an inspiring and compelling experience, one for which I am deeply grateful. And it was an experience in which I came away with a deep appreciation and respect for the ability of the British parliamentarian to stand up during the Question period and answer so effectively. I believe that your Question period is much more of an ordeal than our press conference.

Whether or not such a procedure is an ordeal, it is without doubt a most effective means of visible communication between the executive and legislative branches. My proposal will not—and was not designed to—replace or supplant any of the valuable committee procedures now available to this body. In fact, the proposal, as I have outlined it, specifically preserves for committees the right to approve questions before they are brought to the attention of the Executive officer whose answer is requested by a Senator.

Rather, this proposal is designed to give the Congress—and the American people—the right to information concerning important policies and actions of the executive branch, in a forum carefully controlled by time and germaneness so as to insure that productive questioning results.

When Senator Kefauver proposed question-period legislation in the mid-1940's, the support of the American people for this idea was clearly evident. A Gallup poll conducted in the fall of 1943 showed 72 percent in favor of the proposal, and only 7 percent opposed.

Clearly, this idea has new and more crucial relevance today. The faith of the American people in their Government has fallen steadily. According to a Harris poll conducted last November, only 27 percent of the American people have "a great deal of confidence" in the executive branch of the Government—a drop from 41 percent in 1966.

We must stop this decline of trust in Government. We must, at this crucial juncture in relations between the executive and legislative branch, attempt to restore both Congress' power to know and the power of Cabinet officers—rather than White House staff—to formulate policy and publicly defend that policy.

The resolution which I am introducing today is certainly not the entire solution to this monumental problem. But without it, the trust of the American people in their Government may continue to erode. And as the late Adlai Stevenson noted:

> Public confidence in the integrity of the government is indispensible to faith in democracy; and when we lose faith in the system we have lost faith in everything we fight for.

We must begin restoration of this public trust in Government. And, as a select committee of the Senate noted in 1881, the question period may enable us to begin this task:

> This system will require the selection of the stongest men to be heads of departments, and will require them to be well equipped with the knowledge of their offices. It will also require the strongest men to be the leaders of Congress and participate in debate. It will bring these strong men in contact, perhaps into conflict, to advance the public weal, and thus stimulate their abilities and their efforts and will thus assuredly result in the good of the country.

Mr President, I ask unanimous consent that the text of this resolution be printed in the RECORD at the conclusion of my remarks.

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

S. RES. 123

Resolved, That Rule X of the Standing Rules of the Senate is amended by adding at the end thereof the following new paragraph:

"3. There shall be held in the Senate, on at least one day in any one calendar week in which the Senate is in session a question and report period, which shall not consume more than two hours, during which heads of executive departments and agencies are requested to answer orally, written and oral questions propounded by Members of the Senate. Each written question shall be submitted in triplicate to the committee having jurisdiction of the subject matter of such question, and, if approved by such committee, one copy shall be transmitted to the head of the department or agency concerned, with an invitation to appear before the Senate, and one copy to the Committee on Rules and Administration with a request for allotment of time in a question period to answer such question. Subject to the limitations prescribed in this paragraph, the Committee on Rules and Administration shall determine the date for, and the length of time of, each question period and shall allot the time in each question period to the head of a department or independent agency who has indicated to the committee his readiness to deliver oral answers to the questions transmitted to him. All written questions propounded in any one question period shall be approved by one committee. The latter half of each question period shall be reserved for oral questions which shall be germane to the subject matter of the written questions by Members of the Senate, one-half of such time to be controlled by the chairman of the committee which has approved the written questions propounded in such question period and one-half by the ranking minority member of such committee. The time of each question period and the written questions to be answered in such period shall be printed in two daily editions of the Record appearing before the day on which such question periods is to be held, and the proceedings during the question period shall be printed in the Record for such day. Live television and radio coverage of proceedings authorized under this paragraph shall be permitted. The Committee on Rules and Administration shall make all appropriate arrangements and establish appropriate procedures for providing such coverage."

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, FIRST SESSION

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Senate

By Mr. MONDALE.

S. 1939. A bill to prohibit pyramid sales transactions, and for other purposes. Referred to the Committee on Commerce.

Mr. MONDALE. Mr. President, today I am introducing legislation designed to protect the consumer public from what is rapidly becoming the "consumer fraud of the 1970's"—the pyramid sales operation.

Last year, I introduced similar legislation, aimed at ending these fast-growing pratices. Since then, I have consulted extensively with a variety of Government and industry groups, in particular with the National Association of Attorneys-General. In my own State of Minnesota, Attorney General Warren Spannaus has been a leader in the crackdown against fraudulent pyramid sales operations. His leadership—and the need which he and many others have expressed for strong Federal legislation to aid them in their struggle against pyramid sales schemes—has been vital in this field.

In the world of consumer fraud, the faces change but the vice remains the same. The Wisconsin Supreme Court has accurately described today's pyramid sales operation:

> However long the scheme lasts, it will infallibly leave a greater or lesser crowd of dupes at the end with no opportunity to recoup their losses because the bubble has at last burst. It contemplates an endless chain of purchasers, or, rather, a series of constantly multiplying endless chains with nothing but fading rainbows as the reward of those who are unfortunate enough to become purchasers the moment before the collapse of the scheme. While contemplating large gains to the original promoters and early purchasers it necessarily contemplates losses to the later purchasers; losses increasing in number with the greater success of the scheme. . . .

That description of chain selling was made in 1906. Nearly 70 years later, we find ourselves in the midst of an epidemic of vicious chain selling enterprises, which William J. Casey, former Chairman of the Securities and Exchange Commission, estimated last fall had taken over $300 million in investment money from the American public.

The operation of pyramid selling schemes has many, often complex variations. However, the basic schemes follows a recognizable general pattern.

The organization through which pyramid selling operates is composed of a number of different marketing levels. Consumers make an initial investment in one of the lower levels in the organization. For the money paid, they are given in inventory of the product which the organization is ostensibly organized to promote. The retail value of this initial inventory is usually considerably below the cost of the investment required.

These initial recruitments are made at promotional meetings, which are themselves an objectionable feature of these schemes. A wide variety of deceptive, high-pressure sales techniques are used to recruit new investors, including the planting of shills in the audience, who prominently display wads of large bills and promise the potential investor that the road to easy riches is at hand.

In one pyramid sales operation, those trying to recruit new members are advised to "buy a Cadillac, assure everybody you're making a fortune, hand out big checks at opportunity meetings, advise people they better get in fast because only a few slots are left." Prospective investors are bombarded with professionally staged selling talks from these shills, with the result that potential investors cannot make a rational choice.

Once the initial investment is made, the investor is encouraged to move up along the various marketing levels of the company—investing more money at each step—on the promise that he will be able to share in the allegedly lucrative amounts of money to be earned through the recruitment of still others to join the scheme. In the pyramid sales operations, it is made clear at the promotional meetings that the real "opportunity for riches" comes not from selling the product or service ostensibly promoted by the operation, but rather from inducing others to join.

As the Securities and Exchange Commission states in its complaint against "Dare to be Great," one of a number of pyramid selling operations promoted by Mr. Glenn W. Turner:

As part of said scheme the defendants through Dare To Be Great purport to market a series of tape recorded, self-improvement courses, which are designated "Adventure's" I, II, III, and IV. The Marketing of said courses is but the vehicle by which defendants involve the purchasers therein in their centrally directed, nationwide, pyramid-selling scheme, whereby said investors are induced by the promise and expectation of fantastic income to invest their money for the right to introduce others who will in turn be similarly induced by the defendants to invest and bring still other investors into the pyramid . . .

An investor at the Adventure III level is induced to pay an aggregate of $2,000 primarily upon the promise of an opportunity to share in profits derived from his introduction of other investors that the defendants recruit either at the Adventure I, Adventure II, or Adventure III level. An investor at the Adventure IV level is induced to pay an aggregate of $5,000 primarily upon the promise of an opportunity to share in profits derived from his introduction of investors that the defendants recruit at any Adventure level.

In this operation, an investor who wishes to rise to the top marketing level must pay an aggregate of $5,000. Of that amount, a total of $3,800 goes to previous investors who are paid huge fees for recruiting others to their ranks. In another similar operation—Holiday Magic—a person wishing to attain the top marketing rank—"general distributor"—must pay $4,000, of which $3,000 goes to the previous "general distributor" who "sponsors" the new person wishing to attain this rank.

The motivation all along the chain, therefore, becomes that of recruiting new bodies to join the chain, thereby reaping the large amounts of money supposedly to be derived from this recruitment of those further along the chain.

As with any chain selling device, however, promise and performance are usually very different. Although a certain number of individuals who are into the chain at an early stage do make money—occasionally large amounts of money—the essential vice of these operations is that of any chain referral scheme: There are simply not enough bodies to keep the chain in motion.

