

NOMINATIONS

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE NINETY-FIFTH CONGRESS

FIRST SESSION

ON

THE NOMINATIONS OF:

ROBERT S. STRAUSS, TO BE SPECIAL TRADE REPRESENTATIVE;
HALE CHAMPION, TO BE UNDER SECRETARY OF HEW;
RICHARD D. WARDEN, TO BE ASSISTANT SECRETARY FOR
LEGISLATION, HEW;
HENRY JACOB AARON, TO BE ASSISTANT SECRETARY FOR
PLANNING AND EVALUATION, HEW;
EILEEN SHANAHAN, TO BE ASSISTANT SECRETARY FOR PUBLIC
AFFAIRS, HEW;
BETTE B. ANDERSON, TO BE UNDER SECRETARY OF THE
TREASURY;
ANTHONY M. SOLOMON, TO BE UNDER SECRETARY FOR MONE-
TARY AFFAIRS, TREASURY;
C. FRED BERGSTEN, TO BE ASSISTANT SECRETARY FOR INTER-
NATIONAL AFFAIRS, TREASURY; AND
GENE E. GODLEY, TO BE ASSISTANT SECRETARY FOR LEGISLA-
TIVE AFFAIRS, TREASURY

MARCH 23, 1977

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NOMINATIONS

WEDNESDAY, MARCH 23, 1977

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

The committee met, pursuant to notice, at 9 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Talmadge, Ribicoff, Byrd, Jr., of Virginia, Nelson, Bentsen, Curtis, Hansen, Dole, Packwood, Roth, Jr., and Danforth.

The CHAIRMAN. The committee will come to order.

First, we will hear from Mr. Robert Strauss, nominee to be Special Trade Representative.

Senator BENTSEN. May I have the honor of introducing Mr. Strauss?

The CHAIRMAN. If you would like to, Senator. We will certainly be glad to hear from you.

Senator BENTSEN. I think there are several things that ought to be known about this fellow.

The CHAIRMAN. Do not tell everything that you know about him.

Senator BENTSEN. Mr. Chairman and members of this committee, I take a great deal of pleasure in helping to introduce my great friend, Bob Strauss and his lovely wife, Helen. I suppose there are some people who say Bob Strauss does not have any experience in trade and they are wondering why he was nominated for a job like this.

But I will tell you, a fellow who had to work with the differing views of Barbara Mikulski and Rudolf Briscoe is a master of trade. A man who had to take a Democratic Party which was \$9 million in debt, where they were disconnecting the phones, closing the offices, and settle that and make it a successful party whose credit was good is a master of trade.

Bob Strauss is a man of integrity and a man of ability, a man who comes from a State that is a great industrial State and he knows the importance of manufacturing and jobs created thereby, but also a great agricultural State. He knows when it comes to trade, the farm commodities and manufacturing products have to work together in sales to keep jobs and the balance of trade for this country of ours.

He will do a great job of it.

I recall a story about Thomas Jefferson. When they asked him what he wanted to be remembered for, he said he wanted to be remembered for his part in the Declaration of Independence, the Declaration of Human Rights for the State of Virginia, the creation of the University of Virginia, but never once did he mention the office of the Presidency.

I think that is significant because his acts were far beyond any office he ever filled. I think that is true of Bob Strauss.

I heard the Republican leaders say, when they were looking for a new chairman of the Republican Party, "If we cannot have Bob Strauss, then we ought to invent our own Bob Strauss."

I say to my Republican colleagues, "Here is your chance to have Bob Strauss."

When he gets through with this job, I think that what he does to fight for the best interests of his country will extend far beyond the title of that job, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.

Mr. Strauss, do you have a prepared statement?

STATEMENT OF ROBERT STRAUSS, FORMER CHAIRMAN, DEMOCRATIC NATIONAL COMMITTEE

Mr. STRAUSS. Mr. Chairman, I have no statement other than to briefly say to you, in an unprepared way, I come before you seeking confirmation as Special Trade Representative of this country with great pride. Of course, I will be pleased to answer any questions that anyone has.

The CHAIRMAN. I would like to put into the record a succinct résumé of some of your activities. It indicates that you have done some very fine work in the community, as well as political and business activities.

[The résumé of Robert S. Strauss follows:]

ROBERT S. STRAUSS

RÉSUMÉ

Mr. Robert Strauss was born in Lockhart, Texas on October 19, 1918. He was raised in Stamford, Texas, a small West Texas community. Mr. Strauss attended the University of Texas, receiving an LLB in 1941. After serving as a Special Agent of the FBI, he entered private law practice on January 19, 1946 and founded the firm which has become Akin, Grump, Strauss, Hauser & Feld with offices in Dallas, Texas and Washington, D.C.

Mr. Strauss served on the Texas Bank Commission from 1962 until 1968 and has been Chairman of the Board of the Valley View Bank of Dallas, Texas for the past six years. Mr. Strauss has also taken an active interest in the Strauss Broadcasting Company which operates two radio stations in Tuscon, Arizona and has real estate interests.

Mr. Strauss is a Director of Xerox Corporation, Braniff Airlines, Columbia Pictures and Wylain Corporation.

In March of 1970, Mr. Strauss was elected Treasurer of the Democratic National Committee and served through the 1972 Democratic Convention. After the convention Mr. Strauss served as Chairman of the National Committee to Re-elect a Democratic Congress for the 1972 elections.

On December 9, 1972, Mr. Strauss was elected Chairman of the Democratic National Committee. He served in this capacity until January 20, 1977, at which time, he returned to private practice of law.

In community life, Mr. Strauss has been President of Goodwill Industries, President of the Visiting Nurses Association, President of Congregation Emanuel, Vice President of the Jewish Welfare Federation, Director of the Presbyterian Hospital, Director of University of Texas Foundation, Director of Red Cross and numerous other businesses and civic organizations.

Mr. Strauss is married, the father of three grown children and has six grandchildren.

The **CHAIRMAN**. I would like to ask whether you have undertaken to study the conflict-of-interest aspects of this job as it relates to your personal holdings. What steps have been taken to assure that you would not have a conflict-of-interest problem?

Mr. **STRAUSS**. Chairman Long, I have gone into that thoroughly with respect to my own conscience; I have been over it thoroughly with the White House counsel, and I have been over it thoroughly with Mr. Mike Stern of this committee. I have fully satisfied myself, and to be absolutely certain, I created a blind trust that meets all of the standards and all of the requirements in which I placed certain assets.

The **CHAIRMAN**. There is one thing that is especially important to members of this committee. I personally led the charge on this and took the risk that it might put me at odds with the President, whom I very much respected and liked personally. We have insisted that the job for which you have been nominated be a Cabinet-level job, that it be a job where the occupant has the responsibility for trade, both to the President and the Congress, and that he have the duty to report to both of us.

It is implicit in all of this activity that this job of Special Trade Representative should involve him looking at American economic interests and American foreign policy interests and he should not compromise—if I might use the vernacular, sell out—the American economic interest for some foreign policy consideration, at least not without all factors being considered and the interests of American industry and manufacturing generally, including the service industries, having been weighed to see whether such a concession to foreign nations would be justified.

For example, any Secretary of State would like to have the power to go overseas and discuss all of our problems with foreign countries. When he would do so, undoubtedly there will be times when someone will say to the Secretary of State, we would like to help you with this matter that is of concern to the United States, but if we do that, we want you to help us on something. We want to ship more commodities into your market, we have a thriving, budding industry here. We want a trade concession to ship into your market.

Such a concession might very well mean a disaster for some American industry or some particular American company. It may be that the concession should be made, but it should not be made without that matter being referred to the Special Trade Representative and him being in a position to tell us the same thing that he tells the President in deciding whether those types of arrangements should be agreed to.

A Secretary of State or a Secretary of Treasury would like to be in a position to do those kinds of things on their own initiative. Under the law, it is not intended to be that way.

I want to ask you this: Do you have the firm understanding with the President, with the Secretary of State and the Secretary of the Treasury that you are the Special Trade Representative and the powers that are in the Special Trade Representative cannot be exercised by these other Cabinet members without first clearing it with the Special Trade Representative who has the duty to report both to the President and to the Congress?

Mr. STRAUSS. Mr. Chairman, let me take a minute to answer that. Let me first say to you and members of this committee, if you confirm me as Special Trade Representative to the United States I will fill that job. I will assure you of that.

Let me elaborate on that a bit and say that I have spent a great deal of time with the President. The President understands exactly what you said. I expressed the same concerns to him.

President Carter has very clearly outlined in very specific language what his conception of the responsibilities of the Special Trade Representative are under the act of 1974. He has spelled it out to each member of the Cabinet, and they understand it. I know, in previous administrations, there have been troubles where there have been from time to time jealousies and overreaching and overlapping. I do not think it will happen in this administration.

I expect to be the Special Trade Representative. I expect to coordinate policy and have the fullest cooperation of members of the Cabinet, and I expect to be in close touch with this committee as I report to the President of the United States.

The CHAIRMAN. Have you discussed this matter with the Secretary of State?

Mr. STRAUSS. The President discussed this matter, by memorandum, to the Secretary of State and other interested representatives. I have not had a discussion with Secretary Vance. His people understand that I do not expect any difficulty.

Mr. Chairman, I am pretty good at discharging my own responsibilities and seeing that there is no one else who discharges them for me. Of that, I can assure you.

The CHAIRMAN. Do you understand that you have a duty to report to the Congress as well as the President in the conduct of your job?

Mr. STRAUSS. I certainly do, sir. I suspect one of the reasons the President asked me to take this job is that he knows that the relationships I have had on the Hill over a long time, are strong, they are good. I think the President felt that those relationships would be meaningful to the Congress, would be meaningful to him and, more importantly, meaningful to the American public as we go about making trade policy.

The CHAIRMAN. Before we get so far down the road that there is a misunderstanding about these matters, I would think that it might be a good idea for us to ask the Secretary of State, and perhaps the Secretary of the Treasury, to meet with us and discuss this subject matter so that there can be no misunderstanding.

It had been my impression down through the years, not necessarily the Secretary of State but some persons in the State Department have felt that to achieve foreign policy objectives they ought to be in a position to make trade concessions. That might be the proper thing to do, but if it is to be done, it ought to be considered in connection with the various other objectives this Nation has, including the jobs we are providing for our own people.

What bothers me about some of these diplomatic concessions in the way of trade is this: When you try to buy somebody with a trade concession, they do not stay bought. Every deal is a new deal. You want them to vote with you in a Conference on the Law of the Sea,

so you make a deal there. The next thing you know, you have to buy them all over again because some emergency vote comes up in the United Nations. Then they want to be paid off all over again because some other matter comes up.

I am not talking about anything corrupt or improper; all I am taking about is people doing what good politicians do, seek to use all the leverage they have to get what they can for their people.

If you do not watch out, every time you turn around they will be using that same leverage all over again on you.

Mr. STRAUSS. Mr. Chairman, I understand what you are driving at. Let me say in the same context that you used the term "bought," may I say to you, sir, anything I "buy" for this country, I expect to come back and deliver it to this committee and the President.

That, I promise you. I may not buy anything; if I do, I will deliver it.

The CHAIRMAN. I will be very disappointed if you do not buy something for us. I just hope in doing it you do not pay too high a price.

Mr. STRAUSS. I will say this. It is hard to go into any negotiation, Mr. Chairman, and define where you are going to come out. It is hard to go into any negotiation where you have to make a trade and make a very good trade. I will have to rely on my commonsense, my good judgment, my experience and background hopefully together with my energy that will move it along a little bit.

The CHAIRMAN. We have heard some expansive stories from some of your friends in Texas who have referred to these types of situations. At that price, I will buy all you have to sell.

If you find a deal that is a good enough thing, you might as well be in on it. If they are willing to make us that great a deal, let us go all the way. I do not see anything like that in the offing; all I want to do is to make sure we do not get taken. That is important at this point.

Mr. STRAUSS. I understand. Let me say this to you, Senator Long. There is a great deal of work to be done, a great deal of thinking to be done, a great deal of planning to be done before we start making any kind of trade agreement. We have to get the whole negotiation moving again.

I hope my energy and background might be of assistance in that.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Thank you, Mr. Chairman.

Mr. Chairman, I want to commend the President for nominating Mr. Strauss for this position. After Mr. Strauss, more than anybody else in this country, helped elect a President of the United States, he looked forward, I know personally, of going into private life. There were many positions available in this Government; he turned each one down, insisting he get back to private life.

Mr. Strauss did not look for this job. The President realized how important this position was. He had great difficulty trying to find the right person.

When I received a call from the White House concerning the Special Trade Representative and it came around to the name of Robert

Strauss, I stated that out of 215 million people, in my opinion, he was the best man in the United States for this position.

But the only way the President could possibly get him was by bringing him into the Oval Office and by pushing Mr. Strauss against the wall. I think that is about what did happen, in answering to a call to a high public duty.

I listened to you, Mr. Chairman. I feel the same way that you do.

I think that for the record, and as a person designated by you to be the chairman of the Subcommittee on International Trade, I would like to lay out for 2 or 3 minutes, my conception of what this role really is.

This hearing should give us an opportunity to again repeat our concept of what a Special Trade Representative is.

Article I, section 8, clause 3 of the Constitution states that Congress shall have the power to regulate commerce with foreign nations. Congress is the only branch of Government which is vested with the power to regulate international trade, except to the extent that it delegates that power to the President.

Any President or official of the executive branch who ignores this fact does so at his peril. No U.S. policy with respect to international economics, whether trade negotiations or commodity policy or the administration of the unfair trade practices statutes or aid to developing countries can succeed without the full and informed support of the Congress.

While the constitutional role of the Congress is paramount, it is obvious that the responsibility for the day-to-day conduct of international economic policy must be delegated to the executive branch. Congress made such delegation in section 141 of the Trade Act of 1974, which explicitly states that this Special Trade Representative shall be the Chief Trade Negotiator for the United States; shall advise the President and the Congress on all trade matters including international commodity agreements and shall be responsible for the coordination of international trade policy among all executive agencies.

Regrettably, the Special Trade Representative has not always been able to carry out the intent of Congress. Inadequate appreciation of trade policy and rivalries within the executive branch have resulted in a confused and occasionally contradictory trade policy.

The United States during these critical times can ill afford confusion in international economic policy. The phenomenal growth of world trade during the past 10 years, the huge increase in oil prices, and the ensuing world recession are all reflections of the extent to which the welfare of the American people now depends upon a stable and growing world economy.

It is essential, therefore, that steps be taken to achieve a more coherent, international economic policy.

May I say to you, Mr. Strauss, that this committee and the Congress expects you to pursue your role as Special Trade Representative vigorously. We have given you a large charter; we expect you to use it. We expect you to assume the primary policymaking role within the executive branch in all international trade matters, not simply the Geneva trade negotiations.

We expect you to be personally responsible for the coordination between the executive branch and the Congress on international trade issues. Most importantly, we expect you to be responsible to the American people for international trade decisions.

I believe I reflect the feeling of the Senate Finance Committee in assuring you of our continuing support as you undertake to carry out the role of Special Representative for Trade Negotiations as it was intended by the Congress in the Trade Act of 1974.

I look forward to a new era in cooperation between the executive branch and the Congress on trade and international economic policy. I do believe that you are the man to bring that sense of cooperation about for the benefit of all the people of the country.

Thank you, Mr. Chairman.

Mr. STRAUSS. Senator Ribicoff, I thank you for your remarks, your overly gracious remarks. I appreciate your confidence. I assure you that I will do my utmost to discharge this responsibility fully.

All, I cannot do; but I will do my utmost.

The CHAIRMAN. Senator Roth?

Senator ROTH. Thank you, Mr. Chairman.

I would just like to make one comment with respect to Lloyd Bentsen's introduction. I share his confidence in you. If you do the same job on the other side in Europe as you did on the Republican Party, I do not think we have much to worry about.

I do think you have an extraordinarily difficult job. I think it is extremely important that we get these negotiations moving and I think that when you stop and recognize the interdependence of the economy, our economy with the world economy, we cannot overemphasize the importance of your job.

One thing that I would like to ask you, Mr. Strauss, I think it is very important in this area of international economics and trade negotiations that we have a bipartisan approach. One reason that I respect our chairman so much is that as the Trade Act moved through through the Finance Committee, we adopted not a Republican or a Democratic approach, but a bipartisan, or nonpartisan, if you like approach.

I hope that is the way it will continue to be. I am confident that it is.

Would you like to comment?

Mr. STRAUSS. I would. I appreciate your raising the question.

I have been a partisan, a strong partisan. One of the things I take most pride in is that during the partisan role I played I managed to maintain my friendships and keep my respect for and retain the respect of my Republican friends, both in the Congress and in the executive branch, and the friendship of former President Ford and Senator Dole. Mutual respect means a great deal to me.

Trade is not a partisan matter. I have been partisan and I look forward to serving my country in a bipartisan role and working with you the same way that I worked with the members of these committees, and hopefully have the same support, and I know I will have.

Senator ROTH. I might say, as ranking member of the Subcommittee on International Trade, one of my great concerns is the structure of our Federal Government with respect to trade and international economics.

The chairman has made some reference to this already. It bothers me very much in the sense that trade is a stepchild and often a matter of internal politics between the State Department and the Treasury. One reason I am so enthusiastic about your appointment is that I think you have your own personal power base.

Nevertheless, I think it is important that we begin to consider the possibility of doing what other countries have done in this area. I am not one to create a lot of new agencies, but I think the time is here that we ought to give serious consideration, Mr. Chairman—I might mention also the chairman of Governmental Affairs Committee—to the creation of a department at the Cabinet level that has responsibility for international economics and trade negotiations.

It is true in Japan, it is true in a number of your European countries. It means they put trade matters on the front burner. They do have a principal say at the Cabinet level. It does not depend on the individual who had the job.

I fear that one of the reasons why we have frankly not fared well in international trade negotiations is that we have not given it enough emphasis at the highest levels. I wonder if you would care to comment on the prospects of organizing a foreign trade Cabinet department?

Mr. STRAUSS. Senator, let me initially say it is not inappropriate to paraphrase Winston Churchill: I am not going to accept this job; if confirmed, to preside over the liquidation of the responsibilities of the job, I will tell you that.

As far as executing them under the act of 1974, of course, I do know this: I have had the full cooperation of the other members of the executive branch, Cabinet members. I expect to get that. I know of no reason why I will not.

Of course, there are overlaps. Of course, there are jealousies, petty, usually. I have dealt with that most of my life and have been guilty of some of it.

I have given it consideration. I think the President is in the process of reorganization, now, trying to reduce the number of agencies. I do not know if I can dream up a need for one of my own on the day of my hoped-for confirmation before this committee.

I might get the nomination withdrawn from the White House. I would like to delay commenting on that at this time.

Senator ROY. I appreciate your comments. I hope what the President wants to do, and what I think needs to be done, is to make the Government more responsive to our needs. Because of the growing importance of trade to the American economy, it is about time that we give some serious consideration to putting it all under one roof, under some kind of trade ministry.

I am not suggesting, as a conservative Republican, that we create a lot more bureaucracy and add a lot more Federal employees. I think if we could draw together from the various departments, headed up by an able man such as yourself, it would be a strong step forward in assuring our interests are protected.

One final question, Mr. Chairman. Or I guess that I do have two. I wonder if you have given any consideration to GATT reform? This is a matter that bothers me very deeply.

In our legislation last year, we urged the trade negotiator to move in this direction. We have not done all that we should, in all candor.

Perhaps it cannot all be done under the GATT roof. Many people suggest that the industrialized nations have to get together and renegotiate the rules of trade by themselves.

Do you have any thoughts?

Mr. STRAUSS. That is a matter that we have before us. We have outlined a number of issues; that is one of the issues.

It is not an issue that I have yet devoted time to, because I have not had the time. I assure you, sir, it is one that we will go over and give time and attention to.

If I may say in that regard, talking about everything that could and should happen under my authority, one of the things I hope to do is bring to this job skilled people who are sensitive to agriculture, to labor, to industry, and also to the need for reform in the trading structure itself.

I have been blessed with the talent of being able to bring together gifted people and talented people, and if I have the talent, it is to bring out the best in those who work with me. Usually I end up getting credit, many times, for what others should have received.

Senator ROTH. One final question.

As you state, this is a new area of endeavor for you. Lack of experience has concerned me in the past. I was critical, frankly, of one of the Ford nominations, although I think he turned out to be very able.

Since the Europeans and others have negotiators who are very experienced, knowledgeable, and have been involved in many different trade negotiations, I wonder if you would care to comment on how you intend to supplement that technical background on your team?

Mr. STRAUSS. Yes, sir.

I had hoped to make the point before this committee that, to begin with, my background is one of law and business and finance and politics. It is not a technical background in the trade area.

One of the things I asked the President when he discussed with me that I take this job was whether I would have a free hand to pick the kind of deputies that I wanted, whether I would have A-plus people if I can find A-plus people—and I will settle for no less. I need them if I am going to get this job done. I am too vain not to want them, Senator Roth.

Senator ROTH. Thank you, Mr. Chairman.

Good luck, Mr. Strauss.

Mr. STRAUSS. Thank you, sir.

The CHAIRMAN. Senator Bentsen?

Senator BENTSEN. Mr. Chairman, I think the questions have been well-stated. I have nothing further to add.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Strauss, there is a controversy with the EEC over the matters in which we should negotiate on agricultural items.

The EEC, what I am talking about is the European Economic Community. They have insisted that agriculture be segregated and negotiated on that, that all other industrial items be separate.

Many of us feel very strongly that they should be negotiated together because Europe has no great need or expectation for a few dairy products of exporting agricultural products to this country. The only way that we can get any concessions is to bargain across the

board with industrial items and that sort of thing. I believe that you are aware that American agriculture did not fare very well in the trade negotiations of 1960. Many of us on this committee were determined not to see a repeat performance in the current Tokyo round.

As a result, the Trade Act states new language, "to the maximum extent feasible the elimination or reduction of agricultural trade barriers shall be taken into conjunction with the elimination, harmonization, and reduction of industrial trade barriers and distortions.

That is the mandate of this Congress. Many, in this country and abroad, want to separate agriculture from industry in negotiations and there is a fear that the new administration is receptive to this idea.

What are your thoughts, and what is your position?

Mr. STRAUSS. Let me first dispel that fear. Let me secondly say to you, Senator Curtis, that I attempted to avoid any public statements prior to the time I came before this committee for confirmation.

I did have one interview. It was a feature story of some consequence in the New York Times this past week. In that story I stated a very firm conviction that I had that agriculture should very definitely be negotiated in the same framework as industrial products.

To do the contrary would be a vital and serious mistake. I give you my assurance that that would be the case. Number one, because it is right; number two, because failing to do it would be failing to use some of the leverage that you had in negotiating and trying to bring about a fair and equitable agreement for all the sectors of this country and the world, as a matter of fact.

Senator CURTIS. I commend you for your position. We could ask for no more. Thank you very much.

Mr. STRAUSS. Thank you, Senator.

