

NOMINATIONS

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

SAMUEL R. PIERCE, JR., OF NEW YORK, TO BE GENERAL
COUNSEL, DEPARTMENT OF THE TREASURY ; AND EDWARD
F. ZIGLER, OF CONNECTICUT, TO BE CHIEF OF THE CHIL-
DREN'S BUREAU, DEPARTMENT OF HEALTH, EDUCATION,
AND WELFARE

JUNE 12, 1970

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NOMINATIONS

**SAMUEL R. PIERCE, JR., OF NEW YORK, TO BE GENERAL COUNSEL,
DEPARTMENT OF THE TREASURY; AND
EDWARD F. ZIGLER, OF CONNECTICUT, TO BE CHIEF OF THE CHILDREN'S BUREAU, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**

FRIDAY, JUNE 12, 1970

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 9:02 o'clock a.m., in room 2221, New Senate Office Building, the Honorable Russell B. Long, (chairman) presiding.

Present: Senators Long, Anderson, Talmadge, Ribicoff, Byrd, Jr., of Virginia, Williams of Delaware, Miller, and Hansen.

The CHAIRMAN. The committee will come to order.

Dr. Zigler, will you please take a seat?

STATEMENT OF EDWARD F. ZIGLER, OF CONNECTICUT, NOMINEE TO BE CHIEF OF THE CHILDREN'S BUREAU, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, VICE PARDO FREDERICK DELLI QUADRI, RESIGNED

Senator WILLIAMS. Have you submitted a financial statement to the committee?

Dr. ZIGLER. Not yet. I would be happy to submit it to the staff.

Senator WILLIAMS. It is a matter of form. You do not know of any instance where there would be a conflict of interest, do you?

Dr. ZIGLER. I do not believe so.

Senator WILLIAMS. What would you consider to be the primary purpose of your office in coordinating the programs of the Children's Bureau? What plans do you have?

OFFICE OF CHILD DEVELOPMENT

Dr. ZIGLER. Senator, the Office of Child Development is a new unit at HEW and that is why I found it challenging to come to Washington at this particular point. The OCD has not yet had a director. The Children's Bureau, as you know, has been placed in this new Office of

Child Development along with Headstart, and I see the charges of this office as being threefold. One is to operate high quality programs for the children of the country. Second, to bring about coordination of all children's services across HEW and across Government in general. By that, I mean to get cooperation across agencies, coordinate plans, with mutual funding of desirable projects.

I plan to start this by first mapping what is going on in Government with respect to children's services, child research, and training, to develop at least a topography of our efforts and then move from there.

The third charge has been a continuing charge in the Children's Bureau, and that is advocacy in regard to children's needs and along with such advocacy, to innovate new programs in order to fulfill these needs. Across these three charges there is a corollary activity, research and evaluation in order to find out what works and what does not work.

Senator WILLIAMS. Who do you report to?

Dr. ZIGLER. Assistant Secretary Farmer.

Senator WILLIAMS. It is rather strange that yours is a presidential nomination subject to confirmation and your superior is not.

Dr. ZIGLER. It is an odd circumstance. As I understand it, it has to do with the legislative fiat concerning the Children's Bureau.

Senator WILLIAMS. I think that is correct but what would be Mr. Farmer's role in setting the policy? Would it be his or yours?

Dr. ZIGLER. This has remained somewhat ambiguous, but in all frankness, in my discussions with Mr. Finch, I made it rather clear that I had to have strong policy say, and had to have the opportunity to bring my particular expertise and knowledge about children to bear in this new position. My understanding has been and still is that this is an administrative situation more than a matter of who is on top, and who is on the bottom. However, I know Mr. Farmer can be of great help and has been of help to me already. So, I do not find myself chafing very much at the situation.

Senator TALMADGE. Will you yield? I am sorry. I did not get the title of your office.

Dr. ZIGLER. Well, it is complex. Director of the Office of Child Development, and since the Children's Bureau is in OCD now, it is also the Chief of the Children's Bureau and it is the latter position that requires presidential nomination.

Senator TALMADGE. What do they call it, Chief of the Children's Bureau? Is that what the President nominated you for?

Dr. ZIGLER. Yes.

Senator TALMADGE. That is in HEW?

Dr. ZIGLER. Yes. It is in a new office, the Office of Child Development in HEW.

The CHAIRMAN. Mr. Zigler we have a biographical sketch on your background. Without objection we will include it at this point in the record.

(Mr. Zigler's biographical sketch follows. Hearing continues on page 9.)

BIOGRAPHICAL SKETCH OF EDWARD ZIGLER

Born March 1, 1930, Married. One child.

EDUCATION

University of Missouri at Kansas City, B.A., 1954.
University of Texas, Ph.D., 1958.

APPOINTMENTS

Summers, 1954, 1955: Missouri State Hospital, St. Joseph, staff psychologist.
1956-57: Texas Child Guidance Clinic, staff psychologist.
1957-58: Worcester State Hospital (Massachusetts), psychological intern.
1958-59: Assistant Professor of Psychology, University of Missouri.
1959-63: Assistant Professor of Psychology, Yale University.
1963-67: Associate Professor of Psychology, Yale University.
1967- : Professor of Psychology and Child Study Center, Yale University.

FORMER PROFESSIONAL AND CONSULTING ACTIVITIES

American Psychological Association Ad Hoc Committee on Mental Retardation.
Research Consultant, Worcester State Hospital.
Consulting Editor, *Journal of Experimental Child Psychology*.
Consulting Editor, *Journal of Experimental Research in Personality*.
Editorial Board, *International Review of Research in Mental Retardation*.
Training Review Committee for Child Development and Mental Retardation.
National Institute for Child Health and Human Development.
Member, Steering Committee of the National Institute of Child Health and Human Development, Task Force on Psycho-Social Deprivation.
Consultant, Social and Rehabilitation Service, Rehabilitation Services Administration, Division of Mental Retardation, Department of Health, Education and Welfare, Washington, D.C.
Member, National Planning Committee, Operation Follow-Through, Office of Education, Washington, D.C.
Consultant, U.S. Public Health Service, Department of Health, Education and Welfare, Division of Chronic Diseases.
American Orthopsychiatric Association's Standing Committee on Mental Retardation.
Member, Policy and Planning Board of Division 7, American Psychological Association.
Member, National Evaluation Panel for VA Research Program in Psychiatry-Neurology-Psychology.
Member, National Steering Committee of Project Head Start, Office of Economic Opportunity.
Member, National Research Council, Project Head Start, Office of Economic Opportunity.

CURRENT PROFESSIONAL AND CONSULTING ACTIVITIES

Faculty, Letchworth Village Graduate Course in Mental Retardation.
Consultant, U.S. Office of Education.
Member, National Research Committee, Project Follow-Through, U.S. Office of Education.
Consultant, National Institute of Child Health and Human Development.
Research Consultant, West Haven Veterans Administration Hospital.
Consultant, APA Program of Advisory Services for Education and Training.
Member, Executive Committee of Division 7 of the American Psychological Association.
Member, Council of Representatives of the American Psychological Association.
Member, National Advisory Board of ERIC Clearinghouse on Early Childhood Education.
Member, National Advisory Committee, National Laboratory for Early Childhood Education.

Member, Executive Committee of the National Association for Retarded Children Research Advisory Board.
 Member, Behavioral Sciences Research Evaluation Committee, National Veterans Administration, Washington, D.C.
 Member, Board of Directors, Day Care and Child Development Council of America, Inc.
 Consultant, Office of Child Development, Department of Health, Education and

TEACHING EXPERIENCE

Courses in general psychology; introduction to clinical psychology; diagnostic practicum; therapeutic practicum; child psychology; personality dynamics; abnormal psychology; problems in child psychology; research methods in child psychology; atypical child development; learning, perception and motivation in children.

ADMINISTRATIVE EXPERIENCE

Departmental:

Director, Child Diagnostic Center, University of Missouri Psychology Department, 1958-59.

Director, Child Development Program, Yale University Psychology Department, 1961-

Head, Psychology Section, Yale Child Study Center, 1966-

Research: Principal Investigator, NIMH and NICHD grants M-3945, MH-06809 and HD-03008; Gunnar Dybwad Award; Office of Economic Opportunity-2405. (Total amount of support awarded to date=\$1,200,000.)

MEMBERSHIPS AND HONORS

American Academy on Mental Retardation.
 American Association for the Advancement of Science.
 American Orthopsychiatric Association, Fellow.
 American Psychological Association, Fellow.
 Psychonomic Society.
 Sigma Xi.
 Society for Research in Child Development.
 Social Science Auxiliary Research Award.
 National Association for Retarded Children's First Gunnar Dybwad Distinguished Scholar in the Behavioral and Social Sciences.
 University of Missouri at Kansas City Alumni Achievement Award.
 Yale University, M.A. (honorary).
Who's Who in America.
American Men of Science.

PRESENT INTERESTS

Motivational determinants of children's performance.
 Cognitive development and mental retardation.
 Developmental theory of psychopathology.
 Cultural deprivation.

PUBLICATIONS

Theoretical papers, critiques, and reviews

Affective deprivation and the feeble-minded child. In *Proceedings of the International Congress of Psychology*, X, 2, Bonn, 1960.
 Learning, motivation, and perception. In R. Wilcox (Ed.), *Strategies for behavioral research in mental retardation*. Madison, Wisconsin: University of Wisconsin, 1961. Pp. 98-117. (With H. Stevenson.)
 Psychiatric diagnosis: A critique. *Journal of Abnormal and Social Psychology*, 1961, 63, 607-618. (With L. Phillips.)
 (Reprinted in M. Zax & G. Stricker [Eds.], *The study of abnormal behavior*. New York: Macmillan, 1964. Pp. 32-45.)
 (Reprinted in M. J. Goldstein & J. O. Palmer [Eds.], *Perspectives in psychopathology*. New York: Oxford University Press, 1966. Pp. 5-20.)
 (Reprinted in D. Holmes [Ed.], *Reviews of research in behavior pathology*. New York: Wiley, 1968.)
 (Reprinted in M. Zax & G. Stricker [Eds.], *The study of abnormal behavior*. [2nd ed.] New York: Macmillan, 1969. Pp. 35-49.)

- (Reprinted in B. Kleinmuntz, in press.)
- (Reprinted in E. A. Southwell & H. Feldman [Eds.], *Abnormal psychology*. Belmont, California: Wadsworth Publishing Co., in press.)
- (Reprinted in G. D. Shean [Ed.], *Reading in abnormal psychology*. New York: Rand McNally, in press.)
- Review of Hans Mautner, *Mental retardation: Its care, treatment, and physiological base*. *Journal of Nervous and Mental Disease*, 1961, 132, 355-356.
- Review of O. Hobart Mowrer, *Learning theory and behavior*. I. *Chometrika*, 1961, 26, 251-252.
- Research in learning, motivation, and perception: An overview. *Exceptional Child*, 1962, 28, 455-458.
- Review of C. J. C. Earl, *Subnormal personalities*. *Journal of Nervous and Mental Disease*, 1962, 135, 88-89.
- Rigidity in the feeble-minded. In E. Trapp & P. Himelstein (Eds.), *Readings on the exceptional child*. New York: Appleton-Century-Crofts, 1962. Pp. 141-162.
- A measure in search of a theory? *Contemporary Psychology*, 1963, 8, 133-135.
- Metatheoretical issues in developmental psychology. In M. Marx (Ed.), *Psychological theory*. (2nd ed.) New York: Macmillan, 1963. Pp. 341-369.
- Social reinforcement, environmental conditions, and the child. *American Journal of Orthopsychiatry*, 1963, 33, 614-623.
- Zigler stands firm. *Contemporary Psychology*, 1963, 8, 459-461.
- Review of R. Patton & L. Garner, *Growth failure in maternal deprivation*. *American Journal of Mental Deficiency*, 1964, 68, 557-558.
- The effect of social reinforcement on normal and socially deprived children. *Journal of Genetic Psychology*, 1964, 104, 235-242.
- Understanding mental retardation within the framework of normal development. *Journal of Pediatrics*, 1965, 67, 1047.
- Discussion of Bruner's cognitive approach. In M. Garrison (Ed.), *Cognitive models and development in mental retardation*. *American Journal of Mental Deficiency*, 1966, 70, 118, 118-126.
- Discussion of psycho-social and cultural deprivation in psychobiological development. In H. W. Magoun (Moderator), *Deprivation in psychobiological development*. Washington, D.C.: Pan American Health Organization, Pan American Sanitary Bureau, Regional Office of the World Health Organization, Scientific Publication No. 134, 1966, 66-71.
- Mental retardation: Current issues and approaches. In M. L. Hoffman & L. W. Hoffman (Eds.), *Review of child development research*. Vol. II. New York: Russell Sage Foundation, 1966. Pp. 107-168.
- Motivational determinants in the performance of retarded children. *American Journal of Orthopsychiatry*, 1966, 36, 848-856.
- (Reprinted in E. M. Bower [Ed.], *Education and orthopsychiatry*. Washington, D.C.: American Orthopsychiatric Association, in press.)
- Research on personality structure in the retardate. In N. R. Ellis (Ed.), *International review of research in mental retardation*. Vol. I. New York: Academic Press, 1966. Pp. 77-108.
- Discussion of N. O'Connor, *Mental retardation and learning*. In D. B. Lindsay & A. A. Lumsdaine (Eds.), *Brain functioning and learning*. Vol. IV. *Brain function*. UCLA Forum in Medical Sciences, No. 6, Los Angeles: University of California Press, 1967. Pp. 290-296.
- Familial mental retardation: A continuing dilemma. *Science*, 1967, 155, 292-298.
- (Abstracted in *Pediatrics Digest*, 1967, 72-73.)
- (Reprinted in *Sapere* [Il ritardo mentale familiare]. Edizioni di Comunità, Marzo, 1967, 687, 160-163, 174-175.)
- (Reprinted in S. Chess & A. Thomas [Eds.], *Annual progress in child psychiatry and child development: Selected readings*. New York: Robert Brunner, 1968. Pp. 281-299.)
- (Reprinted in H. F. Clarizio [Ed.], *Mental health and the educative process*. New York: Rand McNally, in press.)
- (Reprinted in M. Schreiber [Ed.], *Social work and mental retardation*. New York: John Day, in press.)
- (Reprinted in R. L. Jones [Ed.], *Psychology and education of exceptional children: Current issues and problems*. Boston: Houghton Mifflin, in press.)
- Mental retardation. *Science*, 1967, 157, 578-579.
- (Reprinted in R. L. Jones [Ed.], *Psychology and education of exceptional children: Current issues and problems*. Boston: Houghton Mifflin, in press.)

