SENATOR MONDALE URGES PROMPT ACTION ON REVENUE SHARING

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Senate

GENERAL REVENUE SHARING

Mr. MONDALE. Mr. President, amid our crowded legislative schedule, we often are unable to take up bills until the last moment. The rush of events forces us to be present minded. Today I would like to direct the Senate's attention to an issue that might at first seem not to be pressing for resolution, but which, in fact, deserves prompt action. I am referring to the general revenue-sharing program. While the act does not expire until December 31, 1976, I believe that Congress must act promptly and favorably on extending this bill.

The case for acting early seems compelling to me. For many State and local governments the fiscal year begins in the spring or early summer. Each State and local government must submit a balanced budget. If, by early spring, Congress has not extended revenue sharing, then these governments must reduce their revenue estimates for the second half of their fiscal year. If current programs are to be maintained, State and local taxes would have to be raised. Barring that, many programs would have to be cut. Higher taxes or terminated programs—that would be the State and local governments' only choice if we do not act promptly.

And these would have to be significant cuts. For example, Martin Sabo, Minnesota's able Speaker of the House of Representatives, has testified that the following kinds of alternatives would have to be considered in order to compensate for the funds that Minnesota receives from revenue sharing:

First. Increase individual income tax by 11.4 percent;

Second. Increase corporate income taxes by 71.2 percent;

Third. Increase sales taxes by 30.1 percent;

Fourth. Reduce aid to local governments by 86.5 percent;

Fifth. Eliminate public welfare aid to families with dependent children;

Sixth. Reduce aid to local governments by 86.5 percent.

Seventh. Eliminate all legislative, judicial, and executive departments, general fund expenditures; or

Eighth. Allow local governments to raise property taxes by 10 percent, combined with a 4-percent increase in individual income tax.

I do not believe that governments in Minnesota, or any State's governments, should be faced with choices like these.

Revenue sharing has been a successful Federal program. It has helped maintain and promote this Nation's progressive tax structure. It has targeted its benefits to the most deserving governments: those with low per-capita incomes and reasonable tax efforts. And this new fiscal strength has invigorated and given new meaning to our federalist system.

The current law is an excellent one. That is why I have become a cosponsor of the current revenue sharing bill, which, for the most part, continues the present program. However, I believe this bill can be improved in two aspects. First, I hope that this program can be extended for 10 years rather than 5. I believe that revenue sharing should be extended for this relatively long period of time in order to facilitate flexible planning by State and local governments. It is only natural for governments not to instigate new public programs, no matter how worthy they may be, if the State and local officials are uncertain that the programs can be continued. I believe that the officials should be able to be sure that the revenue sharing funds will be available for long-term projects, so that these can be pursued with confidence.

Second, I want to make a small change in the distribution formula. Currently, in one of the two interstate distribution formulas, there is a ceiling on the incentive for States to use income taxes. In the past Minnesota's allocation has been reduced by this ceiling. In the future, Wisconsin and Oregon, as well as Minnesota may see their allotments reduced because of this ceiling. Since many of us who fought for revenue sharing wanted to encourage the use of income taxation by States, I do not believe that the ceiling serves a good end. So, I will offer an amendment to raise this ceiling so that no State's share will again be constrained.

In short, I believe that the facts compel us to take early, affirmative action on this excellent program. Even given the many other important issues calling for our attention, I believe we should soon consider and pass a lengthy extension of general revenue sharing.

UNITED STATES SENATE
443 Russell Building
Washington, D.C. 20510

Walter F. Mondale
U.S.S.

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SENATOR MONDALE OFFERS REGIONAL PRESIDENTIAL PRIMARIES BILL

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PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121 WASHINGTON, THURSDAY, DECEMBER 4, 1975 No. 178

Senate

By Mr. MONDALE:

S. 2741. A bill to establish a series of six regional presidential primaries at which the public may express its preference for the nomination of an individual for election to the office of President of the United States. Referred to the Committee on Rules and Administration.

REGIONAL PRESIDENTIAL PRIMARIES ACT OF 1975

Mr. MONDALE. Mr. President, the way in which we select Presidential candidates is indisputably one of the most important processes in our entire political system, but it is also, unfortunately, one of the most irrational. It has evolved over nearly 200 years without design, structure or purpose into a complex maze of State laws, party regulations and unwritten traditions. No other major nation chooses its leaders in such a chaotic manner and the question is whether we should continue to do so.

In their only serious lack of foresight, the Founding Fathers believed that political parties would not and should not play a role in the American political system. They provided instead that every 4 years the States would choose electors who, being acknowledged leaders in their communities and therefore learned in such matters, would wisely select the most qualified man to be President of the United States. It took less than a decade for the much-feared "factions" to appear, however, and not much longer for political parties to weave themselves forever into the political fabric of the new republic.

After experimenting with congressional caucuses to select their Presidential nominees, the parties soon adopted the uniquely American institution of the national nominating convention to do the job, and they have been at the heart of the process ever since. Parties have come and gone but the conventions have remained; the major changes in the last century have had almost exclusively to do with the manner in which the convention delegates were to be chosen.

'Since the delegates would in turn select the nominee, their own selection was obviously the pivotal point of the process. The States opted for a wide variety of delegate selection procedures, some choosing precinct caucuses and State conventions, others choosing some kind of popular primary, and still others choosing some combination of these systems; no two States were—or are—exactly alike. Only seldom was it seriously argued that the Presidential nomination process was a national process that deserved a national design. It was viewed instead as a matter to be left exclusively to the States; to this day, neither the Congress nor the parties themselves have believed they could or should play more than a limited role in the process.

There are some people who believe that there is an accidental genius inherent in our present chaotic nominating process, that it provides a process of natural political selection which eliminates lesser candidates and which permits the more able and durable to survive. There may be something to this notion, but not much. It is a point usually made by those whose candidates have done well by the process and has thus crept into our political mythology. My own view is that it is often a mindless process from the candidates' perspective, too often a self-defeating one for the parties, and frequently an ineffective one for the Nation. A New York Times editorial summed it up this way:

> It is fatuous to describe as participatory democracy a nominating system that involves a wretchedly small proportion of the electorate, that in some states encourages Democrats to help choose Republican candidates and vice versa, that grossly distorts the significance of the first few primary contests in an election year and rewards with money and inordinate publicity the states that hold them. It is a system that, as now constituted, allows candidates to run in states where they expect to do well and avoid those where they can't, that turns the whole process into a contest for psychological momentum and that subjects a Presidential hopeful to a crazy guilt of conflicting rules, forbidding costs and a physically staggering campaign schedule.

I have been amazed at how little thoughtful discussion and analysis has been devoted to the process of running for the Presidency. It is a process, after all, at the very core of our governmental system, and yet there is an inexplicable absence of experienced and sophisticated literature on the manner in which we encourage or discourage Presidential candidates, on the burdens we impose upon them and the hurdles we erect in the path of their nomination and election, and on the relevance of these and other factors to the kind of Presidents we ultimately elect.

Until November, 1974, I spent a full year actively seeking the Democratic Presidential nomination. In the process I concluded that the manner in which we nominate and elect Presidential candidates is badly in need of fundamental and comprehensive review.

There are, as I see it, essentially four basic elements in the Presidential nominating process: the State primary and convention delegate selection structure; party rules and procedures governing the selection of delegates; the financing of Presidential campaigns; and the relationship of the candidates to the media. Too often, unfortunately, recent efforts to resolve difficulties in some of these areas have resulted in creating unforeseen difficulties in others. The nominating process desperately needs a comprehensive approach, one which attempts to consider problems in all of these areas and their relationships to the others, and which seeks to resolve them in a way that is most consistent with clearly defined and broadly agreed upon goals.

This process could be greatly assisted if President Ford, the first occupant of the White House whose Presidency has not been the product of an existing nominating process, would take the initiative. I would like to see him appoint, in consultation with the leadership of both parties, a broadly-based commission consisting of scholars, political figures and ordinary citizens to undertake an in-depth and comprehensive review of every aspect of our nominating process, to evaluate different alternatives, to explore the possibilities of widespread agreement on them, and to report back soon after the 1976 election. Without this kind of comprehensive national approach, I am convinced we will never achieve a rational and effective system. Nothing may come of such a commission, but I doubt it. Even if it proves impossible to agree on a new system, it is bound to produce a body of knowledge and experience which will tell us a great deal about what we have now and about how we might improve it. In any event, it is worth the effort, in my judgment, because the piecemeal, patchwork attempts at reform to date have not corrected the system's most serious shortcomings. I can think of no more worthy or appropriate undertaking in our Nation's 200th year as we celebrate the blessings of our democratic system than to begin a serious effort to improve one of the most important elements of that system.

It is in the interest of contributing to a national debate on this subject that I am today offering a proposal—which I realize cannot possibly be enacted for use in 1976—dealing with the structure of our Presidential primaries. Presidential candidates are confronted really with 55 different structures, each reflecting local biases and traditions and each unrelated to any comprehensible overall purpose or design. There is no rational basis for the schedule of primaries, for their timing, for the relationship of one to another, nor for the different statutory rules governing them. To complicate matters even more, the system is in a permanent state of flux.

There is also the question of how representative primaries are as they now exist. Is New Hampshire really a social, economic and political microcosm of the Nation? No one very seriously argues that it is, and yet New Hampshire casts an inordinate influence on the nominating process every 4 years simply because it holds the first primary. To a lesser degree the same point can be made about Florida and a number of other States. Every 4 years, it seems, several States engage in a frantic and unseemly competition to see whose primary will be first, only to be resolved by the New Hampshire Legislature meeting in emergency session to protect its favored position. New Hampshire is a wonderful State and I always enjoyed campaigning there, but no single State is sufficiently

representative of the rest of the Nation to warrant its playing such a large and disproportionate role in the nomination process. The basic question is whether State boosterism and other equally irrelevant factors should continue to determine primary schedules, or whether there might not be a more rational national approach to the problem?

Despite the dramatic growth in the number of primaries, there are still many States which permit the selection of national delegates through individual participation in a combination of precinct caucuses and county, district and State conventions. This is the system we have had in Minnesota for many years and which has, all things considered, worked very well. It is one of the healthiest elements in our entire political process because it permits greater and more direct individual participation than any other system. If the current trend toward primaries continues, however, it may become an endangered political species.

Unfortunately, both the number and complexity of the rules imposed on these States by the Democratic Party are staggering. They are often also unfathomable. These rules largely accomplished their stated purpose of bringing greater openness and fairness to State delegate selection processes that badly needed both, but they have also regrettably prompted many States to opt for the relative simplicity of primaries and thereby hastened that unfortunate trend. As a result, the traditional blend of primary and convention States is becoming seriously out of balance.

It is much easier to criticize the present nominating system than it is to come up with an alternative which corrects its many faults. Because of the Constitutional nature of our political system and because every reform we attempt invariably brings with it unintended effects, it is impossible to devise a perfect system. It may even be impossible to devise a good system. But it should be possible to come up with a system that is far superior to the one we have at present.

Before looking at alternatives, however, it is necessary to consider what we want to achieve in a nominating process. Here are some of the things I would like to see it contain:

It should retain as its cornerstone the national nominating convention which has served effectively as a vehicle for national intra-party conciliation and for giving the parties whatever degree of national identity they now have.

It should offer the broadest possible range of candidates, and it should encourage or at least make possible the serious consideration of candidates who have neither the wealth nor the name recognition to be taken seriously at the outset.

It should encourage the broadest and most direct possible participation by those persons who seek to affect their parties' candidates and policies, but it should limit participation to those who choose to affiliate with that party.

It should structure State primaries and conventions in a way that recognizes that candidates cannot contest for delegates in every State in the Nation, and yet which will permit and perhaps even require each candidate to contest for delegates in a representative number of States in all parts of the country.

It should provide a difficult but fair test of the candidates' judgment, appeal to different sections of the country, and even his stamina and ability to perform under pressure.

It should above all be a national design, which permits no single State or region to cast an undue influence on the outcome and which focuses the candidates' and the country's attention on national concerns.

The acceptance of these criteria would obviously preclude adoption of a national primary system, which some people believe is the answer to the problem. A national primary would seriously if not completely undermine the value of the national conventions. It would also, I fear, give an inordinate advantage to those candidates who are already well known and who have greater access to campaign funds; it would virtually preclude consideration of lesser known candidates. Too much would depend on a single roll of the dice, if you will, which presents a number of obvious dangers.

My own strong preference is for a series of regional primaries which would be modest in its approach and simple in its design. The bill I am introducing today would divide the States and territories of the United States into six regions, each of which would hold its Presidential primaries on one of six designated Tuesdays between late March and mid-June of Presidential election years. The six election dates, which are separated from one another by 2-week intervals, would be assigned by lot to the six regions by the Federal Elections Commission 5 months before the first primary, that is, in late October of the preceding year.

It would still be up to the States to determine whether or not to hold Presidential primaries, but if a State elected to hold one it must be held on the date assigned to that State's region by the FEC. States would retain the right to determine the particular type of primary they wish to have, how candidates qualify for inclusion on the ballot, whether the delegates elected would be legally bound to vote for a particular candidate and other matters traditionally left to the States, except that: First, voters in State Presidential primaries would only be allowed to participate in the party of their registered affiliation, and second, States would be prohibited from listing the names of delegate candidates on the primary ballot without indicating which Presidential candidate, if any, he or she is pledged to support.