Thus, if one person recruited six "friends" into his scheme, and if this friend obtained six more friends, and if this process were repeated for a total of nine times, the number of people in the chain would total 10,077,696. Obviously, this is a process which cannot be sustained. Unfortunately, however, those who enter this operation after the first few steps in the chain find that out only after a substantial investment of money.

There is no doubt that the net effect of these types of promotions results in large losses to the consumer public. The Pennsylvania Bureau of Consumer Protection obtained information from Dare to be Great, Inc., concerning their operation in Pennsylvania. They concluded that only 26 percent of the money invested in Dare to be Great by Pennsylvania residents had been recouped by investors—only $356,700 out of $1,358,300. In addition, a New York deputy attorney general who investigated Koscot International, another one of Mr. Turner's enterprises, reported that of 1,604 distributors and subdistributors in New York State, only 79 had earned more than $5,000 during the year under study and only 10 had earned more than $20,000. This was in an operation in which every investor was promised—before he invested—that he would make at least $100,000 per year.

The investigator in New York reported that if all the people in the New York program were to make the promised $100,000 per year, "at the end of the first year at least 150,000 new distributorships would have to be created and at the end of the second year New York alone would have to have 150 million distributors."

These pyramid sales operations are a major consumer problem which largely remains unsolved today. The vice chairman of the Consumer Protection Committee of the National Association of Attorneys General, in a letter to me, called these operations "perhaps the most serious pending consumer fraud problem." Bruce Craig, assistant attorney general in Wisconsin, stated in a letter to me that—

It has been by personal experience, gained from contacts with many other attorneys general of their assistants, that these chain schemes have caused more concern among state enforcement officials than any other form of white collar offense.

At both the State and Federal levels, there have been significant steps taken to combat the problem.

Indeed, the operations of Glenn Turner—once the largest and most "successful" of the pyramid sales operators—have largely been halted as a result of a recent settlement of claims arising against his corporations. Under this settlement, 75,000 claimants would divide about $3 million, after Mr. Turner had turned his existing assets into cash.

However, the terms of this settlement were the results of complex negotiations and lawsuits which may prejudice the rights of many people defrauded by Mr. Turner to the full amounts which they deserve.

In addition, for each Glenn Turner whose operations are halted as a result of long and complex litigation or other proceedings, other pyramid sales operations appear which are equally vicious and which together are taking an ever-increasing toll on the American consuming public.

Federal Trade Commission action against William Penn Patrick, whose "Holiday Magic" group of companies is now the largest operating pyramid sales scheme, has consumed 3 years with no final resolution yet achieved. The complexities of this litigation point to the need for a clear, prohibitory Federal statute to help eradicate the pyramid sales problem.

While Federal agencies have pursued actions against the major pyramid operations with diligence, the statutes under which they operate often preclude swift, effective action to eliminate the pyramid sales device and provide full individual recovery.

In addition, State attorneys general have begun vigorous enforcement against some of these pyramid operations. Approximately 20 States currently have laws dealing with the pyramid sales problem, and 42 States have begun some legal action against one or another of Mr. Turner's enterprises. Over half a dozen States have legal action pending against the "Holiday Magic" group of companies, which is now the largest pyramid sales scheme currently transacting business in the United States.

In Minnesota, Attorney General Warren Spannaus has vigorously pursued pyramid sales companies which have taken approximately $4 million from Minnesotans since 1970. Last fall, the attorney general obtained convictions against Holiday Magic and two of its local distributors in the first criminal case which has proceeded to trial.

Yet, despite his success in obtaining injunctions and criminal convictions, Attorney General Spannaus has written me of the need for Federal action:

Although we have been highly successful, the efforts of this office have not eradicated the pyramid sales problem in Minnesota. Bordering states have different types of multi-level and pyramid sales regulations or prohibitions, and in some cases, have no legislation at all. The companies we have stopped in Minnesota move to North Dakota, or some other neighboring state, and lure our citizens across the border. To fully protect the Minnesota investor, Federal action is necessary . . . Each month new pyramid sales and multi-level distribution schemes are developed. Unquestionably, there is a need for uniform Federal legislation which will protect all consumers from the evils of pyramid sales distribution. I consider the need for this legislation to be immediate.

This percent need for Federal action is shared by others who have been active in fighting pyramid sales organizations.

Dean W. Determan, vice president for Government and Legal Affairs for the Council of Better Business Bureaus, stated in a letter to me that—

While the Federal Trade Commission and the Securities and Exchange Commission are both taking actions in this sphere of business activity, their rules and orders are directed against individual companies and promoters, and each action takes a long time to accomplish.

And Douglas R. Carlson, assistant attorney general in Iowa, has writttn me that—

As soon as a company is run out of one state it then increases its activities in other states and may even form an additional corporation and go back into the state banned in, forcing that state to bring additional litigation against each new corporation brought into existence. This type of individual state attack has also resulted in a situation where such companies are now concentrating their activities in states which have no prohibitory legislation against their activities. Many companies are now conducting heavy drives to fly, but or otherwise induce residents of other states to travel into states their activities are not prohibited in, there to be given the company's sales pitch.

There exists a definite need for effective Federal legislation to alleviate this problem.

Any such Federal legislation, however, must be aimed squarely at the fraudulent pyramid sales operation, and not the many legitimate corporations which sell products or services using commissions, door-to-door selling techniques, or legitimate franchise arrangements.

The Council of Better Business Bureaus has developed a number of yardsticks by which to separate the legitimate

from the fraudulent multilevel sales corporation.

Among these are whether the company promotes retail sale of its product, or whether it stresses unending recruitment of distributors; whether there are promises of high potential earnings made; whether the company requires more than a minimal initial inventory at relatively low cost to become a distributor; and whether the firm will guarantee in writing that any products ordered but not sold will be bought back by the company within a reasonable period of time for a certain percentage of the price paid.

The basic vice of the fraudulent pyramid sales device is the combination of limited or minimal emphasis given to sales of products or services to the consuming public—as distinguished from resale between various levels of the pyramid sales operation—and the heavy emphasis on the alleged profitability to be derived from recruitment of other "bodies" to join the endless chain.

The legislation which I am introducing today imposes criminal and civil penalties on those fraudulent pyramid sales operators who prey on the public with unfounded presentations of future earnings through endless chain promotions.

This legislation would provide for a fine of up to $10,000 or imprisonment for up to 5 years, or both, for those selling or attempting to sell a participation in a pyramid sales scheme.

In addition, any person who induces another person to participate in such a scheme shall be liable to that person for twice the amount of the consideration paid, and recovery of court costs and reasonable attorney's fees.

Pyramid sales schemes are defined by the proposed legislation as including any plan or operation for the sale or distribution of goods, services, or other property which contains any provision for increasing participation in the plan, through a chain process. This chain process is further defined to include payment of valuable consideration for the right or opportunity to either receive compensation for introducing one or more additional persons into participation in the plan—each of whom receives the same or a similar right or opportunity—or to receive compensation when a person introduced by the participant introduces one or more additional persons into participation in the plan—each of whom receives the same or a similiar right or opportunity. In this definition, payments based on sales at retail to ultimate consumers are specifically excluded from coverage as an illegal activity.

This language seeks to isolate out the fraudulent pyramid sales operation, while not affecting the hundreds of legitimate corporations which do business using commission arrangments or franchise organizations, in which the primary aim is sales to the consuming public, rather than recruitment of additional persons into an endless chain system.

The proposed legislation also provides that either the Department of Justice or the chief law enforcement officer of any State in which an illegal pyramid sales practice has occurred may seek injunctive relief in the U.S. district courts.

This combination of remedies—prosecution by the Department of Justice of criminal violations, action by an aggrieved person to recover double damages plus costs and legal fees, and suits brought by either Federal or State authorities to gain injunctive relief—affords the variety of procedures needed to protect the consumer public and offer relief to those who have been defrauded.

The injunctive relief provisions are particularly important in view of the tendency of many pyramid sales operations to deluge a State with a quick, massive sales attack. Unless State or Federal officials can gain quick injunctive relief, consumers will be defrauded of millions of dollars before the plan can be forced to stop operating in that State.

The legislation I am offering today meets the need for a tough but flexible statute to end these practices which take millions of dolars from American consumers each month. By providing a variety of remedies, and by defining pyramid sales schemes to prohibit only those operations which use fraudulent or improper practices, it offers hope of a quick end to this recurring national consumer fraud problem.

Mr. President, I ask unanimous consent that the text of this legislation be printed in the RECORD.

I also ask unanimous consent that a number of recent articles on pyramid sales operations be inserted at this point in the RECORD.

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

S. 1939

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

SECTION 1. As used in this Act—

(a) The term "sale or distribution" includes the acts of leasing, renting, or consigning.