- Developing the intellect versus developing the whole child. In *Proceedings, 19th Annual Conference of the Southern Association on Children Under Six*. Birmingham, Alabama, 1968.
- Mental retardation. In *International encyclopedia of the social sciences*. Vol. X. New York: Macmillan and The Free Press, 1968. Pp. 226-247.
- Mental retardation. In P. London & D. Rosenhan (Eds.), *Foundations of abnormal psychology*. New York: Holt, Rinehart & Winston, 1968. Pp. 519-556.
- Motivational and emotional factors in the behavior of the retarded. *Connecticut Medicine*, 1968, 32, 584-592.
- Outer-directedness in the problem solving of retardates. In G. Jervis (Ed.), *Expanding concepts in mental retardation: A symposium*. From the Joseph P. Kennedy, Jr., Foundation. Springfield, Illinois: Charles C. Thomas, 1968. Pp. 123-127.
- Social class and the socialization process. In Educational Resources Information Center (IRCD), 1968.
- Yale Conference on Learning, Yale University, December 9-10, 1966, New Haven Connecticut. *The NDEA National Institute for Advanced Study in Teaching Disadvantaged Youth*. Report/One, March, 1968. (With W. Abelsen.)
- Developmental versus difference theories of mental retardation and the problem of motivation. *American Journal of Mental Deficiency*, 1969, 73, 536-556.
- Socialization. In G. Lindzey & E. Aronson (Eds.), *The handbook of social psychology*. (2nd ed.) Reading, Mass.: Addison-Wesley, 1969, Pp. 450-589. (With I. Child.)
- Socialization of the mentally retarded. In D. A. Goslin (Ed.), *Handbook of socialization theory and research*. New York: Rand McNally, 1969. Pp. 1065-1102. (With S. Harter.)
- The environmental mystique. *Association for Childhood Education International*, in press.
- Learning, development and social class in the socialization process. In M. Marx (Ed.), *Learning: Interaction*. New York: Macmillan, in press.
- Motivational factors. In R. Koch & J. Dobson (Eds.), *The mentally retarded living in the community*. New York: Academic Press, in press.
- The nature-nurture issue reconsidered: A discussion of Uzgiris' paper. In H. Carl Heywood (Ed.), *Social-cultural aspects of mental retardation*. New York: Appleton-Century-Crofts, in press.
- The retarded child as a whole person. In H. E. Adams & W. K. Boardman, III, (Eds.), *Advances in experimental clinical psychology*. Vol. I. New York: Pergamon Press, in press.
- Review of research related to social class and the socialization process. *Review of Educational Research*, in press.
- Rigidity in the retarded: A reexamination. In E. Trapp & P. Himelstein (Eds.), *Readings on the exceptional child*. (2nd ed.) New York: Appleton-Century-Crofts, in press.
- Sense and nonsense in early childhood education. In *Proceedings of the 34th Educational Conference*, in press.

Research papers

- Discrimination learning and rigidity in normal and feeble-minded individuals. *Journal of Personality*, 1957, 25, 699-711. (With H. Stevenson.)
(Reprinted in E. Trapp & P. Himelstein [Eds.], *Readings on the exceptional child*. New York: Appleton-Century-Crofts, 1962. Pp. 129-140.)
- Probability learning in children. *Journal of Experimental Psychology*, 1958, 56, 185-192. (With H. Stevenson.)
(Reprinted in L. Lipsitt & D. Palermo [Eds.], *Research readings in child psychology*. New York: Holt, Rinehart & Winston, 1963. Pp. 249-257.)
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- The effect of support and nonsupport on the performance of normal and feeble-minded children. *Journal of Personality*, 1958, 26, 106-122. (With L. Hodgden & H. Stevenson.)
- Discrimination learning in children as a function of motive-incentive conditions. *Psychological Reports*, 1959, 5, 95-98. (With H. Stevenson & M. Weir.)
- Perceptual defense and the problem of response suppression. *Journal of Personality*, 1960, 28, 220-239. (With L. Yospe.)

- Size estimates of circles as a function of size of adjacent circles. *Perceptual and Motor Skills*, 1960, 11, 47-53.
- Social effectiveness and symptomatic behaviors. *Journal of Abnormal and Social Psychology*, 1960, 61, 231-238. (With L. Phillips.)
- Case history data and psychiatric diagnosis. *Journal of Consulting Psychology*, 1961, 25, 458. (With L. Phillips.)
- Psychiatric diagnosis and symptomatology. *Journal of Abnormal and Social Psychology*, 1961, 63, 69-75. (With L. Phillips.)
(Reprinted in O. Milton [Ed.], *Behavior disorders: Perspectives and trends*. Philadelphia: J. B. Lipincott Co., 1965. Pp. 61-74.)
- Rigidity, negative reaction tendencies, and cosatiation effects in normal and feebleminded children. *Journal of Abnormal and Social Psychology*, 1961, 63, 20-26. (With P. Shallenberger.)
(Reprinted in L. Lipsitt & D. Palermo [Eds.], *Research readings in child psychology*. New York: Holt, Rinehart & Winston, 1963. Pp. 163-172.)
- Social competence and outcome in psychiatric disorder. *Journal of Abnormal and Social Psychology*, 1961, 63, 264-271. (With L. Phillips.)
- Social competence: The action-thought parameter and vicariousness in normal and pathological behaviors. *Journals of Abnormal and Social Psychology*, 1961, 63, 137-146. (With L. Phillips.)
- Social deprivation and rigidity in the performance of feebleminded children. *Journal of Abnormal and Social Psychology*, 1961, 62, 413-421.
- Concept-switching in middle-class, lower-class, and retarded children. *Journal of Abnormal and Social Psychology*, 1962, 65, 267-273. (With J. deLabry.)
- Concept-switching in normal and feebleminded children as a function of reinforcement. *American Journal of Mental Deficiency*, 1962, 66, 651-657. (With E. Unell.)
- The effectiveness of two classes of verbal reinforcers on the performance of middle- and lower-class children. *Journal of Personality*, 1962, 30, 157-163. (With P. Kanzer.)
(Reprinted in E. D. Evans [Ed.], *Children: Readings in behavior and development*. New York: Holt, Rinehart & Winston, in press.)
- Social competence and the process-reactive distinction in psychopathology. *Journal of Abnormal and Social Psychology*, 1962, 65, 215-222. (With L. Phillips.)
(Reprinted in P. A. Goldberg [Ed.], *Readings in abnormal psychology*. Pitman Publishing Co., in press.)
- Social deprivation and rigidity in the performance of organic and familial retardates. *American Journal of Mental Deficiency*, 1962, 67, 262-268. (With R. Shepps.)
- Social deprivation and the performance of retarded and normal children on a satiation type task. *Child Development*, 1962, 33, 499-508. (With C. Green.)
- Social deprivation in organic and familial retardates. *Psychological Reports*, 1962, 10, 370.
- Institutionalization and the effectiveness of social reinforcement: A three-year follow-up study. *Journal of Abnormal and Social Psychology*, 1963, 66, 197-205. (With J. Williams.)
- Rigidity and social reinforcement effects in the performance of institutionalized and noninstitutionalized normal and retarded children. *Journal of Personality*, 1963, 31, 258-269.
- Social competence and self-image disparity in psychiatric and nonpsychiatric patients. *Journal of Abnormal and Social Psychology*, 1963, 67, 197-205. (With T. Achenbach.)
- The action-thought dimension and performance in an action versus thought conflict situation. *Journal of Personality*, 1964, 32, 666-681. (With K. T. Hill.)
- Acquisition of language habits in first, second, and third grade boys. *Child Development*, 1964, 35, 725-736. (With L. Jones & P. Kafes.)
- Birth order and social reinforcer effectiveness in children. *Child Development*, 1964, 35, 193-200. (With J. Gilmore.)
(Reprinted in W. J. Meyer [Ed.], *Readings in child and adolescent psychology*. New York: Ginn & Company, in press.)
- Discrimination and switching learning in normal, familial retarded, and organic retarded children. *Journal of Abnormal and Social Psychology*, 1964, 69, 664-669. (With D. Balla.)
- Outer-directedness in the problem solving of normal and retarded children.

- Journal of Abnormal and Social Psychology*, 1964, 69, 427-436. (With J. Turnure.)
- Role orientation, the action-thought dimension, and outcome in psychiatric disorder. *Journal of Abnormal and Social Psychology*, 1964, 68, 381-389. (With L. Phillips.)
(Reprinted in I. Wolf [Ed.], *Current research in general psychology*. Englewood Cliffs, N.J.: Prentice-Hall, in press.)
- The effectiveness of social reinforcers on persistence and learning tasks following positive and negative social interactions. *Journal of Personality and Social Psychology*, 1965, 2(5), 706-714. (With H. Berkowitz & E. C. Butterfield.)
- Effects of preliminary positive and negative interactions and delay conditions on children's responsiveness to social reinforcement. *Journal of Personality and Social Psychology*, 1965, 2(4), 500-505. (With H. Berkowitz.)
- The effects of success and failure on the discrimination learning of normal and retarded children. *Journal of Abnormal Psychology*, 1965, 70, 25-31. (With E. C. Butterfield.)
- The influence of differing institutional social climates on the effectiveness of social reinforcement in the mentally retarded. *American Journal of Mental Deficiency*, 1965, 70, 48-56. (With E. C. Butterfield.)
- Social reinforcer effectiveness as a function of the relationship between child and adult. *Journal of Personality and Social Psychology*, 1965, 1, 604-612. (With N. McCoy.)
(Reprinted in J. A. Dyal [Ed.], *Readings in psychology: Understanding human behavior*. New York: McGraw-Hill, 1967.)
(Reprinted in R. D. Parke [Ed.], *Readings in social development*. New York: Holt, Rinehart & Winston, 1969.)
(Reprinted in G. Thompson [Ed.], *Readings in educational research*. New York: John Wiley and Sons, in press.)
- Cognitive processes in the development of children's appreciation of humor. *Child Development*, 1966, 37, 507-518. (With J. Levine & L. Gould.)
(Reprinted in F. Reberlysky & L. Dorman [Eds.], *Readings in child development*. New York: Alfred A. Knopf, in press.)
- A measure of preinstitutional social deprivation for institutionalized retardates. *American Journal of Mental Deficiency*, 1966, 70, 873-885. (With E. C. Butterfield & G. Goff.)
- Rigidity in the retarded: A further test of the Lewin-Kounin formulation. *Journal of Abnormal Psychology*, 1966, 71, 224-231. (With E. C. Butterfield.)
- Social competence and psychiatric diagnosis. *Journal of Abnormal Psychology*, 1966, 71, 209-214. (With L. Phillips & D. Broverman.)
- The Humor response of normal, institutionalized retarded, and noninstitutionalized retarded children. *American Journal of Mental Deficiency*, 1966, 71, 472-480. (With J. Levine & L. Gould.)
- Cognitive challenge as a factor in children's home appreciation. *Journal of Personality and Social Psychology*, 1967, 6, 332-336. (With J. Levine & L. Gould.)
(Reprinted in J. Seldman [Ed.], *The child: A book of readings*. [2nd ed.] New York: Holt, Rinehart & Winston, 1969. Pp. 201-208.)
(Reprinted in J. Levine [Ed.], *Motivation in humor*. New York: Atherton Press, 1969. Pp. 139-148.)
- The impact of cognitive maturity on the development of sex-role attitudes in the years four to eight. *Genetic Psychology Monographs*, 1967, 75, 89-165. (With L. Kohlberg.)
- Self-image disparity: A developmental approach. *Journal of Personality and Social Psychology*, 1967, 5, 186-195. (With P. Katz.)
(Reprinted in Lidgren [Ed.], *Contemporary research in social psychology*. New York: John Wiley & Sons, in press.)
(Reprinted in J. Seldman [Ed.], *The Child: A book of readings*. [2nd ed.] New York: Holt, Rinehart & Winston, 1969. Pp. 599-613.)
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- The effectiveness of adult and peer reinforcement on the performance of institutionalized and noninstitutionalized retardates. *Journal of Abnormal Psychology*, 1968, 73, 144-149. (With S. Harter.)
- Expectancy of success and the probability learning of middle-class, lower-class, and retarded children. *Journal of Abnormal Psychology*, 1968, 73, 343-352. (With G. Gruen.)