Finally, each candidate for his or her party's Presidential nomination who has qualified for and intends to receive Federal matching funds must agree to have his or her name entered on the ballot of at least one State primary in each of the six regions.

That is the bill in its entirety. Unlike other regional and national Presidential primary proposals, the imposition on traditional State prerogatives is minimal. States have been left to devise their own primaries except for: First, their timing, second, limiting participation in them to party adherents and third, requiring the appearance of the Presidential candidates' names on the ballot. The bill is an attempt to blend traditional State procedures with those requirements which are essential if some degree of order, fairness and rationality are to be brought to the overall process.

There were three criteria used in assigning States to one region or another: population, even distribution of primaries among regions, and community of interest. Each of the regions has approximately the same number of electoral votes, ranging from 84 to 95. Each region contains at least four States currently offering Presidential primaries and no region contains more than six such States. Community of interest is more difficult to delineate, but here too an effort has been made to achieve balance. It is entirely possible that a better division of States and territories could be devised using these criteria, and if so I would be pleased to adapt my plan accordingly.

There are several advantages that would result from the adoption of this proposal, in my judgment.

It would eliminate the disproportionate and unfair advantage which a few States now hold in the Presidential nominating process by virtue of their being held either very early or very late in the process, and it would also eliminate the unseemly race every 4 years to determine which State will hold that year's first-in-the-Nation primary. However representative of the Nation a particular State may be and however virtuous and knowledgeable that State's voters may be, no single State deserves to exercise such extraordinary and cotninuing influence on the nominating process out of all proportion to its size as has been the case in recent years.

There is no proposal, of course, which can be guaranteed to give each State a degree of influence exactly proportionate to its size. The best that can be done is to eliminate the inequities as far as possible and leave the rest up to chance. That is why I propose that the Federal Elections Commission draw lots to determine the order of the regional primaries, because there is absolutely no other fair way to do so; each region is just as important as the others and therefore the drawing of lots seems the only equitable way of determining order.

Also, this plan will compress the entire primary period into a shorter period of time and it will conserve the candidates' energies and resources. It will shorten the present primary season by approximately 1 month and thus hopefully hold the Nation's interest and attention at a higher level during that important period.

And the shortened time period together with the regional breakdown will also allow the candidates to concentrate their own time and funds more economically within each region. Although this benefit could be exaggerated, it will be welcomed by candidates and their traveling parties who all too often must spend inordinate amounts of time on transcontinental flights in order to campaign in primaries thousands of miles apart but on the same day. For example, on June 8, 1976, there will be primaries in four important States—Arkansas, California, New Jersey, and Ohio—in four separate regions of the country. Since there are four other scattered primaries 1 week earlier, it will be virtually impossible for any candidate to campaign effectively for more than one or two of the June 8 primaries.

This proposal will also offer a greater opportunity for public attention to be focused on the particular concerns of each region. For at least 2 weeks each region will have the media's and the Nation's undivided attention. Whether the issue is the use of water in the West, farm prices in the Midwest, or unemployment in the Northeast, the candidates' positions on legitimate regional concerns will have a greater chance to be heard and to be closely examined than is now possible.

There is great value also, I believe, in requiring each candidate who receives public campaign financing to have his name entered in at least one State primary in each region. There is no way to compel candidates to campaign actively in each region, of course, but at the very least each will be on record as agreeing to having his name entered in certain States and thus will have encouraged others to regard him as a serious candidate in those States.

Unlike a national primary and other regional primary plans, this proposal retains and hopefully strengthens the national convention as the cornerstone of the Presidential nominating process. I believe strongly that national conventions are essential for the reconciliation of regional and other differences and for the achievement of party unity once a nominee is selected. There is no guarantee a convention will bring about that result, of course, but without a convention there is very little hope indeed of bringing it about.

The convention as well as the nominating process as a whole will be immeasurably strengthened, in my judgment, by eliminating the possibility of crossover voting, that is, allowing registered Republicans to vote in Democratic primaries and vice versa. Even though only a few States permit this phenomenon, there is nothing perfidious and destructive of party responsibility in our nominating procedures. It is, simply, an invitation for mischief which can only distort the accuracy of a party's expressed preferences. There is absolutely no legal or other justification for crossover voting and it deserves to be eliminated altogether.

The same could be said of State laws which permit voters to cast their ballots for delegate candidates without any printed indication on the ballot of which Presidential candidate the delegate candidate supports. This practice can only be regarded as a subversion of the representative purpose of Presidential primaries and, although it is not widespread, it ought to be prohibited. Simply stated, people deserve to know which Presidential candidate they are really voting for.

Perhaps the greatest benefit offered by this proposal, however, is the degree of order and rationality it will bring to the Presidential nominating process. Selecting a nominee for President is, after all, a national process; it deserves a national

structure. At present there is no structure whatsoever. There are instead 55 separate structures, each unrelated to the others and often seemingly unrelated to the ostensible goal of selecting the party's best candidate as its nominee.

I do not suggest that a regional primary system such as this is a perfect structure. It is not. But I believe it is vastly preferable to the irrational and chaotic system we now have and also vastly preferable to the other regional and national primary plans I have seen, most of which eliminate or at least weaken the role of the national convention.

I would not be disappointed if the adoption of this proposal resulted in a reduction of the number of States electing to hold primaries, because there are already too many of them in my judgment. If the proliferation of primaries continues, we will soon have a fragmented form of national primary without ever having adopted it as a matter of national policy.

It is my own belief that our national nominating process should be a blend of States holding preferential primaries and States using the caucus/convention system of electing convention delegates such as my own State of Minnesota. But this combination is now seriously out of balance and it shows no sign of getting any better. I would hope, however, that the adoption of a plan such as this would move some States which have recently enacted primary laws to reconsider and revert to the caucus/convention system.

Since no single primary State would be allowed under this plan to stand uniquely apart from other States, but would be compelled instead to share with them the commercial, publicity and other benefits that they have previously enjoyed, perhaps the idea of holding a primary will be less attractive. This is not one of the primary purposes of the bill, but I would be pleased if it were one of its effects.

Happily, there will be an opportunity in 1976 to observe a regional primary on a very limited basis. The States of Oregon, Idaho, and Nevada have all agreed to hold their Presidential primaries on May 25 in order to further the concept of regional primaries. Although it would be a mistake to expect too much from such a limited experiment, hopefully it will add significantly to our experience and knowledge, as well as add impetus to what I sense is a steadily growing demand for a regional primary system that encompasses the whole country.

For 200 years, Mr. President, we have avoided making a national decision on the question of how to select our Presidential nominees. I cannot think of any process more important to the Nation, and therefore I am at a loss to understand how we can continue to leave it in a continually changing state of chaos, disorder, and irrationality. I cannot guarantee that this bill, if adopted, will result in better Presidents being elected, but I believe it is worth the effort. If order, fairness, and rationality are qualities we strive to bring to other elements of our national life, then why not to this one as well? If we do, I believe we will do no worse than we have done up till now and hopefully do much better.

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

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

S. 2741

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 "Regional Presidential Primaries Act of 1975".

SEC. 2. The Congress finds that—

(1) the numerous elections held by States for the expression of a preference for the nomination of individuals for election to the office of the President of the United States are conducted without any semblance of order,

(2) the conventions held by national political parties for the purpose of nominating candidates for election to the offices of the President and the Vice President are vital to the process of selecting such candidates for national office, and

(3) in order to preserve the effectiveness of the presidential election process and to provide for the public welfare of the Nation, Congress must regulate certain parts of the process for selecting candidates to the office of President.

SEC. 3. (a) No State shall conduct a presidential primary except in accordance with the provisions of this Act.

(b) Six regional presidential primaries shall be held during each presidential election year. The first regional primary shall be held on the last Tuesday in March, and the remaining five regional primaries shall be held on the second and fourth Tuesdays in April and May, and on the second Tuesday in June, respectively. On the last Tuesday in October in each year immediately preceding a presidential election year, the Commission shall determine by lot the date on which each regional presidential primary is to be held. A State may not hold a presidential primary on a date other than the date assigned by the Commission to the region in which such State is located.

(c) A State which conducts a presidential primary shall conduct that primary in accordance with laws of the State with the following exceptions:

(1) Each voter shall be eligible to vote only for a candidate for nomination by the party of that voter's registered affiliation, or if a State provides for registration as an independent, a voter registered as an independent may vote only for one candidate for nomination by a party with which such voter is not affiliated. If the law of any State makes no provision for the registration of voters by party affiliation, voters in that State shall register their party affiliation in accordance with procedures prescribed by the Attorney General in consultation with the Federal Elections Commission.

(2) Each ballot in an election for the selection of delegates to a national nominating convention of a national political party shall indicate the candidate of such party, if any, for whom each individual seeking the position of delegate is committed to vote at such convention. If an individual seeking the position of delegate is not committed to vote for any candidate, the ballot shall indicate that such individual is uncommitted.

(d) Whenever the Attorney General has reason to believe that a State is holding a presidential primary in violation of the provisions of this section, he may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

SEC. 4. In order to be eligible to receive any payments under section 9037 of the Internal Revenue Code of 1954, a candidate of a political party in a presidential primary shall, in writing—

(1) agree to have his name entered on the ballot of at least one State primary in each of the six regions established by this Act; and

(2) notify the Commission, not later than the last presidential primary filing date within a particular region, which primary he intends to enter within that region.

SEC. 5. For purposes of this Act, the term—

(1) "candidate" means an individual who seeks nomination for election to be President of the United States;

(2) "Commission" means the Federal Election Commission;

(3) "presidential primary" means an election for the expression of a preference for the nomination of individuals for election to the office of President of the United States or for the selection of delegates to a national nominating convention of a political party;

(4) "region" means any of the following six regions:

(A) Region 1 comprises Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

(B) Region 2 comprises Delaware, District of Columbia, Indiana, Maryland, Ohio, Pennsylvania, and West Virginia.

(C) Region 3 comprises Alabama, Canal Zone, Florida, Georgia, Kentucky, Puerto Rico, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and Virgin Islands.

(D) Region 4 comprises Iowa, Illinois, Michigan, Minnesota, Montana, North Dakota, South Dakota, and Wisconsin.

(E) Region 5 comprises Arkansas, Colorado, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

(F) Region 6 comprises Alaska, Arizona, California, Guam, Hawaii, Idaho, Oregon, Nevada, Utah, Washington, and Wyoming.

(5) "State" means the 50 States of the United States and the District of Columbia and the territories of the Canal Zone, Guam, Puerto Rico, and the Virgin Islands.

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

SENATOR MONDALE ON REGIONAL PRIMARIES

Mr. HUMPHREY. Mr. President, last week my colleague from Minnesota (Mr. MONDALE) introduced a bill to establish a system of regional presidential primaries to replace what he called our present "chaotic" means of nominating Presidential candidates. Senator MONDALE said that he was introducing his bill "in the interest of contributing to a national debate" on this important question.

I am pleased to report that, in response to his initiative, such a debate already has begun. A number of columnists and editorial writers have commented on Senator MONDALE'S proposal, and I would like to share them with my colleagues.

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

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

[From the St. Paul (Minn.) Pioneer Press, Dec 10, 1975]

THE MONDALE PLAN

Sen. Walter Mondale has proposed a plan to bring some order out of the chaotic process of selecting candidates for the American presidency. His proposal for a nationwide regional presidential primary system is unquestionably a first-rate contribution to political science in an area heretofore lamentably neglected.

It is a plan which may have little chance of adoption. It is by no means a perfect plan, and Mondale is the first to admit that. It may not even be a workable plan. But what he proposes is far and away better than the formless, slipshod and basically unfair process by which we now select the delegates to the presidential nominating conventions.

Indeed, to call the way in which these delegates are now chosen a "process" is to dignify anarchy. No other free nation goes about selecting the candidates for its highest office in so haphazard a manner or puts such restraints upon free selection. Every one of the states and the District of Columbia goes its independent way in the free-for-all scramble.

As Mondale said in his Senate speech, "It's often a mindless process from the candidates' perspective, too often a self-defeating one for the parties, and frequently an ineffective one for the nation."

Mondale tells what we ought to have known all along but have scarcely admitted to ourselves, that choosing presidential candidates is a "national process that deserves a national design."

Some of those who have given thought to the problem have suggested a national primary, an all-on-the-same-day nationwide election. But this, in Mondale's view, weakens if it does not destroy the function of the national nominating conventions, which he sees as instruments necessary to reconciliation of regional differences and establishment of party unity. A national primary would, in addition, offer a built-in advantage to those candidates already well-known or with the most extensive organizational and financial backing.

Mondale's answer, embodied in a bill he introduced in the Senate Thursday, is regional primaries. It would divide the country into six regions. In each region those states choosing to hold primaries would all hold them the same day. Each of the six regions would be assigned an election day to be determined by lot. The six election dates would be separated by two-week intercals.