Senator CURTIS. The European Economic Community has long favored international commodity agreements involving maximum prices and production stockpiles. Secretary Bergland recently announced that he will seek an agreement with Canada and other nations to set minimum prices for wheat export.

Could you explain the difference in the position advocated by the Secretary and the European Economic Community?

Mr. STRAUSS. I could not. I do not yet understand it well enough. To attempt to do so would be a waste of your time and this committee's time. I assure you I will know something about it soon.

I am not competent to discuss it intelligently today.

Senator CURTIS. Mr. Strauss, I am glad to support you. I think that a lawyer should be in this job. They understand adversary proceedings and lawyers have the dedication to the cause of their clients.

In a very strong sense, I feel that the workers, the businessmen, the farmers of America are your clients, and it is not an arena for diplomats. It is an arena for advocates and fighters for the cause of their clients.

Now, I am going to ask you on another matter—I assure you it is no desire to cause any embarrassment or anything else. I think when these things come up everybody should be treated alike.

Unbeknownst to me I learned several years after my last election that Ashland Oil Co. contributed \$5,000 of corporate funds to my

campaign. I did not know it; did not know anything about it. I do not know any of Ashland's officers yet—if I had known it, I would not have touched it with a 10-foot pole.

I have championed the cause of private enterprise here and I can raise all the campaign money I need without taking a nickel of tainted money. Nevertheless, that happened.

That \$5,000 was returned. I caused it to be returned to the Ashland Oil Co. I never was able to find out from them or anyplace else what happened to everybody else.

The news media reported at that time that \$50,000 was turned over to you. What are the facts in reference to that, and if any money was turned over to you, was it returned back to the Ashland Oil Co?

Mr. STRAUSS. The story that \$50,000 was donated to the Democratic Party while I was treasurer is an accurate statement, and I accepted that money. That money was reported in keeping, I believe, with the standards prevailing at the time. It was not reported in sufficient detail. It was an improper gift.

The money, to my recollection substantially all of it, has been returned now. A portion of it was paid at once; there were additional payments made. There has been a note—I do not know whether it has been liquidated or is still outstanding, with respect to those funds.

I will say this to you, Senator Curtis, of course, I regret that I received that money. I will point out to you, sir, with considerable pride and without apology, that I have been in politics a long time. I am very proud of being a politician. I have no apologies to make for it.

When I think of the sums of money that I received and disbursed for the National Democratic Party for the Presidential and other candidates, the fact that the occasion where I may have been remiss, an instance like that happening, has been very rare. I am rather proud of my record. I have no apology to make for it, sir.

Senator CURTIS. I feel the same way. I was a victim. I not only did not seek the money; I did not know that it was corporate money, did not even know that it had been given. It was properly reported by my committee.

But we did return it.

I know the circumstances in which you were given that contribution are very similar.

Mr. STRAUSS. That is correct.

Senator CURTIS. I am not pointing a finger at anybody for having been victimized as I was. I would appreciate it if you would provide to the chairman or to our chief counsel so it can be examined whatever are the facts and the evidence to support it in reference to the return of the \$50,000.

Mr. STRAUSS. I will be very pleased to do that, and will do it promptly.

[The following letter was subsequently supplied for the record:]

THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS,
Washington, D.C., March 23, 1977.

HON. RUSSELL B. LONG,
Chairman, U.S. Senate, Committee on Finance, Washington, D.C.

DEAR SENATOR LONG: May I begin by expressing my personal appreciation to you and through you to the other members of the Finance Committee for the reception I received when I appeared before you this morning. It was a proud

moment for me. May I also assure you that I am going to do my very best to justify the confidence of the members of the Committee.

You will recall Senator Curtis asked that I submit the facts with respect to the repayment of certain Ashland Oil Company contributions to the Democratic National Committee while I was its Treasurer.

In 1970 and 1971, certain contributions totaling \$50,000 were made by Ashland Oil Company executives to the Democratic National Committee which some years later proved to be corporate funds. On learning that they were corporate funds, I immediately brought the matter to the attention of our Executive Committee and our Counsel. We had an informal opinion from outside Counsel that a return of the funds was probably not legally necessary but concluded that it should, nevertheless, be paid back. During this time, a derivative shareholders action was filed against certain officers of the Company as well as the Democratic National Committee. The entire matter was settled by a voluntary judgment being entered providing that the Democratic National Committee would repay the entire \$50,000, \$7,500 in cash, and by the execution and delivery of a note payable to Ashland Oil Company in the amount of \$42,500 due and payable on or before 1983. This period of time for repayment was identical to that agreed to by certain other defendants and former officers of the Company. The check and note have been delivered.

The above represents my best recollection, the best recollection of the Controller and of the outside Counsel of the Democratic National Committee as well as our examination of the files. I trust this satisfactorily provides the information Senator Curtis desires.

Respectfully submitted,

ROBERT S. STRAUSS, *Designate.*

The CHAIRMAN. Senator Talmadge will have to leave to chair the Committee on Agriculture. He would like to make a brief statement on two subjects.

Senator TALMADGE. I appreciate the indulgence of the Chair, the committee and Ambassador Strauss. I have two statements regarding potential conferees. I would like to make the statements and then retire, because Secretary Bergland will present the administration's farm program before the Agriculture Committee this morning. That proposal is a matter of great importance.

Some weeks ago, the staff of the Subcommittee on Health informed me that they had received information indicating that the sudden resignation of John Walsh as HEW's Director of Investigations appeared to be connected to the *Flora Souza* case.

The case, which has been the subject of joint investigation and hearings by the Committee on Ways and Means and the Senate Aging Committee, involves allegations of fraud in providing home health services under medicare. It is a major case involving many hundreds of thousands of dollars.

Two of the principals, in fact, declined to testify, citing the fifth amendment.

Because officials and legislators of the State of California had been contacting Members and staff of the House and Senate on this case, it did not appear far fetched to assume that some effort was also made to contact HEW on the *Souza* case.

At a hearing on Mr. Hale Champion's nomination as Under Secretary of HEW, I therefore addressed several questions to him relating to the Walsh resignation and the *Souza* case. These questions concerned his role and that of Secretary Califano. Mr. Champion responded in writing.

The former Director of Investigations, John Walsh, upon reviewing those answers, disagreed with them in several important particu-

lars. I asked Mr. Walsh to provide a written statement as to his understanding of the events surrounding the *Souza* case and his resignation. Mr. Walsh's affidavit has been made part of the record of Mr. Champion's nomination.

In his sworn statement, Mr. Walsh says that he was told by Secretary Califano not to proceed further with his investigation of the *Souza* case until a plan of investigation had been prepared by the Acting General Counsel, Mr. Barrett, and reviewed by the Secretary. Secretary Califano states that Walsh was not instructed to hold up the investigation at the February 4 meeting but only to keep the General Counsel "informed."

Nonetheless, Mr. Peter Bouxsein of the General Counsel's office subsequently was sent to California to look into the *Souza* case which seems to indicate considerably greater involvement by the General Counsel's office than merely being "informed" by Mr. Walsh that an investigation was underway.

A second matter of concern is the ordering of the release of the workpapers and audit summary on the *Souza* case to Mrs. Souza's attorney who had submitted a request under the "Freedom of Information Act." This was an active criminal investigation and HEW proposed to release the files over the objections of its own Office of Investigations and the U.S. attorney concerned.

It is my understanding that HEW's Office of General Counsel was involved in ordering the release of that active criminal investigative file. This is the same General Counsel's office which some weeks earlier ruled that those same workpapers and audit summary could not be provided to the House and Senate joint investigation.

Mr. Chairman, heretofore, HEW has not distinguished itself in vigorous and coordinated efforts to clean up fraud and abuse in the medicare and medicaid programs—fraud and abuse which cost taxpayers billions every year. My sole concern in all of this is that no games are played which impair or impede vigorous and timely investigation and prosecution of fraudulent activities.

With that out of the way, I have no objection to immediate consideration by the committee of Mr. Champion's nomination.

The second item, Mr. Chairman, concerns Miss Bette Anderson, who has been nominated as Under Secretary of the Treasury. She happens to be a warm personal friend and constituent from my State. I am happy to have this opportunity to speak in her behalf and to endorse her nomination as Under Secretary of the Treasury.

Miss Anderson has an outstanding business background in banking, business, and industrial development. She began her banking career at the Citizens and Southern National Bank in Savannah, Ga. as a teller trainee. She progressed through various responsible positions to become assistant vice president of that bank in 1973 and vice president in 1976.

Miss Anderson is one of our Nation's leading woman bankers. Her community and professional activities include the National Association of Banking Women, of which she served as president; the Georgia Bankers' Association; the Southeastern Region of Women in Chambers of Commerce, of which she also was president; and the American Institute of Banking.

Miss Anderson's background and experience in the fields of business and finance is outstanding. She is certainly a credit to Georgia and to her profession. She is a hard worker and she has proven that her dedication to her career in no way limits her participation and leadership in worthwhile community and professional activities.

She is a rare breed of individuals who are able to efficiently and effectively coordinate several responsibilities simultaneously and I am confident that she will carry out her duties at the Treasury Department in the same able manner.

Miss Anderson is eminently qualified for this position. I congratulate her upon her appointment and urge approval by the Finance Committee and confirmation by the Senate.

Mr. Chairman, I thank you and the committee for your indulgence.

The CHAIRMAN. Senator Dole has the same problem. I will call on Senator Dole.

Senator DOLE. I would like to direct this to Mr. Strauss. I want to say that I do support you and am sure that you will do a fine job.

Mr. STRAUSS. Thank you, Senator Dole.

Senator DOLE. In our brief telephone chat, I think Senator Curtis has stressed the need for some tie with agriculture. That is a matter of great concern to those of us on the Agriculture Committee and I would hope that perhaps you are still looking around for a number two man with some background in agriculture. It would be very helpful, not only to those involved in agriculture, but to the country as well.

Mr. STRAUSS. I am, Senator Dole.

Let me also say this. I have made one choice, pending my confirmation, and advised the President who I believe this deputy should be. One of the two deputies would be Mr. Alan Wolf. Mr. Wolf is thoroughly familiar with a great number of the members of the Agriculture Committee and their staffs.

I have talked with a number of administrative assistants who have worked with him. I have talked to a number of people in agriculture who find him exceedingly sensitive to the problems of agriculture. He is the one who brought this to the forefront in my thinking as I moved through my first week's work. Agriculture has a tremendous advocate, a strong advocate, who is skilled and who is intelligent and who is vigorously alert to the problems we have had in the past.

I think he would be a strong right arm in the exercise of my responsibilities, particularly as they relate to agriculture. I will be pleased to talk to you in more detail about it.

Senator DOLE. I appreciate that very much.

I know you have a multitude of responsibilities. This is one, we believe, that affects a great many people in our country and we have a specific interest in that. I am sure it will be shared by Senator Talmadge, as we go over to hear Secretary Bergland.

As I have indicated publicly, I think you will do an outstanding job, not based upon the fact that you helped win the election, but based upon the other skills that you have and the fact that you do communicate with the people and do get along with people. You have to do that work before you can negotiate anything.

I think you will do an excellent job.

Mr. STRAUSS. Thank you, so much. I want to reaffirm one more time, Senator Dole, to you and the others two things: No. 1, the full extent to which I recognize the role of agriculture in this whole sphere and the fact that it is not just to protect the interests of agriculture, just that it cannot be done without the trust of agriculture and the position that it gives us.

Senator DOLE. Thank you.

The CHAIRMAN. Senator Moynihan, pardon me for being so long getting around to you. I think you understand that two Senators have to go to another committee. You are recognized.

Senator MOYNIHAN. Mr. Chairman, I am professionally of the view that you are always to be pardoned. I thank you.

I rise as they say, not so much to support Ambassador Strauss as to encourage him. My cherished colleague, Senator Roth, spoke of the great skills of the European negotiators in this matter. I can tell you a quick story about the last great round of negotiations, the Kennedy Round.

As you recall, the President sent this proposal to us in 1962 to the Congress. It was set down as a condition, in effect, before it was to be enacted a cotton textile agreement had to be negotiated on behalf of the textile industries in the country.

Secretary Blumenthal was made head of the delegation to this. I was a member with Mr. Hickman Price of Commerce. We spent 6 months going back and forth, to Geneva facing the clear fact that the French intended that we should not succeed. In the end our efforts would fail and so would the Kennedy Round, which would never begin.

The final day came, the penultimate day, when the French gave us their take it or leave it proposition, which they made it clear we would have to leave, because it was unacceptable. We went out to dinner thinking this would be the last time we would be in Geneva as trade negotiators.

Then for no particular reason we went back and took one more look at the French proposal to see just how bad it was. We found the French had completely miscalculated. Not only had they given us as much as we had been sent to get, but they had proposed to give us even more than we had been sent to get.

We went in the next morning, accepted their proposition to their total consternation. That is how W. Michael Blumenthal became Secretary of the Treasury.

[General laughter.]

Senator MOYNIHAN. There is a future.

I would like to say, just to embellish the remarks of your friend and colleague from Texas, if you had not existed with respect to the Democratic Party, it would have been impossible to invent you. You have done such a great service to your Nation and party.

I had the honor to be with you on the drafting of the Democratic platform, sir, and you will recall there is a clear and strong statement about international trade and a commitment in our platform, but also a statement of concern about dislocated workers and impacts upon jobs in our country.

I think it is a case that you become trade negotiator at a time when a chill wind is blowing. For the first time since Cordell Hull, it is not clear that a sufficient alinement exists between regions to push for more free trade.

I just wanted to make one point. Trade matters, from the beginning of the Republic, have always had regional implications or were to have; from time to time, the Midwest has been protectionist. That changed. The South has always been a free trade area and continues to be.

The North has shifted. There are regional consequences.

Thinking back to that long-term cotton textile agreement, I think when we look back over 14 years, the textile industry in the main has been well served. At the same time, it is clear the garment industry has not. There have been devastating declines in employment, I think in particular in my State where this has always been the center.

Forty percent of the employment in the garment industry, a huge industry, has disappeared in 6 years. And I know you will be concerned about that, sir.

I hope you will want to say something about it, to which I would like to add one other point, which is one of the reasons that the textile industry was well-served. It was well-represented in the Halls of Congress by the heads of the great firms. Your predecessor, Ambassador Dent, for example, as a textile manufacturer, came to Geneva, looked at us, watched what we were doing. This is not normally the case in the garment business. There can be very small firms.

In an odd way, there are trade unions in that industry, the International Ladies' Garment Workers, the Amalgamated Clothing and Textile Workers Union, are, in an odd way, the industrywide spokesmen. Knowing you, I am sure you would want to keep in touch with those trade unions. I would like, if you would like to take this opportunity to say so.

Mr. STRAUSS. Let me respond by thanking you, Senator Moynihan, for the very complimentary things you say. No one likes to hear complimentary things any more than me. It is good for my ego and vanity, but also as a diplomat—or trying to become one—let me say, as I sit here trying to get the votes of the Republican members of this committee, I think I have heard all I need to hear about all of the wonderful things I did to lead the Democrats to victory.

I would like to underplay that, and get on to some of the other points. I think I will be well-served.

Having been facetious for a moment, let me say I am sensitive to exactly the problem you described and to the specific situation in the garment industry. Interestingly, the first group of people I saw were representatives of that industry together with other members of the textile industry.

They came in together and formed a team of some 12 to 14 people. We spent a number of hours talking about their joint problems. I am sensitive to them, I know they exist. Of course, I have no magic wand and would not attempt to bring one here, but it will be well on my mind, as we move hopefully toward an aggressive trade negotiating program.

Senator MOYNIHAN. I thank the chairman.

Senator RIBICOFF. I think we have to be very careful. With all the stories of how protectionist the United States is becoming, this is the sort of propaganda that is coming worldwide, yet all the statistics show that the United States is the least protectionist of all of the countries.

It is all right for the Europeans and Japanese to be protectionists. When the United States starts to help its own industry, all of a sudden that becomes evil.

Let me give you a few figures. The United States has lowered tariffs to our trading partners. The current tariff rate of dutiable imports entering the United States is 8.9 percent. For the European Economic Community, it is 10.48 percent; for Canada, 14.03 percent; for Japan, 20.52 percent.

That does not include nontariff barriers.

I think that you are going to be inundated, Mr. Strauss, with all the propaganda that you cannot do this because the United States is becoming protectionist. There is no such thing anywhere in the world as free trade, nowhere.

I think what you are going to have to find is fair trade. I think the feeling you get around this table is that we expect a fair deal. No bargain is any good unless there are advantages in it for everybody. But I think we have to dispel from our thinking that we are the evil partner. We are not, as all the statistics show.

Mr. STRAUSS. Thank you, sir.

Senator Ribicoff, it seems to me—and I agree with you fully—it seems to me what we have here is a two-phased problem. I hope to approach it that way.

One, we have some immediate short-term problems that we have to address ourselves to that will be perceived one way or the other. On the other hand, we have to devise a long-term strategy for this Nation, one in which labor and business and agriculture all can rally around. We do not have that yet. I hope this administration will be able to do so as well as this committee in working with the executive branch.

The CHAIRMAN. Senator Packwood?

Senator PACKWOOD. I have no questions, Mr. Chairman.

The CHAIRMAN. Senator Danforth?

Senator DANFORTH. I have no questions.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Let me say, as a Republican, and as Mr. Strauss knows, I am solidly in his corner for reasons that may be somewhat surprising. We are fully aware of the effective job you did last fall. I am persuaded to support you because I think the talents and the ability that made so much difference last year can be used most effectively on your own when representing this country in our trade relations with the rest of the world. I already have mentioned this to you personally.

I am pleased to say that I hope I can discern ability. I think you have it. I think the opportunities that you have to serve our country well are exceedingly great. I have some figures on shoes. It would seem incongruous that I raise this issue, but being in the cow business I do admit to some interest, although not as direct as some people may suspect.

I understand the International Trade Commission has, twice within the year, unanimously concluded that imports of shoes has seriously injured the domestic footwear industry. There should be no dispute over the ITC's finding of injury.

From 1968 to 1976, imports rose from 182 to 370 million pairs, more than double. Imports penetration increased some 21.5 percent to 45.5 percent. Production fell from 642 to 445 million pairs in this country.

Employment declined from 233,000 to 170,000 workers. The unemployment rate was 11.7 percent in the last half of 1976 which is 50 percent higher than the national capacity.

In the industry, there are 200 million pairs, 30 percent of the industry's capacity. The number of firms declined from 597 firms in 1969 to 376 in 1965 and probably is less today, I am told, than 350.

Do you feel the shoe industry in this country should be assisted along the lines recommended by the ITC, if you have had a chance to examine the recommendations?

Mr. STRAUSS. Senator, I have had a chance to examine the recommendations, although I came in at the tail end of this problem. The President, as you know, has until April 9 to make a decision with respect to the acceptance modification, or rejection of the ITC recommendations.

This matter is under very active consideration right now by the various agencies involved, and I think it would be a bit inappropriate for me to comment right now.

Let me say this. I have listened to the proponents on both the sides. I have read a great deal about the case. I have been involved in lengthy and thorough discussions.

I am well aware of this problem. It is a very complex problem. It comes at a very bad time, let me say that, both for me as I step into this new job, for this administration as it prepares to leave for the Economic Summit, and for other reasons. Unfortunately, you do not pick times. They come up like pimples on your face, and you have to deal with them before you go to the party.

That is where we are.

With respect to commenting on the merits, I think it would be inappropriate at this time.

Senator HANSEN. May I relate one other concern I have?

Many of the Western States, as you know so well, include livestock raising as part of their diversified economies and I would observe—but I know I need not to you—that the cattle industry has never been price-supported as have many other segments of agriculture, but it is a fact today that the raising of cattle is in very serious jeopardy throughout the United States. I associate myself with the remarks made by Senator Ribicoff.

While many people generally believe that we are a protectionist country, the facts are the other way around. When you compare the obstacles to importing into this country as opposed to exporting abroad, it is easier to import into the United States.

In 1973, the total combined farm and ranch income in the State of Wyoming, net income for 1973, was about \$122 million. In 1974, that figure dropped down to \$62 million. In 1975, it dropped to \$14 million. The average farm and ranch in my State of Wyoming had, after paying its bills, \$1,725 left to reward the owners and the man-

agers and the operators, and oftentimes these are the same people, for his year's efforts.

The fact is, we have a very high standard of excellence in the inspection of meat products in the United States. There is nothing comparable at all in terms of the kind of inspection we have abroad.

Not too many years, I think there were only a handful of American inspectors whose responsibility it was to examine the slaughtering plants in many of the foreign countries around the world. Despite that inability of our inspectors to look at these foreign plants, imports could come into this country, and indeed have come into this country.

A number of bills have been introduced, and it has been recommended to the President, that negotiating on agricultural products should be taken from the Secretary of State's office and returned to the Secretary of Agriculture.

I really think that we ought to have in mind that livestock raising does not have the advantages or disadvantages (I like to think of them as the disadvantages), that have followed governmental intervention into the raising of crops on the farms.

It surely seems to me that now is the time when this country ought to understand very clearly the necessity of taking all such steps as can be taken to prevent the further deterioration of the cattle markets and meat markets in this country.

I have heard bankers say that as many as 14 percent of the people engaged in the raising of livestock this year may go out of business. Now, Mr. Strauss, I know of your background. I have great respect for your ability. I hope you give early attention to the disastrous condition that faces the livestock markets.

Mr. STRAUSS. Thank you very much, sir. Thank you for your remarks and facing the issue that you raised.

May I briefly say, in much broader and more general terms than you discussed it, Under Secretary John White and I had a brief discussion for about a half an hour about this problem in much more general terms than we have had here.

Thank you, sir.

Senator HANSEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

First, I want to echo the comments made by the Senator from Connecticut; Mr. Ribicoff, in regard to free trade and fair trade.

Second, I am glad to support your nomination, Mr. Strauss. I think it is an excellent appointment that President Carter made. I think that you will make an excellent representative for our country.

Mr. STRAUSS. Thank you very much, sir.

The CHAIRMAN. Let me explore one other thing with you just briefly. You may not even know about this. As a lawyer, as a man heading a political party, and as a businessman, you undoubtedly are familiar with the extent to which situations help achieve an objective. I know that when you try to raise money for the Democratic Party—and I have been at some of those occasions—we get some people together, usually we feed them a meal and try to get them in a good humor before we try to hit them up for money. The Republicans, I am

sure, use pretty much the same kind of approach, trying to soften up the prospect a little bit to get what you want done.

The State Department does that. When somebody comes to town and wants to do some business in a diplomatic way with the United States, if he is a head of state the President will have him down for dinner at the White House. If he does not rank that high, the Vice President might take him out to the Vice President's home and treat him as a guest and entertain him socially in a very nice way. When other people come, they are taken to that room up on the top floor of the State Department and are entertained.

How much money is available to entertain all these people coming over here talking about trade with the Special Trade Representative?

Mr. STRAUSS. Somewhere between \$35 and \$40.

[General laughter.]

Mr. STRAUSS. I want you to know I am already working on this.

Senator Long, I appreciate any help I can get from members of this committee. I do not even think it is \$35 or \$40, to tell you the truth.