- (Reprinted in S. Chess & A. Thomas [Eds.], *Annual progress in child psychiatry and child development: 1969 edition*. New York: Brunner/Mazel, 1969. Pp. 352-368.)
- (Reprinted in E. Trapp & P. Himelstein [Eds.], *Readings on the exceptional child*. [2nd ed.] New York: Appleton-Century-Crofts, in press.)
- A longitudinal investigation of the relationship between preinstitutional social deprivation and social motivation in institutionalized retardates. *Journal of Personality and Social Psychology*, 1968, 10, 437-445. (With D. Balla & E. C. Butterfield.)
- Motivational aspects of changes in IQ test performance of culturally deprived nursery school children. *Child Development*, 1968, 39, 1-14. (With E. C. Butterfield.)
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- Outer-directedness in the discrimination learning of normal and mentally retarded children. *Journal of Abnormal Psychology*, 1968, 73, 363-375. (With B. Sanders & E. C. Butterfield.)
- Sphere dominance, role orientation, and diagnosis. *Journal of Abnormal Psychology*, 1968, 73, 306-312. (With L. Phillips & I. K. Broverman.)
- Children's responsiveness to social reinforcement as a function of short-term preliminary social interactions and long-term social deprivation. *Developmental Psychology*, 1969, 1, 402-409. (With N. Irons.)
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CHILD CARE

The CHAIRMAN. Do you know how many children there are today whose mothers are working and how many of these children are currently receiving child care in licensed facilities?

Dr. ZIGLER. I have looked at some of those figures. The figures I see are—I cannot give you the absolute number—about 6 percent of those that require this kind of care are in licensed facilities, which is a very small number. The problem, of course, is that there are not enough of these facilities and a great many mothers simply make do and this often results in what we call the latchkey child, a young child left on his own who in many instances develops into a problem child in society. So, the problem of the working mother and especially the necessary day care is a major social problem and need today.

The CHAIRMAN. Some people say it is unnecessarily difficult to set up a licensed child care facility in a large city. What is your reaction to that?

Dr. ZIGLER. I think it is probably true that there have been so many demands placed on both profit and nonprofit groups that in certain

instances it is becoming ridiculous because there is overlapping responsibility on the part of local people, State people, and so forth. I think if we are serious about setting up a worthwhile social institution such as day care for working mothers we may have to develop guidelines at a national level which would have some nationwide application. It would be a standard process because now it is too difficult and it is too rigid, and I am very much afraid the professionals have overdone themselves here. They have bent so far backwards in protecting the physical welfare at the expense of psychological well-being that I do not find myself in great sympathy with some of the statutes.

WORK INCENTIVES

The CHAIRMAN. The thing that very much concerns me is that we have so many people in and out of Government who do not see the whole picture and I do not see personally how we are going to ever make sense out of a lot of the Government programs or even know what we are trying to achieve with them unless we do try to gain some overall picture of what we are trying to do.

For example, I wonder whether our friends in labor recognize your role. The labor movement generally when it negotiates tries to negotiate contracts where people do less and less for more and more, the end objective being the highest possible wage for doing nothing for all. One sometimes gains the impression that is the sort of direction in which they want to move.

Of course, that is a frustrating point of view for one to take but sometimes you wonder why cannot all these fellows, particularly these international presidents and the top people in the labor movement, realize they are going to meet themselves coming back when everybody pushes for a wage contract that exceeds productivity. If we in Congress move along with that and take care of the least of them all, the fellow working for a minimum wage, we will increase his wage percentagewise even more than they increase theirs, and theoretically we certainly ought to just as a matter of human compassion, then everything goes up and nothing is achieved insofar as we try to increase wages beyond productivity increases. This is especially if we are going to recognize that capital has to earn a profit in order to find funds for investment and in order to encourage people to invest their money.

Now, looking at our problem of trying to put some of these people to work, when we refer to the Labor Department, even under a Republican administration, the attitude of organized labor toward some of these problems, they do not want to have penitentiary labor put to work doing anything, afraid it might displace a job for a union member, and they do not want to have welfare people put to work doing anything because in the point of view of the union labor, that might lose them some union jobs. Then they want to preserve the theory that it should be voluntary whether a person goes to work, that runs directly afoul of the ancient American theory that those who do not work do not eat. So, when people are capable of working, I think we ought to find them some work. Do you agree with that?

Dr. ZIGLER. Yes. I would like to respond to it not as an economist but as a psychologist who has been studying the problem of nonworking people for a long time. I think in terms of a sense of worth and a

sense of dignity that it is terribly important for a person to work, and it behooves Government to do everything it can to get people to work. I think that one of the things we are going to have to disabuse ourselves of, however, is the notion that the poor or the non-working, or whatever euphemism we might like to invent, represents a homogeneous group of people. My own experience indicates that as a group they are heterogenous. Some of them only need a helping hand in the best American tradition, just a little bit of push. Others, as I think your question implies, have developed a welfare mentality and it is a very deep-seated psychological and human problem, and we have to actually shift the values of these people. While this may in certain instances look somewhat coercive, I think, in terms of the total feeling a man or woman has about himself, work is very important. Again speaking as a psychologist and not as an economist, I think it is in the best interests of the non-worker to do everything we can to get him to go to work.

The CHAIRMAN. It seems to me a lot of these things have to be simplified so you can see the problem. Many times you have to peel off a lot of these factors that just complicate the value judgment and get it down to something that anybody can understand.

Now, if you talk in terms of those of us sitting at this table, if one of us is capable of working but he declines to do so and he is going to be supported and fed and provided for, then that means that the other fellows here—they are just part of the one small society—are all going to work harder to carry the burden of this fellow who refuses to work. It is worse than that when you put it on a family basis, when one has children. The person who declines to do his share usually fails to do his share in other respects, with the result that he produces a lot of children not being cared for, no proper inspiration or proper example to these children. It creates all sorts of problems beyond just other people having to carry his burden. A lot of these people we are supporting with welfare are devoting their lives to a full-time life of crime and either consuming enough dope until they are sufficiently stimulated to go out and burglarize somebody or kill somebody or mug someone, and some of these people cannot be put to work at good jobs but they can—I complained yesterday I cannot get my laundry done. It is done but it is in such horrible fashion you cannot wear the shirt by the time it comes back. They cannot get employees down there to do a decent job.

It may be that the people cannot be trained to even do laundry work. But somebody can put them to work with a broom to sweep up the sidewalk.

Dr. ZIGLER. I agree with you. I think one of the things that has happened to our society, to my deep regret, is that we have undervalued honest work. We have also undervalued, by the training we give children in our schools, the notion that someone who works in a laundry or as a mechanic is engaged in a distasteful activity.

The fact of the matter is, we are right now probably overloaded with college professors and underloaded with all of the people who

make our society function: the mechanics, the housekeepers, the laundry workers. What we have to inject back into the value system in our schools and training of our children is the old-fashioned American work ethic; namely, that, so long as what you are doing you do well, you take pride in it. That sort of thing is missing because the schools have been so oriented to the liberal arts view that everybody should be pointed toward college. This is a variegated, heterogeneous society and we must instill the work ethic that everybody who does what he does well is an honorable member of our society. Instead, we are hierarchizing our society so that the college professor is seen as some kind of paragon, and the skilled laborer is seen as something less than that.

The CHAIRMAN. Do you recognize this problem that is inherent in the fact that, where a person is going to receive the same cash consideration, whether he does something to help himself or does not do anything to help himself, it tends to work out to be characteristic for a person not to do anything at all. If he cannot see that he is better off to do something to help himself, he is inclined not to do anything.

Dr. ZIGLER. Yes. I am aware of the problem. I have been following it primarily in the press and I personally, of course, am in favor of using incentives to induce those that are not very motivated to work.

CHILD DEVELOPMENT PROGRAMS

The CHAIRMAN. Now, this fellow Jule Sugarman, who is the Acting Director for the Office of Child Development, testified before the House Select Committee on Education in December:

We do not have adequate knowledge to justify substantial expansion of programs or the creation of new ones except on an experimental basis.

As an expert in child development, do you agree with that statement?

Dr. ZIGLER. It would be hard for me to agree or disagree taken out of context. I do not know to what Mr. Sugarman was referring. We certainly know there is more we can do for children. The Headstart program has not been expanded. The value of that program has come under attack. It all depends on how you assess it, what goals have been set for it.

In my estimation, the program has been successful. I think that we must again not be overly simplistic about these programs. The basic picture has to be taken into consideration when one talks about these programs for children. There is no way we are going to institute a program like Headstart and hope to inoculate children against everything that happens in their life following this brief experience. We are going to have to get away from easy slogans and begin understanding what child development is all about, and realize the job of raising a child and making him into a useful and productive citizen is a hard one. It is one that continues through every year of his life until he is 15 or 16 years old, and we must make that kind of a commitment to this child in this country if we are to achieve the kind of society that we all want.

I am not saying we ought to start new programs. I think we ought to make the programs we have better, in order to do the job we in-

tended, to see that they get the kind of support that allows high quality in those programs, and allows them to attain their goals.

But it is very difficult for me to respond to Mr. Sugarman's statement without knowing exactly what he said. We know a lot, Senator, but a lot we do not know. I think what is important in a job like mine is to have an individual who understands what we know and what we do not know. We must then use the best knowledge we have and apply it. When we are uncertain, we must be wise enough to do things slowly and experimentally, so we plot exactly what we are doing.

The CHAIRMAN. Now, it seems to me that to do successfully a lot of what we hope to do, we need to get someone who is in the field, who is close to that individual to begin with, to take that person's problems in hand and look at them. I do not know whether we can do that with just full-time workers the Federal Government would add to the payroll. It seems to me we ought to look for people available to us on other bases, maybe people who have other jobs, other employment, something of that sort.

For example, in any one of these ghetto neighborhoods if you could take the kind of person who was just a good top sergeant in the Army or the Marine Corps, get that sort of person and his wife to take charge of some of these people here who seem—just in their block or within a block of them, who seem to have problems that they cannot master, put those people to doing something constructive, maybe we can begin to sort out the ones—finding something to do for those people, and maybe they can benefit society in return for what society is trying to do for them.

Now, the superintendent of education from my State, looking at your Headstart program, pointed out to me that you would have been better off if you just made a contract with his department which had plenty of managerial talent at the top to begin with, extending right on down to every community, to simply establish kindergartens and if you wanted to start the kindergartens at age 4 rather than 5, all right, make your contract. Make it on what basis seems most feasible and start from there.

I have been to a couple of funerals in the last week, one of which was my mother—and saw a few of my old schoolteachers. I could not help but think those were very solid citizens and could do a lot for us. I wonder now how they got by before the Federal Government had any program at all to help them in this area.

What is your thought along this line of trying to use existing agencies?

Dr. ZIGLER. Well, I am all in favor of using existing agencies and it is interesting that you should bring up Louisiana, Senator. I have gone to New Orleans to prepare the teachers there for the Headstart effort they have in the summer. The assistant superintendent of schools, Miss Burdeaux, was my host there. And what I saw was not enough expertise at this level.

The school system, I think, has a great deal of expertise from age 6 on. The fact of the matter is the preschool education in this country has always been an orphan and we have not developed the cadre to provide this kind of service to these children. I think that in time we will have that cadre and the States will take this function over.

My hope for something like Headstart is that the Government would begin a brand new social institution, and the value of it would be demonstrated so that States would simply expand their school system downward to the age 3. This would become part of the State system and the Federal Government could get out of the Headstart business except perhaps for technical assistance to help States when they needed it. I would hesitate to say that any State was prepared to start a massive program statewide for 3-year-old children, because we have not produced that kind of teacher in sufficient numbers in any State.

I think it would be wise if we look to establishing that kind of institution, in the hope we beef it up where the State will show the need for this kind of schoolteacher, and it would simply become a State function with the schools having a younger entry period.

The CHAIRMAN. Another thought, the kind of woman we need to do this kind of education job are now in the home with breadwinners in those homes making enough so those women do not really have to work. Now, I would assume we are either going to have to do some sociological recruiting to make them feel a sense of responsibility or else pay them a lot more to do it to get those kinds of women to go to work teaching again. If we do, we are going to have to move somebody into those homes to help tend those homes while those women are out teaching school and giving guidance to those children.

If you are going to upgrade what you are doing for people you are going to have to get people from a better labor force. In other words, it makes a lot better sense to take some very able and competent mother and pay her whatever you have to pay her to get her to go provide that kind of guidance in classrooms to other children than it does to take some women who cannot look after her own children and put her in charge of trying to look after somebody else's children, especially if she is trying to look after 30 instead of three.

In that kind of thing, that means that you are going to have to find ways either of subsidy or some other way to move these people into the jobs you are talking about. Maybe it is a matter of paying for a subsidy. Maybe it is a matter of paying more for what you are getting with those who are supposed to teach those children. But somehow or other—it seems to me, what we need more than money right now is somebody to provide an inspiration to people to make more out of themselves.

Dr. ZIGLER. Well, there are two aspects to your query. One is, are there people in the homes who could do this job? I think the answer is yes, you are right, and we saw these people come out of the homes for a short period of time, for an idealistic program, Headstart. We started that program off, and they appeared. They left their children and came forth. There was this sense of national need and they responded.