The plan, Mondale says, would meet his six criteria for a rational delegate selection process: It would retain the national conventions; offer the broadest possible range of candidates, including those not blessed with wealth or name recognition; encourage broad party participation but limit the participation to those affiliated with the parties; permit candidates to conduct coherent campaigns in each region; provide a measure of candidates' appeal to all sections, and be of national design, giving undue weight to no one state or area.

In introducing his regional primary plan, Mondale also said he "would like to see" President Ford, "first occupant of the White House whose presidency has not been the product of the existing nominating process," appoint a special commission to analyze that process and evaluate alternatives.

Perhaps Mondale would be satisfied if such a study is all that comes of his proposals. In any case, by placing his regional primary plan before the Congress and the country, he has made an invaluable contribution. He has forced us to take a more serious look at a situation which badly needs, at the very least, clarification.

[From the New York Times, Dec. 5, 1975]

CHEER UP! THINGS ARE TERRIBLE

(By James Reston)

WASHINGTON, December 4—The only happy thought around here these days is that so many things are going wrong that maybe something will finally be done about them. But only maybe.

It's a well-known rule in Washington that nothing compels reform like some imminent disaster, or spectacular stupidity, and we now have so much of both on the national agenda that you have to have some hope.

Each day's horror stories about the past

crimes of the F.B.I. and the C.I.A., for example, add to the prospect that the Congress will finally take these secret agencies by the throat.

The news from the political front, with thirty Presidential primary elections, is fast becoming a national joke and actually forcing a little serious thought about fundamental electoral reform.

This may not be the best way to run a democracy, but the record suggests that nothing succeeds like failure. New York City had to go broke before we got fiscal reform. It took Vietnam to bring the military under some kind of control, and Watergate to get rid of Richard Nixon. The price was high but some lessons were learned.

Not many years ago, when Uncle Sam was the only cop on the block, he didn't hesitate to plunge into the Congo or Lebanon, but he is not intervening now in Angloa or Lebanon, though the situation in both places is a little scary.

So there is a chance that we will make similar progress in other fields. We are gradually getting some fiscal reform, welfare reform, even some, but not much Congressional reform; but election reform will be the slowest and the toughest because it is in the hands of the pols who got where they are under the old system.

Nevertheless, Senator Walter Mondale of Minnesota has come forward with a bill to improve, if not correct, what he calls the present mindless irrational and chaotic Presidential primary system.

He rejects the notions of a single national primary election, on the grounds that it would undermine the national conventions, give the well-known and well-heeled candidates an unfair advantage, and risk too much on a single roll of the dice.

He proposes instead that the states and territories be divided into six regions, each of which would hold its Presidential primaries on one of six designated Tuesdays between late March and mid-June of Presidential years.

The six primary election dates, two weeks apart, would be assigned by lot to the six regions by the Federal Elections Commission five months before the first primary, and Mr. Mondale suggests a few simple rules.

"States," he say, "could retain the right to determine the particular type of primary [they wish] to have, how candidates qualify for inclusion on the ballot. But," he adds, "voters in state Presidential primaries would only be allowed to participate in the party of their register affiliation, and states would be prohibited from listing the names of delegate candidates on the primary ballot without indicating which Presidential candidate, if any, he or she is pledged to support."

Unfortunately, he sees no chance of any reform before next year's primaries. He is urging President Ford to establish an elections commission to study the whole problem, and bring its recommendations to the Congress before the end of the Bicentennial year.

There will obviously be objections to the states he has put in the six regions, some of them strikingly different from others—New York with New England, for example. But he is trying to start a debate, and the chances are that after the confusion of next year's primaries, the disaster level will have risen high enough to force some changes.

No present candidate, with the possible exception of Jimmy Carter of Georgia, defends the present system of cross-voting and selective testing of candidates' popularity. As The New York Times observed recently:

"It is fatuous to describe as participatory democracy a nominating system that involves a wretchedly small proportion of the electorate, that in some states encourages Democrats to help choose Republican candidates and vice vera, that grossly distorts the significance of the first few primary contests in an election year, and rewards with money and inordinate publicity the states that hold them. . . ."

The only hope is that next year's thirty primaries will be such a silly scramble that, as in other fields, they will force the long overdue reforms.

[From the Minneapolis Star, Dec. 8, 1975]

MONDALE'S CURE FOR CHAOS

Basic political reform is not a pursuit for the short-winded.

In fact, reformers and proponents of structural reforms have, by and large, become frustrated, even cynical, about the slow results of "good government" reform.

Yet here comes Sen. Walter M. Mondale with a bill for a system of six regional presidential primaries that would revolutionize the way we choose delegates to the national conventions that nominate "the people's choice."

The bill would set up six regions (ours: Montana, the Dakotas, Iowa, Minnesota, Wisconsin, Illinois) each to hold a presidential primary on one of six designated Tuesdays between late March and mid-June. The dates, at two-week intervals, would be picked by drawing lots. A state (like Minnesota) wouldn't have to have a presidential primary. But, if it had one, it would have to fit into the grand design.

Mondale, who learned about presidential primaries the hard way during his year of wandering in the primary wilderness, is fully aware that his bill won't be rushed to a vote.

But isn't it time that we restored some faith in the reform approach to politics?

Mondale's proposal ought to be taken seriously even though—indeed, because—a long educational campaign will be needed before the country is ready for so dramatic a change.

The process could be quickened if President Ford grasps an opportunity he could link to the bicentennial. It is the appointment, on his own motion, of a bipartisan White House commission for a stem-to-stern review of the nomination system. Mondale put this in his bill, but Ford could do it on his own. We think Ford would be roundly applauded.

Furthermore, there will be a limited regional experiment next year. This is the result of an agreement among Oregon, Idaho and Nevada to set May 25 as a common primary election date. Even if Mondale's grand design bill dies, the principle could be achieved pragmatically by grassroots interstate cooperation along that line. The Mondale bill could encourage that.

What we have now, as Mondale said, is chaos, disorder and irrationality. In truth, the show biz side of politics at its worst.

With reason, he asked, for instance, why New Hampshire should cast such an inordinate influence just because of the date of its primary. We have a mindless process for candidates, a self-defeating one for parties, and an ineffectual one for the nation, as he put it. We will wait with interest to see what happens, with the optimism of the old-time good government reformers we'd make the judgement that the bill could be a kind of time bomb.

[From the Christian Science Monitor, Dec. 9, 1975]

HAS TIME COME FOR CHANGING THE U.S. PRIMARY SYSTEM?

(By Richard L. Strout)

WASHINGTON.—When the football season is over, when the hockey season is fading, when the days begin to lengthen, the U.S. presidential primary contest starts in earnest.

The race is for the most powerful job on earth. The first test match, in New Hampshire on Feb. 24, is less than three months off, and is already bringing hopefuls through the snow. And William Loeb, the angry publisher of the Manchester Union Leader, is already calling them names.

Sen. Walter F. Mondale (D) of Minnesota, who dropped out of the race after a year's trying, calls the whole system bunk. What a way to pick the President of the United States! he exclaims.

The 30 or so primaries form a trip wire obstacle course for ambitious politicians. Frequently they occur simultaneously in different parts of the country, making it impossible for one candidate to be at all of them.

It's irrational, it's preposterous, says Mr. Mondale.

"The system has evolved over nearly 200 years without design, structure, or purpose into a complex maze of state laws, party regulations, and unwritten traditions.

"No other major nation chooses its leaders in such a chaotic manner and the question is whether we should continue to do so."

Mr. Mondale's answer to his own question is "no." But, in the meantime, he thinks maybe it would help to group primaries by regions into six areas and at least give candidates a chance to roam contiguous territory before going on to the next area, like old-fashioned circuit-riders.

Foreign political science students have scheduled visits to the United States in 1976 for years ahead to see how the extraordinary system works, and many frankly acknowledge that they don't believe any other country could run it. In Canada, for example, elections take about two months or less from start to finish, whereas most members of the U.S. House of Representatives start running the minute they are elected for their two year, fixed term.

Georgia's former Governor Jimmy Carter, who is a Democratic presidential aspirant, acknowledged the other day in Washington that he had been running full-tilt for two years.

In Canada, incidentally, the Prime Minister and the Leader of the Opposition are chosen by fellow members of the Legislature who have seen them in action and know them.

The Founding Fathers expected the American President to be selected by an elite group, banded in the Electoral College.

"In their only serious lack of foresight," Mr. Mondale says sadly, "they rejected political parties; it took less than a decade for the much-feared "factions" to appear.

Theoretically, the U.S. political system has harnessed factions into the two-party political system. Yet "at the very core of our governmental system," says Mr. Mondale, "there is an inexplicable absence of experienced and sophisticated" discussion on how the system works, and its effect on "the kind of Presidents we ultimately elect."

Sen. Mondale doesn't think his six regional primaries would be perfect and certainly couldn't be installed for this election. But the situation is desperate.

"I am at a loss to understand how we can continue to leave it in a continually changing state of chaos, disorder, and irrationality."

The new game of primaries is about to start.

The problems of scheduling simultaneous primaries in widely separated states is seen in this partial listing of the primaries:

The Massachusetts primary comes March 2, a week after New Hampshire, but New York and Wisconsin both come April 6; Alabama, Georgia, Indiana, and the District of Columbia all come May 4; Nebraska and West Virginia May 11; Maryland and Michigan May 13; Idaho, Kentucky, Nevada, and Oregon on May 25. Two other dates comprise the list: June 1 for Mississippi, Montana, Rhode Island, and South Dakota, and June 8 for Arkansas, California, New Jersey, and Ohio. (Arkansas may change its date to something earlier.)

UNITED STATES SENATE
443 Russell Building
Washington, D.C. 20515

Walter F. Mondale
U.S.S.

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Senate

NUCLEAR PROLIFERATION

Mr. MONDALE. Mr. President, the Senate Foreign Relations Committee yesterday approved Senate Resolution 221, a resolution that was introduced by the Senator from Rhode Island (Mr. PASTORE) and myself last July. This measure is designed to express the very deep sense of concern in the Senate and this country about the sale of nuclear enrichment and reprocessing facilities to nonnuclear weapons nations.

Last June West Germany entered into an agreement with Brazil which could result in the construction of a plutonium reprocessing plant in Latin America. It was the first agreement to fully provide for construction of such a plant in a nonnuclear weapon country. The agreement was concluded despite the serious objections of the United States.

I believe our Government was rightly concerned about the consequences of this transaction. Studies show that there is no economic justification for Brazil, whose nuclear energy industry is in infancy to construct such a plant. Even in the United States, with scores of reactors in operation, we do not have a single plant licensed to reprocess plutonium for commercial uses.

There is a valid reason for delay in developing a commercial plutonium reprocessing industry for there is substantial doubt about the thoroughness of safeguards and physical security measures that have been proposed to govern these plants.

Why does Brazil want to assume the risks and the significant costs involved in building such a plant? No adequate economic justification has been provided and, since Brazil has never ratified the Non-Proliferation Treaty, there is cause to suspect their motives.

A second plutonium reprocessing transaction has now come to light. This is the agreement for transfer by France of a reprocessing facility to South Korea. In this case, the potential military motivation of the sale is even more obvious and more alarming. I hope that the leadership in South Korea understands that the United States would view as an extremely serious matter any attempt to use this technology for production of an explosive device.

As a result of these transactions, and others that may follow involving the sale of similar equipment to Argentina, Pakistan, or countries in the Middle East, the effectiveness of the regime to control nuclear weapons spread is now in question.

Once countries can manufacture plutonium in even modest quantities, they can without much difficulty take the added step of manufacturing an explosive device that is indistinguishable from a nuclear bomb.

What checks exist to prevent such action? Many countries have yet to ratify the Non-Proliferation Treaty. For such nations, there are no constraints other than the limitations placed by suppliers on available technology and the effectiveness of safeguards required by suppliers including those enforced by the International Atomic Energy Agency—IAEA.

The IAEA is now rushing to develop a program capable of preventing diversion of special nuclear materials from uranium enrichment and plutonium reprocessing equipment. But the effectiveness of these safeguards has not been fully tested. Many experts question whether this sensitive technology should be transferred to nonnuclear weapons countries under any circumstances. Others believe that a fully effective safeguards program can be devised only if these facilities are developed as large, regional, rather than smaller national plants, and placed under multinational control.

A study of regional fuel cycle centers was, in fact, one of the recommendations of the NPT review conference earlier this year. Since that session, the United States has been meeting with other countries that supply nuclear equipment and technology to strengthen the controls over dissemination of technology for production of special nuclear materials. While some progress has not been made, this issue has still not received the high-level attention it deserves among the nuclear suppliers, including the United States. It was argued, for example, that the failure of President Ford and Secretary Kissinger to mention the Brazilian sale when West German President Walter Scheel visited the United States last spring was interpreted by the West Germans as a signal that this was not an issue of major importance to the United States.

The purpose of the resolution approved by the Foreign Relations Committee yesterday is to put the full weight of the Senate behind the effort to strengthen and broaden the IAEA safeguards program, and to urge the utmost restraint in the transfer of sensitive equipment and technology, including enrichment and reprocessing facilities until a fully effective program can be achieved. It is meant to tell all suppliers, including the French and West Germans, that unless regionalization of plants is provided through multinational centers, they should not provide reprocessing or enrichment equipment to any non-nuclear-weapons state.