(b) The term "goods" includes any personal property, tangible or intangible, real property, or any combination thereof.

(c) The term "other property" includes a franchise, license, distributorship, or other similar right, privilege, or interest.

(d)(1) The term "pyramid sales scheme" includes any plan or operation for the sales or distribution of goods, services, or other property which contains any provision for increasing participation in the plan through a chain process, whereby a participant pays a valuable consideration for the right, privilege, license, chance, or opportunity—

(A) to receive compensation for introducing one or more additional persons into participation in the plan, each of whom receives the same or a similar right, privilege, license, chance, or opportunity; or

(B) to receive compensation when a person introduced by the participant introduces one or more additional persons into participation in the plan, each of whom receives the same or similar right, privilege, license, chance, or opportunity.

(2) The fact that the number of persons who may participate may be limited, or that there may be conditions affecting eligibility in the plan, does not change the identity of the plan as a pyramid sales scheme.

(e) The term "compensation" includes payments based on sales, when such sales are made to persons who are also participants in a pyramid sales scheme or are purchasing to become participants in such a scheme, but does not include payments based on sales at retail to ultimate consumers.

SEC. 2. Whoever, in connection with the sale or distribution of goods, services, or other property by the use of any means or instrumentalities of transportation or communication in interstate or foreign commerce or by use of the mails, knowingly sells or offers or attempts to sell a participation or the right to participate in a pyramid sales scheme shall be fined not more than $10,000 or imprisoned for not more than five years, or both.

SEC. 3. (a) Any contract made in violation of section 2 of this Act is void and any person or persons who knowingly induce another person to participate in a pyramid sales scheme shall be jointly and severably liable to that other person in an amount equal to the sum of —

(1) twice the amount of consideration paid; and

(2) in the case of any successful action to enforce such liability, the costs of the action together with a reasonable attorney's fee, as determined by the court.

The district courts of the United States shall have original jurisdiction of any action brought under this section. An action under this section may be brought within two years from the date on which such consideration was paid.

(b) In any case where two or more persons induce another person to participate in a pyramid sales scheme and thereby incur a liability under this section, the amount which such other person may recover from any or all such persons is limited to the amount referred to in subsection (a).

SEC. 4. Whenever it appears that any person is engaged or is about to engage in any act or practice which constitutes a pyramid sales scheme, the Attorney General of the United States or the chief law enforcement officer of the State in which the act or practice occurred may bring an action in the appropriate United States district court to enjoin such act or practice. The district courts of the United States shall have original jurisdiction of such actions and shall provide appropriate relief. Upon a proper showing, the district court shall grant a temporary restraining order, or a preliminary or permanent injunction without bond.

SEC. 5. Payments for sales demonstration equipment and materials furnished at cost for use in making sales and not for resale, provided that the total cost thereof does not exceed $100, shall not be prohibited by this Act.

SEC. 6. This Act does not annul, alter, or affect the scope or applicability of the laws of any State relating to pyramid sales schemes or similar distribution systems except to the extent that such laws are inconsistent with the provisions of this Act, as determined by the Attorney General of the United States.

United States of America

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PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, FIRST SESSION

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Senate

Mr. MONDALE. Mr. President, my amendment to the Foreign Military Sales and Assistance Act [illegible] would direct the President to convene an international conference on conventional arms. The purpose of such an international conference of arms supplying nations would be to negotiate, at the earliest possible moment, an agreement which would place a workable ceiling on such arms transfers, and establish a mechanism through which, once such a ceiling has been achieved, the level of arms transfers may be progressively reduced.

My amendment would also direct the President to make a detailed report to the Congress within 6 months on the progress of this conference.

Mr. President, during last week's summit with General Secretary Brezhnev, the President signed a new "Declaration of Principle" setting out guidelines for achieving a treaty limiting the number and quality of strategic nuclear weapons. This is a hopeful accomplishment.

While attention is focused on progress toward the further limitation of strategic weapons, the need to control the international sales trade in conventional arms is ignored. Yet, the international trade of conventional arms has reached such proportions that world peace may be threatened less by the prospect of immediate nuclear warfare than by the escalation of local conflicts, fought with conventional arms, which can expand into wars between major powers, fought with nuclear arms.

There is a little-noticed irony in two major decisions taken by the administration in recent weeks. At a time when starvation and famine haunt Western Africa, the President announced that as a part of his phase IV policy he is seeking greater authority to limit our agricultural exports. In the same month, the President authorized the sale of F–5E military aircraft to Chile, Argentina, Brazil, Colombia, and Venezuela. Several weeks ago, the administration also concluded an agreement in principle to sell F–4 Phantom fighter bombers to Saudi Arabia and possibly Kuwait. In March, the administration announced that it was resuming the sales of arms to Pakistan and India. And Iran has purchased some $2 billion in arms in the past year and a half.

As George Thayer writes in the War Business: The International Trade in Armaments:

> No nation has spoken so passionately in favor of nuclear controls, yet no nation has been so silent on the subject of conventional arms controls. Nor has any nation been as vocal in its desire to eradicate hunger, poverty and disease, yet no nation has so obstructed the fight against these ills through its insistence that poor countries waste their money on expensive and useless arms.

In a seemingly desperate effort to counter the disastrous effects on our balance of payments of our profligate military expenditures abroad, the administration has moved, over the past 2 years, full force and with no congressional or public debate, into the international arms trade business.

U.S. arms sales on a government-to-government basis will reach nearly $4 billion in fiscal 1973, which ends June 30. This figure is approximately double the fiscal 1971 sales of $2.07 billion and [illegible]ruple the fiscal 1970 sales of $914 [illegible]ion.

Indeed, the Pentagon's Defense Security Assistance Agency, which negotiates arms sales with foreign governments, has 13 employees in the sales division who do nothing else but sell arms.

Having undergone years of waste and violence, are we trying to redeem ourselves by contributing to waste and violence on the part of others—particularly the less developed nations?

A recent U.S. News & World Report article entled, "Now: A Worldwide Boom in Sales of Arms," concluded that—

> While world leaders talk hopefully of a "generation of peace," the world goes right on buying and selling at a record rate.

Due to the efforts of my distinguished colleague, the Senator from Delaware (Mr. ROTH), the Arms Control and Disarmament Agency was required to submit to Congress a comprehensive report on the international transfer of conventional arms from producing to recipient countries. The findings of this study make it clear that an international conference on conventional arms control is greatly needed. According to the study, prospects are that international arms sales will expand still further in the years ahead, as arms-supplying nations develop new weapons systems and begin seeking markets for outdated equipment. As this occurs, effective arms control may become even harder to achieve.

The report shows that the value of world arms trade, in current dollars, has increased from $2.4 billion in 1961 to $6.2 billion in 1971. As arms transfers among the developed countries have stayed relatively level during this period, most of the increase was in grants and sales to developing nations—particularly in areas of conflict or confrontation such as Latin America and the Middle East.

This 1971 total of $6.2 billion in arms transfer is equivalent to about 3 percent of the total world military expenditures for that year—$216 billion.

And the world's leading arms merchant is the United States, which transferred $22.8 billion in conventional arms during the 10-year period. Approximately half of these transfers were in the form of sales. Currently, the United States is the source of more than one-half of the world arms trade in terms of dollar value.

The Soviet Union is in second place with an estimated $14.8 billion in conventional arms transfers during the 10-year period. In 1961, the Russians exported an estimated $800 million in arms. Shipments climbed steadily since then, to about $1.5 billion in 1971. During the period, the U.S.S.R. was the largest single exporter of arms to South Asia, Africa, and Latin America.

Other Western nations are also becoming increasingly active in sending arms to the underdeveloped world. French Mirages have been steadily flowing into the Middle East and Libya and there are reports that British Hunter jets and Lightning jets are being sold to Middle Eastern states. Even the People's Republic of China, a comparatively much poorer country, has been a major source of military supplies for Pakistan. The other major arms exporters are, in order of sales, Czechoslovakia, the Federal Republic of Germany, Canada, and Sweden, and for that reason they have been designated in my amendment as participating countries.

I applaud the present activities of the Geneva-based Conference of the Committee on Disarmament—CCD. This 25-nation organization is composed, of recipient as well as supplier nations, and does not include two of the major arms suppliers—France and the People's Republic of China.

The CCD has mainly directed its efforts to the control of chemical and biological weapons, and these efforts should certainly be continued. But I believe that the issue of conventional arms transfers is urgent enough to warrant its own conference with its own goals.

In a memorandum to the President requesting Presidential approval of the extension of credit to five Latin American governments in connection with the sale of F–5 military aircraft, the Secretary of State wrote that our efforts to limit the introduction of jet fighters to Latin America had failed:

> Latin American governments had simply turned to Europe for their military requirements.