The CHAIRMAN. At a time when you thought you were going to go back and practice law in Texas, you arranged to have a little dinner to invite the Democrats to honor their new Democratic leaders. If I do say so, I think it is the best meal I have had all year. It was really a credit to the good taste of Texas that you were able to put that on.

Mr. STRAUSS. Let me say that Texas had nothing to do with that. Not only was it one of the best meals you have had, I want you to know—I just paid the bill personally—it is the most expensive meal you ever had.

[General laughter.]

The CHAIRMAN. I want you to know I appreciate it.

Mr. STRAUSS. I want to get that on the record.

Senator CURTIS. I am glad my chairman got his meal before they passed the bill that is now pending on the Senate floor.

The CHAIRMAN. I do not think it is a secret. You said it somewhat facetiously, but I was afraid maybe you were serious when you said on that occasion, that you assumed you were going to make a living practicing law and therefore you thought you could afford to pay for that meal. Now you look like you are going to be in Government, and everyone would receive separate checks.

Mr. STRAUSS. That is right.

The CHAIRMAN. You are aware of the problem I am referring to. I do not think your people in Geneva have adequate representation allowances. Some of these pennypinching schemes can be pennywise and very pound foolish.

Here we are dealing to get export markets for the manufacturing industries and service industries involving millions of jobs.

When a lawyer goes out, trying to represent his client, or when a salesman goes out trying to make a sale for his company, he has to have enough of an expense account that he can do a job in competition with the other people. I say this as one Senator. I think I speak for the majority of us.

I urge you to compare what you have available with what your other trading partners are going to have available and come in here and ask for an adequate representation allowance. We cannot give it

to you in this committee; the Appropriations Committee would have to do it. I would be glad to go and testify for it, if you want me to. I think I could recruit some other witnesses, Senators and Congressmen.

As far as I am concerned, when I go over there or another Member of the Congress goes to see what kind of job is being done, if you want to we will pay our own way when we go over there to see what is going on in Geneva.

When other people come here, when you are doing business with people from underdeveloped nations and you need their help and support, especially in situations where they could vote one way as easily as the other, I hope the United States does not get the worst of it because we cannot pick up a check at dinner.

Mr. STRAUSS. I am surprised to hear that comment, but I am pleased with it. It is a matter that concerns me, sir, more than just a little.

Let me say with respect to that, in all seriousness, it should be done, it is a tool of diplomacy and of negotiation. Let me additionally say you know me well enough to know that I do not throw money away. The Government gave the Democratic Party \$2 million in \$1 checkoff funds to put the convention on. I enclosed \$200,000 of that to the Treasury that we did not use. We did not just spend it because we had it.

Any money I get in appropriations is not going to be spent because it is there, and you will not get it the next time if you do not blow it. We will spend as wisely as we can and as prudently as we can and get our dollar's worth for it, I promise you.

The CHAIRMAN. Thank you very much.

Senator RIBICOFF. Along your line, Mr. Chairman, I want to point out that we are talking about over \$200 billion of imports and exports. I wonder what General Motors and Du Pont have by way of entertaining allowance and representation on \$200 million worth of business.

The point you make is most pertinent.

Mr. STRAUSS. Thank you.

The CHAIRMAN. Thank you very much.

Are there any further questions?

Thank you very much.

Mr. STRAUSS. Thank you, Mr. Chairman and members of the committee, for your warmth and the gracious way that you received me. I am very grateful to you.

Senator RIBICOFF. Mr. Chairman, it becomes very obvious that everyone here is for Mr. Strauss, and I think there is no sense in waiting for an executive session.

I move that the committee approve Mr. Strauss for the position of Special Trade Representative and authorize the chairman to refer the matter to the floor, and report it to the Senate floor.

Senator BYRD. I second it.

Senator CURTIS. Mr. Chairman, I would not oppose the motion. I think Mr. Strauss would do a good job. I know what a heavy load the committee has and how difficult it is to have another meeting. Therefore, I will not oppose the motion; in fact, I will support it. But I will object to the matter coming up on the floor prior to the information we asked for here.

In order to save time, I will not hold up the proceedings here.

The CHAIRMAN. All in favor, say "aye."

[A chorus of ayes.]

The CHAIRMAN. Those opposed, "no."

[No response.]

The CHAIRMAN. The ayes have it.

This matter involving Mr. Hale Champion was a matter that Senator Talmadge, with the aid of the Finance Committee staff, said should be explored and it seems to me that that matter has been carefully looked into by Senator Talmadge, with Mr. Califano making known what he knows about the matter.

Are there any further questions that the Senators want to ask Mr. Champion about this matter?

Senator CURTIS. No; but I would like to question Mr. Califano before any more action is taken in this area.

The CHAIRMAN. Well, then, why do we not send word to Mr. Califano that we would hope he can make himself available to us this morning. Perhaps we can clear up the matter.

As far as I know, Senator Talmadge is satisfied. Those on the staff that noticed what appeared to be a discrepancy between the testimony of two witnesses are now fully satisfied about the matter. I do not see any point in interrogating Mr. Champion about that matter.

Mr. Moynihan?

Senator MOYNIHAN. Mr. Chairman, I would simply like to say that it seems to me that this is a very happy conclusion. We are all grateful to Chairman Talmadge for his generous and sensible concern. Those who have known Hale Champion, over the years have known him to be a transparently honest, impeccably honorable man.

We are vastly encouraged that he has come to Washington, and are happy at a sensible outcome.

Senator NELSON. Mr. Chairman, I would like to endorse what Senator Moynihan just said. I have known Mr. Champion personally and well for 30 years: When he was a reporter in the State of Wisconsin; when he was on Governor Brown's staff; and when he was at the University of Minnesota and Harvard University.

He is an able, distinguished, and honorable gentleman. I am happy to endorse his appointment.

Mr. CHAIRMAN. If there are no further questions of Mr. Champion, he will be excused as a witness.

Mr. CHAMPION. Thank you very much.

STATEMENT OF BETTE ANDERSON, VICE PRESIDENT, THE CITIZENS & SOUTHERN NATIONAL BANK, SAVANNAH, GA.

The CHAIRMAN. I would like to move on with the other Under Secretaries before we get further down the line. That being the case, if there is no objection, I would like to call Ms. Bette B. Anderson, nominated to be Under Secretary of the Treasury.

I will ask that a biographical sketch of the activities of Ms. Anderson appear in the record at this time.

[The biographical sketch of Ms. Bette Anderson follows:]

BETTE B. ANDERSON, SAVANNAH, GA.

COMMERCIAL BANKING

Business experience

The Citizens & Southern National Bank, 1947 to Present, Savannah, Georgia 31402; Vice President, 1976; Assistant Vice President, 1973; Banking Officer, 1970; Cashier, 1969; Assistant Trust Officer, 1968; Assistant Cashier, 1960; and Teller Trainee, 1947.

Community and professional activities

Oglethorpe Business and Professional Women's Club; United Community Appeal—Division Chairman, 1967, 1972; Chamber of Commerce—Director, 1967; Georgia Bankers Association—Women's Committee, 1967-68; Southeastern Region Women in Chamber of Commerce—President, 1967; American Institute of Banking—Educational Committee, 1968; Savannah Arts Festival—Chairman, 1969; American Cancer Society—Treasurer, 1970-75—National Association of Bank Women; Regional Vice President, 1970-71; Chairman, National Legislative Committee, 1972-73; President and Trustee, Educational Foundation, 1974; Chairman, National Advisory Committee of Educational Foundation, 1975; Nominee for National Vice President, 1976; and President, National Association of Bank Women, 1976-77—Robert Morris Associates; Bank Marketing Association; Savannah Council of Girl Scouts—Board Members and Finance Committee; 1972-75; Secretary, 1975; German Country Club, Savannah Yacht and Country Club, and Elks Aldmore Auxiliary.

Education

Georgia Southern College; Armstrong State College; and Rutgers University, Stonier Graduate School of Banking.

Personal data

Age 48; Married; One Child; and Excellent Health.

The CHAIRMAN. Have you looked into the conflict-of-interest problems involving your business affairs as well as the job that you will be holding, if confirmed? Are you satisfied that you have made adequate arrangements to assure that there is no conflict between the duties you will be exercising and your personal affairs?

Ms. ANDERSON. I have, Mr. Chairman.

The CHAIRMAN. You have discussed this matter with our staff?

Ms. ANDERSON. Yes; I have, as well as with the White House.

The CHAIRMAN. Would you give us a little detail as to what you have done in that respect?

Ms. ANDERSON. All right, this blind trust has been created in which my stocks have been placed at the Citizens National Bank. I have also furnished a statement to the Treasury Department that I would remove myself from any decision that would have to be made concerning that bank.

The CHAIRMAN. Do you have any prepared statement you would like to make to the committee?

Ms. ANDERSON. Yes, I do.

I was deeply honored when President Carter nominated me for the position of Under Secretary of the Treasury. If confirmed by the Senate I look forward to working with the Secretary of the Treasury, Mr. Blumenthal. While I have only known Mr. Blumenthal for a few months, his great intellectual capacity and personal charm and sound judgment convince me that he will be a truly outstanding Secretary of the Treasury.

I certainly intend to dedicate myself completely to becoming an effective part of his team.

I would like to briefly mention some of the goals that I have set for myself if I am confirmed as Under Secretary. First, I want to improve the communication between the bureaus that I will have responsibility for managing and the offices that will be managed by the Under Secretary with the Congress and the public at large.

Second, I have studied the organization of the Office of Under Secretary and I am convinced that the organization can be made more efficient, economical, and responsive with some changes.

As you know, the Under Secretary now has the responsibility for managing the Customs Service, the Secret Service, the Mint, Bureau of Engraving and Printing, Federal Law Enforcement Training Center, and the Bureau of Alcohol, Tobacco, and Firearms.

The Under Secretary is also responsible for enforcement of the countervailing duties statutes and foreign asset controls. Also, the Assistant Secretary for Administration reports to the Under Secretary.

It is vitally important that these various bureaus and offices be made responsive to the overall determinations of the Carter administration and the leadership and policy established by Secretary Blumenthal and his team at Treasury.

Third, I am particularly concerned by our unfair trade practices—how they have been enforced in the past. If confirmed as Under Secretary, I will arrange for an outside audit of Treasury and Customs past enforcement activities in the unfair trade areas. I will ask for particular care in examining Treasury and Customs performance in assessing special dumping duties and monitoring discontinued cases.

I will also propose organizational changes which should improve enforcement performance in these areas.

Lastly, I do not intend to be swallowed up by policies and prejudices formulated by prior administrations. By this, I mean I promise not to accept, uncritically, past policy positions and then go forth to battle for the Treasury position.

Of course, I need and welcome your help. The Treasury needs and welcomes your help, so we can do the best job possible for the mission that has been given to Treasury.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I have no questions. I shall support her.

The CHAIRMAN. Senator Moynihan, do you care to ask any questions?

Senator MOYNIHAN. Only to welcome the Under Secretary. We look forward to working with her.

That was a very useful and helpful statement.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. I have no questions.

I intend to support you.

The CHAIRMAN. Mr. Packwood?

Senator PACKWOOD. No questions.

The CHAIRMAN. Mr. Danforth?

Senator DANFORTH. No questions.

The CHAIRMAN. Mr. Byrd?

Senator BYRD. No questions.

The CHAIRMAN. When I made one of my first speeches in the Senate, Mr. McClellan was working on the Appropriations bill. I wanted to speak against a bill and Senator McClellan eased up to me.

He said, young man, I am anxious for you to help me. I really appreciate it. If it is all the same to you, would you mind making your speech after the vote? I can see I have the votes right now. It is my impression that when you have the votes, you go ahead and vote. While you are here, we will proceed.

Thank you.

All in favor of recommending that this nominee be confirmed, say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no?

[No response.]

The CHAIRMAN. The ayes have it.

Senator RIBICOFF. I ask unanimous consent that I be able to submit on behalf of Senator Sam Nunn, a statement on behalf of Bette B. Anderson. Senator Nunn was engaged in chairing another committee.

The CHAIRMAN. Without objection, agreed.

[The material to be furnished follows:]

STATEMENT OF SENATOR SAM NUNN

Mr. Chairman, it is a distinct pleasure for me to appear before you to introduce President Carter's nominee for the position of Undersecretary of the Treasury Department, my good friend, Bette Anderson.

I was particularly pleased to learn of Bette's appointment because of my confidence in her qualifications and my knowledge of her outstanding background in the commercial banking industry, in particular. In short, Mr. Chairman, I am honored to appear today to strongly endorse her nomination.

Bette began her banking career in 1947 as a teller trainee with the Citizens and Southern National Bank in Savannah, Georgia. Her rise to the position of Vice President of this bank is a tribute to her personal initiative, dedication and intelligence and I believe, an important example to young women throughout the nation.

As a leader in the banking community in the southeast, Bette Anderson has helped formulate realistic and practical programs to encourage the employment and promotion of qualified women within this profession. She is a former President of the National Association of Bank Women and of the Southeastern Region Women in Chambers of Commerce, a member of the Georgia Bankers Association and she has been extremely active in the American Institute of Banking. While her dedication other profession and its related organizations has been remarkable, she has managed to actively participate in many civic and charitable endeavors such as the United Community Appeal, the Savannah Arts Festival, the American Cancer Society and the Savannah Council of Girl Scouts.

President Carter was elected with a mandate to streamline the management of the federal government so as to accomplish a more effective and efficient administration of the various federal programs. In order to accomplish this goal the President must seek out and attract the most qualified administrators to assume this onerous task and, in Bette Anderson, he has unquestionably succeeded.

In summary, Mr. Chairman, I know Bette Anderson to be a woman of competence, integrity and initiative. Her background, intellectual capabilities and personality are of the highest order and insure that she will prove to be a truly outstanding addition to the administrative team at the Treasury Department. I have no doubt whatsoever that Bette Anderson will serve this Country in exemplary fashion. Therefore, Mr. Chairman, I commend her to you highly and I urge my colleagues on this Committee and in the Senate as a whole, to expeditiously confirm her nomination.

The CHAIRMAN. Next, I will call Mr. Anthony M. Solomon, nominated to be Under Secretary for Monetary Affairs.

Mr. Solomon, I ask that a statement reviewing some of your biographical achievements be placed in the record at this point.

[The biographical data of Anthony M. Solomon follows:]

BIOGRAPHY OF ANTHONY M. SOLOMON, SOUTHDOWN FARM, GREAT FALLS, VA.

- 1975-76—Private investor, sculptor and founding a criminal justice foundation.
- 1974—Consultant to State Department.
- 1974—Consultant to the Council for International Economic Policy.
- 1972-73—Special Consultant to the House of Representatives Ways and Means Committee.
- 1969-72—President of The International Investment Corp. for Yugoslavia, London.
- 1965-69—Assistant Secretary of State for Economic Affairs.
- 1963-65—Deputy Assistant Secretary of State for Latin American and Deputy Assistant AID Administrator for Latin America.
- 1963—Special Consultant to President Kennedy as Chairman of Mission to U.S. Trust Territory Pacific Ocean.
- 1963—Consultant AID as Chairman of Aid Mission to Bolivia.
- 1961-63—Lecturer and Member of Faculty, Harvard Business School.
- 1954-61—President of Rosa Blanca Products Corp., Mexico.
- 1951-53—Publisher First National Industrial Directory of Mexico.
- 1950-51—Bache and Co., Wall Street, New York.
- 1948-50—Doctoral thesis.
- 1946-48—Harvard U., M.A. in Economics and M.P.A.
- 1942-46—Member of American Financial Mission to Iran.
- 1941-42—Junior Economist, O.P.A.
- 1941—B.A. in Economics, U. of Chicago.

**BIOGRAPHICAL NOTES (CHRONOLOGICAL) ANTHONY M. SOLOMON—
SUPPLEMENTARY**

Anthony M. Solomon, 57, nominated by President Carter to be Under Secretary of the Treasury for Monetary Affairs, first came to Washington in June 1941, after graduating Phi Beta Kappa from the University of Chicago.

He began his government career as a junior economist, when he placed second highest in a nationwide civil service examination for economists.

In January 1942, Mr. Solomon was sent to Iran as a financial supervisor for the War Department where he worked on controlling expenditures relating to the construction of the route for hauling American lend-lease supplies to Russia.

In 1943, he joined the American Financial Mission to Iran and was later named Director General of Finance for Southwest Iran. The Southwest included the major Iranian ports as well as the oil fields and refineries of Iran. Mr. Solomon was in charge of tax revenues and budget of that area, and oversaw expenditures of all agencies.

He returned to the U.S. in 1946 to get a Master's degree in economics and a Master's degree in Public Affairs at Harvard, and completed his doctoral thesis in 1950.

That same year he joined the Wall Street firm of Bache and Co., where he was a securities analyst.

In 1951, he moved to Mexico City to become the publisher of the first National Industrial Directory of Mexico. He left in 1953 to become president of the Rosa Blanca Food Products Corporation of Mexico, a business he continued in until 1961 when General Foods bought the company.

Mr. Solomon returned to Harvard, where, from 1961 to 1963 he taught international economic relations and also initiated a new course on the interaction of Government and Business in Latin America.

Subsequently in 1963, he served for the Bureau of the Budget (now the Office of Management and Budget) as Chairman of the Agency for International Development (AID) Mission to Bolivia, advising on budget and finance. Then he was appointed Special Consultant to President Kennedy as Chairman of the Mission to the U.S. Trust Territory of the Pacific Islands.

Later that year—1963—he was named Deputy Assistant Secretary of State for Latin America, and Deputy Assistant AID Administrator for Latin America. As Deputy Assistant Secretary, Mr. Solomon directed the structuring and negotiation of the major Latin American Program loans under the Alliance for Progress.

During this time he also headed the U.S. Delegation to the Paris Club in the multinational rescheduling of debts in Latin America.

In 1965 Mr. Solomon was made Assistant Secretary of State for Economic Affairs, continuing in this position until 1969.

As Assistant Secretary of State, he was responsible for matters involving international trade and investment, commodity problems and agreements, monetary affairs, U.S. commercial and business interests abroad, negotiations of international aviation routes for U.S. airlines and problems of U.S. shipping lines.

He also acted as State Department liaison for all international financial institutions, such as International Monetary Fund, World Bank, Inter-American Development Bank and other regional banks, as well as liaison on all Export-Import Bank loans.

Mr. Solomon was a member of the 5-man Committee appointed by President Johnson to advise Secretary of the Treasury Henry H. Fowler on reforming the international monetary system. It was this group that developed, after almost 2 years' work, the new international reserve asset known as the SDR (Special Drawing Rights).

As Assistant Secretary of State, Mr. Solomon acted in behalf of U.S. businessmen when their holdings in foreign countries were expropriated, and he handled U.S. interests in international antitrust matters.

In 1969, at the request of World Bank President Robert McNamara, Mr. Solomon agreed to serve as President and establish the International Investment Corporation for Yugoslavia. With an initial capital of \$12 million and 55 major banks as the stockholders, the Investment Corporation was designed to organize joint ventures between private business interests in the United States, Japan and Western Europe, and Yugoslavian enterprises.

It was a demonstration to show that private enterprise could enter into profit-sharing joint ventures in non-market economies where foreign private investment was welcomed. In this initial period when Mr. Solomon served as President, between \$200 and \$300 million in financing was arranged for these joint ventures, often involving the Eurodollar market and private bank loans as well as financing from the IFC of the World Bank Group.

Mr. Solomon in 1972 assisted the Chairman of the House Ways & Means Committee in developing trade legislation, and remained with the Committee until late 1973 when the bill was reported out of Committee which, after modification by the Senate, became the Trade Act of 1974.

Subsequently, in 1974, he served also as a consultant to the Council on International Economic Policy and proposed changes in the foreign aid program to encourage the development of small businesses in developing countries. In addition, he advised the State Department on establishing an international commodity program that would meet the needs of both exporter and importer countries.

During 1975 and early 1976 he worked as a sculptor.

Since March 1976 Mr. Solomon has been devoting most of his time to investigating and then to establishment of the Nicky Solomon Foundation for Criminal Justice to improve the functioning of the criminal justice system in the Washington area. It is now being launched under its President, Charles Work, who is also President of the District of Columbia Bar Association.

Mr. Solomon was born in Arlington, New Jersey on December 27, 1919 and is married to the former Constance Kaufman. They have two living children, Adam, 24, employed with the state government of Wisconsin, and a daughter, Tracy, 17, a high school senior.

STATEMENT OF ANTHONY M. SOLOMON, SOUTHDOWN FARM, GREAT FALLS, VA.

The CHAIRMAN. I would like to ask you, have you looked into the potential conflict-of-interest statutes and practices and undertaken to arrange to see that those requirements would be satisfied?

Mr. SOLOMON. Yes; Mr. Chairman.

I have gone over this thoroughly with Mike Stern as well as with the White House and in regard to security holdings that I have, they are virtually entirely in a limited partnership run by a group of gen-

tlemen in New York. It was a view of counsel that if they were instructed when they send me the annual partnership statement not to advise me which securities had been held either in the past or at that date, that that would be more than sufficient to create the equivalent of a blind trust.

I sent a copy of those letters to Mr. Stern, and to the White House, and the general partners of that concern in New York have made that commitment.

The only other matter that I have is, although as a level 3 employee I am not required to divest myself of U.S. Government bonds, I do have a substantial holding of long-term U.S. Government bonds. The White House advised me I should retain them and not sell them, as long as I was in service for the Government.

Most of my other interests are in real estate, limited partnerships, and the committee has a full disclosure of that. There are no conflicts of interest that I can see.

The CHAIRMAN. Are there any questions?

Senator CURTIS. No questions.

The CHAIRMAN. All in favor of the nominee, say aye?

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. The ayes have it.

Next we will call Mr. Henry Jacob Aaron, nominated to be Assistant Secretary for Planning and Evaluation.

STATEMENT OF HENRY JACOB AARON, WASHINGTON, D.C.

The CHAIRMAN. Mr. Aaron, have you undertaken to arrange your affairs to meet any conflict-of-interest problem in regard to any conflict of interest?

Mr. AARON. My holdings are too small to constitute any conflict. I have submitted the information to Mr. Stern and the White House.

The CHAIRMAN. I ask that your biographical sketch appear in the record at this point.

[The biographical data of Henry Jacob Aaron follows:]

RÉSUMÉ OF HENRY AARON

Personal

1326 Hemlock Street, NW., Washington, D.C. 20012, 202-829-7140.

Education

Ph. D.—Economics, Harvard University, 1963; M.A.—Russian Regional Studies, Harvard University, 1960; and B.A.—Political Science and Economics, U.C.L.A., 1958, Phi Beta Kappa.

Recent experience

Senior Fellow, The Brookings Institution, September 1968–January 1977. Research on federal housing policies, welfare reform, property taxation, income tax indexing, and the use of research in the formulation of public policy on human resources. Resulted in four books, one manuscript, and congressional testimony.