As unsatisfactory as the present international system to limit nuclear weapons proliferation may be, it has taken more than a decade to reach this point. Efforts during this period to insure safeguards over the spread of nuclear technology were made with one principal objective in mind—to prevent the chaos that would result if every nation decided to develop an independent nuclear weapons capability. The transfer of plutonium reprocessing and uranium enrichment facilities to non-nuclear-weapons states now threatens to undermine all of the progress that has been made to this date. The result would be a new and a much more dangerous era for the United States and for the world community.

We cannot allow that to happen. I therefore hope that the resolution will receive prompt and favorable consideration by the Senate.

SENATE RESOLUTION 221—SUBMISSION OF A RESOLUTION RELATING TO INTERNATIONAL COOPERATION IN STRENGTHENING SAFEGUARDS OF NUCLEAR MATERIALS

(Referred to the Committee on Foreign Relations.)

Mr. PASTORE (for himself, Mr. MONDALE, Mr. INOUYE, and Mr. MONTOYA) submitted the following resolution:

S. RES. 221

Resolved, That the President seek the immediate international consideration of strengthening the effectiveness of the International Atomic Energy Agency's safeguards on peaceful nuclear activities and seek intensified cooperation with other nuclear suppliers to insure that the most stringent safeguard conditions are applied to the transfer of nuclear equipment and technology to prevent the proliferation of nuclear explosive capability.

Whereas the Senate of the United States ratified the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in recognition of the devastation associated with a nuclear war and of the need to make every effort to avert the danger of such a war;

Whereas the parties to the treaty expressed a common belief that the proliferation of nuclear weapons would seriously increase the danger of nuclear war;

Whereas the United States and other parties to the treaty pledged to accept specified safeguards regarding the transfer to nonnuclear weapon states of special nuclear materials and facilities for the processing, use, or production of such materials;

Whereas recent events, including the explosion of nuclear devices, and the development of uranium enrichment facilities, and the proposed transfer of nuclear enrichment and reprocessing facilities to nonnuclear weapon states, emphasizes the imperative need to increase the scope, comprehensiveness, and effectiveness of international safeguards on peaceful nuclear activities so that there will be no further proliferation of nuclear weapons capability;

Whereas the Senate of the United States is particularly concerned about the consequences of transactions without effective safeguards that could lead to the production of plutonium and other special nuclear materials by nonnuclear weapon states throughout the world; and

Whereas the Senate is particularly concerned about the proliferation threat posed by the possibility of the development in the near future of a large number of independent national enrichment and reprocessing facilities and therefore believes that the United States should take the lead in securing agreement for the development of regional multinational, rather than national, centers to undertake enrichment and reprocessing activities in order to minimize the spread of technology which could be used to develop nuclear explosives: Now, therefore, be it

Resolved, That the Senate of the United States strongly requests and urges the President to seek through the highest level of consultation in the United Nations and with the other leaders of the world community, an intensive cooperative international effort to strengthen and improve both the scope, comprehensiveness, and effectiveness of the international safeguards on peaceful nuclear activities so that there will be a substantial and immediate reduction in the risk of diversion or theft of plutonium and other special nuclear materials to military or other uses that would jeopardize world peace and security; be it further

Resolved, That the President seek, through consultation with suppliers of nuclear equipment and technology, their restraint in the transfer of nuclear technology and their cooperation in assuring that such equipment and technology only is transferred to other nations under the most rigorous, prudent, and safeguarded conditions designed to assure that the technology itself is not employed for the production of nuclear explosives; and be it further

Resolved, That the Secretary of the Senate is directed to transmit copies of this resolution to the President of the United States and to the Secretary of State.

Mr. PASTORE. Mr. President, I shall send to the desk a resolution for myself and Mr. MONDALE that has to do with the proliferation of nuclear material and calling upon the President of the United States, through the auspices of the United Nations, to seek more cooperation on the part of the various governments of the world to make sure that these safeguards are strengthened. I should like to make the following statement. It will only take me about 4 minutes to do

so.

On March 5, 1970, the Nonproliferation Treaty went into effect. Five tumultuous years have passed—the tragedy of Vietnam is behind us—renewal of the conflict in the Middle East is an ever present danger—but while we try to maintain the delicate balance between détente and defense a new, insidious and perhaps ultimately the most dangerous development in the past decades is before us. This is the spread of nuclear technology which threatens the very core of global stability.

May we have order, Mr. President?

The ACTING PRESIDENT pro tempore. The Senate will be in order.

Mr. PASTORE. With expanding growth and knowledge of nuclear technology, the potential for nuclear weapons development exists in practically all corners of the world. As a result, an increasing number of nations, if they are so inclined, are in a position to create world havoc and unrest because they possess the ability to manufacture a nuclear weapon. There is an imperative need that all nations of the world recognize this problem and that their leaders cooperate fully to improve international safeguards on peaceful nuclear activities.

This country has long adhered to the policy of nonproliferation of nuclear weapons. The Senate in 1966 specifically endorsed the concept of preventing nuclear weapons spread without a single dissenting vote.

In pure and simple terms—and I had to use the microphone because people are talking, Mr. President——

The ACTING PRESIDENT pro tempore. Senators will cease their conversation or withdraw to the cloakrooms and the Senate will be in order.

Mr. PASTORE. In pure and simple terms, Mr. President, any nation that provides fissionable material for peaceful use must make sure that the recipient of such materials agrees to international inspection and safeguards and all those who receive it in turn agree that they subscribe to international inspection and safeguards.

The hope of all peoples of the world, now and for future generations, is a worldwide system of comprehensive and effective international safeguards, the purpose of which is to prevent the diversion of fissionable material from peaceful nuclear activities to nuclear weapons. Although there are now international safeguards under the auspices of the International Atomic Energy Agency, there is no doubt that these safeguards must be strengthened. This should be a top priority item on the international agenda, for only with such safeguards will our people and the people of the rest of the world have some assurance against the peril of a nuclear holocaust from any quarter of the globe.

In view of the widespread use and knowledge of nuclear technology in the world, the improvement of international safeguards can only be accomplished by full cooperation within the international community.

Today Senator MONDALE and I are introducing a resolution which calls upon our President to initiate serious and urgent efforts within the community of nations to strengthen international safeguards of peaceful nuclear activities. The resolution endorses the principle of additional and prompt efforts by the President which are appropriate and necessary in the interest of peace for the solution of nuclear proliferation problems.

In view of the very complex and dangerous world in which we live, an urgent effort on the part of the President to kindle anew an international effort to strengthen the safeguards system would be the exercise of the highest form of Presidential responsibility. If this challenge is not met, our legacy for future generations may be life under the continuing threat of nuclear blackmail, with the specter of a nuclear holocaust an ever increasing danger.

If the challenge is met, the legacy could well be a gift which would:

First, lessen the danger of nuclear war;

Second, improve the chance for nuclear disarmament;

Third, reduce international tensions; and

Fourth, stimulate the widespread peaceful development of nuclear energy.

Billions of people in this world look to the leaders of the international community for actions to deal with this gravely important issue. Our President should take the lead through the United Nations, as President Kennedy did in pressing for a limited test ban and as President Johnson did in urging the adoption of the Nonproliferation Treaty. I urge President Ford to take this major step to assure a more peaceful world. This Senate resolution urges the President to exercise leadership as appropriate and necessary to assure that international safeguards on peaceful nuclear activities are urgently strengthened. Nuclear technology was created by the minds of civilized people. Surely these same minds can also construct and agree to a system of international safeguards which will assure that nuclear material and equipment are not diverted from civilian to military uses. The world needs any and all assurance that can be given that our children and future generations will be protected from a nuclear disaster.

Now, Mr. President, I understand that this resolution will be referred to the Committee on Foreign Relations. I am not going to ask for immediate consideration of the resolution at this time. I would like to have the Members of the Senate digest it more, and have the members of the Committee on Foreign Relations have an opportunity to look at it and digest it because this is very, very important, and I hope they will act expeditiously.

Mr. JAVITS. Mr. President, if the Senator will yield, I would just like to say, if I may, very briefly, I know Senator MONDALE wishes to be heard, this sounds very good and very interesting to me.

I am a member of the Committee on Foreign Relations, and I shall make it my personal responsibility to see that it has the utmost consideration.

I might say that the subcommittee, of which I am the ranking minority member on the Committee on Foreign Relations, is now considering this very subject, chaired by Senator SYMINGTON, and I would like to add also that I think it shows again the perspicacity of Senator PASTORE and Senator MONDALE that they are letting it go to the Committee on Foreign Relations so that it can really be meaningful when reported and acted upon.

Mr. BAKER. Mr. President, will the Senator yield briefly?

Mr. PASTORE. I yield.

Mr. BAKER. I commend the cosponsors of this resolution for their introduction of this resolution.

I, too, am pleased that it is coming before the Committee on Foreign Relations. I join with my colleague from New York in expressing my dedication to a careful examination of the situation.

I also have the privilege of being the senior Republican on the Joint Committee on Atomic Energy on the Senate side and serving under the chairmanship of the Senator from Rhode Island I know of this deep and continuing interest in this field, and I commend him for this move.

I might say, Mr. President, this week I had the opportunity to talk to our distinguished Secretary of State about this matter, and I know from my personal knowledge that he has discussed this matter at some length and with great feeling with the President of the United States.

I characterized this problem to him as a millennium-type undertaking. Only once every thousand years or so does mankind face one of those fundamental decisions they have to make in order to guarantee the existence of civilization. Our efforts to coherently approach the business of the control of the proliferation of nuclear materials and construction of nuclear weapons is such a millennium-type undertaking.

I tender my congratulations to the sponsors of the resolution, and I join them in expressing my keen concern and interest.

Mr. PASTORE. Mr. President, I ask unanimous consent that Senator INOUYE and Senator MONTOYA be added as cosponsors.

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

Who yields time?

Mr. PASTORE. I yield to the Senator from Minnesota.

Mr. MONDALE, I am delighted to join the chairman of the Joint Committee on Atomic Energy in offering this resolution today.

First, I would like to begin by saying what a privilege it has been for me to work with Senator PASTORE on the question of nuclear weapons proliferation. It is a subject that the Senator from Rhode Island knows thoroughly from his early leadership in pressing for adoption of the Non-Proliferation Treaty—NPT. Both the Senate and Nation are indebted to him for his dedication and for his effectiveness on this as on many other issues. I would like to express my appreciation to him and to the staff director of the Joint Committee on Atomic Energy, George Murphy, for their valuable contributions and cooperation in developing the resolution that is now pending before the Senate.

The resolution is designed to address a new and alarming danger that faces not only the United States, but the world community as well. At issue is the sale of the complete nuclear fuel cycle, including uranium enrichment and plutonium separation plants, to nonnuclear-weapons countries.

Why are these sales so disturbing?

First, within the scientific community it is widely conceded that restrictions over the availability and use of weapons grade materials, rather than the technology for actual assembly of a bomb, constitute the major obstacle to atomic weapons production. Until now, the technology and equipment needed to produce these materials have not been sold by the world's nuclear nations to nonnuclear weapons countries.

That is new and exceedingly dangerous under this new sale.

Now, with the proposed transfer of uranium enrichment and plutonium separation plants to Latin America and other nations, the old regime based upon restraint among nuclear supplying countries is in jeopardy.

Second, the safeguards that are currently being enforced by the International Atomic Energy Agency (IAEA) are not capable of preventing countries, or even criminals and terrorists, from diverting or stealing sufficient quantities of these materials from fuel cycle facilities to produce explosive devices. The IAEA, while it has had considerable experience in safeguarding nuclear reactors, has never before faced the challenge of safeguarding either enrichment or reprocessing plants. Safeguard procedures to govern these facilities have been under discussion by technical experts within the IAEA but they have never been enforced by the Agency, and the U.S. Government is not convinced that they will work. Such procedures will have to be much more restrictive than the traditional IAEA reactor safeguards. Unlike reactors, separation plants will require constant or nearly constant onsite surveillance to prevent diversion. Moreover, serious problems including the design of measures to guard against theft or diversion during transportation as well as at the plant, and to respond to the risk of terrorism, have yet to be resolved. And it is not yet clear that these questions can be answered satisfactorily in the foreseeable future. Even in the United States, where we have had many years of military experience in the production of plutonium, the physical and materials safeguards problems posed by commercialization of this process, were judged to be so severe as to warrant the recent decision by the Nuclear Regulatory Commission to postpone for 3 years any decision on whether to procede with commercial plutonium recycle.

Third, there is serious question about the motivation of countries that are in such a rush to obtain plutonium separation facilities. There is no economic justification for the acquisition of a relatively small national plutonium reprocessing plant of the type involved in West Germany's negotiations with Brazil. As the New York Times pointed out in a June 9 editorial, Brazil would have to have a $500 million facility serving 30 giant reactors to make a plutonium separation plant commercially feasible. At the present time, Brazil does not have a

single reactor in operation.

In fact, none of the individual countries that are reportedly seeking to buy plutonium separation plants would be in position to benefit economically from a plutonium reprocessing facility for decades, if ever.

One wonders then why on earth are we doing it, and that speculation is truly scary, indeed.