Based on this reasoning, our military supply policy toward Latin America—based on the principles that the United States should avoid becoming a party to arms escalation and arms races in Latin America and should encourage the allocation of resources to economic and social development as against unnecessary military expenditures—was abandoned.

The ultimate objective of the Foreign Military Sales and Assistance Act, to which my amendment is attached, is according to Senator FULBRIGHT:

> To get the State and Defense departments out of the arms sales business and get these transactions back to a free enterprise, commercial basis, where they belong.

It is thus consistent with the overall objective of this bill that the U.S. Government should resume its leadership role—by demonstrating restraint in its own sales—in order to create a climate conducive to international supplier-nation cooperation. An international conference which would set a workable ceiling on arms transfers—perhaps at 1970 levels—would create a situation in which there would be no vacuum for other nations to fill.

It has also been argued that the expansion of our arms sales is necessary to help offset our balance-of-payments deficits.

We should not rely on the expansion of our arms trade sales to correct our balance-of-payments deficit. It is a cheap way out—and a dangerous way which will lead to the further impoverishment of the world's poor.

Our Nation is not so morally or economically weak that it must rely on the export of weapons of death to correct our balance-of-payments deficit.

Mr. President, our Government must direct its export promotion techniques to expand our exports of nonmilitary technology, durable goods, and agricultural products.

We must sell more butter and less guns.

It is also argued that arms sales to less-developed nations give us leverage over the military policies of our customers and hence some power of restraint. But has not our experience too often been that arms transfers make us the hostage of these countries as our honor becomes entangled with their mili-

tary performance?

My amendment also acknowledges that some of the recipient nations do have legitimate national security needs which warrant arms sales to them. Therefore, limitations, if designed with appropriate provisions, could be implemented without jeopardizing the security of any nation. Indeed, the thrust of my amendment is directed to collective restraint of the practice of aggressively peddling arms—recognizing that security threats to potential recipients often exist more in the imaginations of the donors than in the real needs of the recipients.

Building a momentum for serious consideration of conventional arms control agreements is an urgent task. The coming years could mark the achievement of significant agreements aimed at redirecting national efforts—away from the destructive and wasteful obsession with military arms sales, and toward raising the standard of living and improving the quality of life, particularly in the less-developed countries.

The President is directed to undertake a concerted effort to convene this conference within 18 months. The conference would appropriately parallel the international nuclear arms review conference mandated by articles 6 and 8 of the Nonproliferation Treaty which is scheduled for 1975.

Mr. President, the largest suppliers of arms must discuss and negotiate limiting the flow of arms. As the Christian Science Monitor realistically editorialized in a 1972 series entitled, "The New Arms Merchants":

> It would be folly indeed for the world's powers to congratulate themselves on controlling the nuclear demon, which is causing no actual destruction, while ignoring the grim daily havoc caused by conventional arms or surplus weapons.

Mr. President, I would be hopeful that the distinguished floor manager, the distinguished Senator from Arkansas, would be willing to accept the amendment.

Mr. FULBRIGHT. Mr. President, as I understand it, this amendment is directed toward achieving a control on the flow of conventional arms to other nations. The amounts involved in current sales are outrageous; and the expenditures place a tremendous burden on many of these nations.

We should realize also that much of the money given in aid is used to buy arms and that the recipient country gets nothing, but the useless arms which we induce them to purchase.

I think the amendment is a very good amendment. It seeks to find some way of putting a control on the outrageous amount of aid supplied in the form of weapons.

I am in favor of the amendment. I am willing to accept the amendment. I think it is consistent with our declared purposes of trying to control the prolifieration of arms of all kinds.

Mr. President, I am willing to accept the amendment.

PRESIDENTIAL Campaign Financing

Senator Walter F. Mondale
In the U.S. Senate
July 24, 1973

United States of America

Congressional Record

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Senate

PRESIDENTIAL CAMPAIGN FINANCING ACT

Mr. MONDALE. Mr. President, I am introducing today, together with the Senator from Pennsylvania (Mr. SCHWEIKER), the Presidential Campaign Financing Act of 1973.

This legislation, which provides for substantial public financing of Presidential primary and general elections while severely limiting the size of private contributions, is designed to free those elections from the corrosive and corrupting influence of big money and return them to the American people.

In my judgment, the enactment of our bill—or of one like it—is the single most important election reform that can emerge from Watergate. It is absolutely essential if we are ever to get money off the backs of American politicians and restore integrity and confidence in our political system.

One of the great ironies of Watergate is that some of those who have been among the staunchest opponents of public financing have, through their blatantly illegal activities, made the strongest possible case for its adoption.

The acceptance of corporate contributions, the widespread use of secret funds, the "laundering" of contributions in foreign countries, the solicitation of funds from businesses with important cases pending before Government agencies, the insistence on dealing in cash, the ambassadorships for sale—these are symptoms of a system that is fundamentally flawed.

Perhaps no incident dramatizes the extent of the flaw as strikingly as that involving American Airlines.

Herbert Kalmbach, one of President Nixon's principal fundraisers approached American board chairman, George Spater, at a time when American had pending before the Civil Aeronautics Board a plan for merger with Western Airlines and indicated that a contribution of $100,000 was "expected."

I knew Mr. Kalmbach to be both the President's personal counsel and counsel for our major competitor (United Airlines).

Mr. Spater said later:

I concluded that a substantial response was called for.

That "substantial response" amounted to a total American Airlines contribution to the Nixon campaign of $75,000, of which $55,000 was in clearly illegal corporate funds.

In short, American Airlines was so determined to advance and protect its corporate interests that it consciously decided to violate the law in order to submit to Mr. Kalmbach's intimidation.

Here's how Mr. Spater himself put it:

Under existing laws, a large part of the money raised from the business community for political purposes is given in fear of what could happen if it were not given.

I cannot imagine a more severe indictment of our political fund-raising process, unless it is the now familiar Vesco affair. That incident dramatized how an individual in apparent trouble with the SEC was solicited for a huge contribution, and how he gained access to one of the highest officials in the Government to discuss his difficulties only 2 hours after delivering the contribution—all in $100 bills.

And there is the ITT incident in which a huge contribution to help underwrite the GOP National Convention mysteriously coincided with an antitrust settlement between ITT and the Justice Department—a settlement highly beneficial to ITT.

Then there is the Ashland Oil contribution and who knows how many more sordid episodes. When they are all revealed, they will portray a story of government virtually up for sale. They will make a mockery of our principles of free and open representative government. They will make us truly ashamed of what we have allowed to happen to our political process, the most precious of all of our national possessions.

As a Democrat, I can take no comfort in these disclosures. My own party's record of political fund-raising—while never in the same league as the Nixon campaign of 1972—has not always been as open and as forthright as I would like it to have been.

The chief fault lies in the system itself—a system which forces candidates to rely on excessively large contributions if they hope to compete effectively in a modern Presidential campaign.

This system, I am convinced, has a great deal to do with declining public confidence in government. People were asked in 1966 by the Harris Poll, "How often can you trust the government?" Two-thirds answered, "most of the time." Recently the question was asked again and less than half—only 45 percent—said they could trust their government most of the time.

The same poll indicated that only 27 percent of the people had "a great deal of confidence" in the executive branch of the Government—a drop from 41 percent in 1966.

If we are to eliminate the corrosive influence of money on the political process and restore public trust in our Government, we must fundamentally change the system by which we finance our campaigns—especially our Presidential campaigns. The only way to do this effectively, in my judgment, is by severely limiting the amount any individual may contribute to a candidate while at the same time providing substantial public funds to help finance the campaigns. Neither of these steps by itself will be sufficient; any effective reform must embody them both.

The costs of running campaigns in this country are rising so rapidly that this question cannot be put off any longer. It is estimated that last year candidates for all offices spent an estimated total of $400,000,000—an increase of one-third over 4 years before. In short, the cost of campaigning is rapidly outstripping the ability of most candidates to raise the necessary funds responsibly.

The United States is one of the few western democracies which provide absolutely no public assistance to candidates in its national elections. As Watergate so vividly illustrates, we cannot afford to postpone further this essential measure.

And if this kind of legislation is not enacted in the wake of Watergate, it may never be enacted. That is why Senator SCHWEIKER and I—together with a bipartisan coalition of Senators—intend to push this matter vigorously in the next few months.

John Gardner has called the way in which our campaigns are financed a "national disgrace," and I agree with him. In our common effort to remove that disgrace, I am grateful to Mr. Gardner and Common Cause for their considerable help in preparing the legislation which we are introducing today.

It is not a perfect bill, and we are not irrevocably wedded to every detail in its present form. After circulating it widely, we will make whatever revisions are necessary to make it the most effective possible bill.

We are committed, however, to the principles contained in this measure. And we believe its basic concepts are sound.