You are right. If we want that to happen continuously, we have to provide the kinds of in-home help these people need and we do need domestics. I think we have not been terribly honest in some of the

things we have said. We have convinced people, Senator, that there are no unskilled labor needs any more, that if you are not a great technician, you are lost in society.

I happen to be interested in the problem of the mentally retarded, so I have kept on top of this, and the fact of the matter is there are more unskilled jobs than can be filled. There are still plenty of places for people with an 8th grade education or less to go to work if they so desire.

I think the fault is in the value system we are inculcating in our schools and our society in general. I get back to the work ethic. We must convince people there is nothing wrong in being a domestic if you do it well. If one does a useful job and does it well he should get a sense of pride in what he is doing. Why do these people not have the sense of pride now that they had a few years ago? It is because somehow or other in our popular press, in the thinking of our social philosophers, we have demeaned the working person and what we have got to do is work very hard to give dignity again to any job that is done well. Part of this starts in nursery school in which you preach the worth of anybody who is doing his job and doing it well.

So, again, in my reply to your question or both parts of it, yes, we have some people out there and we could use them, if we could free them. We have to find ways and it is going to be difficult to change the values so that people are ready to become domestics; and work in the home.

The CHAIRMAN. In other words, we need—we ought to concentrate somehow, if I take what you are saying correctly, or reeducating our public to the value of what some fellow is doing, working hard, even though that is not a skilled labor job. Nobody ever thanks the old garbage collector for what he does. All people do is just grumble and raise you know what when it has not been collected, but nobody thanks those people for the hard work they do for low wages.

Dr. ZIGLER. I agree with you. I think our entire populace has been brainwashed and sees a loss of human dignity in many occupations. A garbage man is just as necessary as a college professor and he is worth probably just as much to our society in the long haul. But why is it that people do not realize this? It is because we have been taught from the time we have been children to worship one kind of activity but not another. There is nothing inherent in those activities that makes one better than the other. They are equally necessary and what we have to do is teach a brand new ethic which we once had in this country, that any man who pulls his weight and does anything well is worthy of respect, and more important than that, his own self-respect. If we tell people what they are doing is unimportant, they get no sense of accomplishment, and it is that sense of accomplishment that makes a man happy at the end of the day.

The CHAIRMAN. We ought to be advertising that on TV instead of trying to encourage people to smoke more cigarettes.

Senator Talmadge?

FORMING OF AN INDIVIDUAL'S CHARACTER

Senator TALMADGE. Just one question. I am impressed with what you said. I think I agree with what you say. I know you have a very

impressive background here in child psychology and related aspects.

At what age do you think an individual's character is formed?

Dr. ZIGLER. Well—I am going to do my best to avoid easy slogans that have been sold by certain educators and psychologists. The first few years of life are formative, no question about it. But a person's character is never totally formed. A person is changing his character from the time that he comes into this world until the time he passes out of it.

We have all seen people who are the worst drunkards and wife beaters you have ever seen, and they go to a revival meeting one day and something strikes them and next day they become a totally different human being.

If I said that a man's character was formed by age 5 I would be obviously in error. I think there are certain critical points in character formation, certainly in the first few years of life but character building is a continuous process. We learn new roles. Whether we want to accept them or not determines what our character is. After saying the first few years are very important, I would say that character formation is a life-long process. By the time a child is 15 or 16, I think you can see reliable character traits, but at least, up to 16 or 17 you have a very malleable organism, but even after that there is time for change. It just becomes more difficult.

Senator TALMADGE. One other question. If the child is 10 or 12 years old and has an IQ at that time of 90 or 100, is it possible to increase that IQ, and if so, how?

Dr. ZIGLER. Senator, I have probably written 20 papers around your question and it is a very good question and a very difficult question. The IQ is one of the most misunderstood instruments that we have because all that it is a measurement. It reflects three different processes. One is the child's cognitive capacity, his memory, logical ability, that sort of thing. A child's position relative to other children does not tend to change. That is pretty stable from the time the child is 4 through maturity.

However, the IQ also measures two other phenomena. One is achievement. If an individual has not had certain experiences—for example, he may never have heard the word gown. If you ask him the word gown on an IQ test he does not know about it, but the next week if he hears the word gown he will know it and his IQ goes up. So, we have got formal cognition. We have achievement determined by experience, and finally, we have motivational factors and this has been vastly misunderstood in our country.

One of the things I want to do is get people to quit thinking in terms of just the IQ and begin thinking in terms of what we have been discussing this morning, character, value systems, motivation, goals. This goes into an IQ test, too. If you ask a child a question and he is not oriented toward you and hates you and hates society, he

is liable to say "I do not know." That will give him a low IQ score. That does not mean he is not very bright.

However, if that value system changes so he trusts you and wants to engage in this activity with you, he may answer you next time and his IQ would go up.

I am saying there are three factors. Cognitive capacity—that is pretty stable. You tend to hold your position. Achievement. That is determined a great deal by experience. And motivation is also an experience phenomenon.

One of the things I would like to do in our programs in the Children's Bureau and Headstart is reorient us away from the problem of cognition and IQ. We have been playing this game of "How do you make a child smarter?" If you look at what is going on in our college campuses and cities and the problems we are studying, these are not problems of stupidity and low IQ. These are problems of people's motives. What do they want to do? What are their values? Are they part of the society or not? These are the kinds of things we ought to be worrying about in our nursery schools, just as much as worrying whether a kid has two or three more IQ points. That is not going to get us out of the difficulty we see around us.

Senator TALMADGE. Thank you. No further questions.

The CHAIRMAN. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

I have only one question. I take advantage of your presence here to ask it because I am impressed by your fine background and the answers you are giving.

Earlier this year there was quite a flap in Washington about some kind of a committee or commission recommendation to the President or the White House that there is some kind of a program to detect criminal tendencies in young people at a very early age. It caused an uproar in some areas. I do not know enough about it to make a judgement, but I would like to have you give us the benefit of your thinking in capsule, if you can.

Dr. ZIGLER. To say it was not a very good idea, would be the very best way I could put it. If I told you in the frankest possible way, I would say it simply would not work.

There are formulas—the Gluecks and others have worked on this concept. But the concept of developing tests is applied directly to children at the age of 6 to detect criminal tendencies is not viable. We had an idea similar to this a hundred years ago when we thought we could detect criminality by a persons' features. That can just not be done.

On the other hand, I can understand the President's listening. I think I would listen, too. We have a very serious problem in this country of juvenile delinquency and I think it is the duty of the Presi-

dent, the legislators, and for me were I to come to Washington, to listen to anything anybody had to say that might hold out some hope. But I think we have got to get away from any kind of simplistic notions that are going to get us out of the complex situation.

Senator MILLER. Would it be feasible to detect at an early age those young children either in preschool or kindergarten or early grade school who may have some mental deficiencies which might be detected at an early age and something might be done about it?

Dr. ZIGLER. Yes, but we are not talking now about juvenile delinquency. I have been in the mental deficiency area my entire professional life and I am a great believer in diagnosing what we can diagnose, and helping these children as quickly as possible so they do not have layers and layers of failure experiences built upon them. In certain areas we can do this nicely. Mental retardation is one example. Juvenile delinquency is much tougher.

Senator MILLER. How would you do it? Let us say we have a class of 100 and they are all in the second grade. Some would go to the teacher and ask if she has any children in her class that appear to have some abnormal tendencies? Would you single them out for a psychologist to examine or would you put the whole group to some kind of a test and then try to isolate them, isolate those who may need some help? How would you proceed on something like that?

Dr. ZIGLER. Well, screening really happens throughout a person's childhood and it happens at different points. For instance, we now have screening for PKU when an infant is born and we now have a way of detecting it immediately, and of saving him from a life of retardation. The screening happens there. Most of the screening later in life is done by schoolteachers and they do a pretty good job. They watch children and observe if a child is not behaving properly. Following this screening the child often receives a more sophisticated examination. He may have an emotional problem, mental retardation or speech problem. You then get services for those children following the diagnostic procedures.

It probably would be done better if we educated teachers to be more tuned in and to be better screeners.

Senator MILLER. In other words, you think we have a system. It is a matter of perfecting it.

Dr. ZIGLER. Right.

Senator MILLER. Thank you very much.

THE PERMISSIVE SOCIETY

The CHAIRMAN. Just one more thing that does concern me. You may help us and our thinking on this. Some of us are concerned about this permissive society and young people operating out of society and wanting to do everything they can, short of going to a penitentiary and staying there, to impede society in what it is trying to do and indicate they are not happy with this Nation and that sort of thing.

Now, this permissiveness had led to a great deal of law violations and a great deal of crime in this country. Do you agree with that?

Dr. ZIGLER. I believe that it has.

The CHAIRMAN. Now, it seems to me that somewhere along every person's life he must learn that when he does that which is wrong he will be punished for it. He can expect it. He might get away with it once or twice and he is probably worse off if he is not punished. As soon as he is punished on it the better off he is. The further he goes he gets on the wrong track and until he learns the error of his ways—I am no expert in child psychology, but it seems like some of the thinkers in the field who have come along since I was a child, have tended to try to promote this philosophy that you let a child go ahead and do all the mischief he wants to until he discovers for himself—without his parents ever punishing him or spanking him—that he is doing wrong.

Now, I cannot recall my father ever spanking me at all. I believe he did but he was so convincing when he did he never found it necessary to do that as far back as I can remember. And I just would be curious to know what is your thought about that general subject?

Dr. ZIGLER. Well, my thought is very simple on it. There is a principle in child development, in raising children, that I ascribe to. Anybody who knows anything would have to ascribe to it. I do believe. We call it setting limits. A child has to have limits set because a child is examining his world. He is trying to grow and develop and he is not sure what he should and should not do, and somebody must structure that for him. This is what parents are for.

People need limits set for them, too. It is not just a matter of punitiveness. It is a matter of letting an individual know what is right. A lot of the individuals we see on college campuses engaging in destructive behavior are scared to death, much like a child is scared to death when he is in the middle of a temper tantrum. What everybody needs in his life until he is fully matured, is limit setting so that he can define what is right and wrong, how he ought to behave.

This used to be a major principle in the socialization process and as far as I am concerned, it is a good, sound principle and we do it not simply to be punitive toward the child but to help a child grow and develop.

The CHAIRMAN. It would seem to me that it is well for a person to know when he has done something wrong he is going to be punished for it and when he is punished he has paid his debt. It is settled. Just do not make that mistake again. But I, for the life of me, cannot see where we are doing anything but postponing and making rosy the situation by letting someone think that he is not going to be punished for the mischief he does. Somewhere along the line, the sooner he learns he has to pay the price the better citizen he is going to be.

Dr. ZIGLER. I agree.

The CHAIRMAN. Senator Anderson?

Senator Hansen?

Senator HANSEN. I have no questions.

The CHAIRMAN. Thank you very much.

Now, we will next hear from Mr. Pierce.

STATEMENT OF SAMUEL R. PIERCE, JR., NOMINEE TO BE GENERAL COUNSEL FOR THE DEPARTMENT OF THE TREASURY, VICE PAUL W. EGGERS

The CHAIRMAN. I have a White House statement about your background here and it is very impressive. It indicates that you have done an—you are a partner in the firm of Battle, Fowler, Stokes & Kheel. Which Fowler is that? Would that be Henry Fowler?

Mr. PIERCE. No. That Fowler is dead. He died some time ago. New York firms often keep the names of partners who have done great work in the firm and have passed on. Mr. Fowler passed on some time ago. I do not believe he was related to the Fowler who was Secretary of the Treasury.

The CHAIRMAN. I see. Without objection we will include this résumé at this point in the hearing.

(The press release follows:)

**PRESS RELEASE FROM THE OFFICE OF THE WHITE HOUSE PRESS SECRETARY
APRIL 29, 1970**

The President today announced his intention to nominate Samuel R. Pierce, Jr., of New York City to be General Counsel of the Treasury Department. He would succeed Paul W. Eggers, who has resigned.

Pierce, 47, is a partner in the law firm of Battle, Fowler, Stokes, and Kheel; a member of the New York State Banking Board; and a professor at New York University Law School.

Pierce is a native of Glen Cove, Long Island. At Cornell University, where he enrolled in 1940, he belonged to Phi Beta Kappa and played varsity football. From 1943 until 1946 he served in the United States Army, attaining the rank of First Lieutenant. He then returned to Cornell, graduating with a B.A. degree in 1947 and receiving his LL.B. from the Law School in 1949. In 1952 he completed his Master of Laws in taxation at New York University School of Law.

Pierce served as Assistant District Attorney of New York County between 1949 and 1953, when he became Assistant U.S. Attorney for the Southern District of New York. He came to Washington in 1955 as an assistant to the Undersecretary of Labor. Before returning to private law practice in New York in 1957, he also served as Counsel to the Antitrust Subcommittee of the House Judiciary Committee. During 1959 and 1960 Pierce sat as a Judge of the Court of General Sessions, which has since become part of the Supreme Court of New York. Pierce's present law partnership dates from 1961.

The numerous outside activities in which Pierce is engaged include chairing the American Bar Association's Committee on Equal Protection of the Laws and acting as a labor relations consultant for Federal Reserve Board. He is a trustee of Mount Holyoke College and of Hampton Institute, and a life member of the NAACP.

Pierce is married to the former Barbara P. Wright. They have one daughter.

COMPLYING WITH CONFLICT OF INTEREST REQUIREMENTS

The CHAIRMAN. I believe Senator Williams has a conflict of interest question.

Senator WILLIAMS. Have you completely severed your connections with your law firm or made arrangements to do so?