Professor of Economics, University of Maryland, September 1967–January 1977. Taught courses in public finance, macroeconomic theory and policy, the economics of poverty and discrimination, and the theory of collective decisions.

Chairman, Panel on the Housing Allowance Experiments, Department of Housing and Urban Development, 1975–1977. Chairman of external interdisciplinary panel to monitor the progress of the housing allowance experiments, evaluate the research reports prepared by the principal contractors in order to

assist HUD in determining how these reports should be used in the formulation of policy and the contractors in modifying research methods.

Visiting Professor of Economics, Harvard University, Fall 1974. Taught courses in public finance and the economics of income distribution.

Other experience

Research Associate, The Brookings Institution, July 1967 to September 1967. Research and preparation of manuscript with Joseph A. Pechman and Michael K. Taussig, *Social Security: Perspective for Reform*, The Brookings Institution, 1968.

Senior Staff Economist, The Council of Economic Advisers, July 1966 to June 1967. Staff work in taxation, human resources, and income maintenance.

Abt Associates, 1973 to 1977—on the housing allowance demand for administration agency experiments, and property tax relief for the aged; on property taxation; on shelter costs; on measurement of in-kind income.

Participant, Workshops on Education for a Changing Society, Aspen Institute, 1975, 1976.

Urban Institute, 1973-1975—various projects.

Advisory Board, American Bar Association, Correctional Economic Center, 1974, 1975.

Organization for Economic Cooperation and Development—workshops on microeconomic research on government expenditures, 1972; Exploratory Meeting on Research on Income Redistribution and Maintenance, 1974.

RAND Corporation, 1973—on housing allowance supply experiment.

Booz Allen and Hamilton, 1973—on California Work Experience Program.

National Science Foundation—member of panel to review applications for economic grants, 1971-1973.

Resource Manpower Corporation, 1966 to 1972—on various aspects of poverty, manpower training, and income maintenance.

Department of the Treasury—on problems and methods of compiling a "tax-expenditure budget" (1968), and the value-added tax (1970).

Planning Research Corporation, 1967-1969 county budgeting for U.S. overseas operations.

Council of Economic Advisers, 1967-1969.

Agency for International Development (Brazil)—on the impact of Brazilian government expenditures income distribution, 1968.

Department of Health, Education, and Welfare—on the Panel on Social Indicators, authored draft on Learning for the proposed Social Report, 1968.

Instructor in Economics, Department of Economics and International Tax program [School of Law], Harvard University, 1963 to 1966.

Assistant to Robert A. Wallace, Assistant Secretary of the Treasury, June to September 1961.

Department of Housing and Urban Development. Consultant on property taxation (1967), Task Force on Improving the Operation of Federally Insured Housing Programs (1972).

Council of Economic Advisers, State of Maryland, Member, January 1969 to 1975. Consultant to the Governor of Maryland on economic aspects of state tax, expenditure, and regulatory policies; member, Commission to Study the State Tax System, 1969, 1970.

Publications

Six books and thirty-six articles on such subjects as inflation and the income tax, property taxation, welfare reform, housing policy, tax policies affecting investment, revenue sharing, theory of transfers, tax incentives, theory of public goods, social security, value added taxes, the determinants of poverty, rent control, inflation and economic development, measurement of tax burdens, and the income maintenance experiments.

The CHAIRMAN. The biographical sketch details a considerable background in the academic world and study in the areas in which you are dealing.

Senator Curtis?

Senator CURTIS. I might ask, how old are you?

Mr. AARON. Forty years old.

Senator CURTIS. How long have you been with Brookings?

Mr. AARON. I joined in September 1968. I also worked there during the summer of 1967.

Senator CURTIS. What was your employment before that?

Mr. AARON. I taught full time for a year at the University of Maryland. I worked with the staff of the Council of Economic Advisers for the years 1966-67, about six months in each year.

Senator CURTIS. I have no further questions.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. I have no questions.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, I welcome the opportunity to ask Dr. Aaron a few questions. I do so as chairman of the Subcommittee on Public Assistance of this committee.

Dr. Aaron, I believe it is the case that you have taken charge of the welfare reform study that Secretary Califano has directed to go forward?

Mr. AARON. Yes, sir.

Senator MOYNIHAN. Dr. Aaron, you are familiar, I assume, with the Democratic platform provisions on welfare reform?

Mr. AARON. I have not read them in the last few weeks, but I did last year when they were put out.

Senator MOYNIHAN. You would not mind my asking you if you might read them in the next few weeks?

Mr. AARON. I certainly do not mind, and I promise to do so.

Senator MOYNIHAN. You do recall from your reading that the platform states we should move toward replacement of our existing, inadequate and wasteful system with a simplified system of income maintenance, substantially financed by the Federal Government, which includes a requirement that those able to work be provided with appropriate available jobs or training opportunities?

Mr. AARON. Yes, sir.

Senator MOYNIHAN. The President of the United States not only ran on this platform but specifically endorsed this plank—it is a longer plank, of course—in Buffalo in October of last year. Do I take it that you regard this as the basic objective that your Department's proposal is designed to achieve?

Mr. AARON. I fell obliged to make available to Secretary Califano and through him to the President information on a full range of welfare reform options. We have attempted not to foreclose their information at this stage. They will have to decide how they wish to interpret the plank in the Democratic Party platform to which you just alluded.

Senator MOYNIHAN. That sounds more like the answer of a civil servant than of a sub-Cabinet official.

Mr. AARON. It would be a disservice to all concerned not to undertake a broad review of the way the existing system works and the full range of alternative proposals that have been advanced by serious spokesmen in recent years.

Senator MOYNIHAN. That is an unexceptionable statement.

May I ask you, in conclusion, is there a date certain by which the President undertakes to have a proposal to us?

Mr. AARON. To the best of my knowledge, Secretary Califano has been asked to deliver recommendations to the President on or about May 1. I do not know about any fixed date that the President has promised.

Senator MOYNIHAN. The proposal will go to the President on or about May 1?

Mr. AARON. That is my understanding.

Senator MOYNIHAN. Is it your expectation that those proposals will be made public at that time?

Mr. AARON. I have no information on that.

Senator MOYNIHAN. Do you have any view as to whether it should?

Mr. AARON. Thus far, we have tried to make completely available information to the staff level has been producing. We have been holding extensive meetings, open to the public, not only here in Washington but elsewhere.

Senator MOYNIHAN. I do hope you will keep this committee and our subcommittee informed.

Mr. AARON. I hope to do so.

Senator MOYNIHAN. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further questions, gentlemen?

Senator CURTIS. One question.

I understand you have written six books. Was one of those on welfare reform?

Mr. AARON. A pamphlet was on welfare reform.

Senator CURTIS. What did you recommend?

Mr. AARON. That book was written in 1972. At the time, I suggested a combination of various programs consisting of a rather complex form of cash assistance based on not only the earnings of an individual, but on his hourly wage rate, a food program, a housing subsidy, and a form of medical assistance.

Since that time, I have done some additional thinking and reading, especially in the last couple of months, on the subject of welfare reform, and I am convinced that the world has changed sufficiently since I put those recommendations in that pamphlet, that I would not wish to stand or fall on that particular recommendation.

It is a very different world.

Senator CURTIS. Your adult life has been spent in the Government, in the Government and at Brookings?

Mr. AARON. Yes.

Senator CURTIS. You never administered welfare?

Mr. AARON. No, indeed.

Let me say I spoke yesterday to a group of State welfare directors. My staff has been in touch with State and local welfare officials.

I intend to personally visit welfare agencies in order to obtain some understanding of the day-to-day operations of the program.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Could it be that your perception of the world may have changed somewhat? Do you think that your perception was accurate in 1972? Indeed, there has been a change in the world and a change in attitudes.

Mr. AARON. I think it is some of both. The food stamp program was a lot smaller in those days. Housing assistance programs have gone through a great deal of turmoil since that book was written.

In addition, I have thought longer and harder about the complexity involved in relating cash assistance to wage rates as well as to earnings levels. That seems to me to be a problem to which I probably did not give sufficient weight at the time.

Senator HANSEN. Thank you, Mr. Chairman.

The CHAIRMAN. Do you agree with me that one of the best things we could do by the way of welfare reform is to move a great number of the people on welfare off the rolls and into employment, even if we have to subsidize the public employment to get them there?

Mr. AARON. I think work is one of our great hopes in welfare reform. We all would be a great deal happier if we could reduce the number of people forced to rely on cash assistance and increase the number who can earn their own living.

The CHAIRMAN. From the point of view of the public in this country, do you think that they view welfare reform, which is supposed to refer to a change for the better, as something that would have less people on the welfare rolls or more people on the welfare rolls?

Mr. AARON. I do not know the answer to that. I suspect it depends on which programs you consider to be welfare. Some people limit the discussion of welfare to the AFDC program. Others include housing assistance, food stamps, basic education grants to college students. Some even include income tested veterans pensions.

I am not sure, given the broad range of programs sometimes included in the welfare system, whether people would wish to see fewer or more people with access to such programs.

The CHAIRMAN. Let us take AFDC, then. Do you think the public in general would like to have more people on the AFDC rolls or less?

Mr. AARON. I expect my impressions are similar to yours, Senator. They would like to see more people earn enough to not be on those rolls.

The CHAIRMAN. With regard to food stamps, do you think they would like to see more on the rolls, or less?

Mr. AARON. Again, I think the answer is the same. They would like to see people earn enough not to be on the food stamp rolls.

The CHAIRMAN. My impression is that most people in this country feel that the answer to welfare is to provide people an opportunity to work and to improve their condition. What is your attitude with regard to those who are able to work, could work, have an opportunity to work, but prefer not to do so?

Mr. AARON. I know no one who would wish to see people able to work in available jobs who refuse to work, receiving extensive cash assistance.

The question is defining who is able to work and making sure that jobs are available to them at wages sufficient to support a decent living standard.

The CHAIRMAN. Thank you very much.

Are there any further questions?

Senator Byrd?

Senator BYRD. In your response to Senator Long, those on welfare who do not take a job, you said you would not be inclined to see that they got extensive cash assistance? Do you feel that they should get any cash assistance?

Mr. AARON. I said I thought that if people were considered able to work, if jobs were available to provide an adequate living standard, people would like to see those people working rather than to receive cash assistance.

Senator BYRD. You used the word extensive cash assistance?

Mr. AARON. I am sorry.

Senator BYRD. I am glad you clarified it.

Another question, in proposing so-called welfare reform, do you envision that it will be a more costly program or a less costly program?

Mr. AARON. I do not know at this stage. I think the outcome is governed by two considerations. First the budgetary outlook for the Federal Government as a whole will impose limits on the resources available. Second the cost will depend on the precise nature of the program that Secretary Califano and other Cabinet officials recommend to the President and I simply do not have a judgment on that score at this time.

Senator BYRD. Do you feel, in formulating a program, that you should strive for a less costly program or more costly program?

Mr. AARON. I think that we want to achieve certain objectives. These objectives happen to be diverse and inconsistent. One of the objectives is to minimize the cost of the welfare system. Another is to provide jobs and work incentives for people who are able to work.

Another is to provide adequate income support for those who are unable to work. Unfortunately, I am not sure how those conflicting objectives end up totaling out, whether they total out to a smaller budget or a larger one.

Subject to achieving the objectives that the administration and Congress wish to achieve, no one can quarrel with the proposition, we should seek a tightly administered, well-run program that minimizes cost.

Senator BYRD. You will be the one in the Department of HEW, as I understand it, who will have the primary responsibility of developing a so-called welfare reform program. I am just trying to understand your attitude and your state of mind and your general or basic philosophy.

Do you feel that you ought to approach that in an endeavor to bring about a less costly system or a more costly system?

Mr. AARON. I approach it in the same way, Senator. As I would if you asked me whether I thought national defense should be more or less costly. My answer would be a question: What do you want to accomplish through national defense?

Given our goals, we want welfare to be administered as efficiently and as cheaply as possible, and that is the only answer I can give you on this.

I cannot say that I want to reduce expenditures or that I wish to increase them. It depends upon the objectives and goals that the President and the Secretary are going to set down as the ones they wish to achieve through welfare reform.

Senator BYRD. Let the record show that I make the prediction that whatever you will bring in will be a more costly program than we have now.

No further questions.

The CHAIRMAN. Thank you very much.

Are there any other questions, gentlemen? If there are no further questions, the witness will be excused.

Senator CURTIS. Mr. Chairman, I have no objection to voting on Mr. Aaron. I do want to state that like others on the committee, I am most unhappy by this attitude and philosophy of welfare reform. I do not know of any matters of character or person that would disqualify him from holding the office. I have no objections to the committee proceeding.

The CHAIRMAN. All in favor, say aye?

[A chorus of ayes.]

The CHAIRMAN. Those opposed, no.

Senator CURTIS. No.

The CHAIRMAN. The ayes have it.

The CHAIRMAN. Next we will call on Ms. Eileen Shanahan.

Ms. Shanahan, we are pleased to have you here before the committee and I will ask that certain biographical material be inserted in the record at this point.

[The biographical data of Eileen Shanahan follows:]

BIOGRAPHY OF EILEEN SHANAHAN

Born—Washington, D.C., Feb. 29, 1924.

Educated—Public schools of Washington, D.C. and George Washington University, A.B., 1944. (Major: political science).

Personal—Married to John V. Waits, Jr., newspaper executive, September 16, 1944. Two daughters, Mary Beth, a special education teacher and Kathleen, a lawyer.

Career—Copy girl, Washington Post, summers 1942 and 1943; Dictationist, United Press Washington Bureau, June 1944–Feb. 1945; Reporter, United Press Washington Bureau, Feb. 1945–July 1947; Reporter (sole assistant) in Washington radio news bureau serving five-state area (Iowa, Nebraska, Kansas, Missouri, Oklahoma) headed by Walter Cronkite, Feb. 1949–Oct. 1950. Mainly covered Congressional delegations but also news from executive agencies of interest to the region; "Leg man" for columnist Robert S. Allen, Jan. 1951–June 1951. Mainly Congressional coverage; Reporter and editor, Research Institute of America Washington Office, June 1951–March 1956. Covered Korean War price and wage control and industrial mobilization programs through the end of the war. Thereafter, reporter in general economic policy field, covering both Congress and executive departments, and principal Washington editor of Kiplinger-type newsletter; Reporter, Journal of Commerce Washington Bureau, March 1956–Nov. 1961. Covered domestic economic and financial policy, taxes, housing, antitrust and related areas both in the agencies and on Capitol Hill; Special Assistant to the Secretary of the Treasury (Public Affairs), Nov. 1961–Nov. 1962. Was the "Official spokesman" for Treasury on tax matters and sole information officer assigned to tax area. Also did public relations work in other areas of Treasury responsibility and considerable speechwriting for Secretary Dillon and other top officials. Was Treasury Information Office liaison with White House Press Office on tax matters. Wrote drafts of Treasury sections of Presidential messages; and Reporter, New York Times Washington Bureau, Nov. 1962 to present. Cover taxes, other areas of national economic policy, antitrust and business regulation and Washington aspects of the women's rights movement, both in the executive agencies and in Congress.

Other activities—Occasional contributor, *The Economist*, London; Faculty member, Summer Program for Minority Journalists, University of California-Berkeley, 1976—

*Member, Nieman Foundation Advisory Committee, 1975-

Member, Nieman Fellowship Selection Committee, 1974.

Member, Pulitzer Prize Jury, 1973.

*Member, Executive Committee, Reporters' Committee for Freedom of the Press, 1972-

*Member, Board of Governors, Fund for Investigative Journalism, 1975-

Member, Washington Press Club, various offices and chairmanships, since 1959.

*Founding member, Journalists for Professional Equality.

*Member, Advisory Council, Woodrow Wilson School of Government, Princeton University, 1973-

Honors—Business Journalism Award, University of Missouri School of Journalism, 1966 and Newspaperwoman of the Year, New York Women in Communications, 1972.

STATEMENT OF EILEEN SHANAHAN, WASHINGTON, D.C.

The CHAIRMAN. Have you looked into the potential conflicts of interest and undertaken to assure that those matters have been satisfied?

Ms. SHANAHAN. Yes, sir.

The CHAIRMAN. Thank you very much. I am satisfied you are qualified for this job, Ms. Shanahan. I welcome you to being on the receiving end of the short pencil points. I think you will find it an interesting experience, to say the least.

Ms. SHANAHAN. I have already, sir.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. I have no questions.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I might express the hope that when you become a public official that you change your views as to your attitude toward this committee. I do not think that your reporting in the past has accurately portrayed what happened here.

I understand I am without votes to do anything about it, so I have no further questions. I do not think an objective job has been done by you in reporting what has taken place in this room.

Ms. SHANAHAN. I feel confident, Senator, that there are not many who share that view.

The CHAIRMAN. Are there any further questions?

Senator DANFORTH. I would only note that I notice that the nominee received the Business Journalism Award of the University of Missouri School of Journalism in 1966. There can be no higher praise.

Therefore, without any further inquiry, I am wholeheartedly in her camp.

Senator MOYNIHAN. Mr. Chairman, if this is how things are going to get started, I will not let pass the fact that for many extraordinary and distinctive years, Ms. Shanahan worked for the New York Times.

The CHAIRMAN. Are there any objections, Senators, to voting for this nominee?

All in favor, say aye?

[A chorus of ayes.]

The CHAIRMAN. Opposed, no?

Senator CURTIS. No.

The CHAIRMAN. The ayes have it.

We will now hear from C. Frederick Bergsten, nominated to be Assistant Secretary for International Affairs.

*Will resign when confirmed.

STATEMENT OF C. FRED BERGSTEN, ANNANDALE, VA.

The CHAIRMAN. Mr. Bergsten, have you looked into the potential conflict-of-interest problems and undertaken to do whatever is proper in that respect, and have you discussed this matter with our staff to insure insofar as you reasonably could you have the resolved the conflict-of-interest problems?

Mr. BERGSTEN. I have, Mr. Chairman.

The CHAIRMAN. I ask that a résumé of some of your activities—which I might say is rather extensive and it reflects credit on you—appear in the record at this point.

[The biographical data of C. Fred Bergsten follows:]

CURRICULUM VITAE

Address—C. Fred Bergsten, 4106 Sleepy Hollow Road, Annandale, Virginia 22003; Home Telephone: 703-256-3802 and Office Telephone: 202-797-6018.

Personal—Born: 4/23/41, Brooklyn, N.Y., Married to Virginia Wood Bergsten, U.S. Citizen; Children: Mark David, born 2/19/68.

EDUCATION

New Rochelle (N.Y.) High School 1954-55; Farmington (Mo.) High School 1955-57—Graduated 1957; Central Methodist (Mo.) 1957-61 (A.B. 1961, magna cum laude); Fletcher School of Law and Diplomacy 1961-63 (M.A. 1962, M.A.L.D. 1963, and Ph.D. 1969), Majored in international economics, international relations, political science and mathematics; School activities, honors and other interests—Woodrow Wilson Fellowship; Crown Zellerbach Foundation Fellowship; Rhodes Scholarship national finalist; class valedictorian, Fletcher School and Central Methodist College; Omicron Delta Kappa, President; Alpha Psi Omega, President; Pi Gamma Mu; Kappa Mu Epsilon; Pi Kappa Delta; yearbook, newspaper editorial boards; Student Council; Interfraternity Council, President; House Council, President; debate, Degree of Special Distinction; varsity baseball, basketball.

EMPLOYMENT

1972 to present—Senior Fellow, Brookings Institution.

1971-1972—Visiting Fellow, Council on Foreign Relations and Guest Scholar, Brookings Institution.

1969-1971—Assistant for International Economic Affairs to the Assistant to the President for National Security Affairs.

1967-1969—Visiting Fellow, Council on Foreign Relations.

1963-1967—Department of State; Last position: Assistant Chief, International Payments Division, Bureau of Economic Affairs.

Summer 1962—Summer intern, Esso International.

ACTIVITIES

American Economic Association, 1963-.

Arthur Andersen & Co., consultant, 1976-.

Assembly of Engineering, Committee on Technological Factors Contributing to the Nation's Foreign Trade Position, 1976-77.

Atlantic Institute, Board of Governors, 1963-; Research Committee, 1974-.

British-North American Committee, 1973-.

Carnegie Center for Transnational Studies, International Advisory Group, 1975-.

Center for Law and Social Policy, Board of Advisors to the International Project, 1972-.

Chamber of Commerce, Member, Special Panel on Foreign Trade Policy, 1972-; Chairman, Task Force on Adjustment Assistance, 1972-3.

Commission on Critical Choices for Americans, Member, Panel on Raw Materials, Industrial Development, Capital Formation, Employment and World Trade, 1974-76.

Committee for Economic Development, Advisor, Subcommittee on Reform of the International Monetary System, 1972-73.

Consumers Union of United States, Inc., Board of Directors, 1976-.

Council on Foreign Relations, 1968-; Chairman, Discussion Group on U.S. Interests in the Third World, 1972-73.

Department of Commerce, Consultant, 1972-73.

Department of Defense, Consultant, 1967-68, 1974-.

Department of State, Consultant, 1972, 1974-; Member, Advisory Committee on Transnational Enterprises, 1974-.

Ford Foundation, Consultant, 1971-.

Foreign Affairs, Editorial Advisory Board, 1973-.

General Accounting Office, Consultant, 1976-.

International Economists Club of New York, 1968-.

International Institute of Strategic Studies, 1973-.

International Management and Development Institute, Board of Advisors, 1975-; Economic Planning Council, 1975-.

International Organization, Board of Editors, 1973-.

Journal of International Economics, Associate Editor, 1977-.

Mitchell, Hutchins Inc., Consultant, 1973-.

National Economists Club, 1973-.

National Planning Association, Advisory Committee on Foreign Economic Policy, 1971-.

National Science Foundation, Advisory Group on Contributions of Technology to Economic Strength, 1975-.

National Security Council, Consultant, 1971-72.

Office of Science and Technology Policy, Consultant, 1976-.

Office of Technology Assessment, Advisory Panel on Applications of Science and Technology, 1976-.

Overseas Development Council, Board of Directors, 1974-.

Rockefeller Foundation, Consultant, 1973-.

Salzburg Seminar in American Studies, Faculty, August 1972.

Treasury Department, Consultant, 1967-68.

Trilateral Commission, Rapporteur, Task Force on International Institutions, 1975-76.

U.S. Aid Task Force to Turkey, 1967.

U.S. Delegation to U.S.-U.K.-German Trilateral Talks, 1966-67.

U.S. Delegation to Charter Signing of Asian Development Bank, 1966.

Worldview, Contributing Editor, 1972-.

Worldwatch, Inc., Board of Directors, 1975-.

HONORS

Distinguished Alumnus Award, Central Methodist College, 1975.

Time's "200 Young American Leaders," July 1974.

Who's Who in the South and Southwest, 1970-.

Outstanding Young Men in America, 1970-71.

Department of State Meritorious Honor Award, 1965.

PUBLICATIONS

Books

American Multinationals and American Interests, Washington: The Brookings Institution, forthcoming (with Thomas Horst and Theodore H. Moran).