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These, Mr. President, are the principal features of our bill:

No individual is allowed to contribute more than $3,000 to any one candidate during an entire Presidential campaign;

Groups which aggregate or "pool" funds are limited to collecting individual contributions of $25 or less and may in turn contribute to any one candidate no more than $25,000;

Cash contributions or transactions in excess of $100 are barred;

The existing tax credit is doubled to make it one-half of any contribution up to $50 for an individual return and up to $100 for a joint return; The present tax deduction for contributions is also doubled;

During the prenomination period, each individual contribution up to $100 will be matched by an equal amount from the Federal Treasury; A candidate must raise $100,000 in matchable contributions in order to qualify for Federal matching funds; The matching funds will be available beginning 14 months before the date of the general election; There is an overall spending limit of $15 million during the prenomination period; Matching funds must be spent during the prenomination period and cannot be carried over to the general election period;

The existing $1 check-off system is retained and strengthened for the general election; Each dollar checked off is matched by another dollar from the Federal Treasury, and the check-off fund is made self-appropriating; For the general election period there is a spending limit of $30 million, roughly two-thirds of which will come from the check-off fund and the balance from private contributions under $3,000; Unlike the present check-off law, there is no incentive not to take advantage of the public funds;

Stiff criminal penalties are provided for misuse of the public funds and other violations of the act.

I ask unanimous consent that an explanation giving more details, together with the text of the bill, be printed at the conclusion of my remarks.

If public financing legislation is to accomplish its intended purpose, it is essential that it apply to the Presidential primary period as well as the general election. If individuals and interests are permitted to contribute huge amounts early in the campaign, it makes no difference that they are prohibited from doing so later; the obligation will have been incurred and the entire purpose of the reform will have been effectively undermined.

And yet, the primary period is the most difficult part of the presidential election process for which to provide public financing. We have concluded that the only way to treat all candidates fairly is by placing a premium on their ability to raise small contributions. The combination of the $3,000 limitation on individual contributions and the availability of matching funds for contributions of $100 and under forces candidates, in effect, to seek as wide a base as possible in financing their campaigns. That, we believe, is what candidates should have to do in seeking nomination to the highest office in the land. Whatever ability they demonstrate in raising small funds from as many individuals as possible is rewarded in direct proportion to their success.

Candidates, in short, will be going to the people instead of to the interests for their financial support. The impact this change will have not only on our political process but also on the executive branch of government will be enormous.

For the general election period, we have retained and tried to strengthen the $1 check-off system, which we believe is a sound and effective system which has not yet been given a fair chance to prove itself. Every dollar which is designated by an individual for the presidential campaign fund is matched by another dollar from the Treasury, creating in effect a $2 check-off which will insure sufficient funds for the general election. These funds would provide approximately two-thirds of what a candidate would be permitted to spend, the balance to be raised in individual contributions of $3,000 and under.

Public financing of campaigns, I am convinced, is an idea whose time has finally arrived. But it is by no means a new idea. In a message to Congress in 1907—nearly 70 years ago—President Theodore Roosevelt proposed this reform, saying:

The need for collecting large campaign funds would vanish if Congress provided an appropriation for the proper and legitimate expenses of each of the great national parties, an appropriation ample enough to meet the necessity for thorough organization and machinery, which requires a large expenditure of money. Then the stipulation should be made that no party receiving campaign funds from the Treasury should accept more than a fixed amount from any individual subscriber or donor; and the necessary publicity for receipts and expenditures could without difficulty be provided.

Public financing of campaigns is the most fundamental and important reform we can adopt in this decade. At stake is nothing less than the integrity of our political system and the kind and quality of government we are going to have in this country.

This is not a very complex issue. It can be reduced to one basic question: To whom do we want the President of the United States indebted after his election—powerful economic interests capable of buying influence with huge contributions, or the American people?

Nor is it a partisan or ideological issue. It is designed to benefit neither Republicans nor Democrats—neither liberals nor conservatives. Rather, it is designed to benefit our system of government and, through it, the American people, by insuring that the President of the United States is responsible to them—and to them only.

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

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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 "Presidential Campaign Financing Act of 1973."

INCREASE IN POLITICAL CONTRIBUTIONS CREDIT AND DEDUCTION

SEC. 2. (a) Section 41(b)(1) of the Internal Revenue Code of 1954 (relating to maximum credit for contributions to candidates for public office) is amended to read as follows:

"(1) Maximum credit.—The credit allowed by subsection (a) for a taxable year shall not exceed $25.00 ($50.00 in the case of a joint return under section 6013)."

(b) Section 218(b)(1) of the Internal Revenue Code of 1954 (relating to amount of deduction for contributions to candidates for public office) is amended to read as follows:

"(1) AMOUNT.—The deduction under subsection (a) shall not exceed $100 ($200 in the case of a joint return under section 6013)."

(c) The amendments made by subsections (a) and (b) shall apply with respect to any political contribution the payment of which is made after December 31, 1973.

PRESIDENTIAL ELECTION CAMPAIGN FUND

SEC. 3. Section 9006(a) of the Internal Revenue Code of 1954 (relating to establishment of campaign fund) is amended to read as follows:

"(a) ESTABLISHMENT OF CAMPAIGN FUND—There is established on the books of the Treasury of the United States a special fund to be known as the 'Presidential Election Campaign Fund There is appropriated to the fund for each fiscal year, out of amounts in the general fund of the Treasury not otherwise appropriated, an amount equal to two times the amount designated during the preceding fiscal year (and subsequent to the previous Presidential election) by individuals for payment into the fund under section 6096. Moneys in the fund shall remain available without fiscal year limitation."

EXPLANATORY STATEMENT ON TAX AND PUBLICITY

SEC. 4. (a) Section 6096 of the Internal Revenue Code of 1954 (relating to designation by individuals of income tax payments to Presidential Election Campaign Fund) is amended by adding at the end thereof the following new subsections:

"(d) EXPLANATORY STATEMENT.—The page containing the designation provided for in subsection (c) shall contain the following statement in bold type: 'Designating that $1 (or $2 for a husband and wife filing jointly) shall be paid over to the Presidential Election Campaign Fund will not increase your tax liability, and each $1 you designate will be matched by another $1 from the Treasury.'

"(e) PUBLICITY.—The Secretary of the Treasury or his delegate shall give extensive publicity to the Presidential Election Campaign Fund, including prominent notice in explanatory material sent to individuals, posters, and the use of radio, television, newspapers and other media. This publicity shall emphasize that the designation provided for in subsection (a) does not increase an individual's tax liability, and that each $1 designated will be matched by another $1 from the Treasury."

LIMITATIONS ON GENERAL ELECTION CAMPAIGN PAYMENTS, EXPENSES, AND CONTRIBUTIONS

SEC. 5. (a) Subsection (b) of section 9004 of the Internal Revenue Code of 1954 (relating to entitlement of eligible candidates to payments) is repealed and subsection (c) is redesignated as subsection (b).

(b) Paragraphs (2) and (3) of subsection (b) of section 9007 of the Internal Revenue Code of 1954, (relating to repayments of excess campaign expenses and contributions) are repealed and paragraphs (4) and (5) are redesignated as paragraphs (2) and (3).

ELIGIBILITY FOR CAMPAIGN PAYMENTS

SEC. 6. Section 9003 of the Internal Revenue Code of 1954 (relating to condition for eligibility for payments) is amended by striking out subsections (b) and (c) and inserting in lieu thereof the following:

"(b) Candidates for Election to the Office of President.—In order to be eligible to receive any payment under section 9006, the candidates of a major, minor, or new party in a presidential election shall certify to the Comptroller General, under penalty of perjury, that they and their authorized committees will not incur qualified campaign expenses in excess of the $30,000,000 limit in section 9012(a).

CRIMINAL PENALTIES

SEC. 7. Section 9012 (a) and (b) of the Internal Revenue Code of 1954 (relating to criminal penalties for excess campaign expenses and contributions) is amended to read as follows:

"(a) Excess Campaign Expenses—

"(1) It shall be unlawful for any candidate of a political party for President and Vice President in a presidential election or any of his authorized committees knowingly and willfully to incur qualified campaign expenses in excess of $30,000,000 with respect to such election.

"(2) Any person who violates paragraph (1) shall be fined not more than $25,000, or imprisoned not more than five years, or both. In the case of a violation by an authorized committee, any officer or member of such committee who knowingly and willfully consents to such violation shall be fined not more than $25,000, or imprisoned not more than five years, or both.

"(3) At the beginning of each calendar year (commencing in 1974), as there become available necessary data from the Bureau of Labor Statistics of the Department of Labor, the Secretary of Labor shall certify to the Comptroller General and publish in the Federal Register the per centum difference between the price index for the twelve months preceding the beginning of such calendar year and the price index for the base period. The limit on campaign expenses in paragraph (1) and in section 9003(b) shall be increased by such per centum difference. The limit so increased shall be the amount in effect for such calendar year.