Mr. PIERCE. Sir, I have made arrangements to completely sever my relationship with my law firm as soon as I am confirmed by the Senate and I will do the same with respect to the board of directors that

I sit on, the business boards, Prudential, U.S. Industries, Freedom National Bank, and TAW International Leasing.

Senator WILLIAMS. Do you have any contingent fees pending or anything?

Mr. PIERCE. Yes, sir, I do. I mean, I have money that is owed to me. Bills have all been sent out—and certainly some of that money—

Senator WILLIAMS. I did not mean that. I meant any contingent fees that may be based upon future settlement of a case in which your firm may be involved.

Mr. PIERCE. I have only one and that really does not involve a case as such. I have been doing a lot of work the past 2 years for the Lefrak organization, which is a construction company. And I have been working with them on a particular development in Manhattan and most of my work or my firm's work has been done. The contingent arrangement is if a redevelopment contract is entered into by the city of New York and the Lefrak organization, my firm will receive \$50,000. This will be credited to my account and I will get a part of that, depending on the finances of the firm at that time.

Senator WILLIAMS. Is that dependent upon Government decision?

Mr. PIERCE. Basically it is dependent upon a decision by the city of New York. It may also require the approval of the Regional Director of HUD.

Senator WILLIAMS. But it does not come under your particular job or anything?

Mr. PIERCE. No, sir, it would not.

Senator WILLIAMS. Now, what arrangements have you made with your law firm for the handling of future cases that it may have with the Treasury Department?

Mr. PIERCE. I would not have anything to do with any cases my law firm may have with the Treasury Department.

Senator WILLIAMS. You would separate from that if they did.

Mr. PIERCE. I certainly would. I would have nothing at all to do with it.

Senator WILLIAMS. You submitted your financial statement to the committee?

Mr. PIERCE. I have not as yet, but I have one with me. I can submit it right now. Shall I get that right now?

Senator WILLIAMS. Well, in a moment you can get it. You can give it to the staff. You have studied it, I am sure. Can you picture any conflict of interest that may exist in connection with any of your holdings?

Mr. PIERCE. No, sir. I do not believe I would have any conflict of interest at all. I really do not have very large holdings in any particular company. They are relatively small compared to the stock outstanding.

Senator WILLIAMS. We do not expect a man to be a pauper. Do not misunderstand me. I am just asking these questions. We ask them of all nominees. You will submit that to the staff.

Mr. PIERCE. Yes, I will.

Senator WILLIAMS. I have no other questions.

BALANCE OF PAYMENT DEFICIT

The CHAIRMAN. Show the witness this chart.
(The chart referred to follows:)

U.S. trade balance, 1960-69

[In billions of dollars]

	Total exports, f.o.b.	Total imports, f.o.b.	Trade balance	AID and Public Law 480, Government-financed exports	Total exports less AID and Public Law 480, financed exports	Total imports, c.i.f. ¹	Merchandise trade balance
	(A)	(B)	(C=A-B)	(D)	(E=A-D)	(F)	(G=E-F)
1969-----	37.3	36.1	+1.2	² 2.0	² 35.3	39.7	-4.4
1968-----	34.1	33.2	+ .9	2.2	31.8	36.5	-4.7
1967-----	31.0	26.9	+4.1	2.5	28.5	29.6	-1.1
1966-----	29.5	25.6	+3.9	2.5	27.0	28.2	-1.2
1965-----	26.8	21.4	+5.4	2.5	24.3	23.5	+ .8
1964-----	25.8	18.7	+7.1	2.7	23.1	20.6	+2.5
1963-----	22.5	17.2	+5.3	2.6	19.9	18.9	+1.0
1962-----	21.0	16.5	+4.5	2.3	18.7	18.2	+ .5
1961-----	20.2	14.8	+5.4	1.9	18.3	16.3	+2.0
1960-----	19.6	15.1	+4.5	1.7	17.9	16.6	+1.3

¹ CIF Imports are assumed to be 10 percent higher in value than f.o.b. imports in accordance with Tariff Commission study.

² Estimated by Department of Commerce.

Source: U.S. Department of Commerce.

The CHAIRMAN. Mr. Pierce, this question is something that will come before your Department, which has major responsibilities for protecting the dollar. That chart shows our balance of trade as traditionally measured and the way that our staff figures we are making out.

If you look at the top column, 1969, you will see that the way we figure it, we have a trade balance of a minus \$4.4 billion. Now, that does not include our unfavorable balance in tourist trade. If you add that, that is another minus \$2 billion, so we get to a minus 6.4.

Now, furthermore our investors are investing more money abroad than is being invested here. Foreigners are less happy with the investments they have made over here, so they are calling their money back home, and we are spending a lot of money for military purposes aboard. So, our net balance of payments is running at a minus rate of \$12 billion a year.

Now, it is my impression that at one time we had about \$60 billion of investments in foreign lands. But this Nation has been frittering all that advantage away for a great many years. Part of that has been under an aid program, and part of that has been a trade program where we felt it was to our advantage to let the other guy win. Of course, some of it can be accounted for by wars that we have engaged in such as the war in Korea and the war in Vietnam. We have had the administration come in here and give us a picture, a rosy picture, showing a whole column of pluses on the foreign trade field. They conclude that as a result of this we must do more of the same, but

when you add that column of pluses up, you come down at the bottom with a great big minus of \$12 billion a year. That is the way it is standing right now.

What particularly concerns this committee is we cannot keep it up. I have not checked out lately just how much more of this foolishness we can engage in before we are in such bad shape that the foreigners are just going to ring the bell and put us into an even worse situation than we are now by refusing to do business with us. But we have voluntarily frittered away our resources in this world trade picture until we just cannot afford to do it any longer.

Bob Anderson, when he was Secretary of the Treasury, came before this committee—I was a member at the time, I think Senator Anderson was, and I know Senator Williams was. He was Eisenhower's Treasurer and he said we cannot continue to do what we have done with these aid programs. The need for all this foreign aid and making these trades agreements favorable to the other guy and not favorable to us could no longer be justified. He explained at that time that it is extremely difficult to turn that thing around and get it moving in the other direction.

He had no cooperation at all from the State Department at that time. Subsequently, when Henry Fowler became Secretary of the Treasury he explained to me that when you are in as bad a shape as we were on balance of payments and balance of trade, you were not going to get out of that fix by just negotiating about it. You had to take unilateral action in areas where you could control it.

We have all the powers that we need in the executive branch to do a great deal about our unfavorable situation. But if we need laws, I believe this committee would cooperate. Here is where we stand now. We will have administration witnesses coming before this committee unless something is done about it, saying that we have a favorable balance of trade of \$1.4 billion and that that being the case, we must do more of what we are doing so as to increase our profit because we have a deficit in other areas.

Now, the fact is—look at that top figure, 1969. It is not a plus 1.5. It is a minus 4.4. They are just \$6 billion wrong. And, so, if you are losing \$4.4 billion a year, the same logic that would say you must continue more of the same if you are making a billion five would say that you must discontinue what you are doing and find a different way of doing business. And keep in mind that in the other area, the tourist movement, we are \$2 billion behind in that one also.

Now, just leave out the capital movements. We cannot keep up what we are doing just in this trade area. So, the thing will have to be turned around and headed in the other direction.

The State Department does not seem to realize that and that is why they insist on giving us this misleading information. For example, they take the wheat that we give away to India and put that down as a plus item of perhaps a billion dollars a year, let us say, just to pick a figure. Here is a billion dollars of giveaways. We do not get 1 penny for any of that. It would be better to dump it in the ocean and better yet, burn it up in the fields—I am looking at Clint Anderson, an old Secretary of Agriculture while saying that—because we are at least saving the transportation of getting it to the ocean. Pay the farmers not to harvest it and we would be better off.

They take that item and put that down as a plus \$1 billion. We have got nothing for that. You have no business counting that toward a favorable balance of trade.

Then, the easiest figures to get for trade purposes are the amounts on which you collected a duty which is collected on an f.o.b. basis. So, they take an automobile on the docks in Japan—or which you ship—or better yet, prior to reaching the docks, take the automobile when it comes off the assembly line at Tokyo, before it even reaches the Japanese port, and assess the tariff on the basis of the value at that point, although when we bring it into this country, that item includes the cost of getting it to the dock in Yokohama. It also includes shipping it over to the United States and it includes the insurance on the ocean freight. And that increases the value of that automobile by 10 percent. That is what it is costing us to import the automobile, not the basis upon which you levy the tariff.

So, if you look at it in those terms—and nearly all the major nations look at it exactly that way—what is it costing us? When you look at all the costs, not just the ports at which we assess the duty, when you crank that into a computer we are \$1.4 billion behind.

The foreigner is not going to negotiate his surplus. This deficit on our columns is where he is making his money. But when we have an overall deficit we cannot keep this up. People will no longer trust our currency if we keep it up much longer and we become a beggar in foreign trade when people invest in their own countries rather than here, trying to get people to make some trade concessions with us that they do not want to make.

Secretary Fowler said to me that the only way you can ever get out of that big a trap is to do things you can do unilaterally. Now, we cannot unilaterally increase our exports but we can unilaterally reduce our imports. With a country like Japan, they have a trade surplus of \$1.5 billion a year with us. We can tell them one of the two things. Either we are going to have to take less imports from you or else you are going to have to take more exports from us. With regard to all these trade agreements that we have negotiated where our State Department throws that like sand in our eyes, we should look upon that like other nations look upon it. A country like Japan has nothing to retaliate with us on it. There is nothing, not a thing we are getting from Japan that we cannot manufacture for ourselves. So, I would advise you to get that little pamphlet the American Federation of Labor has put out. As a matter of fact I will include it in this record. In the first speeches I made on trade, I was in favor of free trade. They found, and I found that what was supposed to have been a good deal has turned into a bad deal. When it is that way it ought to be turned around to make it a good deal.*

As I was telling you yesterday informally, as long as our representatives come before this committee and give us misleading facts and make a false presentation to us, every time they sit down to a negotiation table they are beat before they start out because the foreigners are going to take their own words and throw them back at them. "Look here, you yourself say that you are ahead by a billion five hundred million dollars a year." And a fellow cannot very well deny his own words. So, he is killed right there as far as negotiating a favorable agreement if it is negotiating we are talking about. And he cannot even justify this Government doing what it must do.

*The pamphlet referred to is reprinted as appendix A of this hearing at p. 31.

That is one of the big problems you will be confronted with, and I would urge you to fully acquaint yourself with the way Mr. Mills feels about it. I guess you saw yesterday how Mr. Burns seemed to feel about it.

Senator TALMADGE. He has been the biggest freetrader of all.

Will you yield for one observation? You mentioned this \$2 billion trade deficit with Japan. The Japanese are buying raw materials from us and selling finished products. Their labor is producing them and we are shipping them logs and cotton and things of that nature where there is little labor effort in it. It is the raw material. So their labor finishes that product and sends it back to us. In other words we have lost the job of processing that raw material.

The CHAIRMAN. Now, that is basically what our trade picture is today and one thing that concerns me so badly about this matter was that this fellow, Mr. Samuels, who came down here from the State De- and said, "Now, can you tell me what is our unfavorable balance of payments? How is it running?" He said, "About \$5 billion." Well, that is not the way we are looking upon it. The way we look at it on official settlements basis, it is running about \$12 billion. He looks upon it as us having a favorable balance of trade when we have an unfavorable balance of trade of some \$4 billion.

ENFORCEMENT OF ANTIDUMPING PROVISIONS

We are also concerned about the fact that we have certain laws such as these antidumping laws which do not advantage this Nation to have someone violate. In that area, we have found that the administration has been at odds with the Congress in trying to continue a policy of permitting dumping where the Congress by law did not intended it to be that way.

Are you familiar with that part of the tug-of-war that has been going on?

Mr. PIERCE. I know something about it, Senator. I do not pretend to know it in great detail but I have been told about it and read something of it.

The CHAIRMAN. Well, now, we have had numerous complaints that Treasury has been dilatory in handling dumping cases and unfair trade practices cases and that its decisions are often contrary to the statutes. As chief legal officer of Treasury you will have a strong voice in applying these laws and I would like to impress on you and on your colleagues how important we believe the administration of these antidumping and countervailing duty statutes are.

Secretary Fowler took some pride in the fact that under the Johnson administration it was that we first began to invoke these countervailing duties even though they should have been invoked long before that. We were at odds with the President in 1968 over his implementation of the International Antidumping Code, which we felt was in contravention to our domestic statutes. On that occasion we put an amendment before him on a bill we thought he would be compelled to sign overruling that code in every material respect and we forced the President to sign it. That is something I did not like to do. I was at that time the majority whip in the Senate. I would hope that the Treasury will not make it necessary for us to repeat that kind of thing

and that the Treasury will be aggressive in enforcement of unfair trade practices statutes, particularly in view of the fact that our balance of payments will not stand the unfair competition anyway.

It might be asking too much of you just to put this to you cold but I do think you ought to look into it and let us know if you can agree with us that these antidumping provisions and these unfair trade restrictions will be enforced.

Frankly, some of us are getting rather tired of looking upon our international representatives as being the agents for the foreign governments rather than the agents for this country. It is time that those fellows in this international area should turn in their Santa Claus costumes and put on a pair of overalls and go to work for the United States again. I, for one, am rather hopeful when you take over these responsibilities you will begin to look at it in that way.