The Dilemmas of the Dollar: The Economics and Politics of United States International Monetary Policy, New York: NYU Press, for the Council on Foreign Relations, 1976.

Co-editor, *World Politics and International Economics*, Washington: The Brookings Institution, 1975.

Editor, *Toward a New World Trade Policy: The Maidenhead Papers*, Lexington, Mass.; D. C. Heath and Co., 1975.

Toward a New International Economic Order: Selected Papers of C. Fred Bergsten, 1972-1974, Lexington, Mass.: D. C. Heath and Co., 1975.

The Future of the International Economic Order: An Agenda for Research, Lexington, Mass.: D. C. Heath and Co., 1973.

Co-editor, *Leading Issues in International Economic Policy: Essays in Honor of George N. Halm*, Lexington, Mass.: D. C. Heath and Co., 1973.

Co-arranger, *Approaches to Greater Flexibility of Exchange Rates: The Bürgenstock Papers*, Princeton University Press, 1970.

Articles

"Access to Supplies and the New International Economic Order" in Jagdish Bhagwati, ed., *The Economics of the New International Economic Order* (Cambridge, Mass.: MIT Press, forthcoming 1977).

"Reforming the GATT: The Use of Trade Measures for Balance-of-Payments Purposes," *Journal of International Economics*, February 1977.

"The International Economy and World Politics in the Post-Postwar Era," in Wilfrid L. Kohl, ed., *Foreign Economic Policies of Industrial States* (Lexington, Mass.; D. C. Heath and Co., forthcoming 1977).

"A New OPEC in Bauxite," *Challenge*, July/August 1976 (also Brookings Reprint 316).

"Let's Avoid a Trade War," *Foreign Policy* 23 (Summer 1976).

"Stagflation—Its Origins and Implications for International Economic Relations," in Yair Aharoni, ed., *The Emerging International Monetary Order and the Banking System* (Tel Aviv: University Publishing Projects, 1976).

"Interdependence and the Reform of International Institutions," *International Organization*, Spring 1976.

"Increasing International Economic Interdependence: The Implications for Research," *American Economic Review*, May 1976 (presented at annual meeting of American Economic Association, December 1975, with William R. Cline).

*"The United States and the Federal Republic: The Imperative of Economic Bigemony," in *United States-German Economic Survey 1975*, New York: German American Chamber of Commerce, 1975.

"New Urgency for Monetary Reform," *Foreign Policy* 19 (Summer 1975).

"Resources and Relations Among North America, Latin America and Western Europe: A United States Point of View" in *Resources and International Politics*, Chicago: Chicago Council on Foreign Relations, 1975.

"Commodity Shortages and the Oceans," in *Perspective on Ocean Policy*, Washington, D.C.: The Johns Hopkins University, 1975.

"U.S. National Security and the Impact of Multinational Corporations," in *Defense Planning for the 1980's and the Changing International Environment*. New York: Quadrangle Books, 1975, reprinted (in Spanish) in *Estudios Interacionales*, July–Sept. 1975.

"New Era, New Issues," *Economic Impact*, January 1975.

*"On the Non-Equivalence of Import Quotas and Voluntary Export Restraints," in Bergsten, ed., *Toward a New World Trade Policy: The Maidenhead Papers*, Lexington, Mass.; D. C. Heath and Co., 1975 (also Brookings Technical Series Reprint T-009).

"International Economics and World Politics: A Framework for Analysis," in Bergsten and Krause, eds., *World Politics and International Economics*, Washington, D.C.: Brookings Institution, 1975 (with Robert O. Keohane and Joseph S. Nye).

*"The Response to the Third World," *Foreign Policy* 17 (Winter 1975).

"The Outlook for Raw Materials from Outside the United States" in *Chemistry in a Constrained System—An Analysis of the Options*, Report of the 8th Annual Meeting of the Corporation Associates of the American Chemical Society, December 5–6, 1974.

*"Coming Investment Wars?" *Foreign Affairs*, October 1974 (also Brookings Reprint 290). Reprinted as "Economic Tensions: America vs. the Third World" in Richard Rosecrance, ed., *America as an Ordinary Country: U.S. Foreign Policy and the Future* (Ithaca: Cornell University Press, 1976), and as "A Tug of War Over the MNCs" in *Economic Impact*, 1975/3.

*"The New Era in World Commodity Markets," *Challenge*, September/October 1974 (also Brookings Reprint 297).

*"Prospects for the Atlantic World: An American Perspective," *SAIS Review*, Vol. 18, No. 4 (Summer 1974), and (as "Die Zukunft der atlantischen Welt. Ein Beitrag aus amerikanischer Sicht") *Europa-Archiv*, no. 12/1974.

*"The Future of World Trade," in Herbert Giersch, ed., *The International Division of Labour: Problems and Perspectives*, Tubingen: J. C. S. Mohr, 1974.

*See footnote on p. 42.

*"The Threat Is Real," *Foreign Policy* 14 (Spring 1974), reprinted in *Growth and Its Implications for the Future*, Appendix to Hearings before the Senate Subcommittee on Fisheries and Wildlife Conservation and the Environment, May 1, 1974 and in Karl P. Sauvant and Farid G. Lavipour, *Controlling Multinational Enterprises: Problems, Strategies, Counterstrategies* (Denver: West View Press, 1976).

"Die Amerikanische Europe-Politik Angesichts der Stagnation des Gemeinsamen Marktes," *Europa-Archiv*, No. 4/1974.

"Outlook for the Dollar," The Conference Board Record, Vol. X, No. 11 (November 1973).

*"The International Economy and American Business," in Jules Backman, ed., *Business Problems of the Seventies*, New York: NYU Press, 1973.

*"Convertibility for the Dollar and International Monetary Reform," in Bergsten and Tyler, eds., *Leading Issues in International Economic Policy*, Lexington, Mass.: D. C. Heath and Co., 1973.

*"The Threat From the Third World," *Foreign Policy* 11, Summer 1973 (also Brookings Reprint 288). Reprinted in Richard N. Cooper, ed., *A Reordered World: Emerging International Economic Problems* (Washington, D.C.: Potomac Associates, 1973, in Newstatements, Vol. II, No. 2 (1974), in William C. Vocke, ed., *American Foreign Policy: An Analytical Approach* (Glendale, Ill.: The Free Press, forthcoming), in Karl P. Sauvant and Farid G. Lavipour, *Controlling Multinational Enterprises: Problems, Strategies, Counterstrategies* (Denver: West View Press, 1976), and (in German) in Wolfgang Hager, ed., *Erdöl and Internationale Politik* (München: R. Piper, 1975).

*"Future Directions for U.S. Trade," *American Journal of Agricultural Economics*, Vol. 55, No. 2, May 1973 (presented at annual meeting of American Economic Association, December 1972) (also Brookings Reprint 275). Reprinted in Bergsten, ed., *Toward a New World Trade Policy: The Maidenhead Papers*, Lexington, Mass.: D. C. Heath and Co., 1975.

*"International Monetary Reform: A Viewpoint From the United States," in Alexander Swoboda, ed., *Europe and the Evolution of the International Monetary System*, Leiden, A. W. Sijthoff, 1973.

"Trade Policy at the Crossroads: Which Route for Negotiations?" *Columbia Journal of Transnational Law*, Fall 1972.

*"The New Economics and U.S. Foreign Policy," *Foreign Affairs*, January 1972 (also Brookings Reprint 231).

"International Monetary Reform and the U.S. Balance of Payments," in National Planning Association, *U.S. Foreign Economic Policy in the 1970s*, November 1971.

*"Crisis in U.S. Trade Policy," *Foreign Affairs*, July 1971.

"The United States Balance of Payments in Mid-1971 and International Flows of Short-Term Capital," *Euromoney*, June 1971

*"The United States and Greater Flexibility of Exchange Rates" in Bergsten et al., *Approaches to Greater Flexibility of Exchange Rates: The Bürgenstock Papers*, Princeton, N.J.: Princeton University Press, 1970.

"Toward A Dollar Zone," *Interplay*, Marcy, 1969.

"Taking the Monetary Initiative," *Foreign Affairs*, July 1968.

"A New Monetary System?" *The Reporter*, April 19, 1968. Reprinted in *Atlantic Community Quarterly*, Summer 1968.

"The President's Bitter Medicine," *The Reporter*, January 25, 1968.

"Social Mobility and Economic Development: The Vital Parameters of the Bolivian Revolution," *Journal of Inter-American Studies*, July 1963.

"Forensics in Europe: A Lost Art," *The Forensic*, October 1960. (National Student Writing Contest Winner).

Congressional testimony

Testimony on "The Next Steps in International Monetary Reform," International Economics Subcommittee of the Joint Economic Committee, October 18, 1976.

Testimony on "The Purpose and Organization of Economic Stockpiling," Materials Availability Subcommittee of the Joint Committee on Defense Production, June 8, 1976.

"Statement" and subsequent testimony in *Financial Support Fund Act*, Senate Committee on Banking, Housing and Urban Affairs, June 4, 1976.

*See footnote on p. 42.

Testimony on "Amending the Articles of Agreement of the International Monetary Fund," Subcommittee on International Trade, Investment and Monetary Policy of the House Committee on Banking, Currency and Housing, June 3, 1976.

Testimony on "Our Third Century: Directors," Senate Government Operations Committee, February 6, 1976.

Testimony on "The Objectives of U.S. Foreign Economic Policy," International Economic Policy Subcommittee of the House International Relations Committee, September 26, 1975.

"Statement" and subsequent testimony in *Inventory of Economic Relations Between the United States and OPEC Countries*, Senate Government Operations Committee, July 25, 1975.

"Statement" and subsequent testimony in *International Economic Policy Act of 1975*, International Finance Subcommittee of the Senate Banking, Housing and Urban Affairs Committee, June 16, 1975.

"Needed: A New U.S. 'Foreign Assistance' Policy" and subsequent testimony before the Subcommittee on Foreign Assistance of the Senate Foreign Relations Committee, June 3, 1975.

"International Aspects of the Annual Economic Report of the President, 1975" in *The Annual Economic Report of the President*, Joint Economic Committee, March 5, 1975.

"Economic Relations Between the United States and Latin America" in *U.S. Relations with Latin America*, Western Hemisphere Affairs Subcommittee of the Senate Foreign Relations Committee, February 26, 1975.

"Statement" and subsequent testimony in *Global Scarcities in an Interdependent World*, Foreign Economic Policy Subcommittee of the House Foreign Affairs Committee, May 15, 1974. Reprinted in *Washington Post*, May 20, 1974 and, as "Global Shortages—A New Challenge," in *ASTM Standardization News*, Vol. 3, No. 1, January 1975.

*"Statement" and subsequent testimony in *Monitoring Resource Shortages*, Senate Commerce and Government Operations Committees, April 9, 1974.

*"Statement" and subsequent testimony in *The Trade Reform Act of 1973*, Part 4, Senate Finance Committee, April 3, 1974.

Testimony in *Overight Hearings on Mineral Scarcity*, Subcommittee on Mines and Mining, House Interior and Insular Affairs Committee, March 29, 1974.

*"Statement" and subsequent testimony in *Foreign Investment in the United States*, International Finance Subcommittee of the Senate Banking, Housing and Urban Affairs Committee, February 21, 1974.

*"Statement" and subsequent testimony in *The Fourth Replenishment of the International Development Association*, International Finance Subcommittee of the House Banking and Currency Committee, December 6, 1973.

*"U.S. Foreign Economic Policy and Europe: The Ascendance of Germany and the Stagnation of the Common Market" and subsequent testimony in *American Interest in the European Community*, Subcommittees on Europe and Foreign Economic Policy, House Foreign Affairs Committee, November 8, 1973.

*"U.S. Policy Toward Latin America in the 1970s and Tariff Preferences" and subsequent testimony in *Trade Preferences: Latin America and the Caribbean*, Subcommittee on Inter-American Affairs of the House Foreign Affairs Committee, June 25, 1973.

*"Economic Adjustment to Liberal Trade: A New Approach" in *Trade Reform. Hearings before the Ways and Means Committee on H.R. 6767, Part 3, May 1973* (also reprinted in Bergsten, ed., *Toward A New World Trade Policy: The Maidenhead Papers*, Lexington, Mass.: D. C. Heath and Co., 1975).

*"Statement" and subsequent testimony in *Extension of the Council on International Economic Policy*, International Finance Subcommittee of the Senate Banking, Housing and Urban Affairs Committee, May 14, 1973.

"Statement" and subsequent testimony in *Hearings on the Annual Report of the Council on International Economic Policy*, Subcommittee on International Finance, House Committee on Banking and Currency, May 2, 1973.

"Statement" and subsequent testimony in *To Amend the Par Value Modification Act*, International Finance Subcommittee of the House Banking and Currency Committee, March 7, 1973.

"The Costs and Benefits of Trade Adjustment Assistance" and subsequent testimony in *Trade Adjustment Assistance*, Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee, April 25, 1972.

*See footnote on p. 42.

*"Statement" and subsequent testimony in *The International Implications of the New Economic Policy*, Subcommittee on Foreign Economic Policy, House Foreign Affairs Committee, September 21, 1971.

"Statement" and subsequent testimony in *The Balance of Payments Myth*, Subcommittee on International Exchange and Payments of the Joint Economic Committee, June 23, 1971.

Pamphlets

Co-author, *The Reform of International Institutions, A Report of the Trilateral Task Force on International Institutions to the Trilateral Commission, The Triangle Papers*: 11, 1976.

Co-author, *The World Economy in Transition*, A Tripartite Report by Fifteen Economists from North America, the European Community and Japan, The Brookings Institution, August 1975.

**Completing the GATT: Toward New International Rules to Govern Export Controls*, British-North American Committee, October 1974.

***The Future of the International Economic Order: A Report to the Ford Foundation*, September 1973.

***Reforming the Dollar: An International Monetary Policy for the United States*, Council on Foreign Relations Occasional Paper No. 2, September 1972.

**The Cost of Import Restrictions to American Consumers*, American Importers Association, March 1972. Reprinted in Robert E. Baldwin and J. David Richardson, eds., *International Trade and Finance*, Boston: Little, Brown and Co., 1974.

Co-author, *Reshaping the International Economic Order*, A Tripartite Report by Twelve Economists from North America, the European Community, and Japan, The Brookings Institution, December 1971.

Comments, book reviews, interviews, etc.

Quarterly column "The Currency Outlook," *Institutional Investor*, December 1976.

"The International Aspects of U.S. Natural Resources Policy," testimony before the National Commission on Supplies and Shortages, October 13, 1976.

Review of Zubayr Mikhdashl, *The International Politics of Natural Resources*, American Political Science Review, forthcoming.

"Commentary" on "The Threat from the Emergence of Cartels and Monopoly Power" in *The Japan-U.S. Assembly*, Volume II, Proceedings of a Conference on the Threat to the World Economic Order (Washington: American Enterprise Institute, 1976).

"Resource Scarcity: Cartelization and Contrived Shortages," *The American University Law Review*, Summer 1975.

Testimony on behalf of Consumers Union, Inc. before the International Trade Commission on "The Opportunity for U.S. Consumers in the Multilateral Trade Negotiations," April 8, 1975; on the Petition of the Tool and Stainless Steel Industry Committee for Import Relief, October 31, 1975; and on the Petition of the American Footwear Industries Association *et al.* for Import Relief, December 4, 1975.

"The World Financial Structure: Coping with Inflation and International Payments Problems" in Penelope Hartland-Thunberg, ed., *Selected Papers on Inflation/Recession, Energy and the International Financial Structure* (Washington: Georgetown University, 1975).

"Private Foreign Investment: Weighing the Pros and Cons," *Span*, Vol. XV, No. 9 (October 1974).

"Commodity Power is Here to Stay," *Brookings Bulletin*, Vol. 11, No. 2 (Spring 1974).

"Comment on the Balance of Payments and International Investment," *Journal of Finance*, May 1974 (presented at annual meeting of American Economic Association, December 1973).

*"European Monetary Unification and U.S. Foreign Policy" in Lawrence B. Krause and Walter Salant, eds., *European Monetary Unification and its Meaning for the United States* (Washington, D.C.: Brookings Institution, 1973).

"The Role of the Multinational Corporation" in Helen Huges, ed., *Prospects for Partnership: Industrialization and Trade Policies in the 1970s* (Washington, D.C.: IBRD, 1973).

"Comments on the Welfare Effects of Restrictions on U.S. Trade," *Brookings Papers on Economic Activity* 1: 1973.

*See footnote on p. 42.

**Excerpted in same.

"Comments on the Multinational Corporation," *Journal of Finance*, May 1973 (presented at annual meeting of American Economic Association, December 1972).

"A New International Monetary Policy and World Public Order," *Proceedings (September 1972) of the American Society of International Law*.

Statements in Randall Hinshaw, ed., *The Economics of International Adjustment*, Baltimore: The Johns Hopkins Press, 1971.

Editorials

"The Dollar's \$200 Billion Handicap Abroad," *New York Times* (Sunday Financial Section), June 22, 1975.

"The U.S. Now Must Deal With the Other Cartels," *New York Times* (Week in Review), June 1, 1975.

"The Case Against Export Controls," *Washington Post*, August 23, 1974.

"Mit Sich Selbst uneinige Europaer Zerstoren die Bindungen USA-EG," *Europa Unten (Bonn)*, August 1974.

*"Oil and the Cash Flow," *New York Times* (Op-Ed), June 3, 1974. Reprinted in *Jeune Afrique*, July 13, 1974.

"The World May Have to Live with 'Shortages'," *New York Times* (Week in Review), January 27, 1974.

*"Interdependence: Now A Cold Reality," *Washington Post*, January 13, 1974.

*"Mr. Kissinger: No Economic Superstar," *New York Times* (Op-Ed), December 12, 1973.

"The Dollar Overhang," *New York Times* (Op-Ed), August 31, 1973.

"The World's Next Monetary System," *New York Times* (Sunday Financial Section), February 18, 1973.

"World Leaders Will Pursue Economic Peace in 1973," *Washington Post*, January 11, 1973.

"American Jobs and Foreign Trade: Two Views," *Washington Post, Sunday Outlook*, March 1972.

"International Economics Changed Drastically in 1971," *Washington Post*, January 9, 1972.

"An Urgency in Multilateral Aid," *Washington Post*, October 15, 1971.

"The Changed International Outlook," *Washington Post*, August 20, 1971.

The CHAIRMAN. Do you have a prepared statement?

Mr. BERGSTEN. Only to say, Mr. Chairman, that I, too, have spent a great deal of my life in Missouri and New York. I hope for a similar response from the Senators of those States.

The CHAIRMAN. Any questions, gentlemen?

Senator CURTIS. You are also from Brookings Institution?

Mr. BERGSTEN. That was my previous position.

Senator CURTIS. Who is going to carry on the work over there? We are the employers of last resort.

Mr. BERGSTEN. I think it will probably be a Republican government-in-exile.

Senator CURTIS. I am for them, whether they are in exile or not.

The CHAIRMAN. Are there any questions?

Senator MOYNIHAN. I would like to welcome a graduate of the Fletcher School to government, and say that any of us who have followed the literature of international institutions over the last few years are already in Dr. Bergsten's debt and expect to be even more so after his period of service.

Mr. BERGSTEN. Thank you very much.

The CHAIRMAN. I am willing to vote for your confirmation, Mr. Bergsten, on the condition I do not have to pass judgment on all these articles you have written, and all of these books. Thank you very much.

If there are no further questions, you are excused.

Mr. BERGSTEN. Thank you, Mr. Chairman.

*Included in *Toward A New International Economic Order: Selected Papers of O. Fred Bergsten, 1972-1974*, Lexington, Mass.: D. C. Heath and Co., 1975.

The CHAIRMAN. All in favor, say "aye."

[A chorus of ayes.]

The CHAIRMAN. Opposed, "no."

[No response.]

The CHAIRMAN. Next, while we are confirming the Treasury nominees, let's call Gene E. Godley, nominated to be Assistant Secretary for Legislative Affairs.

Mr. Godley, first let me insert into the record a statement of some of your activities and experiences.

[The biographical data of Gene E. Godley follows:]

RÉSUMÉ OF GENE EDWIN GODLEY

Home address—3008 45th Street, N.W., Washington, D.C. 20016 Telephone: 202/244-1317.

Personal data—37 years old; married with two children.

Work experience—January 1977 to Present, Consultant to Secretary of the Treasury, W. Michael Blumenthal; November 1976 to January 1977, Carter-Mondale Transition Staff; August 1976 to November 1976, Director of Mondale Advance Operation; 1973 to August 1976, Administrative Assistant to U.S. Senator Thomas F. Eagleton of Missouri; 1971 to 1973, General Counsel, U.S. Senate District Committee; 1970 to 1971, General Counsel, U.S. Senate Labor and Public Welfare Committee; 1969 to 1970, Administrative Assistant to U.S. Senator Ralph W. Yarborough of Texas; 1968, Legislative Assistant to Senator Yarborough; 1966 to 1967, Management Consultant, Booz, Allen and Hamilton; 1965, Press Assistant to Senator Yarborough; and 1964, Counsel, Senate Veterans Affairs Subcommittee.

Education—University of Chicago Law School, Chicago, Illinois, 1960-63, J.D. Degree, three years scholarship and Southern Methodist University, Dallas, Texas 1957-60, B.A. Degree; major in Philosophy, minor in economics.

Other activities—Member of Texas Bar Association, District of Columbia Bar, Supreme Court Bar, American Bar Association and Adjunct Professor of Law, Catholic University 1972.

STATEMENT OF GENE E. GODLEY, CONSULTANT TO SECRETARY OF THE TREASURY W. MICHAEL BLUMENTHAL

The CHAIRMAN. Let me ask you if you have looked into the potential conflict of interest problems and have done what you believe should be done to dissolve those problems, and have you discussed this matter with our staff to assure that they feel that you have taken care of all of those matters?

Mr. GODLEY. Yes, Mr. Chairman, both with the staff and the White House Counsel.

The CHAIRMAN. You are satisfied, then, that these matters have been resolved, and you have been so advised by the White House Counsel and staff?

Mr. GODLEY. Yes.

The CHAIRMAN. Do you have a prepared statement?

Mr. GODLEY. I do not, except to say that it is an honor to have this nomination. After a decade in the Senate, it is an honor to be nominated for a position that will allow me to continue working with the Congress.

The CHAIRMAN. I am somewhat apologetic to you. You have been around here working in your job as long as you have and we are only now getting to the point where we can vote on your confirmation, and I am confident that you will do a good job. You have been working hard down there for the Secretary.

I am satisfied that you will do a good job for the country.

Mr. GODLEY. Thank you.

The CHAIRMAN. Are there any further questions?

Since we have been voting on the others, I would ask that we would have a vote.

Those in favor of the nominee say aye.

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. The ayes have it. The confirmation is recommended.

Mr. Richard D. Warden.

STATEMENT OF RICHARD D. WARDEN, WASHINGTON, D. C.

The CHAIRMAN. Mr. Warden, have you looked into potential conflict-of-interest matters and discussed those with those in your Department, the executive branch, and the staff of this committee?