"(A) The term 'price index' means the average over a calendar year of the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics.

"(B) The term 'base period' means the calendar year 1972.

"(b) Contributions—

"(1) It shall be unlawful for any candidate of a major, minor, or new party in a presidential election or any of his authorized committees knowingly and willfully to accept and expend or retain contributions to defray qualified campaign expenses in an amount greater than that necessary to make up the difference between the payments received from the Fund under Section 9006 and the limit on qualified campaign expenses established by subsection (a).

"(2) Any person who violates paragraph (1) shall be fined not more than $25,000, or imprisoned not more than five years, or both.

PRESIDENTIAL PRIMARY MATCHING PAYMENT FUND

SEC. 8. The Internal Revenue Code of 1954 is amended by adding at the end thereof the following new Chapter:

"CHAPTER 97—PRESIDENTIAL PRIMARY MATCHING PAYMENT FUND

"Sec. 9031. Short titles.
"Sec. 9032. Definitions.
"Sec. 9033. Creation of funds.
"Sec. 9034. Entitlements.
"Sec. 9035. Limitations.
"Sec. 9036. Examinations and audits; repayments.
"Sec. 9037. Criminal penalties.
"Sec. 9031. Short title.

"This chapter may be cited as the 'Presidential Primary Matching Payment Fund Act'.

"Sec. 9032. Definitions.

"For purposes of this chapter—

'(1) The term 'qualified campaign expense' means an expense—

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"(A) incurred by a candidate for nomination for election to the office of President to further his nomination for such office, or by an authorized committee of such candidate to further his nomination to such office.

"(B) incurred within the matching payment period (as defined in paragraph (2)), or incurred before the beginning of such period to the extent such expense is for property, services, or facilities used during such period, and

"(C) neither the incurring nor payment of which constitutes violation of any law of the United States or the State in which such expense is incurred or paid. An expense shall be considered as incurred by a candidate or an authorized committee if it is incurred by a person authorized by such candidate or such committee, as the case may be, to incur such expense on behalf of such candidate or such committee.

"(2) The term 'matching payment period' means the period beginning 14 months prior to the date of the general election for President and ending on the date on which the national convention of the party for whose nomination the candidate is campaigning nominates its candidate for President.

"(3) The term authorized committee' means, with respect to a candidate for nomination for election to the office of President, any political committee which is authorized in writing by such candidate to incur expenses to further the election of such candidate. Such authorization shall be addressed to the chairman of such political committee, and a copy of such authorization shall be filed by such candidate with the Comptroller General. Any withdrawal of any authorization shall also be in writing and shall be addressed and filed in the same manner as the authorization.

"Sec. 9033. Creation of fund.

"(a) ESTABLISHMENT OF CAMPAIGN FUND.—There is hereby established on the books of the Treasury of the United States a special funds to be known as the "Presidential Primary Matching Payment Fund" (hereinafter referred to in this chapter as the 'fund'). The fund shall remain available for expenditure without fiscal year limitation and shall consist of such amounts as are appropriated into it as provided in subsection (c).

"(b) REPORT TO CONGRESS.—The Secretary of the Treasury shall be the trustee of the fund and shall report to the Congress not later than March 1 of each year on the operation and status of the fund during the preceding year.

"(c) APPROPRIATION OF FUNDS.—There are hereby appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this Act.

"Sec. 9034. Entitlements.

"(a) MATCHING PAYMENT FOR CONTRIBUTIONS OF $100 OR LESS.—Any candidate for nomination for President, or his authorized committee is entitled, upon certification by the Comptroller General, to payments from the fund for qualified campaign expenses beginning 14 months prior to the date of the general election for President in an amount equal to the amount of each contribution received by such candidate or committee (disregarding any amount of contributions from any person to the extent that such amount exceeds $100).

"(b) VOUCHER.—To be eligible for the entitlement established by subsection (a), such candidate shall submit to the Comptroller General, at such times and in such form and manner as the Comptroller General may require, a matching payment entitlement voucher. Such voucher shall include the full name of any person making a contribution together with the date, the exact amount of the contribution, the complete address of the contributor and the occupation and principal place of business, if any, for contributors of more than $100.

"(c) DETERMINATION AND CERTIFICATION BY COMPTROLLER GENERAL.—Comptroller General shall—

"(1) make a determination, according to such procedures as he may establish, as to whether each contribution enumerated on such voucher is consistent with the provisions of sections 9034(a) and 9035 of this chapter; and

"(2) certify for payment by the Secretary to such candidate an amount equal to the sum of the contributions enumerated on such voucher which meet the requirements of subsection (c)(1).

"(d) PAYMENT BY SECRETARY.—Promptly upon certification, the Secretary shall make a payment from the fund to such candidate in the amount certified by the Comptroller General.

"(e) AUTHORIZED COMMITTEE.—For the purposes of this section, the authorized committee of any candidate for nomination for President may submit an entitlement voucher pursuant to subsection (b) in behalf of such candidate, listing contributions received by such committee eligible for payment under this chapter.

"Sec. 9035. Limitations.

"(a) CERTIFICATION BY THE COMPTROLLER GENERAL.—The Comptroller General shall not certify pursuant to section 9034(c)(2) any portion of any contribution made by any person to a candidate or committee entitled to payments under this chapter—

"(1) which, when added to other contributions made by such person to such candidate or committee in connection with the nomination of such candidate for President, exceeds $100; or

"(2) if payment from the fund of an amount equal to the amount of such contribution, or portion thereof, when added to any other payment from the fund to such candidate or committee during the matching payment period, is in excess of 5 cents multiplied by the voting age population of the United States (as certified to the Comptroller General by the Secretary of Commerce pursuant to section 104(a)(5) of the Federal Election Campaign Act of 1971).

"(b) PAYMENT BY THE SECRETARY.—The Secretary shall make no payment to a candidate or committee entitled to payments from the fund—

"(1) until the Comptroller General has certified contributions submitted by such candidate or committee, pursuant to section 9034(b), in an aggregate amount of $100,000; and

"(2) earlier than 14 months prior to the date of the general election for President.

"(c) QUALIFIED CAMPAIGN EXPENSES.—A candidate shall be eligible for payments from the fund only—

"(1) to defray qualified campaign expenses incurred by such candidate or his authorized committee, or

"(2) to repay loans the proceeds of which were used to defray such qualified campaign expenses, or otherwise to restore funds (other than contributions to defray qualified campaign expenses received and expended by such candidate or committee) used to defray such qualified campaign expenses.

(d) RETURN OF UNUSED FUNDS.—Amounts received by a candidate from the fund may be retained for the liquidation of all obligations to pay qualified campaign expenses incurred during the matching payment period for a period not exceeding six months after the end of the matching payment period; and all obligations having been liquidated, that portion of any unexpended balance remaining in the candidate's accounts which bears the same ratio to the total unexpended balance as the total amount received from the Fund bears to the total of all deposits made into the candidate's accounts shall be promptly repaid to the fund.

(e) RULES AND PROCEDURES.—The Comptroller General shall make such rules and establish such procedures as may be necessary to carry out the purposes of this chapter. All such rules and procedures shall be published in the Federal Register not less than thirty days prior to their effective date, and shall be available to the general public. The Comptroller General shall publish and make available forms for the making of such reports and statements as may be required, and a manual setting forth uniform methods of bookkeeping and reporting for use by persons required to make reports and statements under this chapter.

"Sec. 9036. Examinations and audits; repayments.

"(a) EXAMINATIONS AND AUDITS.—After each matching payment period, the Comptroller General shall conduct a thorough examination and audit of the qualified campaign expenses of the candidates receiving payments from the fund.

"(b) REPAYMENTS.—

"(1) If the Comptroller General determines that any portion of the payments made to a candidate from the fund was in excess of the aggregate payments to which such candidate was entitled under sections 9034 and 9035, he shall so notify such candidate, and such candidate shall pay to the Secretary an amount equal to such portion.

"(2) If the Comptroller General determines that any amount of any payment made to a candidate from the fund was used for any purpose other than—

"(A) to defray the qualified campaign expenses with respect to which such payment was made, or

"(B) to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray such qualified campaign expenses,

he shall notify such candidate of the amount so used, and such candidate shall pay to the Secretary an amount equal to such amount.

"(c) NOTIFICATION.—No notification shall be made by the Comptroller General under subsection (b) with respect to a matching payment period more than three years after the end of such period.

"(d) DEPOSIT OF REPAYMENTS.—All payments received by the Secretary under subsection (b) shall be deposited by him in the general fund of the Treasury.

"Sec. 9037. Criminal penalties.