If a domestic firm engages in price discrimination against another domestic firm, there are severe penalties in the law under the Sherman Act, the Clayton Act, and the Robinson-Patman Act. But if a foreigner engages in this price discrimination in selling to this market, the basic remedy is in the Anti-Dumping Act, which Treasury administers. There has been a tendency for Treasury to unconscionably delay its decisions on these cases. In these cases it thwarts the aggrieved domestic industries in their efforts to obtain relief. Have you any idea what you might be able to do to facilitate the administration of this unfair trade statute?

Mr. PIERCE. Well, I will say this, Senator, that I understand that there is quite a job to be done on this in the Treasury because it has been handled in a certain way for a number of years and the action is not as fast as probably it should be. The investigations take too long. Greater speed is needed. More administrative skill is needed, probably, in doing this job.

Exactly how we are going to do, I will say this. As soon as I take over the office I intend to talk immediately with Gene Rossides, who is the Assistant Secretary and in whose area this does fall, and work with him and try to improve the situation. In other words, to enforce the laws that are already on the books as fast as they can be enforced.

INCREASING IMPORTS

The CHAIRMAN. I really think that President Nixon would favor this. I know how we can have some American interests that want some of these things to be the way they are. Like the matter of the oil imports, which is controversial. I received some letters from the New Orleans Chamber of Commerce urging me to be in favor of unlimited oil imports in this country. I could not understand how that could be. You go back and check out that committee and I find they have got three or four fellows on that committee who are freight exporters. It is bankrupting our State every time they bring one of these super-tankers up and discharge it in Baton Rouge. The State itself losses 25 cents a barrel because that is what we would have gotten if we produced it in our own fields. He is doing 1 hour's work and making a fee of about \$50,000 and he goes down there and makes a persuasive case and has them vote. This kind of regulation, if pursued, would bankrupt Louisiana, but notwithstanding that, they vote this thing through, that this is what we ought to do.

I am not just speaking of the oil industry. In the situation we are in right now we cannot afford to increase the imports of anything unless we have increased exports by a matter that greatly exceeds that, and we cannot look upon even these trade agreements as being sacrosanct because anybody else would break them if he is going bust doing business that way.

I say this is the basis on which we are going to have to do business. We are 10 years late in turning this thing around. Bob Anderson was right when he was trying to turn it around and he was Eisenhower's Secretary. I think David Kennedy would look at this thing and realize we cannot keep doing business the way we are doing it. Stuart Symington is a good solid businessman. He has been very seriously concerned about this matter.

I will make you this proposition, since you come from New York. It is all right with me for you to give away every industry in New York State providing that does not affect Louisiana. But I represent Louisiana and I am sure that after you have given away most of your industries, you will recognize the mistake that you are making and you will come around and apprise yourself of the same facts I have been talking about now. We have too many people out of work down there already for me to permit you to bankrupt my State when I know very well that the policy is misguided to begin with.

Frankly, I will make the rest of them that same proposition. I do not know of anybody on this committee who is anxious to see us strip away the industry of his State, further unbalancing our payments when we cannot afford it the way it is now. I just hope that you will be vigorous in this trade area because that is one area that I think we are in extremely bad shape.

Senator WILLIAMS. No questions.

Senator ANDERSON. Do you have a financial statement?

The CHAIRMAN. Yes; he has provided it to the committee.

Mr. PIERCE. Do you want me to get that now?

The CHAIRMAN. Yes, please.

(At this point, the nominee submitted his financial statement to the committee.)

MARKING OF COUNTRY OF ORIGIN

Mr. Pierce, I think I should ask this question because the Cast Iron Soil Pipe Institute people are concerned about this matter. It has come to the committee's attention that Treasury regulations may improperly condone avoidance of the statutes requiring marking the country of origin on the imported products. I have reference to this cast iron soil pipe. Are you familiar with this matter and what is your attitude about correcting errors or defects in prior regulations?

Mr. PIERCE. I am familiar with the matter. I personally feel that if something was done wrong in the past it should be corrected if it warrants correction.

The CHAIRMAN. Then, I would suggest you look into this matter and see if you can clear it up, determine what you think is right about it, and then if it is wrong, try to correct it. Will you seek to do that?

Mr. PIERCE. I shall.

The CHAIRMAN. Thank you very much.

Any other questions?

THOUGHTS ON FREE TRADE

Senator HANSEN. Mr. Chairman, I do not have any questions but I would just like to let the record disclose my complete agreement with the philosophy you have projected here this morning. I am not an economist but I do not think one has to be to be aware of the sort of collision course we are on now. If all the nations in the world were starting out on an equal basis, I think that the concept of free trade would have great validity whereby each nation would produce those things that they are best able to produce. Theoretically we are all at peace and each nation concentrates its efforts where they can be most productive. It is a great philosophy. But the unrealistic part of it is that this is not the world we are living in.

We are paying far higher wages in this country than are paid by any other nation in the world. We assume a far greater degree of social responsibilities in the various taxes that apply to our businesses in this country and with that sort of a handicap to begin with, I can see no other end result other than we are going to continue to export America's jobs. We cannot maintain the high standard of living that the wages that our workers earn in this country contribute to and let foreign countries, who pay far less than we do, and whose taxes are far less than ours are, and whose investment in manufacturing or farming or whatever it may be is far less, bring unlimited imports over into this country.

One way that we have not been willing to make comparisons is on the basis of time. If we were to compare products that we export and the hours that are represented in that product and compare that with the number of hours that are represented by imports that come into this country or the hourly earnings, then I think we can see how disproportionate our balance of trade is. Sooner or later because of the rapidity with which news can travel, I cannot believe that for any extended period of time people in other parts of the world will be happy to work for far less than what we are earning over here. So, there may be a time coming when there will be some adjustment. But in the meantime, before that situation arrives, I suspect we are going to put more and more Americans out of work. Those who find fault with certain parts of our industry, such as the chairman has spoken of, the oil industry, are very interested in seeing that we do not have textiles imported into this country or shoes or many other things such as dairy products, that threaten a far smaller part of our labor force than would be threatened by increasing oil imports. But that is another thing when you are talking about oil, and they do not consider either the threat to our national security that I think is posed by increased oil imports or the overall effect on our national economy.

I happen to mention that because I join with my distinguished chairman in saying that this hurts Wyoming. Forty percent of all of the dollars we spend on education in the State of Wyoming comes from the oil and gas industries and I know what will happen if we continue to expand those imports into this country. We are going to have a lot of people out of work.

Now, if the people, those in the Northeast, who are so eager to increase oil imports are willing to take over the further subsidization of welfare payments in Wyoming, just continue on this course and that

is a problem we are going to have to understand because Wyoming workers are going to be out of jobs and we do not have anything else for them to do.

I am very much concerned over the direction we are taking. I think that the State Department, with all due respect to our distinguished newly nominated Secretary of HEW, who is here this morning, has a job to do and I suspect that if I were fitted with myopic glasses that would focus on international problems in the national context that should be one of their major concerns. I might be more enthusiastic about some of the positions that they have taken, but I do not share their entire philosophy in thinking that you can make any sort of concession no matter how devastating and how destructive it may be of American jobs and of American industry in order to achieve some international goals.

I just wanted to have the record disclose my very great and increasing concern that you spoke to most eloquently, Mr. Chairman.

Senator TALMADGE. Mr. Chairman, I do not have any questions. Mr. Pierce was kind enough to come by and visit with me some time ago. I think his education, his background and experience qualify him for the job for which he has been nominated.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. When did you acquire this stock in the Freedom National Bank in New York?

Mr. PIERCE. I acquired the stock over a period of years from 1964 to 1969.

Senator ANDERSON. Are you an officer or director of the bank?

Mr. PIERCE. I am a director but I will resign as soon as I am confirmed. I might say I own a thousand shares but percentagewise it is less than a percentage point of this small bank's stock.

Senator ANDERSON. What about TAW International Leasing?

Mr. PIERCE. I own 5,400 shares and again, it is much less than a percentage point of that company's outstanding stock.

Senator ANDERSON. What is TAW—

Mr. PIERCE. TAW is an international leasing company operating primarily in Africa at the present time.

The CHAIRMAN. Thank you very much, Mr. Pierce. We will look forward to working with you in your new responsibilities.

(Whereupon, the nominees were excused from the Chamber.)

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APPENDIX

The Export of American Jobs



An AFL-CIO Analysis

Statement of Andrew J. Biemiller,
Director, Department of Legislation,
American Federation of Labor and
Congress of Industrial Organizations,
Before the Committee on Ways and Means,
House of Representatives
On Pending Foreign Trade Proposals
May 19, 1970

The United States position in world trade deteriorated in the 1960s, with adverse impacts on American workers, communities and industries. The deterioration continues in the 1970s, with further displacement of U.S. production and loss of American jobs.

The basic causes are major changes in world economic relationships during the past 25 years, which accelerated in the 1960s. Among these changes are the spread of government-managed national economies, the internationalization of technology, the skyrocketing rise of investments of U.S. companies in foreign subsidiaries and the mushrooming growth of U.S.-based multi-national corporations.

U.S. government policies and doctrines, which were developed to meet world economic conditions of the 1930s and 1940s, are utterly unrealistic today. Moreover they contribute to undermining the U.S. economic position in the world. Their continuation in the 1970s spells further losses for U.S. production and employment.

Solutions cannot await additional long-range studies. Action must start now. Workers, whose jobs are at stake—from a rising tide of imports, frequently produced with modern technology at wages 50%-90% below U.S. levels—must not be told to wait another year or two or three for the findings of yet another study, while the displacement of U.S. production and export of American jobs accelerates.

Changes in world economic relationships have made two old concepts—"free trade" and "protectionism"—outdated and increasingly irrelevant. U.S. government policy must face up squarely to the increasing export of American technology and jobs by U.S. companies for their own private advantage. U.S. government policy must also face up to the reality that foreign governments directly and indirectly bar imports from the U.S., while they spur exports to the huge American market.

A thorough revision of U.S. government pos-

ture and policies, in the related areas of international trade and investment, is required. The AFL-CIO urges this committee to initiate the legislation needed to enable America to meet the economic realities of the world of the 1970s—for the orderly expansion of world trade, on a reciprocal basis, and the improvement of the U.S. trade position in the interest of the American people.

The U.S. ranks first among nations in world trade. But this rating is essentially based on the huge size of the American economy. In terms of the share of world trade, the U.S. position has been declining throughout the post-World War II period. This decline continued even after the war-ravaged economies of other industrial nations returned to world markets, and it continues at a more rapid rate today.

While U.S. exports continued to increase—although at a much slower pace than that of most other industrial countries—imports also rose throughout the past 25 years. In most of the latter 1960s, imports rose much faster than exports. Imports also increased faster than their share of the total national output of goods (excluding services and structures)—from 5.8% in 1960 to approximately 8% in 1969. For many specific industries and products, the impact is much greater than 8%.

Since imports rose much faster than exports during most of the latter 1960s, the reported merchandise trade surplus dropped from about \$5 billion in the early 1960s and \$7.1 billion in 1964, to \$800 million in 1968 and \$1.3 billion in 1969. If government-financed AID and PL 480 shipments are excluded from the reported volume of merchandise exports, the U.S. had trade deficits in both 1968 and 1969.

The U.S. trade position has been worsening in composition, as well as volume, with imports of manufactured goods—parts and components, as well as finished products—rising most rapidly.

By 1968 and 1969, the U.S. had become a

net importer of steel, autos, trucks and parts, as well as such products as clothing, footwear and glass. A flood of shoe imports absorbed the entire expansion of U.S. domestic shoe sales in the 1960s. Even in electrical and non-electrical machinery, exports increased less rapidly than imports, with clear signs of danger for the period ahead. In consumer electrical products, imports took over major parts of the U.S. market in recent years.

From 1960 to 1969, exports of manufactured goods doubled. But imports of such goods tripled. Imports of finished manufactured goods rose from about 35% of all imports in 1961 to over half of all imports in 1969. In the latter year, when imports generally rose about 8.7%, imports of finished manufactured goods soared 18%.

During the 1960s, the expansion of manufactured exports was strongest in products which are based on advanced technology, such as computers, jet aircraft, control instruments and some organic chemicals. Such industries are generally capital-intensive, with relatively few production and maintenance workers for each dollar of production.

The expansion of exports of most products was hampered by barriers of foreign governments and by the sharply increasing operations of foreign subsidiaries and other foreign affiliates of U.S. companies.

Detailed information on the job impact of imports is not available. There are some jobs involved in the transportation and distribution of imports. However, there are job losses due to imports that compete with U.S.-made products. Moreover, the labor-intensive nature of much of the great import-expansion of the 1960s has caused significant losses of job opportunities, particularly for semi-skilled and unskilled production workers—at a time when such job opportunities were sorely needed. And the shift of imports to relatively sophisticated

products has also caused the loss of skilled industrial jobs.

An indication of the deterioration of the U.S. trade position and related job-losses can be found in the substantial change in the competitive nature of imports. In the 1950s, according to foreign trade experts, only about 30%-40% of imports were considered competitive with U.S.-made products. By 1966, according to a report by Secretary Shultz to the Joint Economic Committee of Congress, about 74% of the much greater volume of imports were "nearly competitive with domestic products." About 13% of imports, in 1966, were products not produced in the U.S. and another 13% were goods "produced in the U.S. but in short supply," according to Secretary Shultz. Between the 1950s and the latter 1960s, the total volume of imports increased sharply and competitive imports, as a share of the rapidly rising total volume, approximately doubled.