Mr. WARDEN. Yes, sir, I have.

The CHAIRMAN. Are you satisfied that those have been adequately resolved?

Mr. WARDEN. I think they have. In the event that anything should arise, I would disqualify myself.

The CHAIRMAN. I ask that a copy of your biographical sketch be inserted at this point.

[The biographical data of Richard Warden follows:]

BIOGRAPHICAL SKETCH OF DICK WARDEN

Education—Bachelor of Arts (journalism, history-political science), Montana State University, 1957 and Master of Arts (history), Montana State University, 1958; Graduate Assistant, 1957-58.

Employment—Assistant Secretary for Legislation-Designate, Department of Health, Education, and Welfare; Legislative Director, United Auto Workers, October 1975-January 1977; Assistant Legislative Director, UAW, September 1972-October 1975; Director, Washington Research Project Action Council, October 1970-August 1972; Legislative Representative, AFL-CIO, January 1969-October 1970; Deputy Director, Office for Civil Rights, Department of Health, Education, and Welfare, June 1967-January 1969; Administrative Assistant to Congressman James G. O'Hara (Michigan), July 1963-June 1967; Legislative Assistant to Senator Lee Metcalf (Montana), November 1962-July 1963; Congressional Fellow, American Political Association, October 1961-September 1962; State Editor, Great Falls (Montana) Tribune, January 1961-September 1961; and Reporter, Great Falls Tribune, September 1958-January 1961.

Date of birth—December 10, 1931.

Military service—U.S. Navy, 1951-1954.

The CHAIRMAN. Are there any further questions, gentlemen?

There being no questions, I suggest that we vote on the confirmation.

All in favor, say aye?

[A chorus of ayes.]

The CHAIRMAN. Those opposed?

[No response.]

The CHAIRMAN. The ayes have it. The confirmation will be reported.

Mr. STERN. Mr. Chairman, Secretary Califano is here and Mr. Walsh will be here momentarily.

Senator CURTIS. I would like to ask a few questions while they are both here, and I would like them both sworn.

The CHAIRMAN. Do you want to interrogate both of them simultaneously?

Senator CURTIS. Yes.

The CHAIRMAN. Mr. Califano, we would like you to take the witness stand.

Mr. CALIFANO, would you take an oath?

Secretary CALIFANO. I would like to be sworn.

The CHAIRMAN. Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Secretary CALIFANO. I so do.

Senator CURTIS. Could we have Mr. Walsh sworn?

The CHAIRMAN. Mr. Walsh, do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Mr. WALSH. I do.

TESTIMONY OF JOSEPH A. CALIFANO, SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Senator CURTIS. Did anybody discuss the *Flora Souza* case with you prior to the February 4 meeting with John Walsh?

Secretary CALIFANO. No, Senator Curtis.

Senator CURTIS. No one at all?

Secretary CALIFANO. No one at all.

Senator CURTIS. No communication in any way?

Secretary CALIFANO. None.

Senator CURTIS. To your knowledge, was anyone else contacted on the *Flora Souza* case prior to the February 4 meeting with John Walsh? By that, I mean anyone in HEW?

Secretary CALIFANO. I cannot answer that in terms of whether somebody in the Social Security Administration was talked to. Not that I know of. As far as I know, no one was contacted nor was any contact brought to my attention.

Senator CURTIS. Did you request any comments on John Walsh's January 28 memorandum or its subject matter from anyone?

Secretary CALIFANO. You would have to show me that memorandum.

Senator CURTIS. Do you have a copy of it, Mr. Walsh?

Mr. WALSH. Yes, sir.

Senator CURTIS. Would you show it to the Secretary?

Secretary CALIFANO. I just cannot remember whether I have seen this memorandum before or not. I think I might not have seen this memorandum before, or I cannot remember.

Senator CURTIS. The subject matter of it, did you request any comments from anyone?

If so, whom?

Secretary CALIFANO. I do not believe I requested any comments from anyone. I am not even sure whether I even read or saw this memorandum.

Maybe it would be helpful, Senator Curtis, if I set out what happened, if I could for a minute.

Senator CURTIS. In reference to this memorandum?

Secretary CALIFANO. In reference to this issue.

I have a routine weekly meeting with each Assistant Secretary and each principal operating head. On February 4, I met Mr. Warden, the Assistant Secretary for Legislation-designee, and in the course of this meeting, he raised an issue concerning hearings that were being held I believe by Senator Church's Committee on Aging and another committee in the House investigating medicaid or medicare fraud in California.

Senator CURTIS. Who did?

Secretary CALIFANO. Mr. Warden, Assistant Secretary for Legislation.

The hearing was imminent. I wanted to make sure that we were moving on the investigation.

I called a Mr. St. John Barrett, Acting General Counsel, and Mr. Walsh, to my office. I had previously thought about the need for a close relationship between the General Counsel's Office and the Office of Investigations.

I asked about the California investigation and asked that Mr. Walsh and Mr. Barrett make sure that that investigation was moving. Indeed, that request resulted in people going out to California, at least it resulted in one person going out to California eventually.

Senator CURTIS. When was this meeting?

Secretary CALIFANO. February 4.

At that same meeting, Senator Curtis, I made clear, or thought I made clear to Mr. Walsh and to Mr. Barrett, my desire that attorneys be involved in investigations that were being conducted in HEW. I was concerned about two things.

I was concerned that investigations be conducted in a way that where warranted, successful prosecutions could take place without legal inhibitions. I was also concerned that, when investigations were conducted, the rights of people under investigation be protected.

I think that that is my instinct as a lawyer. I believe that to be the correct way in which investigations should be conducted.

I believe in some unfortunate respects that the past 8 years—or longer than that—bears out some of the problems of not having people sensitive to these issues deeply involved and available for legal guidance to people who are conducting investigations.

Senator CURTIS. Do you think that every investigation of the Administration of welfare should adhere to the strict rules of preparation for a criminal case?

Secretary CALIFANO. I think that there are very difficult and important procedural requirements which must be met which are imposed by the Supreme Court of the United States. If those procedural requirements are violated, what might be otherwise successful potential criminal investigations once an individual has become a target of an investigation, can be impaired—violations can blow the whole investigation and the ability to prosecute.

Senator CURTIS. Who had briefed you on this case before February 4?

Secretary CALIFANO. To my knowledge, nobody. Senator. It was Mr. Warden who talked to me about it at that meeting.

Senator CURTIS. I do not want to prolong this too long. I have some more questions, of course. But Mr. Walsh, you have heard the Secretary say what took place in that meeting. Do you concur with his statement, or do you wish to say anything?

Mr. WALSH. Yes, sir.

Senator CURTIS. Please proceed.

TESTIMONY OF JOHN WALSH

Mr. WALSH. I can say this. I had previously talked to Mr. Warden about the case. There had been some indication that in any type of matter where there was a possibility of some public interest, it was desirable to bring it to the attention of the Secretary or Under Secretary.

As a matter of fact, I had been doing that ever since I have been there at the Department. So it was a matter of routine that when we heard that there was going to be a case where there were possible hearings, to notify the Secretary and Under Secretary, and to find out whether the legislative people were aware those hearings were imminent. In this case, no one apparently was aware of this, so I did contact Mr. Warden.

I also wrote a memo to the fact that the hearings were to be scheduled during the month of February.

As far as I was concerned, it was a routine case. We really had not started the investigation; it had just been referred to us.

We had allegations that came to us from the Social Security Administration. The allegations, to me, seemed serious. They seemed well worthy of an investigation and I opened the case and assigned it to my office in San Francisco.

Shortly after that assignment was made, we heard that hearings were imminent, so I reported upstairs.

I cannot add anything further than that. I had heard nothing about any calls, or anything, from anyone concerning the case.

Senator CURTIS. Mr. Califano did anyone allege to you, your staff, or your consultants that HEW or congressional investigations may have violated the civil rights of innocent people in connection with medicare-medicaid and title XX investigations?

Secretary CALIFANO. Senator, I am sensitive to the problem of the Government descending on any private citizen in this country. For the past 5 years, I have been in private practice for a law firm that has represented a wide variety of clients.

When the U.S. Government begins an investigation of any American citizen, in my judgment it is imperative that it be done in a way that will protect the interests of the United States in insuring that laws are complied with and assuming that the prosecutions can be effectively pursued if warranted, but also in a way which I protects the rights of individual American citizens.

The last 10 or 15 years would make any citizen, and certainly any lawyer, very sensitive to the protection of those rights. As far as any specific action by any investigator in Mr. Walsh's office, as far as any action specifically taken by Mr. Walsh, no, I am not aware of any violations of individual rights or civil liberties by anyone.

Senator CURTIS. No one had alleged that to you prior to your statement along this line, in reference to the *Souza* case?

Secretary CALIFANO. Not in reference to anything, Senator, that I am aware of. The only comment I ever heard about investigations in that connection was indeed yesterday in New York City when I was visiting the regional office and some of my employees said up there that they were delighted that lawyers would be in close association with investigators because they thought that that was important.

I think that is important. I think that is the way you do things in the United States of America.

Senator CURTIS. Was there any particular reason why you chose the *Souza* case as the forum to make this pronouncement?

Secretary CALIFANO. The *Souza* case happened to be a matter that precipitated my first discussion with Mr. Walsh. I think I raised this subject with Mr. Walsh whenever my first discussion with him took place.

Senator CURTIS. Exactly how does the simple informing of the General Counsel that an investigation was being undertaken serve to protect the civil rights of innocent people from being violated?

Secretary CALIFANO. It seems to me that in the course of investigations, in the course of people being questioned, in the course of all of the things that come up when an investigator is out in the field investigating potential fraud of medicare or medicaid, there are lots of issues on which legal advice can be beneficial to the investigator and on which legal advice is important.

I recognize investigators are trained. I recognize good investigators are sensitive to these problems. I also recognize, based in part on my own personal experience as an attorney, that there are many examples in which investigations either inadvertently or through an excess of zeal have not stayed within appropriate bounds.

I think lawyers, given their years of training, are very sensitive to these issues and indeed may be even more sensitive to these issues than investigators. That is why the Federal Bureau of Investigation, for example, is supposed to be under the Department of Justice and, within the Department of Justice, under the guidance of the Attorney General of the United States.

Senator CURTIS. Was Mr. St. John Barrett, Acting General Counsel, present at your February 4 meeting with Mr. Walsh?

Secretary CALIFANO. Yes; he was, as were Mr. Warden and Mr. Champion.

Senator CURTIS. I have understood that Mr. Walsh contends that at that meeting you directed him to suspend his investigation of the *Flora Souza* case until Mr. Barrett had prepared a plan of investigation, that you would then review, and presumably approve it.

You have stated, however, that you only directed Mr. Walsh to inform Mr. Barrett's office of the proposed investigation and did not direct that a plan of investigation be prepared by Mr. Barrett before Mr. Walsh continued with the *Souza* investigation. Is that correct?

Secretary CALIFANO. It is absolute complete, utter nonsense, untrue, false, that I in any way asked that that investigation be suspended, that I in any way tried to impede that investigation in California. That is No. 1. Let me deal with the various points that you have raised.

I am not challenging, incidentally, Mr. Walsh's perception of what happened at that meeting, but I think it is important for this committee to understand that No. 2, I was concerned as to the way, the speed, the depth in which this investigation was being conducted because there were imminent congressional hearings on it.

As it turned out, this investigation—as Mr. Walsh indicated, had not gotten off the ground. Indeed, I discovered subsequently—I did not know it at that moment in time when I was meeting with Mr. Walsh—there had been a decision not to proceed with the investigation 8 days before, on January 26, for the logical reason that the Senate and House committees investigating the matter had subpoenaed all the relevant documents. They were in their possession.

I asked Mr. Walsh and Mr. Barrett to make sure that this thing was moving and to take whatever steps were necessary to do that.

Mr. Barrett and Mr. Bouxsein, whom I have never met who is apparently the attorney who went out there, asked Mr. Walsh if he would like to send an investigator out there with him.

Mr. Walsh did not want to do that; Mr. Bouxsein went on his own to see what was happening in California.

As far as Mr. Barrett is concerned, he has been in the Department of HEW for a long time. He is an attorney, not my appointee. Indeed, he owed me nothing and I would like to submit for the record an affidavit of Mr. Barrett's as to what went on at that meeting. I want the affidavit to be in the record of this committee.¹

Senator CURTIS. Is Mr. Barrett in town?

Secretary CALIFANO. I do not know whether Mr. Barrett is in town or not today. Mr. Warden is here, who was also present at that meeting, and I have an affidavit that Mr. Warden has executed as to what occurred at that meeting. I would like to submit it for the record.²

Mr. Warden is right here in the room.

Different people can hear different things and perceive things differently. Every step I have taken since I have been Secretary in this area has been to beef up our capability and to get these investigations off the ground.

Senator CURTIS. Mr. Walsh, what is your comment on that?

Mr. WALSH. First of all, I would like to say this. I have been in the investigations business for a good many years, over 30, and I have a very profound consideration for the rights of people who are being investigated as well.

In this case, I would like to say that my investigators were under very strict instruction to seek the advice of counsel in this case, and I think it is proper in considering criminal matters that the proper counsel to confer with is the Department of Justice, and the U.S. attorneys who are directly responsible for prosecuting these cases.

So my instructions have been to confer with those who were directly concerned with the particular case that was under investigation. I feel that the best way to protect the rights of individuals subject to our investigation is to deal with the attorneys who are responsible for the case, responsible for the admissibility of the evidence, responsible for all parts of the investigation.

¹ See app., D. 74.

² See app., p. 73.

I received a memorandum from Mr. Barrett on February 8 that transmitted to me a copy of a preliminary plan that Peter Bouxsein had written and in this transmittal letter, Mr. Barrett said to me, "I think it will be necessary for somebody to go before we can decide in detail what the further course of the investigation should be."

Senator CURTIS. Was there any talk at this February meeting about preparing a plan of investigation?

Mr. WALSH. Which meeting are you speaking of, sir?

Senator CURTIS. February 4.

Mr. WALSH. Yes, sir. My understanding, as I said in my memorandum, my affidavit, was that Mr. Barrett was to prepare a plan for the investigation and that I was to give him what material we had. The plan would be submitted for approval after that, and the investigation would go forward.

Senator CURTIS. Who made that suggestion?

Mr. WALSH. This was directly from Mr. Califano at the meeting that the memorandum should be prepared and given to him.

At that point, Mr. Califano dismissed Mr. Barrett and myself and we went to Mr. Barrett's office and we had a brief discussion there with Mr. Bouxsein.

I returned to my office and took out of my file the material that we had relating to the case, all the allegations, and I sent it to Mr. Bouxsein for his perusal.

Based upon that, he prepared a preliminary plan that I have here and then, however, as Mr. Barrett says, Mr. Barrett and Mr. Bouxsein felt that it was necessary to go to Traveler's in California "before we can decide in detail what the further course of the investigation should be."

I did not go because I had people there. We had an office in San Francisco. I instructed my man in the office to be available for Mr. Bouxsein and to supply any support or assistance that he could.

Senator CURTIS. Do you think, or do you have any reason to believe, that that memorandum relating to a plan of investigation would have been set in motion if no such discussion had occurred at the February 4 meeting?

Mr. WALSH. I think that it related directly to matters that we discussed in the February 4 meeting.

Senator CURTIS. Prior to this time, had you been given authority by regulations published in the register to initiate investigations without clearance of anyone else?

Mr. WALSH. Yes, sir.

Senator CURTIS. In this case, your recollection of the February 4 meeting was the Secretary did suggest that first, you have a plan of investigation. Is that correct?

Mr. WALSH. My understanding, my impression, my feeling was in this case that the Secretary had decided that the General Counsel's Office should determine how the investigation should be conducted and should outline what should be done.

As I say, I felt under the previous delegation of authority that this was primarily my job. I felt in this case that it had been given to Mr. Barrett who would then decide what to do.

Senator CURTIS. Mr. Califano, if the General Counsel is only to be informed of a pending investigation, why was Mr. Peter Bousein of the General Counsel's Office sent out to California to examine the records in the *Souza* case?

Secretary CALIFANO. As I said in my earlier statements, I had asked Mr. Walsh and Mr. Barrett to make sure that this thing was on track. How they went about doing that was something up to them.

I do not know when I first found out that Mr. Bousein went out to California, but it seemed to me ultimately sensible to send somebody out there to find out what was going on.

As I indicated earlier, indeed there was no investigation going on for a very logical reason. The congressional committees had been there well in advance and had subpoenaed all the papers. Those papers were not there.

Senator CURTIS. Relating to this memorandum—

Secretary CALIFANO. I would like to make one other point that relates to what Mr. Walsh said.

It is true that the prior Secretary of HEW, or the Under Secretary, had delegated all the secretarial authority to the Office of Investigations. It is also true that I would never have done that had I been the prior Secretary.

Senator CURTIS. That regulation was valid until you revoked it, is that not correct?

Secretary CALIFANO. The power resides in me as a legal matter, Senator. That seems to me to be elementary as a matter of law, so I was not usurping any authority. I clearly had the authority to do what I did. I never would have formally delegated that much authority to an Office of Investigations.

I simply had a different view than my predecessor about the way in which those matters should be handled.

Senator CURTIS. Is that regulation still in force?

Secretary CALIFANO. I have not bothered to change that delegation in a formal sense, because in very short order the Office of Inspector General will come into being with a relatively specific set of statutory authorities vested by the Congress in the Inspector General.

Senator CURTIS. Did not the memorandum from Mr. Barrett to Mr. Walsh have this statement from Mr. Barrett: he was sending Mr. Bousein to California because insufficient information was available in Washington on which to prepare the plan of investigation, of the *Souza* case?

Secretary CALIFANO. I do not think I have ever seen that memorandum. If you give me that memorandum, I can answer your question.

Senator CURTIS. The papers from Mr. Walsh's file will be returned to him.

Mr. WALSH. I will be glad to submit them.

Secretary CALIFANO. Where is that, Senator?

Senator CURTIS. I do not know.

Mr. WALSH. It is a memorandum of February 8. On the first page, the memorandum from Mr. Barrett to me dated February 8, the second paragraph, and it is the 8th line to the 11th line.

Secretary CALIFANO. Let me read it to you. This is from St. John Barrett to Mr. Walsh.

"Peter" [apparently referring to Mr. Bouxsein] "Peter may have told you that he has enlisted the help of our regional attorney's office in San Francisco to review some of the documents related to Home Kare Inc. The work paper and the whole guts of the audit results are in the hands of Traveler's Insurance, and I think it will be necessary for someone to go to Traveler's before we can decide in detail what the further course of the investigation should be.

"I think we will be getting the help from Ed Stepnick's staff if it is possible in that connection. We may also decide that Peter should personally go out to participate in the review. I think it is important to review the available information in California before we open discussions with the committee staff on the Hill.

"This means I think we should review the material before the end of this week. Peter is in the process of determining our access to the California materials. As soon as he has done so, I suggest that we sit down with Ed Stepnick and discuss our next move."

Senator CURTIS. Would that not contradict your version of what occurred on February 4 to the effect you made no reference to a plan of investigation?

Secretary CALIFANO. I said, Senator, what I told Mr. Walsh and Mr. Barrett to do was to get this investigation moving, to see what had to be done and get it done. If they were putting a plan of investigation together, it seemed to me an eminently sensible way to proceed when there was no investigation going on.

How would you go about doing the investigation? I even notice in the first sentence of this memorandum from Mr. St. John Barrett to Mr. Walsh says, "I think the preliminary plan for investigation which you"—you, Mr. Walsh and Peter—"worked out is fine."

That seems to me an eminently sensible way to proceed.

Senator CURTIS. I got the understanding from your statement that all you did on February 4 was to say that the General Counsel was to be informed.

Secretary CALIFANO. I do not know where you got that understanding, Senator.

Senator CURTIS. I specifically asked you whether or not there was direction for a plan of investigation. I understood you to say no.

Secretary CALIFANO. I said I specifically called St. John Barrett and John Walsh into my office that morning. One of the purposes was to make sure that the investigation was going and, if it was not, to get it going as promptly as possible.

As I recall, one of the things that Mr. Warden had heard on the Hill was that the investigation had sat down in the bowels of the Department for an extended period of time. It had not, I might add, sat in Mr. Walsh's office because he himself did not receive the request to open the investigation probably until early January 1977 and he did move promptly to open the followup in San Francisco.

I think it had been in the Department some time before then.

Mr. WALSH. There had been allegations concerning the Home Kare agency going back to 1970.

Senator CURTIS. Mr. Walsh, you have heard the responses of Mr. Califano to the series of questions I have put to him. Is there any particular in which your understanding differs materially from that expressed by the Secretary?

Mr. WALSH. All I can say is this, that when there was a direction to St. John Barrett to prepare a plan for investigation, I felt that nothing should be done until that plan was prepared and approved.

I might say in connection with the memo that I have given to you, the memo refers to the preliminary plan as being prepared by myself and Mr. Bouxsein. I did not see the plan and did not participate in it until it came to me with that memo.

After the memo, I heard nothing further: The results of Mr. Bouxsein's trip, what decisions or what he recommended to be done on his return from that trip, I do not know and I still do not know today.

But later on, as I indicated in my affidavit, I let it be known that I was waiting for some type of approval on some type of plan. When I got that, I would then tell my investigators that they should proceed along the lines of this plan.

Around the middle of February, when I made this known, I received instructions that we should go ahead and continue the investigation. I passed that on to my people. I never did receive a plan of any kind as to how the investigation should be conducted.

Senator CURTIS. You did resign?

Mr. WALSH. Yes, sir.

Senator CURTIS. Why did you resign?

Mr. WALSH. Well, my reason for resignation was this; when I came to HEW it was a condition that I determined in my mind as a professional investigator that I should be responsible for the conduct of the investigations completely, subject to the Department of Justice. And my experience in the committee, where I am now employed again, has been in the agencies where we have looked into the administration of these agencies and where there is an investigative office which is controlled by the General Counsel's Office, nothing ever happens. The cases die in the General Counsel's Office.

I did not want to be involved in an investigations office which operated that way. That is my reason. I did not feel that it would be a professional way of conducting investigations. I did not want to be associated with it.

Senator CURTIS. After these meetings and memorandums, you felt that your prerogative as an independent investigator was being surrendered, at least to some extent, to the General Counsel's Office?

Mr. WALSH. I thought my capacity to act as a professional investigator was limited, and I decided to go elsewhere.

Senator CURTIS. Did the Secretary express displeasure with your investigation or conduct?

Mr. WALSH. No, sir.

Senator CURTIS. How many investigations did you initiate in January?

Mr. WALSH. In January we had 36 new cases which came in and which I opened.

Senator CURTIS. Have you heard any allegations of violations of anybody's civil rights?

Mr. WALSH. No, sir.

Senator CURTIS. No complaints?

Mr. WALSH. No, sir.

Senator CURTIS. Is the province of the General Counsel one of clearance of investigations?

Mr. WALSH. There are two things I would view very seriously. One would be the requirement to clear with the General Counsel, to get permission to open a case.