"(a) EXCESS CAMPAIGN EXPENSES.—

"(1) It shall be unlawful for any candidate for nomination for election to the office of President or any of his authorized committees knowingly and willfully to incur any expenses in connection with such nomination in excess of $15,000,000.

"(2) Any person who violates paragraph (1) shall be fined not more than $25,000, or imprisoned not more than five years, or both. In the case of a violation by an authorized committee, any officer or member of such committee who knowingly and willfully consents to such violation shall be fined not more than $25,000, or imprisoned not more than five years, or both.

"(3) At the beginning of each calendar year (commencing in 1974), as there become available necessary data from the Bureau of Labor Statistics of the Department of Labor, the Secretary of Labor shall certify to the Comptroller General and publish in the Federal Register the per centum difference between the price index for the twelve months preceding the beginning of such calendar year and the price index for the base period. The limit on campaign expenses in paragraph (1) shall be increased by such per centum difference. The limit so increased shall be the amount in effect for such calendar year.

"(A) The term 'price index' means the average over a calendar year of the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics.

"(B) The term 'base period' means the calendar year 1972.

"(b) UNLAWFUL USE OF PAYMENTS.—

"(1) It shall be unlawful for any person who receives any payment from the Fund, or to whom any portion of any payment received from the Fund is transferred, knowingly and willfully to use, or authorize the use of, such payment or such portion for any purposes other than—

"(A) to defray the qualified campaign expenses with respect to which such payment was made, or

"(B) to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray such qualified campaign expenses.

"(2) Any person who violates paragraph (1) shall be fined not more than $10,000, or imprisoned not more than five years, or both.

"(c) FALSE STATEMENTS, ETC.—

"(1) It shall be unlawful for any person knowingly and willfully—

"(A) to furnish any false, fictitious, or fraudulent evidence, books, or information to the Comptroller General under this subtitle, or to include in any evidence, books, or information so furnished any misrepresentation of a material fact, or to falsify or conceal any evidence, books, or information relevant to a certification by the Comptroller General or an examination and audit by the Comptroller General under this chapter; or

"(B) to fail to furnish to the Comptroller General any records, books, or information requested by him for purposes of this chapter.

"(2) Any person who violates paragraph (1) shall be fined not more than $10,000, or imprisoned not more than five years, or both.

"(d) KICKBACKS AND ILLEGAL PAYMENTS.—

"(1) It shall be unlawful for any person knowingly and willfully to give or accept any kickback or any illegal payment in connection with any qualified campaign expense of a candidate receiving payment from the fund or his authorized committees.

"(2) Any person who violates paragraph (1) shall be fined not more than $10,000, or imprisoned not more than five years, or both.

"(3) In addition to the penalty provided by paragraph (2), any person who accepts any kickback or illegal payment in connection with any qualified campaign expense of a candidate or his authorized committees shall pay to the Secretary, for deposit in the general fund of the Treasury, an amount equal to 125 percent of the kickback or payment received.

"(e) The table of chapters for subtitle H is amended by adding at the end thereof the following new item:

"Chapter 97. Presidential Primary Matching Payment Fund."

CENTRAL CAMPAIGN COMMITTEES, CAMPAIGN DEPOSITORIES, AND LIMITATIONS ON CASH TRANSACTIONS

SEC. 9. Title III of the Federal Election Campaign Act of 1971 is amended by redesignating sections 308 throgh 311 as sections 311 through 314, and by inserting after section 307 the following new sections:

"CENTRAL CAMPAIGN COMMITTEES

"Sec. 308. (a) Each candidate shall designate one political committee as his central campaign committee. A candidate for nomination for election, or for election, to the office of President, may also designate one political committee in each State in which he is a candidate as his State campaign committee for that State. The designation shall be made in writing, and a copy of the designation, together with such information as the Commission may require, shall be furnished to the Commission upon the designation of any such committee.

"(b) No political committee may be designated as the central campaign committee of more than one candidate. The central campaign committee, and each State campaign committee, designated by a candidate nominated by a political party for election to the office of President shall be the central campaign committee and the State campaign committees of the candidate nominated by that party for election to the office of Vice President.

"(c)(1) Any political committee authorized by a candidate to accept contributions or

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"(3) The supervisory officer may require any political committee to furnish any statement or report directly to him.

"(d) Each political committee which is a central campaign committee shall receive all reports and statements filed with or furnished to it by other political committees, and consolidate and furnish the reports and statements to the supervisory officer, together with its own reports and statements, in accordance with the provisions of this title and regulation's prescribed by him.

"CAMPAIGN DEPOSITORIES

"SEC. 309. (a)(1) Each candidate shall designate one National or State bank as his campaign depository. The central campaign committee of that candidate, and any other political committee authorized by him to receive contributions or to make expenditures on his behalf, shall maintain a checking account at the depository so designated by the candidate and shall deposit any contributions received by that committee into that account. No expenditure may be made by any such committee on behalf of a candidate or to influence his election except by check drawn on that account, other than petty cash expenditures as provided in subsection (b).

"(2) The treasurer of each political committee (other than a political committee authorized by a candidate to receive contributions or to make expenditures on his behalf shall designate one National or State bank as the campaign depository of that committee, and shall maintain a checking account for the committee at such depository. All contributions received by that committee shall be deposited in such account. No expenditure may be made by that committee except by check drawn on that account, other than petty cash expenditures as provided in subsection (b).

"(b) A political committee may maintain a petty cash fund out of which it may make expenditures not in excess of $100 to any person in connection with a single purchase or transaction. A record of petty cash disbursements shall be kept in accordance with requirements established by the supervisory officer, and such statements and reports thereof shall be furnished to the supervisory officer as he may require.

"(c) A candidate for nomination for election, or for election, to the office of President may establish one such depository in each State, which shall be considered by his State campaign committee for that State and any other political committee authorized by him to receive contributions or to make expenditures on his behalf in that State, under regulations prescribed by the supervisory officer as his single campaign depository. The campaign depository of the candidate of a political party for election to the office of Vice President shall be the campaign depository designated by the candidate of that party for election to the office of President.".

"LIMITATIONS ON CASH TRANSACTIONS

"SEC. 310. No political committee shall receive a contribution, or contributions in the aggregate, from any person of $100 or more other than in the form of a check drawn on the account of the person making the contribution. No political committee shall make any expenditure of $100 or more other than by check drawn on the account of that committee and signed by the treasurer of the committee or his delegate."

INCREASED PENALTY FOR VIOLATIONS

SEC. 10. Section 314 (as redesignated by this Act) of the Federal Election Campaign Act of 1971 (relating to penalty for violations) is amended to read as follows:

"PENALTY FOR VIOLATIONS

"SEC. 315. (a) Violation of the provisions of this title is a misdemeanor punishable by a fine of not more than $10,000, imprisonment for not more than one year, or both.

"(b) Violation of the provisions of this title with knowledge or reason to know that the action committed or omitted is a violation of this Act is punishable by a fine of not more than $100,000, imprisonment for not more than five years, or both."

REPEAL OF EQUAL TIME PROVISIONS FOR PRESIDENTIAL AND VICE-PRESIDENTIAL CANDIDATES

SEC. 11. Section 315(a) of the Communications Act of 1934 (47 U.S.C. 315(a)) is amended by inserting after "public office" in the first sentence thereof the following: ", other than the office of President or Vice President,".

LIMITATIONS ON CONTRIBUTIONS AND EXPENDITURES AND PENALTY FOR EMBEZZLEMENT

SEC. 12. (a) Chapter 29 of title 18, United States Code, is amended by adding at the end thereof the following new sections:

"Sec. 614. Limitations on Presidential campaign contributions and expenditures by persons not candidates.

"(a)(1) No person may make any contribution during any calendar year to or for the benefit of any candidate for nomination for election, or for election, to the office of President in excess, in the aggregate, of—

"(A) $3,000 to such candidate; and

"(B) $1,000 to a fund maintained by a political party solely to finance the general election campaign of its candidate for President; or

"(C) $25,000 in the case of a political committee registered under section 303 of the Federal Election Campaign Act of 1971 which collects funds from individuals in amounts which do not exceed $25 from any individual in any calendar year.

"(2) For purposes of this section—

"(A) a contribution to a candidate nominated by a political party for election to the office of Vice President shall be considered to be a contribution to the candidate nominated by that party for election to the office of President;

"(B) a contribution made to a political committee or fund authorized by a candidate to receive contributions for that candidate shall be considered to be a contribution to that candidate;

"(C) any contribution made in connection with a campaign in a year other than the calendar year in which the election to which that campaign relates is held shall be taken into consideration and counted toward the limitations imposed by this section for the calendar year in which that election is held; and

"(D) 'political party' means a political party which, in the next preceeding Presidential election, nominated candidates for election to the offices of President and Vice President, and the electors of which party received in such election, in any or all of the States, an aggregate number of votes equal in number to at least 10 per centum of the total number of votes cast throughout the United States for all electors for candidates for President and Vice President in such election.