In view of the fact that several of the countries that are reportedly seeking to buy these plants—Brazil, Argentina and Pakistan—have not ratified the Non-Proliferation Treaty, we would be foolish not to wonder about their intentions.

These questions, and others raised in the Senate by Senators PASTORE, RIBICOFF, and GLENN, prompted me, on June 18, to introduce Senate Resolution 188. That measure sought to express the opposition of the Senate to the transfer of uranium enrichment and plutonium reprocessing facilities until a fully effective system of international safeguards could be adopted. Twenty-one Members of the Senate, from both political parties, joined me in cosponsoring that resolution.

Unfortunately, on June 27, West Germany and Brazil signed their contract, which included uranium enrichment and plutonium separation plants. I was particularly disturbed to note that Chancellor Helmut Schmidt was quoted as having said at a news conference the day before that he had not heard "a word of criticism" of the agreement from the U.S. Government. That concern did exist within the Congress and within the State Department, but regrettably it was apparently not communicated strongly enough nor directly by President Ford or Secretary Kissinger to the West German Chancellor.

There has been a tendency among government officials in other countries, undoubtedly encouraged by spokesmen for their nuclear industries, to dismiss U.S. criticisms of the fuel cycle sales as the work of American companies who would like to obtain the contracts for themselves. This argument is untrue and it totally ignores the real issues that are at stake.

The West German Government maintains that the safeguards included in their agreement with Brazil will be fully adequate, noting that they go beyond the existing NPT requirements. General agreement was reportedly reached that German-supplied technology, as well as materials and equipment, would be safeguarded by the IAEA, that safeguards would be maintained indefinitely, that retransfers to third countries would be subject to safeguards, and that equipment and technology transferred from West Germany to Brazil would not be used to build explosive devices. While these provisions are clearly better than no checks whatsoever, it remains to be seen whether they will be fully adequate. In fact, the detailed safeguards requirements with respect to physical and materials security have yet to be spelled out. Noticeably absent is a requirement for regionalization of the fuel cycle facilities—a step that would insure that multinational control and international surveillance could be exercised more effectively. And, although Germany has secured an agreement that not just the plants themselves, but also the technology from those plants will be safeguarded, what is to prevent the Brazilian engineers and scientists who are trained by West Germany to operate these plants from developing their own technology. Unfortunately, this problem may not lend itself to an easy answer but since Brazil, as a nonparticipating country, is not bound by the Non-Proliferation Treaty to forego weapons production, the dilemma is all the more disturbing.

My intention is not to make accusations against Brazil or any other country. I only point out that there are many unanswered questions with respect to safeguards and that these questions are serious enough to warrant delay in the transfer of this equipment and technology until a stringent program can be implemented.

If some form of international restraint is not exercised, it is obvious that as the competition for sales and industry pressure intensify, the temptation will be for suppliers to impose less rather than more effective controls over the use of this technology. In such a climate, efforts to achieve a fully effective international safeguards program could be completely undermined. For example, the NPT Review Conference, which met several weeks ago in Geneva, recommended that future enrichment and reprocessing facilities be developed as regional nuclear fuel cycle parks which would be under multinational rather than national control. Such facilities would assure better surveillance and, at the same time, reduce rivalries that might otherwise lead to proliferation of weapons capability. However, if a number of countries have already received guarantees that they can obtain their own national plants, it will be much more difficult to convince others that they should sign an agreement to waive this option.

With these concern mind, Senator PASTORE and I joined in submitting our resolution today. It is intended to communicate to the administration and hopefully, to the leaders of other nuclear supplier countries, the Senate's belief that action is needed to develop and implement a stringent international safeguards program before the means for production of nuclear weapons are dispersed throughout the world. The resolution seeks agreement among nuclear suppliers not to transfer uranium enrichment and plutonium separation equipment and technology to other countries in the absence of a fully effective safeguards program. Beyond this, it identifies at least one aspect of such a program by recommending that transfers be limited to regional multinational centers, rather than small, uneconomic national plants. Although it does not point the finger directly at West Germany or Brazil, it is clear that although it is precisely this type of sale toward which the resolution is directed; where restraint is most urgently needed to prevent the transfer of technology until satisfactory international safeguards can be developed and enforced.

This resolution is one I believe no Member of the Senate can oppose. We might remember the words of the late President John F. Kennedy, who on September 25, 1961, told the United Nations General Assembly:

> Today, every inhabitant of this planet must contemplate the day when this planet may no longer be habitable. Every man, woman and child lives under a nuclear sword of Damocles, hanging by the slenderest of threads, capable of being cut any moment by accident or miscalculation or by madness. The weapons of war must be abolished before they abolish us.

Fortunately, a spirit of cooperation, reflected in the Test Ban and Non-Proliferation Treaties and, more recently, in the SALT I and Vladivostok Agreements, have helped reduce the tensions that were increasing the risk of a worldwide spread of atomic weaponry and escalating the dangers of the nuclear arms race. Now, the pressure toward nuclear arms proliferation is building once again, threatening to undermine the substantial progress that has already been made on nuclear weapons limitations and the hope for continued progress in the decades to come. We can ignore this risk only at great peril to our own interest and that of the people the world over.

The resolution Senator PASTORE and I offer today will not solve the problem of future nuclear weapons proliferation. It is designed only to point the way toward steps we believe the United States and other countries must take if we are to keep that danger from growing.

I simply hope that the Senate Foreign Relations Committee will receive the resolution and act promptly and clearly so that the Senate can speak out in unquestionable terms against the growing and exceedingly dangerous development.

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. HATFIELD. I yield to the Senator from Massachusetts.

ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS

226 Summit Avenue

Saint Paul, Minnesota 55102

Office of the Archbishop

December 15, 1975

The Honorable Walter F. Mondale
United States Senate
Senate Office Building
Washington, D.C. 20510

Dear Senator Mondale,

The Board of Directors of the Minnesota Catholic Conference met on December 10 and one of our items for discussion was an informational item concerning your Child and Family Services Bill.

The attacks on that bill are dishonest and we, as the Bishops of Minnesota, deplore them.

The bill would fill an urgent need and, at least as we read it, is very careful in providing proper protection for the rights of parents.

If this letter of support for your bill can be used to its advantage, we want to raise our voices in support of it.

Sincerely yours

+ John R. Roach

Most Reverend John R. Roach, D.D.
Archbishop of Saint Paul and Minneapolis

INTERRELIGIOUS STATEMENT ON THE CHILD AND FAMILY SERVICES ACT OF 1975, S. 626. REPRINTED FROM PAGES S22046 TO S22047 OF THE DECEMBER 12, 1975, CONGRESSIONAL RECORD.

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121 WASHINGTON, FRIDAY, DECEMBER 12, 1975 *No. 184*

Senate

INTERRELIGIOUS STATEMENT ON THE CHILD AND FAMILY SERVICES ACT

Mr. MONDALE. Mr. President, as many of my colleagues are aware, the Child and Family Services Act is being subjected to an outrageous and totally dishonest propaganda attack.

As I pointed out in my speech in the Senate on November 19, 1975, wild and completely false allegations are being made that this legislation would somehow give children the legal right to disobey their parents; somehow prohibit parents from providing religious training to their children; somehow give the Goverment authority over child rearing; and somehow give children the right to complain about their parents and teachers "without fear of reprisal."

These allegations are absolutely and completely false. There is not a shred of truth in any one of them. If there were, neither I nor any Member of Congress, would be sponsoring this legislation.

In that earlier speech rebutting this attack, which appeared on pages S20397 through S20401 of the November 19 RECORD, I included material rebutting each of the allegations made in the widely circulated, unsigned flyer; an accurate summary of the Child and Family Services Act, and a section-by-section analysis of the legislation.

Mr. President, today I would like to bring to the attention of my colleagues and the public, an interreligious statement on the child and family services bill.

This statement, signed by 14 religious organizations who have reviewed this bill, represents a thorough and objective rebuttal of these outrageous and dishonest attacks. I ask unanimous consent that this interreligious statement be printed in the RECORD, and I commend it to the attention of my colleagues and members of the public.

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

INTERRELIGIOUS STATEMENT ON THE CHILD AND FAMILY SERVICES BILL

In December of 1971 both the House and the Senate passed the Comprehensive Child Development Act of 1971. Supported by a coalition of poverty and civil rights groups, labor unions, women's groups, churches, educators, and community and citizens organizations, the bill would have amended Title V of the Economic Opportunity Act "to provide every child (through age 14) with a fair and full opportunity to reach his full potential by establishing and expanding comprehensive child development programs." This bill was vetoed by President Nixon.

In February of 1975, Sen. Mondale (D-Minn.) introduced a very similar bill, S. 626, The Child and Family Services Act of 1975. Rep. Brademas (D-Ind.) introduced a companion bill (H.R. 2966) in the House. This bill would establish programs of part-day and full-day child care, prenatal care, special services for minority group children, food and nutrition programs, aid for handicapped children, and various types of assistance to families with special needs.

The Child and Family Services Act is now under attack by groups and individuals charging that it would give government undue authority over family life. In fact, some groups have charged that the proposed legislation would make the "government responsible for . . . the religious interests of your child," give "children the right to protection from any excessive claims made on them by their parents," and make preschool education "compulsory" for all children beginning at age three.

These charges are totally inaccurate. There is nothing in this legislation that relates to religious preferences or religious instruction; nothing that relates to or alters the existing legal relationship between parents and their children; and nothing that provides for compulsory preschool education, or for compulsory service of any kind.

What it seeks to do, instead, is to strengthen and support families in their efforts to provide their children—on a totally voluntary basis—with the basic health, education and other services they want for them but too often cannot afford. Thus, it authorizes funding for a variety of child and family services including prenatal health care, medical treatment to detect and remedy handicapping conditions, and day care services for children of working parents.

Most importantly, any and all of these programs are totally voluntary, and limited to children whose parents request the services. Parent control is further assured by requirements that all programs would be selected, established and controlled by parents whose children participate in them.

A careful reading of the bill reveals that it will support families, not weaken them. The bill states, for example, that the "family is the primary and most fundamental influence on children" and that "child and family service programs must build upon and strengthen the role of the family."

The need for legislation of this kind is clear. The infant mortality rate in the United States is higher than that of thirteen other nations. Each year an estimated 200,000 children are struck by handicaps which could have been prevented if their mothers had received early health care. Forty percent of the young children of this country are not fully immunized against childhood diseases. Sixty-five percent of all handicapped preschool children are not receiving special services. There are only one million spaces in licensed day care homes and centers to serve the six million preschool children whose parents are working.

Debate over legislative proposals such as this Child and Family Services Act should be based on the facts, and decided on the merits. To do otherwise—to misrepresent the purpose and provisions of the legislation under discussion—is a disservice to all Americans concerned about families and children.

American Jewish Committee, Ms. Anne Wolfe, Director, Social Welfare.

Christian Church (Disciples of Christ), Disciples Peace Fellowship.

Christian Church (Disciples of Christ), Department of Church in Society, Division of Homeland Ministries.

Church of the Brethren, Washington Office.

Friends Committee on National Legislation.

National Conference of Catholic Charities.

National Council of Churches.

Lutheran Children's and Family Services, St. Louis, Missouri.

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United Church of Christ, Center for Social Action.

United Methodist Church, Women's Division, Board of Global Ministries.

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Senator Walter Mondale on the CHILD AND FAMILY SERVICES ACT OF 1975

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121 WASHINGTON, FRIDAY, DECEMBER 12, 1975 *No. 184*

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United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121 WASHINGTON, WEDNESDAY, DECEMBER 17, 1975 No. 187

Senate

REGIONAL PRESIDENTIAL PRIMARIES

Mr. MONDALE. Mr. President, 2 weeks ago I introduced S. 2741, a bill which would establish a series of regional Presidential primaries. I indicated at that time that one of my primary purposes in doing so was to help encourage a national debate on whether and how we might restructure the entire means by which we select candidates for the Presidency.

I am pleased that the introduction of S. 2741 has had that effect. Since then a number of editorialists and commentators have focused on the many serious problems contained in our present nominating system and called for its drastic overhaul. My colleague from Minnesota (Mr. HUMPHREY) was kind enough to have several of these commentaries inserted in the RECORD of December 11, 1975. Since then more have appeared, and I would like to share them with my colleagues as well.

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

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

[From the New Britain (Conn.) Herald, Dec. 8, 1975]

FEWER PRIMARIES

Instead of getting better, it's getting worse. That is, the situation in which a person who wants to become President of these United States has to come up with the job-stealing time, the small fortune, and the physical endurance required to conduct what amounts to 30 mini-presidential campaigns across the country, before he even gets to run the big one itself. That is, assuming he or she wants to compete in all of the state presidential primaries that are now scheduled next year, including the one in the state of Connecticut.

The problem of proliferating primaries has been the subject of scrutiny and reform for some time now. Even when there were fewer such contests nationwide, there was agitation for a national primary, or at least for a series of regional primaries.

Now a man who gave up the presidential race last year for the very reason that he was unwilling to undergo the rigors required by running in up to 30 primaries, Senator Walter Mondale (D-Minn.) has introduced a bill to create a regional primary system.

There have been other regional primary bills before, but Sen. Mondale's is apparently the first of its type to be introduced, one that would divide the country into six regions which are roughly comparable in their populations.