In other words, I believe that the allegations should be reviewed by a professional investigator. In this case, it was my prerogative and the delegation of it to me was such that I could not redelegate it, so in all cases that were open, I had to personally approve the opening of the case.

Now, that merely means that I found that the allegations were of sufficient weight that an investigation should be started to look into it; it does not mean that there is any finding of guilt or innocence at all. My instructions, were to the investigators to whom the case was assigned to establish close contact with the Justice Department.

The other thing that I consider serious concerns submissions of reports. In cases where I have looked into the operation of other departments we have had situations where the investigators reports would be submitted to the General Counsel's Office. In many cases these reports would lay there on someone's desk for a year, or 2 years.

At same point in time, the General Counsel would decide, maybe we should refer this to the Justice Department for an investigation, or maybe it was never done. I did not feel that that was the proper thing to do. I felt as soon as the investigation was completed, a report should be written and given to the U.S. attorney who had the responsibility for the case.

Senator CURTIS. Did Mr. Califano and Mr. Champion in fact ask you to either clear investigations, submit a plan for investigations, or suspend any investigations?

Mr. WALSH. My understanding of the events that took place at that meeting was that Mr. Califano said that he wanted, as I say in my affidavit, all of these things cleared with the General Counsel's Office. I did not really know what that meant.

I interpreted it as meaning that he wanted all criminal investigations cleared through the General Counsel's Office.

Senator CURTIS. What were your standing instructions on investigations?

Mr. WALSH. From me to my investigators? I am sorry, I do not quite understand.

Senator CURTIS. What instructions were placed on you in reference to investigations prior to this February 4 meeting?

Mr. WALSH. There is a delegation of authority which was published in the Federal Register when the Office of Investigations was opened as an independent office which said that the authority to open investigations and to conduct the investigations, or authorize others to conduct the investigation, was lodged in my office.

I had the authority to authorize the opening of the case and to authorize my investigators to begin the investigation.

One more thing, my investigators had the right, my investigators or myself, to contact the Justice Department directly without clearance through any other office. There are some offices, and there may be one in HEW itself, I believe in the Food and Drug Administration, where the investigators are required to go through the General Coun-

sel's Office, if they want to deal with the U.S. attorney. They have to go through the General Counsel and have him go to the U.S. attorney for them.

Senator CURTIS. This memorandum that was sent to you from St. John Barrett—

Mr. WALSH. Yes, sir?

Senator CURTIS. You took that as a followup of what you understood that they were going to develop a plan of investigation?

Mr. WALSH. Yes, sir. I took that as a preliminary plan. I took that as a fact that his man was going out to California and that I anticipated at some point in the future that I would get some instructions in writing as to what should be done next in the California case.

Senator CURTIS. Mr. Walsh, the Secretary has testified here this morning that his comment at the February 4 meeting was to get this investigation going.

Mr. WALSH. Yes, sir.

Senator CURTIS. Was there any conversation like that?

Mr. WALSH. Again, I do not recall that, sir. My recollection is basically that we were to prepare a plan. My interpretation of that was I should hold my men in check until that plan was approved.

Senator CURTIS. I have before me here, in response to Senator Talmadge's questions to Mr. Champion, he reports what happened there—only keep that office informed of the activities and conversations with Federal-State law enforcement authorities until such time as the Inspector General was installed.

It may be an oversight. He did not make any reference to the fact that he heard the Secretary give him instructions that the investigation should go forward.

Mr. WALSH. That was not my understanding, sir. I have no problem about keeping offices informed of what we are doing. As a matter of fact, when we open a case we send notices to I think five or six different offices within HEW, so I would have no problem as far as keeping the General Counsel's Office notified as to the fact that we have started a case. It would just be one more.

Senator CURTIS. We are faced here with different versions of what was said in the meeting, and sometimes those things happen and there are various reasons assigned to it with validity, for disagreement, and sometimes someone may be deliberately reporting something that is not correct.

In any event, you as an investigator of 30 years experience, felt that your freedom to investigate was being interfered with and curtailed and limited by reason of what happened in connection of this case and that brought about your resignation.

Is that correct?

Mr. WALSH. Yes, sir, that is true.

Senator CURTIS. Has anything developed that has caused you to change your mind as to the situation since you resigned?

Mr. WALSH. No sir.

Senator CURTIS. You still believe that what transpired was a restraint upon your freedom to investigate and investigate freely?

Mr. WALSH. Yes, sir.

Senator CURTIS. That is all, Mr. Chairman.

Senator RIBICOFF. I am curious. Mr. Walsh, when you were working for the Permanent Investigating Subcommittee, in making an investigation did you not discuss with the General Counsel of the Permanent Investigating Committee the investigation?

Mr. WALSH. Yes, sir.

Senator RIBICOFF. I do not understand what was wrong with discussing investigative procedures and plans with the General Counsel of HEW.

Mr. WALSH. I have no problem with discussing it. My problem is if the General Counsel can give me, or directs what I have to do, because I feel that direction as to how a criminal case should be performed is in the Department of Justice. It seems to me that that is the proper place to receive direction as to what should be done in a criminal case.

Senator RIBICOFF. The counsel you were talking about, there was a holdover from the previous administration. It was not Mr. Califano's choice, was it?

Mr. WALSH. No, sir.

Senator RIBICOFF. Was this a holdover from the previous administration?

Mr. WALSH. Do you mean Mr. Barrett?

Senator RIBICOFF. Yes.

Mr. WALSH. I believe that is true. He has been there many years. My feeling was this, that the General Counsel's Office in HEW has no expertise in criminal matters, they do not handle criminal prosecution; it is not really a part of their function. Their function relates to other matters.

Senator RIBICOFF. Do you not think that they should know what is going on?

Mr. WALSH. I do not have any problem with informing them. We had meetings—there were a number of meetings that I had with the General Counsel's Office as to how to work out a plan of keeping them advised, but my feeling had been—I might say that during the year that I was there there had been a number of attempts by the General Counsel's Office to inject themselves into the operations of investigations, not a question of being informed but direct what we did, direct what cases could be opened, direct what cases could be closed and most of all, I believe, they wanted to have the contact with the Justice Department directly themselves on criminal cases; that we should be excluded from that and we should contact them and they would contact the Justice Department.

Senator RIBICOFF. Is that not normal procedure in any police department, any detective bureau, any U.S. attorney's office or anybody responsible for this type of work to have his supervisor, whether it is the chief of police or chief of detectives?

Mr. WALSH. No, sir. The normal course of business is for the investigator to deal directly with the prosecuting attorney. I think that is the best way to do it. If you get more people into the cycle, it loses effectiveness.

Senator RIBICOFF. Going back to the Permanent Investigating Committee, did you not deal with the general counsel of the committee under Senator McClellan and Senator Jackson or when I was acting chairman of that committee?

Mr. WALSH. Yes, sir.

Senator RIBICOFF. It was not always your going to the Justice Department. You would talk to the General Counsel of the committee.

Mr. WALSH. Senator, I believe in the circumstances where we were getting ready for a hearing before the Investigating Committee, the General Counsel is in the position of the prosecuting attorney. He is responsible for directing the hearing, so we deal directly with the General Counsel.

As a matter of fact, the General Counsel is my superior. We are responsible for furnishing the information he uses in conducting the hearing.

Senator RIBICOFF. That is right, the General Counsel is your superior. Mr. Califano is coming in with the responsibility of the Secretary of HEW.

Do you not think he had a right to designate the General Counsel of HEW to be your superior?

Mr. WALSH. Yes, sir. As a matter of fact, I told him that. But I also said that I did not feel that in the circumstances where I reported to the General Counsel that I could do a professional job, and I would prefer to leave.

Senator RIBICOFF. The General Counsel, Mr. Barrett, did not countermand any investigation, did he? He did not squash any investigation, he did not sweep any investigation under the rug, did he?

Mr. WALSH. We only had contact on this one matter.

Senator RIBICOFF. There was no indication that he was telling you to get under wraps and not to do it?

Mr. WALSH. The only thing I can say to that, he was to prepare a plan and I was to hold off until the plan was prepared, and no plan ever did come through.

Senator RIBICOFF. How much time was their intervening here between the time you were supposed to have the plan and the time when this blew up?

Mr. WALSH. I think it was approximately 2 weeks. I believe it was around the 18th.

We had a meeting concerning the forthcoming hearings. I was asked what the Office of Investigations was doing and I said, we are not doing anything. We are waiting for this plan to be approved.

Later that day I received instructions to continue with the investigation.

Senator RIBICOFF. In that 2 weeks, Mr. Califano had the responsibility of designating an Inspector General who would take over basically the charge of all these investigations. He had not had his own General Counsel appointed.

So there was a period that the Department was trying to put this organization into effect. Did you see anything wrong in that?

Mr. WALSH. No, sir.

Senator RIBICOFF. That is all.

The CHAIRMAN. Senator Bentsen?

Senator BENTSEN. It seems to me you have a new Secretary who has to be deeply concerned about the operations of a department like this, and I have heard nothing that sounds like he was trying to impede the investigation. In fact, it seems as if he was trying to escalate it,

from what I have heard thus far. Apparently, someone did go out and do some investigating, did not do it through your particular section, but that seems to be something of a jurisdictional dispute more than anything else.

The Secretary obviously was concerned and told them to prepare a plan. How fast the plan was prepared, I think that Senator Ribicoff made a very good point on that.

But it sounds to me as though the Secretary was trying to be informed. I know if I was coming in with a major responsibility for a department like that, I would like to have some kind of table of organization but I would not want something where we did not have some reporting responsibility to the Secretary.

I certainly do not think that the Secretary should have the responsibility and then not have the authority over that particular section. Would you care to comment on that?

Mr. WALSH. Well, it is a question of day-to-day decisions. Certainly, if the Secretary wants to authorize each case that is opened, he is entitled to do that. He has all the power to do that, if he wants to get involved in cases in that detail. It is a question of if the Secretary wants to get involved in making individual decisions on each criminal case that is investigated, he can do that.

Senator RIBICOFF. Is it that simple? If you had a new Secretary coming in, he was instructed by this committee and the Congress to appoint an Inspector General to take charge. He had not had one appointed yet—

Mr. STERN. The position has been confirmed.

Senator RIBICOFF. The General Counsel has not come before this committee to be confirmed?

Mr. STERN. That is correct.

Senator RIBICOFF. He was putting in place a new structure and he had to determine where he was going. He was an attorney of great note and great ability with experience in criminal and civil law and I am assuming that he took this responsibility seriously, that if he was going to have an Inspector General and wanted to get a competent General Counsel, he wanted plans and procedures to have whatever investigations HEW was responsible for to be carried out effectively, constitutionally, with all guarantees.

That was no reflection on the way you were doing it, but what was wrong with the Secretary or his Counsel trying to understand what the procedures had been?

Apparently they were not sufficiently satisfactory as far as the Finance Committee was concerned, because we insisted that there be an Inspector General. He had an Inspector General about to go into place and a General Counsel that had not been designated. I do not understand what the Secretary did that was so wrong. I am sort of puzzled.

Senator BENTSEN. I certainly do not think the Secretary wanted to pass on every criminal violation, but he set up a structure of authority with the General Counsel. I frankly do not see what is wrong with that.

One of the problems that we run into, I think today—I am not commenting on this individual case; I do not know the facts involving

it—but I think in this society of ours we are ending up in many instances overindicting and underprosecuting.

I think we ought to have a very careful analysis before charges are filed and getting into a case that is important and it escalates. I understand why the Secretary wants to be involved. If the facts warrant it, prosecute them to the hilt.

Senator RINGROFF. We are dealing here, in HEW, with millions of people who are illiterate, who are poor, who have no idea what their rights are, what their privileges are, what their constitutional guarantees are.

Many of them deliberately are guilty of fraud, many of them through mistakes, and I think that all the investigations and records showed that the bureaucracy probably has made more mistakes in how they hand out checks and who get welfare benefits than people who are deliberately guilty of fraud.

You have a Secretary coming in under instructions to eliminate fraud, which he wants to do. At the same time, he has a concern to make sure that those who cannot take care of themselves have a constitutional rights guarantee and the question of a plan is something that I would commend him for putting in effect.

I do not understand that he was trying to quash or telling you how to conduct your investigation, or whom to investigate. I suppose the *Souza* case—all I know about it, it became a case that got into the papers and made the headlines. I suppose it was brought up to the attention of the Secretary.

I would say, you know, the Secretary would not be worth his salt if, in the thousands and thousands of cases, he has to solve each case. He has other problems. He has fires to put out each day, whether it be saccharine or the *Souza* case. He is ordered to come up with a welfare plan.

As the questions came by today of Mr. Aaron, it is a foretaste of what the Secretary is going to run into when he gets a plan out.

He has to straighten out this saccharine mess.

As I said to Mr. Califano, he is going to have a different fire to put out every day. He is going to be lucky if it is going to be only one fire. Yet he has the responsibility of the biggest Department in the Government, to try to make it work. It is a tough one to make work.

My feeling is that Mr. Califano is going to try to put into place an organization to eliminate waste. I do not know whether he can do it.

At the same time, as a concerned individual with constitutional rights, he is going to make sure that people are not going to get railroaded and their civil rights are going to be guaranteed.

So the fact that he wants a plan, I do not think indicates that he is going to sweep under the rug anyone who is guilty of a crime or guilty of fraud. I have not talked to you about this. I do not know whether I am understanding what must be in your mind or not, Mr. Califano.

Secretary CALIFANO. Senator, you are indeed. By combining medicare and medicaid under the same administration, we will be able to identify more quickly common providers or individuals who may be abusing the system of misusing the system.

As you know and others know, I took a long time making the selection, and I think finally we ended up with a superbly qualified man to be Inspector General. He has had years of experience at the Comptroller General's Office and elsewhere. I personally went forward to testify in the House on H.R. 3 to increase some of these crimes from misdemeanors to felonies. I would note, as far as this particular incident is concerned, as soon as we understand that Mr. Walsh had not received what we were trying to do correctly, we corrected it and he immediately corrected it and reinstated the investigation.

Also, as you noted, the very concept of putting the plan together to conduct the investigation is to go forward with the investigation. This is a field in which we intend to exert tremendous efforts and about which this committee has been deeply concerned as reflected in the creation of the Office of Inspector General and the statements that were made by committee members during my confirmation hearings.

I think Mr. Walsh misunderstood what I was about and what I was saying that morning. This is not impossible for anyone to do.

But I really want the record to show clearly that I am trying to put in place an organization that can move on these issues because it is hard to think of a more offensive crime than stealing money from poor people and people who need it. That is in effect what happens when fraud and abuse occurs.

There are people who are on medicare and medicaid, people who desperately need that money. I simply do not agree with the theory that lawyers should not be involved where investigators are involved. That is my whole life, that is my whole training.

I would also like to make clear that, as far as Mr. Walsh is concerned, there is no indication that he violated anybody's civil rights in any way. Indeed, when I received his letter of resignation I accepted it and noted in my note back to him that he had done a commendable job since he had assumed the directorship of that Office of Investigations.

Senator RUBINOFF. Mr. Walsh is a capable man. He has done very good work in his years on the Permanent Investigating Subcommittee. He has the respect of his colleagues and he had the respect of all of the Senators who served on that committee.

To me, I do not know what the shooting is all about here, honestly, as I listen to both of these gentlemen. I was not at the first hearing because I was chairing energy hearings at Government Affairs, but it is difficult for me to see what the big problem here is.

I do not think that an investigator can be given carte blanche without any supervision. We have had that for many years with the FBI until the public realized that somebody had to be in charge.

I see nothing wrong with the General Counsel or the Inspector General being generally in charge of investigations. If that person is doing the wrong type of work and is not properly doing it, it will be known. There will be no secret about that.

But somebody has to be the boss, and I do not think that each individual investigator should make the general overall policy for the Secretary or the Inspector General or the General Counsel.

Senator MOYNIHAN. I wonder if I could ask you, who has of course served as Secretary of this great Department, if Secretary Califano did not give us a clue to the answer to your question when he used

the word "misunderstood." He said, Mr. Walsh misunderstood my meaning.

Is it not the case here that we have responsible differences of opinion about professional matters by two professional people and, quite evidently, a misunderstanding which has been agreeably and responsibly cleared up, thanks in large part to the careful questioning which Senator Curtis carried forward this morning.

I think the matter seems to have resolved itself at this point.

Senator CURTIS. Mr. Chairman, I am a bit confused now. As I listened to two of my colleagues, they referred to your instruction, or reference, to a plan of investigation. I understood they defended your prerogative to do that. I also understood your first testimony to be that you did not do that, there there was no comment on your part that there should be formed a plan of investigation.

Secretary CALIFANO. Senator, as I have said repeatedly this morning, when I talked to Mr. Barrett and Mr. Walsh I asked them to get together and get this investigation going and make sure that it was going, and the step that they took, evidenced by the memo that Mr. Walsh put in the record, was to put together a plan of investigation.

Senator CURTIS. Is it your testimony that you did not tell them to put together a plan of investigation?

Secretary CALIFANO. I asked them to get the investigation going. I did not tell them how to go about doing it. It is kind of a semantic difference. It seems to me a logical thing for them to have done.

Senator CURTIS. You are familiar with the way things operate around this Government. You do not dispute that Mr. Walsh resigned because he honestly felt that his power to investigate independently was being curbed or interfered with?

Secretary CALIFANO. I think Mr. Walsh and I honestly and sincerely disagree about the principle. It was clear this morning. It was clear in the discussions I had with Mr. Walsh. He was candid about that.

I think I was candid with him about my views as to how the Office of Investigation should be run vis-a-vis the General Counsel's Office. There is no question that we have a disagreement as to how that should be done.

Senator CURTIS. I think that the experience has been—I note this experience that arose out of the Billy Sol Estes investigation, that these investigations should not be interfered with or controlled by the general line of command in the Department because sometimes it leads to the investigators investigating themselves.

For that reason, the Congress set up, after that investigation, an independent Inspector General who did not have to go through, was not supposed to go through, the Secretary and the Assistant Secretaries and the administrators of various programs.

He was to report directly to the Secretary and so I do not think that the experience of these investigations would support your position that your investigators would be subject to the direction, either encouragement or restraint, of the General Counsel.

I just do not believe that that is the right course.

I still think that when you read this record, you are going to find it a little bit hazy. I clearly got the impression from you that the inten-

tion that there was to be a plan of investigation before anything proceeded, that it was your contention that no such thing happened.

Secretary CALIFANO. Senator, I wanted the investigation moved, and wanted it moved as fast as possible. If I have learned anything in the last 8 weeks it is how true when, at President Truman's last press conference, they asked him what he thought Eisenhower would find out when he took office and President Truman said, the first thing he would find out was that when he issued an order, nothing would happen.

It is very difficult to get a massive bureaucracy moving, as Senator Ribicoff knows, much better than I—although I am learning. And I wanted to move on this investigation. I wanted to move it as fast as I could, as fairly as I could, as promptly as I could.

To the extent that you are indicating did I say stop everything until there is a plan of investigation, I certainly did not say that.

It is logical for them to have left that office to put together a plan of investigation? Of course, it is, as I indicated, the documents were in the hands of congressional committees and there was no investigation at that moment.

Senator CURTIS. You were not successful in getting it to move ahead fast. What was done and said, there is a dispute that it was; it slowed it up.

Secretary CALIFANO. That is correct. That is correct. But as Mr. Walsh indicated in his affidavit, as soon as it was clear that there was a misunderstanding, the first time he mentioned to anybody in or about my office, when they were asking him where he stood on the investigation, and he said—I stopped it; I am waiting for a plan—then he was told that every day to get the investigation going.

Senator CURTIS. Has any State or local official in the State of California communicated to you about this case?

Secretary CALIFANO. No, Senator.

Senator CURTIS. That is all.

Senator BYRD. Mr. Chairman?

The CHAIRMAN. Senator Byrd?

Senator BYRD. Since we have spent so much time on this and some of us are not too familiar with the *Flora Souza* case, could you very briefly summarize what the case is?

Secretary CALIFANO. Senator, I myself am not familiar with the details of the case. I also think that it would not be appropriate for me to comment on it. I think it is a case in which there will almost certainly be prosecutions forthcoming.

Senator BYRD. It is a poor welfare recipient who happened to get two checks, or something else?

Secretary CALIFANO. It is a provider case.

Senator BYRD. A corporation? What is it?

Secretary CALIFANO. They are providers. I do not know if they are incorporated or not. I am really not familiar with the details of the case.

Senator BYRD. Are there individuals involved?

Secretary CALIFANO. I believe there are individuals involved?

Senator BYRD. How does it get the name "Flora Souza"?

Secretary CALIFANO. He or she or whoever Flora Souza is, is obviously an individual.

Senator BYRD. How many lawyers do you have at HEW?

Secretary CALIFANO. How many lawyers do we have throughout HEW? We have had, I guess, about 400 to 500 lawyers in HEW, maybe a few more. That includes the Social Security Administration and the Food and Drug Administration.

Senator BYRD. Did I understand you accurately in the earlier part of your statement your testimony that you thought in cases where there is potential for fraud that it should be handled only by lawyers?

Secretary CALIFANO. What I said, Senator, in cases where there is potential for fraud, lawyers should be involved as the investigation goes along. They should be available to the investigators to help guide them.

I think they can help provide assistance and expertise that will help assure (a) where there are prosecutable cases, there will not be mistakes made, failures to give warnings, problems of various kinds; and (b) that the rights of the individuals who are being investigated are being protected.

Senator BYRD. Will that not require a good many more lawyers than you now have in the Department?

Secretary CALIFANO. I think if the level of the fraud problem and medicaid and medicare is what we think it is from some of the samples we are getting, I think that there will have to be a substantial number of additional investigators and additional lawyers working in this area.

Mr. Walsh testified before he left about the need for additional investigators. I talked to Attorney General Bell last week about what I considered to be an imperative need to move FBI agents in to help us while we are recruiting additional trained investigators.

The Attorney General agreed to do that.

I talked to Mr. Civiletti on Monday. My General Counsel designate met over at the Department yesterday. I would hope, by the end of this week, that we would have, on an interim basis, until we get over the hump, some FBI agents to move in fast and hard into some of the cities and areas of this country where we think there are very serious and immediate fraud problems that need attention.

In answer to your question, yes. We will need more investigators, we will need more lawyers if we are to fulfill what is a clear congressional mandate, a matter about which this committee was deeply concerned last year when it set up the Inspector General's Office to stop and eliminate and root out the fraud in medicare and medicaid and some other programs.

There may be some serious problems in the student financial aid area in terms of some of the proprietary schools. There is a lot of money going out of HEW. There is a lot of opportunity there. In part, entirely due to Mr. Walsh's efforts and some of the efforts of his investigators who have been there for some time, we are getting a pretty good sense that this is a serious problem and this committee was absolutely on target when it was concerned about it last year.

Senator BYRD. Thank you.

Thank you, Mr. Chairman.

Senator CURTIS. I have one more question.

Has anyone involved in this California case directly or indirectly ever been clients of yours or anybody in your law firm?