Temporary factors in the 1960s can explain only part of the deterioration of the U.S. trade position. The rising price level in the U.S. since 1965 and the boom of business investment in new plants and machines undoubtedly contributed to the sharp rise of imports and the deterioration of the U.S. position.

But there are basic, underlying causes of the deterioration of the U.S. trade position. Temporary factors—the rising U.S. price level, the business investment boom and the Vietnam war—merely aggravated them.

The Chase-Manhattan Bank Newsletter for June 1969 predicted a further slippage of the U.S. share of world trade by 1973. Moreover, it predicts a slower rise of exports of "technologically advanced products," while imports of such products are expected to continue to increase rather rapidly. "Thus," states the bank newsletter, "prospects for an improved U.S. trade balance remain dim."

NEW DEVELOPMENTS IN THE 1960s

Among the major changes in world economic relationships during the past 25 years, which accelerated in the 1960s, have been the following:

1. By the latter 1950s, the war-shattered economies of Germany, Japan, etc., were revived, with newly-installed plant and equipment and increasing strength in world trade. Some effects of such American-aided revival of the war-ravaged economies on the U.S. trade position were to be expected. But these effects have not stabilized. The U.S. share of world exports of manufactured goods continued to decline in both the 1950s and 1960s.

However, the desired revival of these war-ravaged economies, in itself, can hardly be the reason for the deterioration of the U.S. position.

2. In the 1960s, another development was the emergence of trading blocs, such as the European Common Market, with its inward-looking, protectionist tendencies.

The Common Market countries have greatly expanded their world trade. As a bloc, the Common Market is now the world's greatest exporter. Yet these Common Market countries maintain barriers to U.S. exports and many of these barriers have been imposed in the past 10 years—despite U.S.-aided economic revival and increasing prowess in world trade.

These major trading nations have not significantly readjusted their trade arrangements—after achieving great export strength—to provide equitable, two-way arrangements with the U.S.

3. In the past 25 years, there has been the spread of managed national economies—with varying degrees of government management, regulation and control over economic activities, including foreign trade and investment. The U.S. is now confronted by complex governmental economic arrangements in other coun-

tries to spur exports (direct and indirect subsidies, etc.) and to bar or hold down imports (direct and indirect barriers). Examples include numerous Japanese quotas on imports, the German border tax and the Mexican border problem.

The Federal Reserve Bulletin of April 1968 reported that "some goods in which the U.S. competitive advantage is large are not freely admitted to some foreign markets. They are subject to quotas, usually stringent health and technical standards, equalization levies and other special import taxes, marketing agreements, and mixing requirements whereby stipulated amounts of local products must be used. Such restrictions have limited U.S. exports of wheat and other grains, tobacco, poultry and some agricultural products; and also coal and a wide range of manufactured products, including computers, autos, heavy electrical equipment, drugs and fabrics."

4. The internationalization of technology has been reducing or eliminating the former U.S. productivity lead in many industries and product lines.

In many products, the lead in technology and productivity, which enabled high-wage U.S. industries to compete successfully in world markets, even against low-wage competition, has been reduced or eliminated.

Deputy Undersecretary of Labor George Hildebrand explained to the National Foreign Trade Council's Labor Affairs Committee in September 1969: "It has often been assumed that high U.S. wages and better working conditions were largely offset by high U.S. productivity and a strong internal market. Increasingly, however, the spread of skills and technology, licensing arrangements and heavy investment in new and efficient facilities in foreign lands have all served to increase foreign productivity without comparable increases in wages."

Much of the U.S. technology, which has rapidly skipped over national boundary lines, has

been developed with U.S. government expenditures, at the expense of American taxpayers.

5. The sharp rise of foreign investments of U.S. firms in foreign subsidiaries—accompanied by licensing arrangements, patent agreements, joint ventures, etc., of U.S. companies with foreign firms—has contributed substantially to the internationalization of technology and its deteriorating effects on the U.S. trade position.

It is estimated that in the past 25 years, U.S. firms established about 8,000 foreign subsidiaries, mostly in manufacturing.

Direct investments of U.S. firms in foreign subsidiaries, plants and other facilities soared from \$3.8 billion in 1960 to \$10.6 billion in 1969 and an estimated \$12.7 billion in 1970—partly financed by outflows of U.S. capital, partly by plowed-back profits and depreciation of foreign subsidiaries and partly by foreign-raised capital. The outflows of private U.S. capital that have financed part of these soaring investments have been a major factor in U.S. balance of payments problems.

Foreign subsidiaries of U.S. firms and foreign companies using U.S. license, patents, etc. with U.S. technology—and, thereby, with productivity levels that are close to those in similar U.S. plants—can take maximum advantage of lower wage- and fringe-benefit costs and produce goods at lower unit costs. Many such foreign subsidiary plants, operating with American technology and know-how, pay workers as little as 15 cents an hour.

This development has displaced U.S. production. It has meant the export of American jobs to subsidiary plants of American companies in foreign countries. It has resulted in the loss of exports to third-country markets. It has meant a growing tide of imports from foreign subsidiaries into the U.S. American workers have been the losers.

6. The rapid spread of U.S.-based multinational corporations—firms with plants, offi-

ces, sales agencies, licensing arrangements, etc., in as many as 40 or more countries—is a new factor of growing importance in the deteriorating U.S. position in world trade. They can manipulate the location of operations, depending on labor costs, taxes and foreign exchange rates. They can juggle exports, imports, prices, dividends, from one country to another within the same corporate structure.

Multi-national companies attempt to use a systems approach to global production, distribution and sales. With plants and other facilities spread through numerous countries, multi-national firms can and do juggle the production of components and assembly operations, license and patent agreements, distribution and shipping and sales arrangements to maximize the gains of the firm. What finally shows up as U.S. exports and imports is, to an increasing degree, the result of intra-corporate decisions, made by the private managers of U.S.-based international companies for the private advantage of the firm.

A multi-national corporation can produce components in widely separated plants in Korea, Taiwan and the U.S., assemble the product in a plant in Mexico and sell the goods in the U.S.—with a U.S.-brand name.

Moreover, when such goods are sold in the American market, they are sold at American prices. So the American worker loses his job and the American consumer pays the same price or close to it. The beneficiaries are the U.S.-based multi-national companies.

The fact that other nations have high, and often prohibitive, barriers to U.S. exports, while the U.S. is a relatively open market for industrial goods, means that U.S.-based multi-national companies can have relatively free rein both abroad and at home, while U.S. workers' jobs, incomes and communities pay the price. No wonder that spokesmen for multi-national corporations usually advocate a free trade policy for the U.S.—freedom to manipulate opera-

tions, prices, sales, profits, etc., and to ship back whatever they wish, for sale in the U.S. market—for the benefit of the managers and stockholders of the corporation, regardless of adverse impacts on American workers, communities and the nation.

The claims of multi-national corporations that foreign investments always help to boost U.S. exports is not true. A study by the Department of Commerce, reported in the Survey of Current Business, May 1969, stated: "The great majority of U.S. parent companies (and) of foreign affiliates contributed very little of U.S. export trade. This suggests that foreign direct investments by U.S. corporations do not necessarily contribute to the export trade of these corporations."

In fact the operations of foreign subsidiaries often substitute for U.S. exports—to the countries of the subsidiary operations and to third-country markets, with impacts on job opportunities. For example, the Commerce Department reports that in chemicals, non-electrical and electrical machinery—which account for about one-half of U.S. manufactured exports—foreign subsidiaries of U.S. firms exported \$1.9 billion in 1965 to third countries, amounting to about one-fifth of all such exports from the U.S.

Moreover, foreign subsidiary operations result in increased imports into the U.S.—frequently displacing U.S. production and employment. In April 1969 Commerce Department report on foreign trade states: "The increase in imports of manufactures has resulted in part from the establishment of plants by U.S. firms in low-wage countries to produce for the U.S. market, as in the case of TV picture tubes and clothing. Precise data are not available to develop this observation fully." The report also declares: "Technology is rapidly diffused among advanced countries. European and Japanese manufacturers are penetrating the American market even in the most advanced product

areas where we have been exporting technology. The more rapid rate of increase of imports than exports implies a larger problem in future years. Some of these imports will come from foreign subsidiaries of affiliates of U.S. firms."

The growth of multi-national companies, in the 1960s, has been accompanied by the rapid expansion of international banking—much of it by U.S.-based banks. The London Economist of November 15, 1969, stated: "It is without precedent that banks should have joined forces across national frontiers to establish multi-national institutions with their own separate identities."

These international banks have been servicing and helping to finance the multi-national companies. They move money back and forth across national boundary lines "beyond the effective reach of the national monetary policies of any country," as the London Economist pointed out.

U.S.-based multi-national banks have succeeded, increasingly, in moving beyond the effects of U.S. monetary policy, just as U.S.-based multi-national companies have succeeded in juggling production, distribution and sales across national frontiers, with different laws, customs, taxes, living standards and currencies.

The spreading operations of U.S.-based multi-national companies are an important factor in both the surge of manufactured imports into the U.S. and the absolute slow-down or the slowing rise of U.S. exports in many product-lines.

Foreign trade experts are particularly concerned about the near-future impacts of foreign subsidiaries of U.S.-based multi-national corporations on exports and imports of such major commodities as chemicals, non-electrical machinery (including engines, office and metal-working machinery, construction and factory equipment) and electrical products (including generators, power machinery, motors, TV ra-

dios, household equipment and control instruments).

These multi-nationals now account for about one-half of U.S. exports. About 25% are direct transactions between the parent and subsidiaries. Probably another 25% involve the multi-nationals and their other business relations—licensees, foreign patent holders, foreign joint ventures, etc.

A similar or larger percentage of imports is also intra-corporate—involving the transactions of U.S.-based multi-national firms with their subsidiaries and other business arrangements.

These closed-system, intra-corporate transactions are hardly competitive. They are not trade. And "foreign" is hardly the word for them.

The U.S.-based multi-nationals have substantially affected the volume and composition of U.S. exports—through competition with U.S.-produced goods in third-country markets, as well as in the country of the subsidiary. They have greatly affected the volume and composition of imports into the U.S.

At the same time, a large percentage of U.S. exports is affected by the management of foreign trade by foreign governments—direct and indirect subsidies for exports and barriers to imports.

Therefore, most U.S. foreign trade has little to do with what most people consider competition. Textbook theories of foreign trade—and government policies based on such theories—are increasingly irrelevant in the real world of trade and investment in 1970.

THE IMPACT OF U.S. TRADE DETERIORATION ON WORKERS

The deterioration of the U.S. foreign trade position has obvious impacts on jobs, on collective bargaining strength of unions, on wages and labor standards in adversely affected industries.

Precise statistics on the job loss of imports are not available and estimates of the job impact of exports are only rough guesses that are clouded by the increasing complexity of trade patterns.

Unfortunately, foreign trade experts usually show little interest and even less knowledge about the employment impacts of developments in foreign trade.

One rough indication of job losses was Secretary Shultz's estimate, presented to the Joint Economic Committee of Congress, that "about 1.8 million jobs in 1966 would have been required in the U.S. to produce the equivalent value" of the 74% of imports into the U.S. that were competitive with U.S.-made products.

Secretary Shultz brought these figures up to date in his statement to this committee last week, when he said: "In 1969, if we had attempted to produce domestically goods equivalent in value to such imports, the Bureau of Labor Statistics has estimated that we would have needed 2.5 million additional workers. . . ."

These rough estimates indicate the loss of approximately 700,000 American jobs in the three years 1966-1969, as a result of the rising tide of imports that compete with U.S.-made products.

Secretary Shultz's estimates omitted the additional job losses due to the sales of foreign subsidiaries in foreign countries, in competition with the U.S.-made products. Anything like a full picture of the job-impact of foreign trade developments is lacking.

The fact of increasing job losses is clear. And recent changes in the composition of exports and imports have been a special burden on semi-skilled and unskilled production workers in an increasing number of industries and product lines.

The loss of job opportunities has occurred at a time of urgently-needed unskilled and semi-skilled production jobs, as well as skilled industrial jobs, in the U.S. labor force, which is

growing about 1.5 million persons each year. These are the blue-collar jobs that are being affected by spreading layoffs and production cutbacks.

Production and maintenance workers are being forced to bear most of the burden of the deterioration of the U.S. position in foreign trade. There are the same non-supervisory workers—including skilled employes—who bear most of the heavy burden of the Administration policy of severe economic restraint, as well as the impact of radical and rapid technological change.

Two months ago, for example, *The Wall Street Journal* provided an illustration. It reported that Zenith Radio Corporation had said it would "reduce its work force by about 3,000 jobs this year, and more than one-third of those laid off will be blacks." The chairman, Joseph S. Wright, said that, in addition to the 3,000 layoffs this year, probably another 4,000 layoffs will occur in 1971.

Why? Because Zenith is building a giant new plant in Taiwan.

The increasing export of American jobs threatens to undermine domestic living standards and the growth of consumer markets at home. When an American corporation exports American jobs, it weakens a part of its potential market. Zenith won't be selling many of its products in Taiwan. It will be paying wages as little as 15 cents an hour so none of Zenith's workers in Taiwan will be able to afford them. And, of course, the workers Zenith lays off here—black and white alike—won't be able to buy them either.

Another story, in the *New York Times* of May 12, 1970, reported from South Korea, about a Motorola plant, outside of Seoul: "Because labor is less expensive in Korea, production costs are one-tenth those of a similar plant in Phoenix."