Of all New England would be included n one of the six regions, along with New York State and New Jersey. Currently there are six primaries scheduled in this area, in New York, New Jersey, New Hampshire, Massachusetts, Rhode Island, and Connecticut.

Certainly it appears to make electoral sense to be moving toward fewer primaries, even a regional system. Political parties in the United States may not yet be strong enough to justify a single, national presidential primary for each party and states' rights advocates may prevent this from ever happening. But we now have 30 separate state primaries. If this goes all the way to 50 state primaries, why not just hold them all the same day and call it a national presidential primary? Meanwhile a regional primary system might help get voters used to the idea of fewer primaries, and would serve as a half-way house on the road toward total consistency.

[From the Minneapolis Tribune, Dec. 13, 1975]

MONDALE'S REGIONAL PRIMARY BILL

The way presidential candidates are selected "is indisputably one of the most important processes in our entire political system," Sen. Walter Mondale told the U.S. Senate this month, "but it is also, unfortunately, one of the most irrational. It has evolved over nearly 200 years without design, structure or purpose into a complex maze of state laws, party regulations, and unwritten traditions. No other major nation chooses its leaders in such a chaotic manner, and the question is whether we should continue to do so."

Mondale's answer to that last question is no. And as part of a program for changing the selection process—only part, he emphasizes—the Minnesota Democrat has proposed a bill setting up a system of regional primaries. The bill would divide the nation into six regions, each of which would have a primary-election date assigned to it by lot, with the six dates two weeks apart. States within each region would be free to hold primaries or not, but those that did would have to conduct them on their region's election date.

The effect, Mondale says, would be to eliminate both "the disproportionate and unfair advantage" a few states have because their primaries are either very early or very late and "the unseemly race every four years" to hold the nation's first primary. The plan would also shorten the primary campaign and give candidates a chance to present their views in each region. Moreover, it would bring order—and perhaps substantive discussion of issues—to what is now a media event conducted in a circus atmosphere and a game in which candidates vie for psychological advantages over one another.

A side effect of the bill, Mondale says, might be to reduce the number of primaries. "Since no single primary state would be allowed . . . to stand uniquely apart from the other states, but would be compelled instead to share with them the commercial, publicity and other benefits, they might have previously enjoyed, perhaps the idea of holding a primary will be less attractive." And that, the senator suggests, might help restore "a blend of states holding preferential primaries and states using the caucus-convention system of electing (national party) convention delegates"—a blend Mondale says "is now seriously out of balance."

That balance is worth preserving. And Mondale is right in calling the caucus system, used in Minnesota, "one of the healthiest elements in our entire political process because it permits greater and more direct individual participation than any other system." The caucus system lets people take part in the political decision-making process from its beginning instead of making them wait to choose among alternatives others have selected for them.

But changing the primary system would not be enough, Mondale says, because it's only one of the four basic elements in the presidential nominating process. Others are party rules and procedures governing the selection of national convention delegates, the financing of presidential campaigns and the relationship between candidates and the news media. Efforts to solve problems in some elements, Mondale contends, have often resulted in new problems in others, and the nominating process now "desperately needs a comprehensive approach. . . ."

Mondale suggests a presidential commission, comprising "scholars, political figures and ordinary citizens" to take such a comprehensive look and report back after the 1976 election. "I can think of no more worthy or appropriate undertaking in our nation's 200th year as we celebrate the blessings of our democratic system than to begin a serious effort to improve one the most important elements of that system," he told the Senate. Nor can we. Mondale has performed an important public service by suggesting the effort and by providing, in his primary bill, a focus for part of the needed discussion.

[From the New York Times, Dec. 16, 1975]

THE PRIMARY PROBLEM

Senator Mondale of Minnesota has joined the ranks of thoughtful politicians who are bent on modifying that once highly touted reform, the Presidential primary. The nominating process has come a long distance since such progressive states as Oregon and Wisconsin offered the direct primary as the way to freedom from party bosses. That purpose was sometimes well served; but, as with so many cures, the side effects have proved harmful in their own right.

Senator Mondale, convinced that the system now "verges on anarchy," would drastically alter it with a bill to create six regional primaries instead. The idea is not new. Senator Packwood of Oregon and Representative Udall of Arizona have been nursing similar legislation, while Senator Mansfield of Montana and others favor a nationwide primary held on a single day.

Like the original concept itself, these variations pose difficulties. In particular, a national primary mght, if a party had many candidates in the field, require a run-off, exposing the aspirants, not to mention the voters, to three nationwide elections, at a staggering expenditure of money and energy.

Yet even that drawback might be preferable to the present hodgepodge, in which 30 states offer 30 different sets of rules and opportunities, allowing a candidate to shop for political terrain that favors him while ignoring states where he might lose. Throughout the process as it stands now, the emphasis is on a trumped-up "psychology." The objective is to create a snowball effect by snatching early victories—or even making showings that can be blown up as victories—in a few unrepresentative states that catch all the attention of the media because they are the first to be heard from.

A regional system, with five or six primary election days for the entire process, might not eliminate this snowball effect entirely. But where it developed, it would at least be based on something more valid than a minority turnout of a minority party of a tiny state like New Hampshire—or a free-for-all among nine or ten candidates in Florida, with none of them getting a really significant proportion of the vote.

It is premature to regard the Presidential primary as expendable, but good sense demands at the very least a drastic move toward uniform rule and a curtailment of what Senator Packwood has rightly described as "a Barnum and Bailey traveling sideshow" that leaves the candidates "tired and broke, and the public bored or bewildered and—far too often—disgusted."

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 94th CONGRESS, FIRST SESSION

Vol. 121 WASHINGTON, THURSDAY, DECEMBER 18, 1975 No. 188

Senate

By Mr. NELSON (for himself, Mr. MONDALE, Mr. HUMPHREY, Mr. JOHNSTON, Mr. BROCK, Mr. PACKWOOD, Mr. MCINTYRE, and Mr. DOLE):

S. 2819. A bill to amend the Internal Revenue Code of 1954 to revise and improve certain provisions thereof relating to estate and gift taxes. Referred to the Committee on Finance.

SMALL BUSINESS ESTATE AND GIFT TAX REFORM ACT

Mr. NELSON. Mr. President, as chairman of the Select Committee on Small Business, I am pleased to introduce a bill entitled the "Small Business Estate and Gift Tax Reform Act."

The bill has the following features:

First. It would double the size of the estate tax exemption, from $60,000 to $120,000 in three $20,000 stages—in 1976, 1978, and 1980;

Second. The lifetime gift tax exclusion, presently at $30,000, would rise to $60,000 immediately, in 1976;

Third. In order to give a farmer or businessman addtional flexibility in transferring productive property, the bill would permit a combined use of these two provisions—partially in 1976 and fully in 1980;

Fourth. In recognition of the contributions of wives to agricultural and other family enterprises, the bill would allow transfer of the first $240,000 of business and other property to a surviving spouse free of tax at death;

Fifth. The option to deferral estate tax payments under section 6166 would become more accessible and less expensive by permitting substitution of a lien on the assets of the business for the personal liability of the executor, and expanding the definition of closely held business to 15 partners or shareholders;

Sixth. Stock redemption possibilities under section 303 of the Internal Revenue Code, would be expanded to 10 years, and the penalty against participation in more than one business would be removed;

Seventh. A farmer or other small entrepreneur would be permitted to reduce the value of his property for estate tax purposes by restricting its future use; and

Eighth. The Treasury Department would be instructed to recommend to the Congress within a year additional legislative and administrative estate and gift measures which could further encourage the continuity of small, family, and locally controlled farms and businesses.

When the present $60,000 estate tax exemption was established in 1942, it was not the intent of the estate and gift tax statutes to force families to divest themselves of the small, independent businesses they had founded and nourished over the years. However, because of inflation and other changes in the economy since 1942, the law has acquired that unintended effect. The purpose of this bill is to remove this consequence and to move back toward what the Congress had in mind when this legislation was enacted.

A technical explanation of each provision is contained in the section-by-section analysis accompanying this statement.

NEED FOR CHANGES ESTABLISHED IN HEARINGS

The proposal is based upon 10 days of hearings in Washington, D.C., and extensive testimony in 4 days of field hearings in Minneapolis, Minn., Eugene, Oreg., and Milwaukee and LaCrosse, Wis., by our committee,[1] and in cooperation with the Financial Markets Subcommittee of the Senate Finance Committee, under the chairmanship of the Senator from Texas (Mr. BENTSEN)[2] and the Joint Economic Committee under the chairmanship of the Senator from Minnesota (Mr. HUMPHREY).[3]

The subject of estate taxes has grown very technical and complex—and that is one of the difficulties. But one simple fact stands out: small businessmen have told us that they "cannot afford to die owning a small business." Inflation has increased the value of business and farm assets 224 percent since the $60,000 exemption was enacted in 1942. The income tax exemption has been increased several times since then, a total of 50 percent. The estate tax exemption, however, has not been touched since that year. The fixed-dollar amounts of both the estate and gift tax exemptions have placed businessmen in a straitjacket. Because of this steeply graduated Federal estate tax on one side, and the prospect of a tax-free exchange of stock with a large company on the other, prudent small businessmen who want their businesses to be continued by their families are under terrific pressure to merge their farms and businesses into a larger company, or to sell them out. Indeed, it would be hard to devise a more efficient device for systematically snuffing out independent businesses and eliminating continuity of small family, and local enterprises than the combined effects of Federal estate taxes, capital gain taxes and income taxes which presently exists in this country.

The combination of these three taxes have made merger and consolidation widespread and pervasive. A special study in 1967 revealed that 52 percent of all the companies having assets between $10 million and $25 million—a growth band of the economy—disappeared through merger in that year.[4]

Authorities have observed that mergers more than any other single economic factor, explain the existing structure of many American industries.[5] These taxes are thus a prime factor in bringing about mounting aggregations of wealth—in this instance in the hands of large, conglomerate corporations. That is a result exactly opposite to the purpose for which the estate tax was enacted.

This bill is intended to once again provide a practical alternative to merger for many small businessmen and family farmers who wish to pass the product of their lifetimes of work along to their heirs or employees or another local small firm. It would accomplish this by adjusting the value of the estate and gift tax exemptions toward their real worth in 1942, and by introducing additional flexibility in planning for these transfers. There have been suggestions that gifts to heirs have been underutilized by businessmen and farmers. One of the reasons is undoubtedly that the $30,000 exemption is obsolete. The bill emphasizes the doubling of the lifetime gift exemption in an attempt to encourage family gifts to children wishing to take over a business or farm while the parents are still able to give advice and assistance during the transition period.

Footnotes at end of article.

HISTORICAL BACKGROUND

The estate tax is a minor Federal tax from a revenue standpoint. Over the past 5 years, it has stabilized at about 2 percent of Federal tax receipts. Yet is generates an enormous amount of anxiety, paperwork, and complexity. It is creating economic and social problems, particularly for small business owners and family farms, and the question that has emerged from our studies is this: "Is it really worth it to impose these burdens on people of more and more modest means with each passing year?"

For the past 33 years, since the estate tax laws were last revised in 1942, this area of the tax law has lain unrevised and largely unexamined.

In 1942, only 17,000 estate tax returns were filed, approximately one for every 60 deaths. In 1972, the last year for which we have statistics, 175,000 such returns were required, one out of every 10 estates.[6] According to witness Robert Oelke of Minneapolis before joint hearing of the Small Business Committee and the Joint Economic Committee:

> The present Federal estate tax exemption was established at a time when a loaf of bread cost a dime, a fine automobile could be purchased for less than $1,000, and good farmland was available for $100 per acre or less. If a man left his wife and children with an aggregate of $100,000 in assets, he was thought to have secured their financial future. Today bread approaches 50 cents a loaf, a cheap car is $4,000, and it is not unusual for farmland to be traded at $1,000 per acre or more. Whereas an estate of $60,000 generated no estate tax 30 years ago, an estate representing the same purchasing power today would bear the burden of a Federal estate tax well in excess of $20,000. . . . It is long past time for the Congress to acknowledge the eroding effect which inflation has had on the $60,000 estate tax examination . . .[7]

According to the Joint Economic Committee, inflation has increased 224.1 percent from 1942 to mid-1975.

Farming is one of the most heavily capitalized of U.S. industries, but similar trends in the price of raw materials, land, buildings and equipment affect manufacturing and most other businesses, small and large.

As a result of inflation and rising demand for food in the world, the value of assets on the average American farm soared from a modest $51,000 in 1960 to nearly $170,000 in 1974. In 1975, the average cost of farmland exceeded $1,000 per acre in six States and was approaching that figure in four more.[8] The following table summarizes the valuation of U.S. farms:

Number of farms (1974):	*Average assets per farm*
2,821,000 (total)	$169,744
600,000	250,000
240,000	[9] 350,000

This means that not just the wealthy but the average farmer, as well as the average business person, must be concerned with the painful and often lethal bite of Federal and State estate and inheritance taxes.

It is difficult for most people to imagine the impact of combined Federal and State death taxes upon farmers who bought their land 30 or 35 years ago for $50 per acre, as did Tim Velde of Granite Falls, Minn.; or $60 an acre as many in Kansas and Missouri did a generation ago.