"(3) The limitations imposed by paragraph (1) shall not apply to contributions from a political party fund maintained in accordance with subparagraph (B) of that paragraph, or to contributions to a candidate from one of his authorized political committees.

"(b) No person who is not authorized in writing by a candidate to make expenditures on his behalf in connection with his campaign for nomination for election, or for election, to the office of President shall make any expenditure on behalf of that candidate (except by contribution made to that candidate or one of his authorized political committees) during any calendar year in excess, in the aggregate, of $1,000.

"(c) As used in this section, the words "contribution" and "expenditure" shall not be construed to include—

"(1) personal services provided without compensation by individuals volunteering a portion or all of their time on behalf of a candidate or political committee,

"(2) communications by any organization, excluding a political party, solely to its members and their families on any subject,

"(3) communications (including advertisements) to any person on any subject by any organization which is organized solely as an issue-oriented organization, which communications neither endorse nor oppose any candidate for Federal office,

"(4) normal billing credit for a period not exceeding 30 days,

"(5) expenditures by a broadcaster regulated by the Federal Communications Commission, or by a periodical publication, in reporting the news or in taking editorial positions, or

"(6) expenditures by any organization described in section 501(c) of the Internal Revenue Code of 1954 which is exempt from tax under section 501(a) of such Code in communicating to its members the views of that organization.

"(d) Violation of the provisions of this section is punishable by a fine not to exceed $25,000, imprisonment for not to exceed five years, or both.

"Section 615. Embezzlement or conversion of political contributions.

"Whoever, being a candidate, or an officer, employee, or agent of a political committee, or a person acting on behalf of any candidate or political committee, embezzles, knowingly converts to his own use, or to any other noncampaign use, or deposits in any place or in any manner except as authorized by law, any contributions or campaign funds entrusted to him or under his possession, custody or control; or

"Whoever receives, conceals, or retains the same with intent to convert it to his use or gain, knowing it to have been embezzled or converted—

"Shall be fined not more than $50,000 or imprisoned not more than five years, or both; but if the value of such property does not exceed the sum of $100, he shall be fined not more than $1000 or imprisoned not more than one year, or both.

(b) Section 591 of title 18, United States Code, is amended by striking out "and 611" and inserting in lieu thereof "611, 514, and 615".

(c) The table of sections for chapter 29 of title 18, United States Code, is amended by adding at the end thereof the following new items:

"614. Limitations on Presidential campaign contributions and expenditures by persons not candidates.

"615. Embezzlement or conversion of political contributions."

DETAILED EXPLANATION: MONDALE-SCHWEIKER, PRESIDENTIAL CAMPAIGN FINANCING ACT OF 1973

I. PRIMARY ELECTIONS

A. Each candidate in the Presidential primaries is entitled to matching payments from the Treasury for the first $100 or less received from each individual contributor.

1. Payments begin 14 months prior to the date of the general election for President.

2. Any contribution made "in connection with" the candidate's campaign for nomination, in whatever year it occurs, is eligible for matching. However, all such contributions are aggregated, and no more than $100 from any contributor may be matched.

B. Candidates must accumulate $100,000 in matchable contributions before the first Treasury matching payments are made. Thus a candidate would have to accumulate 1000 contributions of $100 each, 2000 contributions of $50 each, etc. Only the first $100 of each contribution counts toward meeting the $100,000 requirement.

C. No candidate may receive total matching payments in excess of 5¢ for each person over 18 in the United States (roughly $7 million).

D. No candidate may spend more than $15 million in his campaign for the Presidential nomination.

E. Matching payments may be used only for legitimate campaign expenses during the pre-nomination period, and unspent payments must be returned to the Treasury.

F. The Comptroller General certifies eligibility for payments, and is responsible for conducting a detailed post-convention audit and obtaining repayments when necessary.

G. There are severe criminal penalties for exceeding the overall primary spending limits, and for unlawful use of payments, false statements to the Comptroller General, and kickbacks and illegal payments.

II. GENERAL ELECTION

A. The existing Presidential Election Campaign Fund Act (the $1 check-off) is retained, with the following amendments:

1. Removes the requirement for a separate appropriation before money from the $1 check-off Fund becomes available.

2. Doubles the amount going into the Fund by providing for a Treasury matching payment of $1 for each $1 designated by a taxpayer.

3. Requires the Internal Revenue Service to give "extensive publicity" to the $1 check-off, emphasizing that using the check-off does not increase a taxpayer's tax liability and that each $1 checked off will be matched by another $1 from the Treasury. Also requires that a bold print one-sentence explanation of the check-off be placed on the return next to the check-off designation.

4. Permits candidates to receive and spend private contributions of $3000 or less (see III, below) to supplement the funds they receive from the $1 check-off, up to a maximum overall spending limit in the general election of $30 million.

a. Under the existing $1 check-off law, major party candidates may not use private contributions at all if they receive their full entitlement from the check-off (15¢ per eligible voter, or roughly $20–22 million), and minor and new Party candidates may use private contributions only to make up the difference between the smaller amount they receive from the check-off and the amount major party candidates are entitled to. (If the funds in the check-off are not sufficient to provide major party candidates with the full amount they are entitled to, they also may raise private money to make up the difference.) All candidates using the check-off money are thus limited to spending no more than $20–22 million in the general election. Those who accept no check-off money, however, may spend an unlimited amount in the general.

b. The $30 million limit on total spending in the general election imposed by this bill applies to all candidates (including those who decline their entitlement from the check-off), and therefore leaves no incentive for a candidate not to use the check-off. The $30 million limit would increase with cost of living increases.

c. The $30 million limit would permit major party candidates to supplement the $20–22 million they receive from the check-off with $8–10 million from private contributions of $3000 or less. This ⅔ public, ⅓ private, ratio would continue as cost-of-living increases raised the $30 million spending limit, and as population increases raise the amount major party candidates may receive from the check-off (15¢ times the voting age population).

d. Minor and new party candidates could receive a larger proportion of their funds from private sources to make up for their smaller entitlement under the $1 check-off, but in no case could their total spending exceed $30 million in the general election.

B. Payments to candidates are distributed in accordance with the existing law, i.e.:

1. Major party candidates (those whose party received 25 percent or more of the vote in the previous election)—15¢ times the 18-and-over population of the U.S.

2. Minor party candidates (those whose candidates received between 5 and 25 percent of the vote in the previous election)—a percentage of the major party candidate entitlement equal to the percentage of the average major party vote their candidate received in the preceding or current election (whichever is larger).

3. New party candidates—if the candidates receives more than 5 percent of the vote in

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the current election, he is repaid after the election according to the percentage of the average major party vote received.

C. The Comptroller General certifies eligibility for payments and is responsible for conducting a detailed post-convention audit and obtaining repayments when necessary.

D. There are severe criminal penalties for exceeding the overall general election spending limit, and for unlawful use of payments, false statements to the Comptroller General, and kickbacks and illegal payments.

III. CONTRIBUTION LIMITS FOR PRESIDENTIAL CAMPAIGNS

A. No individual, organization, or group may contribute more than a total of $3000 to any Presidential candidate in connection with his campaign, and another $1000 to a fund maintained by a political party solely to finance the general election campaign of its candidate for President.

1. Contributions given in any year "in connection with" the campaign count toward the limits.

B. However, if a political committee registered under the Federal Election Campaign Act of 1971 aggregates or "pools" individual contributions of no more than $25, it may give up to $25,000 to a Presidential candidate.

C. Individuals or groups acting independently (i.e., without written authorization from the candidate) may spend no more than $1000 on behalf of a candidate.

D. A political party may spend an unlimited amount on behalf of its candidate for President from its special Presidential campaign fund (subject to the overall $30 million spending limit), but the party must receive written authorization from the candidate to spend more than $1000 on his behalf.

IV. MISCELLANEOUS

A. The equal time provisions are removed for Presidential candidates.

B. Each candidate is required to set up a single central campaign committee to handle reporting of receipts and expenditures, and a single campaign depository through which all receipts and expenditures must be channeled.

C. All cash transactions (contributions or expenditures) of $100 or over are prohibited.

D. The existing tax credit is doubled to make it one-half of any contribution up to $50 ($100 for joint returns), and the existing deduction is doubled to $100 ($200 for joint returns).

E. The penalty for misdemeanor violations of the Federal Election Campaign Act of 1971 (now $1,000 and/or one year imprisonment) is increased to $10,000 and/or one year in prison, and knowing violations are made a felony punishable by a fine of up to $100,000 and/or imprisonment for up to five years.

F. Embezzlement or conversion to non-campaign use of political contributions is made a felony punishable by a fine of up to $50,000 and/or imprisonment of up to five years.

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