The report stated: "George A. Needham, representative director of the Motorola Com-

pany's electronic component assembly plant on the outskirts of Seoul, told visitors to the bright, modern factory that total production costs in Korea were one-tenth of costs for similar production at Motorola's plant in Phoenix, Arizona.

"He also noted that it took two weeks less time to train Korean girls to assemble semi-conductors and transistors than to teach American girls the same job.

"The girls here are more motivated," explained Mr. Needham. "Life is tough in this country. These people really need this work."

Although this account did not report the wage levels in the Motorola plant, it noted that wages in a nearby plywood plant ranged from \$32 to \$48 a month, for six-day weeks of 10 to 11 hours of work per day.

There have been other adverse impacts on workers, as well as job losses. Imports are sometimes encouraged as a supposed "discipline" on prices. Often, the American consumer benefits not at all—the imports are sold at the American price. Or, frequently, the price differential to the customer is small and the profit margin to the business widens. The "discipline" is usually most effectively directed to the labor cost—to the workers' collective bargaining strength and their ability to negotiate improved wages and fringe benefits. For example, in 1967 and 1968, the copper imports of major corporations contributed to delaying achievement of a settlement of the strike of U.S. copper workers.

The adverse impacts of the deterioration of the U.S. position in foreign trade are much tougher and more direct on workers than on capital or top-management officials. Capital is mobile—investments can be moved out of an unprofitable business to other industries, companies and countries. Owners and top-management are more mobile than workers. In contrast, workers have great stakes in their jobs and their communities—skills that are related

to the job or industry, seniority and seniority-related benefits, investment in a home, a stake in the neighborhood, schools and church.

NEW POLICIES FOR THE 1970s

In the setting of world economic realities, in 1970, there is an urgent need for immediate action to thoroughly revise government policies affecting international trade and investment.

The choice is not between free trade and protectionist theories. Free, competitive trade relations hardly exist any longer in this world of managed national economies and the large-scale operation of foreign subsidiaries of U. S. companies. It is neither possible for the American economy to hide behind high tariff walls nor to pretend that free, competitive trade relations are possible.

There is a need to: 1) move ahead rapidly for an orderly expansion of world trade, with U. S. considerations as the starting point for U. S. policy and posture, based on the premise that trade is a complex network of interrelationships and 2) establish trade and investment policies to deal with the foreign investments and operations of U. S. companies and banks.

U. S. government measures are required:

1. To stop helping and subsidizing U. S. companies in setting up and operating foreign subsidiaries—to repeal Section 807 and similar provisions of the Tariff Code, for example, and to repeal the tax provision which permits the deferral of U. S. taxes on the income of U. S. companies from their foreign subsidiaries.
2. To supervise and curb the substantial outflows of American companies for investment in foreign operations.
3. To develop regulations covering U. S.-based multi-national companies
4. To press, in appropriate international

agencies, for the establishment of international fair labor standards in world trade.

5. As a stop-gap in the face of growing unresolved problems, to regulate the flow of imports into the U. S. of a variety of goods and product-lines, in which sharply rising imports are displacing significant percentages of U. S. production and employment in such markets.

Orderly Marketing

The need for guarding against a sharp rush of imports of any product or component—to prevent adverse impacts on American workers, communities, firms or industries—has become crucial.

The existing escape clause mechanism is woefully inadequate, as experience has unfortunately proven. Even a much-needed, improved escape clause, in itself, is not sufficient to guard against the harmful effects of a rising tide of imports on American workers and the disruption of domestic markets.

The AFL-CIO, therefore, supports the general approach of the Orderly Marketing bill, H.R. 9912, introduced by Congressman James A. Burke of Massachusetts, to stem the tide of imports through the imposition of quotas on imports of a product or component, whenever a significant share of the U.S. market in such a product or component is threatened. International agreements to accomplish this purpose would supersede the imposition of import limitations, but quotas would be established for imports from countries that are not party to the agreements.

This approach provides for the orderly marketing of articles imported into the U.S., as well as a flexible basis for allowing foreign-produced products to enjoy a fair share of the growth of the U.S. market in the product or component.

In the Trade Expansion Act of 1962, Congress recognized the concept of orderly marketing in Section 352, which provides for in-

ternational agreements on such import limitations. But this provision has not worked.

The AFL-CIO urges the Committee to adopt legislation along the lines of the Orderly Marketing bill.

The Escape Clause

The Escape Clause, under Title III of the Trade Expansion Act of 1962, has not worked satisfactorily.

Both the Administration bill (H.R. 14870) and the bill introduced by the Chairman of this Committee (H.R. 16920) recognize the need to remove the requirement to find a causal relationship between a tariff concession and the injury that results from imports. Thus, both bills would remove the burdensome, technical impediments to finding injury from imports.

However, these two bills differ on whether the imports are a "primary cause" of injury, as in the Administration bill, or a "substantial cause," as in Chairman Mills' bill. We believe that the Chairman's bill provides a more realistic test and we support it. Our concern is that imports be recognized as a cause of injury.

Both bills propose changes that affect the government's authority to reduce duties, in compensation for an Escape-Clause action. We believe that the 20% request of the Administration is too great and support the proposal of H.R. 16920, as more in line with the AFL-CIO request that this authority should be "minimal."

However, the most important cause of injury is the displacement of U.S. production and export of American jobs, while the Escape Clause deals with injury from imports. We suggest, therefore, that the relationship of injury to a decline in U.S. production be fitted into the Escape Clause and other adjustment assistance provisions.

Unfair Foreign Restrictions

The Administration has requested that the Congress strengthen the government's ability to

act, when unfair trade barriers in foreign countries are applied to manufactured goods from the U.S.

The AFL-CIO believes that such authority is contained in the 1962 Act. But it has not been operative for manufactured goods. Therefore, we urge the Congress to clarify its intent on this.

Adjustment Assistance

The AFL-CIO has consistently advocated the concept of adjustment assistance. The AFL-CIO hailed the adjustment assistance provision in the Trade Expansion Act of 1962. But due to a rigid interpretation of the Tariff Commission, this provision has been of little value. Between 1962 and 1969, there were only three findings of injury to workers; in 1970, there have been three more.

While the AFL-CIO continues to support the necessity of workable and effective adjustment assistance, we believe that it is merely a supplement to the needed, meaningful legislation on international trade and investment. Adjustment assistance is most decidedly not a substitute for such legislation. Those workers, adversely affected by trade-problems, who can be retrained and help to relocate, most certainly should have adjustment assistance. Those whose jobs have been lost through injury from imports should most certainly receive benefits. But the basic core of U.S. trade and investment policies should be aimed primarily at preventing such job losses, with adjustment assistance as a cushion for those few workers who are, nevertheless, adversely affected.

Therefore, the AFL-CIO supports the Administration's proposals for a workable adjustment assistance policy, which would provide for findings of injury by the President, with the Tariff Commission supplying factual information.

Item 807 and Similar Provisions of the Tariff Schedules

The AFL-CIO urges immediate adoption of H.R. 14188, introduced by Chairman Wilbur Mills, to repeal Item 807 of the Tariff Schedules. We also urge repeal of Item 806.30, which is a similar provision of the Tariff Schedules.

In introducing H.R. 14188 to delete Item 807 from the Tariff Schedules, Chairman Mills declared on October 3, 1969, that "item 807.00 is being exploited in a manner not originally anticipated by the Congress. If operations under it continue to expand and its use is adopted by other industries, the result will be loss of many jobs. While there may be meaningful economic operations being conducted under this provision, I am convinced that in many instances, it is being misused in some industries. Therefore, I feel the provision should be repealed until such time as the government can develop new language and assure that the operations under such a provision are economically viable and contribute to rather than damage the wellbeing of the U. S. labor force."

The AFL-CIO agrees with the Chairman of this Committee. Item 807 should be repealed. And the similar item in the Tariff Schedules, 806.30, should also be repealed.

Both Items 806.30 and 807 provide reduced U. S. tariff duties on imports which contain U. S.-produced components and which have been assembled or processed abroad. The U. S. tariff duty is applied effectively to merely the value added in foreign assembly or processing—often, to merely the very low wages of workers in the foreign operations. Under 807, the advantage to the firm is twofold. There is a substantial advantage from the utilization of American equipment and know-how in foreign assembly operations, usually combined with wages and fringe benefits that are 50% to 90% less than in the U. S., and frequently accompanied by lower taxes in the foreign

country. Item 807 adds to this a reduced-tariff subsidy.

Item 807 is one small loophole in the trade and investment structure for the advantage of U. S.-based multi-national companies. It operates as a lubricant for the growing export of U. S. capital, which is a major factor in America's balance of payments difficulties. It provides financial encouragement of foreign production, by U. S. firms, of goods that are sold in the U. S. market. It is a factor in the deterioration of both the volume and composition of the U. S. trade balance.

Like many tax loopholes, 807 and similar provisions tend to grow. Reported imports under 807 shot up from \$577 million in 1965 to \$1.6 billion in 1969. Moreover, these figures may well be understated, since multi-national firms can juggle their prices in intra-corporate transactions, for the benefit of the firm.

In addition, even the so-called U. S.-produced component, under 807, may not be what it appears. Such component may be an imported item, processed in the U. S. and assembled abroad, for shipment back to the U. S. under 807.

From 1967 to 1969, when reported 807 imports rose 77%, overall U. S. imports of all commodities increased 33.8%. Thus, 807 imports are growing at double the rate of overall U.S. imports.

The expansion of 807 operations has been phenomenally rapid since 1967, in countries like Mexico, Taiwan, other countries in the Far East as well as the lowest-wage areas of this hemisphere. Reported imports, under 807, from Mexico alone soared from \$3.1 million in 1965 and \$19.2 million in 1967 to \$145.2 million in 1969.

The operations of U. S. firms in foreign countries, with the utilization of this provision, have led to the export of one hundred thousand or more American jobs between 1967 and 1969.

At home, the U. S. government is engaging

in numerous efforts to train unemployed workers for low-skilled jobs—jobs that are now disappearing, due to recent and current economic developments. But 807 provides firms with a federal subsidy to export such assembly and production jobs for the advantage of some companies and to the detriment of the American labor force, including the most disadvantaged. Thus, while the Executive Branch has been examining the issue in these past few years, and while the National Alliance of Businessmen has been training, with federal subsidies, a small portion of the disadvantaged unemployed for jobs in U. S. plants, many companies, including NAB members, have used the encouragement of 807 to export jobs to low-wage foreign subsidiaries.

The issue of 807 involved tariff savings to the companies of approximately \$24 million in 1968, which may have increased to about \$30 million in 1969. Of the \$1.6 billion in imports under 807 in 1969, all but \$339 million were charged the duties appropriate for the imported items. Payment of the appropriate duties on the excluded \$339 million would surely not break the companies involved, but it would eliminate this specific type of federal inducement for the displacement of U.S. production and employment by runaway operations to countries whose wage levels are as low as 15 cents an hour. Moreover, it would end this federal government inducement for the export of American jobs.

International Fair Labor Standards

Labor organizations in various parts of the world, as well as the AFL-CIO in the U.S., have advocated the establishment of international fair labor standards. The development of such standards, through appropriate international channels, is essential to protect and advance living standards in the U.S. and in other nations, as well.

For years, there have been occasional dis-

cussions of this issue within the U.S. government and in international agencies. But there has been no follow-through and no action.

This issue has grown in importance, as multi-national business has been expanding its search to produce goods in subsidiaries in low-wage countries for sale at high prices in the industrial nations, particularly, the U.S.—without regard for labor standards or consumers.

The report to the President, "Future United States Foreign Trade Policy," issued on January 14, 1969, states:

"The United States should bring for review and resolution under appropriate provisions of the GATT cases of exports to this country produced under what it believes to be clearly unfair labor standards. The United States should also seek, through the GATT and the ILO and possibly other international organizations, to develop international agreement upon a workable definition of fair labor standards and upon realistic means for their enforcement."

The AFL-CIO urges the Congress to direct the Executive Branch to press for the establishment of international fair labor standards, as one essential step towards the development of a rational and socially responsible international trade and investment policy for the U.S. and all trading nations.

American Selling Price

The AFL-CIO is opposed to the Administration's proposed repeal of the American Selling Price.

The resolution on international trade, adopted by the AFL-CIO convention in October 1969, declared: "No tariff-cutting authority, beyond the authorization of the Trade Expansion Act of 1962 should be approved if there is any change of the methods of valuation of imports, such as the American Selling Price."

The Trade Expansion Act placed a 50% limit on tariff reductions. The Administration's proposed repeal of A.S.P., as negotiated, could

result in considerably greater tariff cuts for affected products. Such action, therefore, would be unfair.

* * *

In conclusion, Mr. Chairman, we of the AFL-CIO are not isolationists and have no intention of becoming isolationists.

We support an orderly expansion of world trade. We oppose the promotion of private greed at public expense or the undercutting of United States wage and labor standards. We want expanded trade that expands employment at home and abroad and that improves living standards and working conditions, here and abroad.

No single action or one-shot panacea can meet the complex issues of world trade, foreign investments of United States companies and the operations of U.S.-based multi-national corporations.

A battery of realistic policies and measures must be adopted to meet the needs of the American people in world economic relations in the 1970s.

Practical, common-sense foreign trade and investment policies are needed that promote employment and achieve decent wages and working conditions—in the United States and in every nation with which we trade.