One authority estimated that in his part of the country less than one-third of farmers had wills, and even fewer had done any estate planning; and that many of them went into "shock" when they learned the current value of their properties and the estate and inheritance tax consequences.[10]

HOW MANY SMALL BUSINESSES AND FARMS WILL SURVIVE?

The family farmer of the 1970's is thus confronting the situation which long ago became apparent to the small businessman. Having spent a lifetime building value into his enterprise, he finds the

estate will need large amounts of cash to pay Federal and State death taxes if he wants his heirs to have the business. But small businesses and farms typically do not generate large amounts of cash. Many of them are borrowed and mortgaged to the hilt.

The crunch is even greater if there are several children, because the one who wants to continue the farm or business must buy out the other heirs at the same time he is paying the taxes.

The fact that 1 estate out of every 10 is required to file an estate return is evidence that the occurrence of these problems is becoming commonplace. That means 10 times as many persons must be concerned than in 1942, a growth far outpacing the rise in population. It means cost burdens, which are proving insuperable for a growing number of farms and small commercial businesses. Even those which survive must expend significant amounts of energy and money to prepare for the estate tax collector.

A recent survey by the U.S. Department of Agriculture revealed that of 76 Iowa landowners questioned, 91 percent would not have enough liquid assets in their estates to pay administration costs and taxes, and thus might not be able to pass the farm on to their sons or daughters. In our August hearings on the west coast, Earl Pryor of the Oregon Wheat Growers League testified that one farm in every three is being sold to satisfy inheritance taxes.[11] Also, hearings in the Midwest in October and the Midsouth this month contained extensive testimony along the same lines. All of this squarely raises the question of how many smaller and independent businesses will be able to survive the financial gauntlet which the estate tax/capital gain tax/income tax combination has created.

Certainly if the owner can afford to pay for estate planning services and is young and healthy and affluent enough to be able to afford insurance, then there are certain avenues to continuing the business. However, no one knows how many owners are too old for insurance or cannot qualify.

Therefore, we cannot tell whether a rate of attrition of family agriculture and small business will be in the range indicated by this information. But, anything approaching this magnitude over the next few years should, in my view, be totally unacceptable from the standpoint of national policy. Mass exodus from family farming and family business would be plainly and flagrantly unfair for the people involved. It would put an end to independent business and agriculture as a significant element of our economy, and that would be ruinous for our economic, social, and political institutions.

LEGISLATION IS URGENT FOR SMALL BUSINESSES AND SMALL TOWNS

Mr. President, let us start revising the estate tax and the gift tax immediately.

While the $60,000 exemption enabled a farmer or business owner in 1942 to pass along to his heirs a home, an automobile, and a substantial part of his business, the $60,000 can be absorbed today by the family residence alone.

In addition to this general escalation of the price level, small businessmen and farmers face special problems which other taxpayers do not. First, the steep graduation in the estate tax, on top of a completely outdated exemption, is pushing most businesses and farms into a danger zone where estate and inheritance tax brackets make retention of the business or farm impossible.

The assets involved are needed for the owner to make a living for his own family and often to support others. If the family cannot keep the business intact, they must look elsewhere for sustenance. In our economy, that increasingly means a big city, a big company, a big union, or big government. Between 1950 and 1974, half—2.8 million—of the farms disappeared in the United States.[12] The migration of population from rural areas to big cities weakened the institutions and lowered the quality of life in both the country and the cities.

Smaller business and farm assets are not as liquid as stocks, bonds or general-purpose real estate. It is not well known that only about 6,000 of the 1.8 million corporations and 13 million U.S. businesses have stock which is actively traded by the public. People having their savings in this kind of stock, can raise money in a week through a stock exchange. A chosen number of shares can be sold under well-established procedures to raise additional money for taxes.

But, the problems of selling a business after the founder and his special talents are gone can be monumental. There is often the sharpest type of controversy over valuation. Money must usually be raised in large quantities over short periods of time. Under these circumstances, it is little wonder that many businessmen take the easy, painless, tax-free merger exit from the business world.

THE MATHEMATICS OF MERGER

Stock acquired in a merger, under the present law, is free of both income tax and estate tax, so the tax on this type of transfer of business assets is zero. A sale of the business during life incurs a capital gains tax of up to 35 percent. In comparison, the estate tax reaches 35 percent of a taxable estate of $500,000—$175,000—and 39 percent of a taxable estate of $1 million—$390,000. So, the mathematics are conclusively against the continuity of small and independent firms and farms.

This kind of tax structure has, for the span of an entire generation, been mowing down local independent businesses and potential competitors. It has discouraged continuity of such firms in the hands of a family or closely held group, and has pushed them toward mergers with the largest corporations, those with publically listed stock.

As a country, we have not addressed ourselves to the consequences of this pattern. We have not counted the cost of excess prices because of the elimination of competition. We have not thought about the social cost of people working for big organizations, rather than preserving their greater self-expression and independence as owner of a smaller business. We have ignored the costs to communities across the Nation which are being drained of their vitality as their finest enterprises may be transferred into the hands of absentee owners, who may know little and care less about local charities, schools, churches, and communities.

BILL IS A VEHICLE FOR CONSIDERATION OF VITAL QUESTIONS

We hope that the hearings on this measure can open up vital social and economic questions underlying the estate tax system to public discussion.

In our view, estate tax reform for small business and family farms is a necessity to permit small business owners and farmers to dispose of their property as they wish; to allow their children or employees to carry on these enterprises if they so desire; to inhibit further large-scale shifting of assets from smaller, independent businesses into large and conglomerate businesses; and, in summary, to restore the situation as Congress envisioned it when the present legislation was enacted in 1942.

The policy of taxing estates should be rational. We should have a clear idea of what is considered to represent "excessive wealth." There are no justifiable criteria for that determination now. The standards we used 33 years ago are completely out of date in 1975.

If we could agree upon a rule of thumb that $10 of assets created $1 of earnings, or something along these lines, we might begin to think in terms of the amount of assets that would support a businessman or farmer who is willing to take the risks of the economy and the weather, and thus creates jobs for other people, instead of working for salary or wages and leaving the risks to others. We could then shape our tax laws accordingly. But, apparently no such method exists at the present time. Once an approach was developed, our ideas and calculations could be refined and the tax law could compensate periodically and reasonably for inflation and other relevant economic forces. We could also advance confidently to deal with the technical inequities of the statute, regulations, and practice in this field.

In the absence of landmarks, we are proposing this bill in hopes that Congress and the administration and the private sector can move swiftly to improve these proposals through the legislative process and join together with Congress to help develop meaningful estate tax reform for small business owners and farmers and all smaller estates.

We certainly acknowledge that this bill is not the "last word." But, at least, it is a forward step, a point of departure and a vehicle for systematic consideration of these issues. We have consulted with experts inside and outside of Government in drafting this bill, and we gratefully acknowledge their advice and efforts.

ESTATE AND GIFT TAX REFORM IS OVERDUE AND SHOULD BE ENACTED BY THIS CONGRESS

As a result, we feel that the proposals in this bill are realistic, are justified on the basis of evidence in the record, and entitled to further consideration by the tax-writing committees of Congress and the executive branch. We would, of course, welcome comment and criticism of the measure with a view to finally evolving responsible and effective legislation in this area.

We find no disagreement on the proposition that change in this area is long overdue, that it is critically needed, and that a large proportion of the burdens, inequities, and complications of the estate tax fall upon the small businessman, the small farmer, and the small estate.

The sure way to change the historic character of our free enterprise system from reliance on independent, imaginative small businesses and family farms to absolute dependence on massive corporations is to neglect tax reform after discovering proof that the present system is undermining our values and institutions.

We ask Congress to address itself now to a study of what the estate tax structure is in the long-range best interest of smaller enterprises as a part of our free, private enterprise economy and our democratic society, and to strengthen both by acting upon the basic relief provisions of this proposal during the 94th Congress.

FOOTNOTES

[1] "Small Business Tax Needs," Hearings before the Select Committee on Small Business, U.S. Senate, February 4, 5 and 20, 1975. "Economic Problems of Small Business in the Northwest United States," Hearings before the Select Committee on Small Business, August 25, 1975. "Economic Problems of Small Business in the Midwest," Hearings, October 14 and 15, 1975.

[2] "Small Business Tax Reform," Joint Hearings before the Select Committee on Small Business and the Financial Markets Subcommittee, Senate Finance Committee, June 17–19, 1975; September 23–25, and November 13, 1975.

[3] "Impact of Federal Estate and Gift Taxes on Small Businessmen and Farmers," Joint Hearing before the Select Committee on Small Business and the Joint Economic Committee, August 26, 1975.

[4] Studies by the Staff of the Cabinet Committee on Price Stability, January, 1969, page 75.

[5] Ibid.

[6] Statistics of Income, 1972 Estate Tax Returns, Internal Revenue Service Publication 764 (4–75), page 1.

[7] Joint Estate and Gift Tax Hearings, Minneapolis, loc. cit. page 45.

[8] "Small Business Tax Reform," Hearings, loc. cit., p. 689.

[9] "Increasing Impact of Federal Estate and Gift Taxes on the Farm Sector," U.S. Dept. of Agriculture, Agric. Economic Report No. 242, July 1973, page 5.

[10] "Taxes Complicate Keeping Farm in the Family," by Jean Haley, *Kansas City Times*, July 5, 1975; Reprinted "Small Business Tax Reform," Hearings June 17–19, 1975, pages 659–62. The estimate of the proportion of farmers having wills was made by James Logan, former dean of the University of Kansas Law School and specialist in farm estate problems.

[11] "Economic Problems of Small Business in the Northwest United States," Eugene, Oregon, August 25, 1975, page 71.

[12] Number of U.S. farms:

1950	5,648,000
1974	2,821,000
Average acres per farm:	
1950	213
1974	385
Average value per acre:	
1950	$76
1974	354

Statistical Abstract of the U.S., 1974, pp. 597 and 604.

I ask unanimous consent that the bill be printed in the RECORD, together with an analysis of the bill.

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

S. 2819

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the "Small Business Estate and Gift Tax Reform Act".

(b) Table of Contents.—

SEC. 2. INCREASE IN AMOUNT OF ESTATE TAX EXEMPTION.

(a) In General.—Section 2052 of the Internal Revenue Code of 1954 (relating to estate tax exemption) is amended to read as follows:

"SEC. 2052. EXEMPTION.

"(a) In General.—

"(1) Exemption.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an exemption of the amount applicable under paragraph (2).

"(2) Amount.—The amount of the exemption allowed by paragraph (1) is—

"(A) $80,000, for estates of decedents dying after December 31, 1975, and before January 1, 1978,

"(B) $100,000, for estates of decedents dying after December 31, 1977, and before January 1, 1980, and

"(C) $120,000, for estates of decedents dying after December 31, 1979.

"(b) Transfer of Gift Tax Exemption.—In the case of the estate of a decedent whose liability for tax under chapter 12 (relating to gift tax) for all taxable years was determined without regard to the specific exemption allowed under section 2521, the value of the taxable estate for the purposes of the tax imposed by section 2001 shall be determined by deducting from the value of the gross estate, in addition to the amount deducted under subsection (a), an amount equal to the maximum amount of the exemption from the gift tax imposed by chapter 12 which would have been allowable to the decedent under section 2521 for the last taxable year of the decedent had he transferred property by gift that year. This subsection applies to estates of decedents dying after December 31, 1979.

"(c) Denial of Exemption Where Taxpayer Elects to Use Amount for Gift Tax Exemption Purpose.—In the case of the estate of a decedent who, as a taxpayer who, for any taxable year, elected to claim the exemption allowed by subsection (a) of this section as an exemption under section 2521, the exemption allowable under this section to the estate of such decedent under subsection (a) shall be reduced by an amount equal to the amount claimed under such election.".

(b) Effective Date.—The amendments made by this section apply with respect to the estates of decedents dying after the date of enactment of this Act.

SEC. 3. BEQUEST, ETC., TO SURVIVING SPOUSE.

(a) In General.—Section 2056(c)(1) of such Code (relating to limitation on aggregate of deductions) is amended by striking out "50 percent of the value of the adjusted gross estate, as defined in paragraph (2)" and inserting in lieu thereof "$240,000, plus 50 percent of so much of the value of the adjusted gross estate, as defined in paragraph (2), as exceeds $240,000".

(b) The amendments made by this section apply with respect to the estates of decedents dying after the date of enactment of this Act.

SEC. 4. VALUATION OF RESTRICTED FARM AND SCENIC PROPERTY.

(a) In General.—Section 2031(a) of such Code (relating to definition of gross estate) is amended by adding at the end thereof the following: "In determining the value of real property held by the decedent as farming property or scenic open property, any covenant or condition which effectively prevents the property from being used for any other purpose for any period of time shall be taken into account."

(b) Effective Date.—The amendment made by this section applies with respect to the estates of decedents dying after the date of enactment of this Act.

SEC. 5. INCREASE IN AMOUNT OF GIFT TAX EXEMPTION.

(a) In General.—Section 2521 of such Code (relating to specific exemption from gift tax) is amended by—

(1) striking out "In computing taxable gifts" and inserting in lieu thereof "(a) In General.—In computing taxable gifts",

(2) striking out "$30,000" and inserting in lieu thereof "$60,000", and

(3) adding at the end thereof the following:

"(b) Transfer of Estate Tax Exemption.—A taxpayer may elect, at such time and in such matter as the Secretary or his delegate may prescribe, to claim an additional exemption in computing taxable gifts for a calendar quarter equal to the amount of the exemption which his estate would, but for such election, be allowed under section 2052(a) upon his death.".

"(c) Gift Tax Exemption for Gift to Spouse.—Section 2523(a) of such Code (relating to gift to spouse) is amended by striking out "one-half of its value" and inserting in lieu thereof "so much of its value as does not exceed $240,000, plus one-half of so much of its value as exceeds $240,000".

(b) Effective Date.—The amendments made by this section apply to calendar quarters beginning after the date of enactment of this Act.

SEC. 6. CHANGES IN PRESENT LAW APPLICABLE TO CLOSELY-HELD BUSINESSES, ETC.

(a) An increase in Period for Payment of Estate Tax for Estates Involving Closely-Held Businesses.—Section 6166(a) of such Code (relating to extension permitted) is amended by striking out "(not exceeding 10)" and inserting in lieu thereof "(not exceeding 15)".

(b) Lien on assets of closely held business in lieu of executor's bond.—

(1) Imposition of lien.—Section 6165 of such Code (relating to bonds where time to pay tax or deficiencies has been extended) is amended by adding at the end thereof the following: "In the event of an extension of time for payment of a State tax under section 6165, the Secretary or his delegate may, at the election of the taxpayer, impose a lieu on such with the assets of the closely held business on what such extension is based as may be necessary in lieu of the bond which he may require under the preceding sentence."

(2) Discharge of fiduciary.—Section 2204 of such Code (relating to discharge of fiduciary impersonal liability) is amended by inserting at the end of subsection (a) and at the end of subsection (b) the following: "For purposes of this subsection, a lien imposed under the last sentence of section 6165 shall be treated as a bond."

(c) Effective Date.—The amendments made by this section apply to the estates of decedents drying after the date of enactment of this Act.

SEC. 7. CHANGES IN PRESENT LAW APPLICABLE TO STOCK REDEMPTIONS TO PAY DEATH TAX TAXES.

(a) Increase in Period Within Which Distributions in Redemption of Stock to Pay Death Taxes Must Be Made.—Section 303(b)(1) of such Code (relating to period for distribution) is amended to read as follows:

"(1) Period for distribution.—Subsection (a) shall apply to amounts distributed after the death of the decedent and before the end of the period within which final payment of the tax imposed by section 2001 must be made (including any extensions thereof)."

(b) Eligibility of Certain Corporations for Section 303 Stock Redemption Rules.—Section 303(b)(2)(B) of such Code (relating to distributions and redemption of stock to pay death taxes) is amended by striking out "75 percent" each place it appears and inserting in lieu thereof "50 percent".

(c) Effective Date.—The amendments made by this section apply to the estates of decedents dying after the date of enactment of this Act.

SEC. 8. STUDY OF DEFERRAL AND EXTENSION AND OTHER PROVISIONS.

(a) The Secretary or his delegate shall study the effect of the provisions of section 6161(a)(2) and section 6166 of the Interna', Revenue Code of 1954 (relating to hardship extensions of the time for payment of estate tax and installments thereof and extensions of time for payment of estate tax where estate consists largely of interest in closely held business) and the regulations prescribed thereunder on decisions to continue a small business or closely held business, including farming business rather than to sell or liquidate such business. The study shall include, but not be limited to, a survey of how such sections and the regulations thereunder are applied in the different Internal Revenue Districts and the impact of the present sections and regulations upon the continuity of such enterprises. The Secretary or his delegate shall submit a report of his findings and conclusions to the Congress within 12 months after the date of enactment of this Act, together with such recommendations for legislation as he deems appropriate.

(b) The report described in subsection (a) shall contain findings, conclusions, and such recommendations for legislation, or otherwise, as the Secretary or his delegate deems appropriate upon the general subject of the impact of estate, gift, and related tax provisions of the Internal Revenue Code and Regulations thereunder upon smaller business, and how these provisions should be modified to encourage the prospect of preserving the continuity of smaller, independent, and locally owned businesses and farms in order to strengthen the free enterprise system and the overall economy of the nation. In performing these studies, the Secretary or his delegate shall consult appropriately with the Small Business Administration and private organizations of smaller and independent business persons and farmers.

SECTION-BY-SECTION ANALYSIS OF THE SMALL BUSINESS ESTATE AND GIFT TAX REFORM ACT

OVERALL PURPOSE

The objective of the bill is to reform the structure of estate and gift taxes, particularly as they apply to owners of smaller and independent businesses and farms, in light of inflation of 224.1% from 1942 when present provisions were enacted to June 30, 1975. The intent is to provide smaller businessmen and farmers greater opportunities to pass their enterprises along to their heirs, so that the local and independent character of these activities can be preserved.

SECTION 1—SHORT TITLE

The first section states the title of the bill for identification. It also sets forth a table of contents of the bill's provisions, which can be described, in non-technical language, as follows:

Section 1—Title.
Section 2—Increase in Estate Tax Exemption.
Section 3—Increase in the Amount Which May Be Transferred Tax-Free to Surviving Wife or Husband.
Section 4—Reduction in Estate Tax Valuation Based on Scenic and Use Restrictions.
Section 5—Increase in Gift Tax Exemption.
Section 6—Improvements in Sec. 6166, 10-Year Deferral Provision.
Section 7—Improvements in Sec. 303, Redemption of Stock to Pay Death Taxes.
Section 8—Study of Law, Regulations, and Administration of Secs. 6161 and 6166 Deferrals, and General Study of Impact of Estate and Gift Tax Provisions on Smaller Business.

SECTION 2—INCREASE IN ESTATE TAX EXEMPTION

This would increase the estate tax exemption from its present level of $60,000, which has been in effect since 1942, to $120,000. If the 1942 figure is adjusted for inflation during this period, it would rise to approximately $146,000. This has been reflected in the Internal Revenue Code in such ways as an increase in the personal income tax exemption of 50%.

The proposal is to increase the exemption in three stages:
to $80,000 in 1976;
to $100,000 in 1978; and
to $120,000 in 1980.

This phasing would reduce the initial revenue impact of the bill, and provide experience as to its impact as it develops, as a basis for evaluation.

In the last stage, from January 1, 1980, the gift tax exemption could also, to the extent unused during life, be added to the estate tax exemption available at death.

This proposal is intended to operate in connection with the increase in the gift tax exemption (Sec. 5) and the increase in tax-free transfers between husband and wife (Sec. 3).

SECTION 3—INCREASE IN THE AMOUNT WHICH MAY BE TRANSFERRED TAX-FREE TO SURVIVING WIFE OR HUSBAND

The present law allows a deduction for one-half of all the property passing to a surviving spouse. This proposal would permit a transfer of up to $240,000 to be free of estate tax. Above that level, transfers would be subject to the existing 50% provisions. The would recognize the contribution of the spouse in building a family business and is an attempt to avoid double taxation in the descent of business property from one generation to another.

An additional major benefit intended is elliminating complexity and costs over marital deduction provisions on the part of relatively small estates of small business owners, farmers, and others.

There is a counterpart provision in Sec. 5(c) of the bill as to gifts between spouses.

SECTION 4—REDUCTION IN ESTATE TAX VALUATION BASED ON SCENIC AND USE RESTRICTIONS

This proposal is designed to make it more feasible for business property, including farms and ranches, to be continued in the same uses after the death of the original entrepreneur. As real estate development intensifies around such business property, the valuation increases. This often raises the estate taxes substantially, making it more likely that the property must be sold to realize enough cash to pay the tax.

This proposal would provide an avenue for resolving this problem by recognizing, within the Internal Revenue Code, the right of farmers and businessmen to enter into covenants, or grant easements to appropriate authorities, restricting property to desired uses for a period of time of their own choosing. To the extent such restriction effectively reduces the value for development, it is contemplated that such sums will reduce the estate tax value. This, in turn, should reduce the taxes and enhance the possible continuity of the enterprise in its small business character.

SECTION 5—INCREASE IN GIFT TAX EXEMPTION

The present one-time lifetime gift tax exemption is $30,000, plus a $3,000 annual exclusion per donee. The section would not change the $3,000 annual gift. However, it would recognize inflation by increasing the lifetime gift allowance to $60,000. This is a key feature of the proposal. The full increase would be effective immediately in 1976.

The bill would encourage a gift of business property while the businessman or farmer was still alive to assist his family members, employees or other recipients during the transition period. The possibilities, in this area, would be increased further by Subsection (b), which would make the amount of the estate tax exemption available as an added gift tax exemption. This would result in further latitude for the entrepreneur in this respect.

SECTION 6—IMPROVEMENTS IN SEC. 6166, 10-YEAR DEFERRAL PROVISION

This section proposes to expand the definition of a closely held business, presently contained in Sec. 6166, by raising the permissible number of partners or shareholders to 15.

It would be in line with previous small business legislative proposals to increase the number of "Subchapter S" shareholders to 15, which was approved by the House Ways and Means Committee on August 1, 1974. It would allow closely held businesses to seek fresh capital and talent by bringing in additional shareholders, without loss of deferral privileges to major owners.

It also proposes removing a major obstacle in the use of the present deferral mechanism by relieving the executor of the requirement of a personal bond for the payment of the deferred taxes. Instead, it would substitute a lien on the business assets of up to 150% of the deferred tax.

SECTION 7—IMPROVEMENTS IN SEC. 303, REDEMPTION OF STOCK TO PAY DEATH TAXES

This section would expand the effects of Sec. 303 of the Internal Revenue Code regarding redemption of stock of a small business owner, to extend the permissible redemption period from the present three years to a maximum of 10 years, which is parallel to the maximum deferral period of Sec. 6166.

It is also proposed that the eligibility requirement for stock ownership multiple businesses by reduced from 75% to 50%. This is intended to eliminate the penalty which the present section places on an entrepreneur who wishes to diversify his holdings beyond one smaller business.

SECTION 8—STUDY OF LAW, REGULATIONS, AND ADMINISTRATION OF SECS. 6161 AND 6166 DEFERRALS, AND GENERAL STUDY OF IMPACT OF ESTATE AND GIFT TAX PROVISIONS ON SMALLER BUSINESS

The present Sec. 6161 standard for deferral of "undue hardship" has been criticized as overly stringent. The regulations pursuant to this section recognize that a forced sale can be considered as such an "undue hardship." However, there are questions as to why the deferral provisions of 6161 and 6166 are so little used under present law. The premise of this section is that this area needs to be reviewed. It is contemplated that statistics be gathered nationally as to the operation of the two deferral provisions. The Treasury would be instructed under this section to pinpoint the strengths and weaknesses of the deferral provisions and also to look beyond them to assess the impact of the entire estate and gift tax system on the continuity of smaller and independent businesses, including farming, and to formulate legislative and other recommendations which would encourage the continuity and independence of small and independent enterprise.

Mr. MONDALE. Mr. President, I am very pleased today to join with Senator NELSON as primary sponsor in introducing the Small Business Estate and Gift Tax Reform Act. Many of the provisions in this bill resulted from testimony received last August in hearings that I chaired in Minnesota along with Senator HUMPHREY. We heard then from a number of small businessmen and farmers about the problems they face in paying Federal estate taxes and of the severe burden this could place on their estates and their heirs.

In some cases, our witnesses testified, it could prove necessary to sell part or all of a family farm or business in order to pay estate taxes. This could hurt everyone—the family that loses its farm or business, the community that loses the support and concern that local ownership brings, and our national economy, as concentration pushes out competition.

If we are to have the healthy competition needed to continue strong, noninflationary economic growth, we must do all we can to keep family farms from being taken over by huge corporate farming operations and to keep independent and innovative small businesses from being taken over by large outside corporations.

Our estate and gift tax laws are intended in part to prevent excessive concentration of wealth. Yet, in their applications to small businesses and family farms, they may inadvertently be increasing it.

This bill would increase the size of the estate tax exemption from its present $60,000 to $120,000 by 1980, and it would increase the lifetime gift tax exclusion immediately from $30,000 to $60,000. The present level of the estate tax exemption has remained unchanged since 1942. Yet prices during that period have increased 224 percent. Increasing this exemption to $120,000 would help to make up for this erosion in its real value since 1942. These two provisions, used together, would increase substantially the value of a small business or farm that could be transferred tax free to heirs. In addition, the bill contains a special provision that permits the transfer tax free of the first $240,000 of business or other property to a surviving spouse.

The bill contains several other features that would enable small businessmen and farmers more easily to pass on their businesses and farms to their families. These provisions would ease the cash shortage problems often faced by those who inherit family businesses and farms and make it unnecessary for them to sell these enterprises in order to pay the estate taxes.

Mr. President, these small businessmen and farmers have often devoted major parts of their lives and their resources to these endeavors. In many cases, one of their strongest desires is to transfer these businesses or farms to their heirs at their deaths. This bill would permit these aspirations to be fulfilled. I urge my colleagues to give it their support.

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