Secretary CALIFANO. No, Senator; not that I know of. I do not know—no. Certainly not while I was there.

Senator BYRD. Will the Senator yield at that point?

Senator CURTIS. I am through. These questions arose, all of these questions, as sort of a side issue in reference to Mr. Champion. I just wanted to notify the committee that I have one question to ask Mr. Champion before we vote on that.

Senator BYRD. I just have one question for the Secretary.

In replying to the Senator from Virginia, you indicated you did not know who they were, who was involved in the case. In replying to the Senator from Nebraska, you said your firm had no connection with them.

Secretary CALIFANO. I would say we had no medicare-medicaid fraud cases at all.

Senator DANFORTH. I have just a couple of questions.

Mr. Walsh, are you charging Mr. Califano with any impropriety?

Mr. WALSH. Absolutely not, sir.

Senator DANFORTH. You are not charging him with anything illegal or unethical?

Mr. WALSH. No, sir. I think, as Mr. Califano said, we had simply an honest difference of opinion. I think that is clear.

As far as I am concerned, that is the way it is.

Senator DANFORTH. Mr. Califano, as I understand it, your comments are to the effect that you do not know who Flora Souza is or what Flora Souza is, you have no special knowledge or relationship to this individual or thing called Flora Souza and until early February you had never heard anything about it; that this matter was brought to your attention by Mr. Warden because it was of significance to your Department because there were congressional investigations going on in this regard; and that you then used the occasion of having this case brought up to discuss with Mr. Walsh and others some general thoughts that you had about policy matters with respect to investigations in general. And that your general view on investigations, which was not a specific order with respect to this case and how to handle this case differently from other cases, was that the General Counsel's Office and the Chief Investigator's Office should have some coordination in action on these investigations.

Is that right?

Secretary CALIFANO. That is essentially correct, Senator.

Senator DANFORTH. You could not care less what happens to *Flora Souza* as a specific case?

Secretary CALIFANO. I hope that if there is an impropriety out there, fraud or abuse or what have you, that it is successfully prosecuted, obviously.

Senator DANFORTH. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Califano, I am not concerned about the qualifications of Mr. Champion to be Under Secretary of HEW. That does not have anything to do with what concerns me as a result of all of this. I am concerned about how we are going to bring about proper administration by your Department and by those who are supposed to be working with your Department at the State level and elsewhere.

Just one item, social security numbers. The following is an approximate tabulation of investigations into frauds for prosecution in the

areas of fraudulent applications for social security numbers. The figure is not a precise indication of all frauds of social security number applications since in some situations, a social security number is obtained in conjunction with fraudulent claims activities and the investigation and/or referral for prosecutions relating to the claimed fraud, not the social security number.

Here we have, in the year 1971, the number of investigations, zero; 1972, 1; 1973, 18; 1974, 28; so far no referral for prosecution; 1975, 73; 3 referrals for prosecution; 1976, 64; 2 referrals for prosecution.

This Nation is losing hundreds of millions of dollars, maybe more than \$1 billion a year by people obtaining benefits to which they are not entitled. The best way to try to resist that is by seeing that they have only one social security number.

In Maryland, the Governor was persuaded that they ought to ask those who were drawing AFDC to come in and get an identification card that would have their picture on it and 11 percent of the beneficiaries did not show up to have their picture taken, so the rolls have been reduced by 11 percent.

That would lead one to think that this kind of thing has been going on for some time across this Nation. Goodness knows how many people there may be drawing benefits to which they are not rightfully entitled.

Some years ago we had a story by an investigative reporter which indicated in Maryland there was a welfare ring fraudulently obtaining benefits to which people were not entitled. They had some sophisticated techniques for changing wigs and one thing or another.

I recall how some fellow in a big limousine would drive these ladies from one welfare office to another, putting in duplicate applications, and then at that time it came out that the State of Maryland did not have a single investigator outside of the city of Baltimore to look for people, even to investigate, to try to find people who were obtaining fraudulent benefits from the State with the Federal Government paying at least half the cost.

There is a big job to be done in the welfare programs.

There was a series of articles run in the Washington Star that reflected a lot of diligent work by an investigative reporter that indicated all sorts of trouble with the supplemental security income program that would indicate that there is a great deal that needs to be done there with regards to benefits that are not proper.

If you are going to take over what is now the AFDC program, goodness knows you are going to be needing all kinds of investigators. How do you expect to stop all of the mischief that is going on right now?

Secretary CALIFANO. Mr. Chairman, I think that it is a coincidence, but just before I came up here to testify, I was having a meeting this morning with the Commissioner on Social Security on the issue of what to do about social security cards, whether or not there was not a better way in terms of how we issue them, when we issue them and the circumstances which we follow them to make sure that a person only gets one and to make sure we have much better control over the cards.

The CHAIRMAN. One to a customer.

Secretary CALIFANO. On this very subject the meeting was, in fact, inspired by your concern which you expressed to me when I was making courtesy calls and which you have expressed in the past.

One possibility that we are looking at which may also be helpful in connection with another problem, is to have a credit card type of social security card. Taking a photograph may be difficult because you have to keep taking a photograph every few years as people change, but credit cards may be less counterfeitable, if you will, than a social security card.

It may also provide us with a way that will assist the Departments such as Justice and Labor in dealing with some of the illegal immigration problems that we have in this country so we are looking at this very subject.

One of the most important things we can do is deal with it as you come in the door, as you are suggesting, as they come up to get that card.

Beyond that in terms of duplicative benefits and inappropriate benefits, I hope that getting all the cash assistance programs in one place will help us as we get these computers in commission when they can cross-check in one way or another.

But it is a massive problem and it is an important problem. It is a source of leakage of funds that otherwise would increase our ability to help poor people or old people.

The CHAIRMAN. To run a program where the amount of benefits is related to their income really involves almost a month-to-month change in the circumstances of people based on what is happening in their lives.

It is almost impossible to keep up with what is going on, so it is an insurmountable task the way it is. With all the help that you would need to check on those kinds of things, I do not see how you are going to get that all done with lawyers looking out for what people need to protect their rights. They need to know the law of evidence, they need to know something about criminal law.

If I were thinking of what you would have to do to educate a lawyer, that is only about one-sixth, less than 25 percent of what a person would need to know to be a lawyer.

Secretary CALIFANO. It is not my intention to let these things be done by lawyers. We need accountants, we need trained investigators.

The reason I asked Attorney General Bell to immediately give us FBI agents to move on some high priority cases, was because the investigative staff of Mr. Walsh is fully occupied and we need more trained investigators—and these men have to be sophisticated, because a lot of these problems require backgrounds in accounting and other sophisticated subjects.

By no means do I think this can be done by lawyers alone.

Senator RIBICOFF. If the Senator would yield, I do not understand that you were going to make your investigators lawyers, that your lawyers were going to give general direction, to be there for supervision and advice. They certainly are not going to go out in the field and investigate, but they would be available to the investigative staff. That is done in any State's attorney's office as a general proposition.

They are the ones who give investigation advice. It is a tough job.

Before you get into the credit card system, credit cards are stolen, they are lost. That is a tough situation.

I think the chairman once had an idea of photographs and thumb prints and everybody accused him of invading the civil liberties of the entire country when he was trying to put that thought across.

The CHAIRMAN. Well, what I have in mind here, it just does not seem to me that you need lawyers or accountants and you do not need to have even any highly trained people to find out a lot of what you need to know. For example, I remember the days of the tough fighting in politics that occurred during my boyhood, when someone would just go over those registration rolls, trying to fight the crowd that was in power in city hall.

You would find at one particular house they had 75 people registered as voters. You would send somebody around there to go to the house and see how many people were living in that house—not necessarily paid investigators. Anybody could go take a look and see how many people seemed to be living around there.

Sometimes it might turn out to be a house of ill repute where people passing through town may have paid a visit. In an case, you would want to know how those people came to be registered, because probably if you did not know who they were, the other guy did. All those names would be voted somehow or other. They would always show up on the street on election day to vote. You would try to find out just where all of those people came from.

You will have problems like this. I am told in New York City it has become so difficult to protect the personal safety of the individual case workers that no longer are they making efforts to go out and see if anybody actually lives in those congested housing situations there.

Is that correct or not, Mr. Califano? Do you know about that?

Secretary CALIFANO. Mr. Chairman, I do not know. My comments, incidentally, about more sophisticated kinds of investigations were directed at some of the medicaid and medicare provider problems; a lesser level of either accounting or other sophisticated techniques is required in some of the welfare fraud cases you are referring to.

I do not know the answer about New York City.

The CHAIRMAN. Can you help me with that, Mr. Walsh?

Mr. WALSH. The majority of cases we had, when I left we had approximately 300 active criminal cases on the book. I had 44 investigators in the whole country to handle those.

There were approximately 1½ years work piled up per man in the field. We did have some cases that had been referred to us concerning fraudulent issuance of social security cards. We did not handle those on a normal basis, but there were some cases that there appeared that there was a ream of them, particularly dealing with aliens who were putting out these cards.

These are very difficult cases to handle and we are working with the FBI to try to develop informants in certain ethnic areas to try to find out who was issuing, who was responsible for issuing these fraudulent social security cards.

We were not having a lot of luck. I might say it was very difficult to do.

The CHAIRMAN. There has been a lot of money saved by an effort to prune these rolls of people not properly on them. The director of welfare in the State of Louisiana undertook what the Department was urging him to do, to take a closer look at who was entitled to the benefits. One lady was being indicted for being on the rolls under 18 different names.

He had a lot of cases of people who were on under more than one name. And incidentally, he was not able to persuade the district attorney in New Orleans to prosecute because that fellow felt he had to run for office and did not think it would be good politics. He had to get the U.S. attorney to prosecute.

There were some bills passed in the last couple of years saying that if you cannot get the local U.S. attorney to proceed against fraud, make it a Federal crime and try to get the U.S. attorney to do something.

But I hope that you are not going to try to find enough lawyers for all of these jobs. Frankly, in some of these jobs, some of these people you might hire are some of the people we are trying to get off the welfare rolls.

Is that correct or not?

Secretary CALIFANO. Mr. Chairman, I have no intention of getting lawyers to do all of this investigating. Virtually all of the investigating will be done by nonlawyers, although there are some investigators who are also attorneys.

The lawyers will be used, as Senator Ribicoff indicated, if they are in the General Counsels Office, to provide guidance and assistance where necessary and appropriate.

The CHAIRMAN. Are there any further questions?

Let me ask this question. Would the members be disposed to coming back here this afternoon?

Mr. STERN. Mr. Champion is here.

The CHAIRMAN. I assume that is all of the questions we want to ask of Mr. Califano and Mr. Walsh. You may be excused.

Mr. Champion?

Senator CURTIS. Mr. Champion, has any State or local official in the State of California contacted you in any manner directly or indirectly about this *Flora Souza* case?

Mr. CHAMPION. No; they have not.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much.

Well, gentlemen, I do not think there is anything more we are arguing about Mr. Champion. Why do we not vote?

All in favor of confirming Mr. Champion say aye?

[A chorus of ayes.]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. The ayes have it.

Gentlemen, I am going to ask that we meet tomorrow morning and proceed with this unemployment bill.

We will meet at 9 o'clock tomorrow.

[Thereupon, at 12:35 p.m. the committee recessed to reconvene Thursday, March 24, 1977.]

[By direction of the chairman the following statements were made a part of the record:]

STATEMENT OF SENATOR ALAN CRANSTON, REGARDING NOMINATION OF
HALE CHAMPION

Mr. Chairman, I would like to express my great pleasure at the nomination of Hale Champion as Undersecretary of Health, Education, and Welfare.

Hale and I served together for many years in the State of California when I was State Controller and Hale was Director of Finance. That position is roughly comparable to Director of O.M.B. We also served together on many of the same boards and Commissions in California. In all this work, I found Hale to be always knowledgeable, intelligent, and incisive in dealing with the very complex issues of California government.

I am confident he will bring these same fine qualities to the Department of Health, Education, and Welfare where his tough-minded, independent, energetic approach to problem solving will be put to excellent use. He is a person of genuine intellect, integrity, and social commitment.

On the issue before your Committee this morning, I want to express my total confidence in Hale Champion based on my very close personal knowledge about his great integrity, this unswerving dedication to uncovering wrongdoing, and his complete aversion to covering up abuses of public trust.

I wholeheartedly support his nomination.

STATEMENT OF SENATOR JOHN TOWER REGARDING NOMINATION OF ROBERT STRAUSS

Mr. Chairman, it is my pleasure and honor to add my approval of the nomination of my good friend and fellow Texan, Robert S. Strauss, as Special Representative for Trade Negotiations.

Although Bob and I have been on opposite sides in almost every political battle, he has, nevertheless, gained my admiration for his ability as well as his devotion to his country.

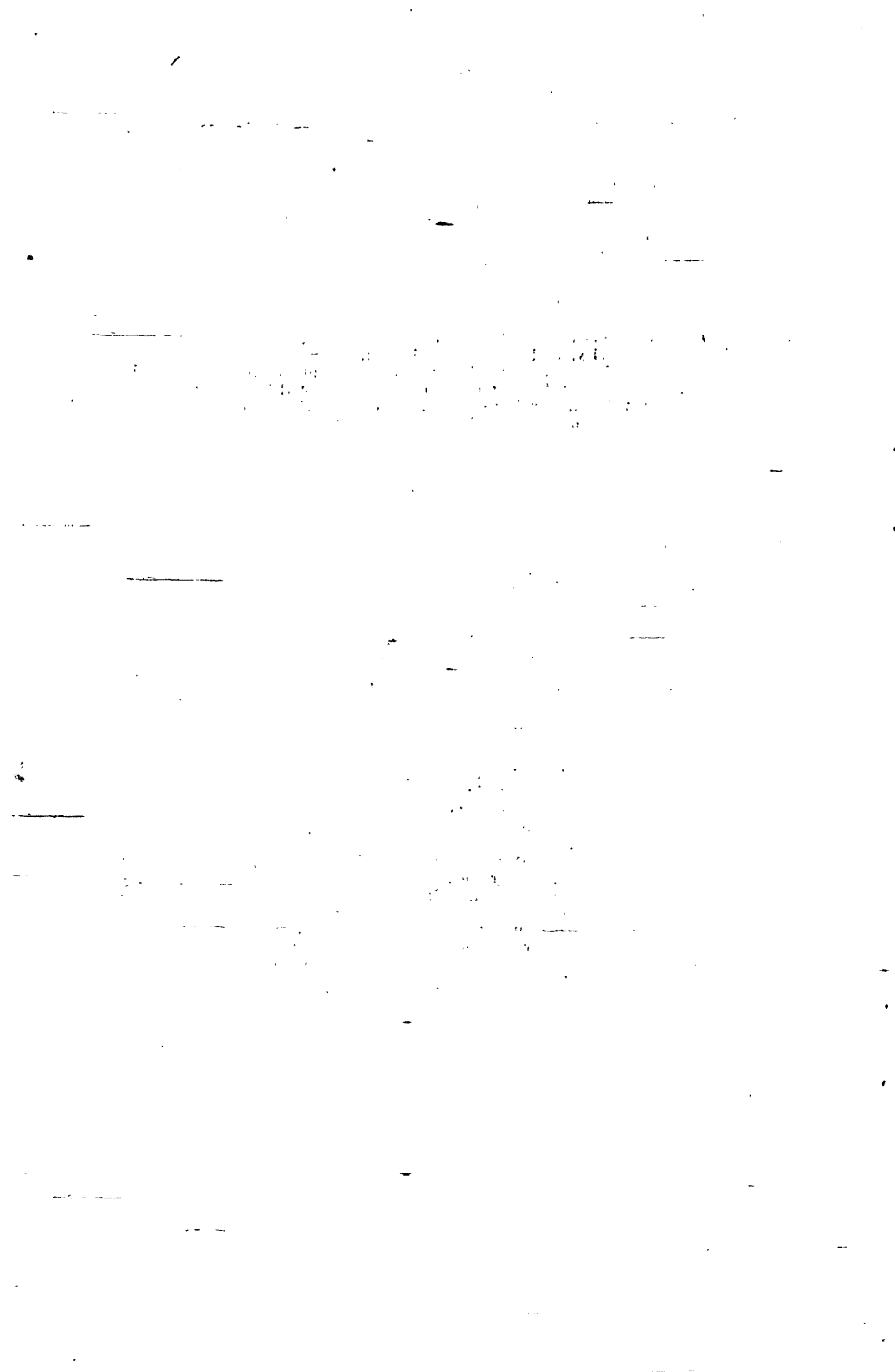
Bob was reared and educated in Texas and began his long and distinguished career in both law and business there. He founded the law firm of "Akin, Gump, Strauss, Hauer and Feld," has served on the Texas Banking Commission and is chairman of the board of the Valley View Bank in Dallas. At present he serves as a member of the board of directors of such corporations as Xerox, Braniff Airlines, Columbia Pictures and the Wylain Corp.

In addition to his many business enterprises, Bob is active in several civic and charitable organizations including the Red Cross, Congregation Emanu-El, Presbyterian Hospital and Goodwill Industries.

The public knows Bob most for his service as Chairman of the Democratic National Committee. He accepted the enormous challenge and successfully engineered the reuniting of the differing factions of his party, however regrettable I personally may view that.

Truthfully, I must admit that Bob has had little if any experience for the specific job he is asked to do as Trade Negotiator. It is my firm opinion, however, that the character, personality and instincts of the man are the most important qualifications for this position. Bob is a tough-minded man with a grasp of the issues. His primary concern is for the interests of the United States. Too often trade negotiators are more inclined to try to make everyone love us.

I encourage this committee to approve the nomination of Robert S. Strauss as Special Representative for Trade Negotiations.





APPENDIX A
Additional material submitted by Secretary Califano



SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., March 28, 1977.

Hon. RUSSELL LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During my testimony before your Committee on Wednesday, March 23, 1977, I stated that I would like to insert two affidavits in the record of the Committee's proceedings. These affidavits, one from Richard D. Warden and one from St. John Barrett, are enclosed.

I would also like to insert in the record a joint affidavit from Thomas Morris, the Inspector General-Designate, and Peter Libassi, the General Counsel-Designate, relating to the principles that will govern the relationship between the Office of the Inspector General and the Office of the General Counsel. These principles were agreed to on March 8, 1977.

With reference to Senator Herman E. Talmadge's statement concerning compliance with a Freedom of Information Act request in the California case, I would like to make several observations.

First, no "work papers" relating to the Home Kare investigation were ever released to any party, pursuant to the Freedom of Information Act. Second, in the summary of the audit papers that was released, all investigatory information of a confidential-or sensitive nature was deleted so that the investigation would, in no way, be impaired by the release. The decision to release the summary of the audit papers was made by a regional public affairs officer, as are most decisions regarding the Freedom of Information Act that arise in the regions. This decision, which, I am told, is clearly required under the Freedom of Information Act, was made after consultation with members of HEW's General Counsel Office, and was in accordance with a long-standing Departmental interpretation of the Act. It was not made over the objection of the U.S. Attorney in the Northern District of California. Finally, the summary of the audit papers was provided to the Congress.

I should add that I had no knowledge of the Freedom of Information Act request in the Home Kare case until after the decision had been made to release the summary of the audit papers.

I would greatly appreciate it if you would also have this letter inserted in the record.

Thank you very much.

Sincerely,

JOSEPH A. CALIFANO, Jr.

Enclosures.

AFFIDAVIT

CITY OF WASHINGTON,
District of Columbia, ss:

Richard Warden duly sworn states: I am presently Assistant Secretary-Designate for Legislation, Department of Health, Education, and Welfare.

On February 3, 1977, Dale Sopper, the Acting Assistant Secretary for Legislation, informed me of a conversation he had had with John Walsh, Director of the Office of Investigations. Mr. Sopper told me that Mr. Walsh informed him a Congressional hearing was to be held shortly into allegations against a chain of home health care facilities in California. At that time, the hearing was scheduled for February 16 and 17. (The hearing was subsequently postponed until March 8 and 9.) The Committees involved included the Senate Special Committee on Aging and the Subcommittee on Health and the Subcommittee on Oversight of the House Ways and Means Committee.

After Mr. Sopper informed me of his conversation with Mr. Walsh, we asked Mr. Walsh to discuss the upcoming hearing with us in light of information he had about the allegations against the California facilities. This meeting occurred at 9:00 a.m. on February 4, 1977. After our discussion with Mr. Walsh, I informed

Secretary Callfano of the background of this matter and of the planned hearing by the Congressional Committees. I told the Secretary that Mr. Walsh had some ideas about how to proceed with an investigation and informed him of Mr. Walsh's willingness to accompany the Social Security officials who were expected to testify during the course of the hearings. The Under Secretary-Designate, Hale Champion, was present at the time that I informed the Secretary of the foregoing.

The Secretary then asked the Acting General Counsel, St. John Barrett, to come to his office and subsequently also asked Mr. Walsh to come to his office. The Secretary expressed his view that in the conduct of any investigation, the civil liberties of the persons involved had to be protected. At no time, in my recollection, did the Secretary say anything which could be interpreted to mean that he wanted the investigation impeded. On the contrary, it was my clear impression that the Secretary wanted a thorough, complete investigation with due regard for the constitutional rights of all involved.

RICHARD WARDEN.

Witnessed this 23rd day of March 1977.

AFFIDAVIT

CITY OF WASHINGTON,
District of Columbia, ss:

St. John Barrett duly sworn says: I am presently Acting General Counsel of the Department of Health, Education, and Welfare. I have been acting in this capacity since January 20, 1977. My regular job has been that of Deputy General Counsel, a position which I have held since August, 1967.

In the morning of Friday, February 4, 1977, I received a call to attend a meeting in the Office of Secretary Callfano concerning the investigation of Home Kare, Inc., a Medicare provider in California. This was the first time I had been aware of any such investigation or of any allegations against Home Kare, Inc.

When I arrived at the Secretary's office, the Secretary, the Under Secretary-Designate and Richard Warden, Assistant Secretary-Designate for Legislation were already there. Mr. John J. Walsh, Director of the Office of Investigations, joined us within a minute or so after my arrival.

During the course of the meeting I learned that a Congressional Committee had scheduled a hearing on the Home Kare matter and that officials from our Department were scheduled to testify. The Secretary asked Mr. Walsh about the status of the investigation of Home Kare by this Department. Mr. Walsh said that he had met with attorneys in the Criminal Fraud Section in the Department of Justice to discuss the case and that he had a meeting scheduled in San Francisco with staff of this Department, staff of the Justice Department and concerned state officials to discuss the matter further. The Secretary expressed surprise that Mr. Walsh had been meeting with lawyers of the Department of Justice without involving the General Counsel's office. He also expressed concern that the investigation, and statements concerning the investigation, not unfairly reflect upon those being investigated by giving currency to allegations not yet substantiated. He asked Mr. Walsh to involve my office in his contacts with the Department of Justice.

At no time, to my knowledge, did Secretary Callfano or Under Secretary-Designate Champion instruct or suggest to Mr. Walsh that the Office of Investigations should not institute an investigation without first obtaining the clearance of the Office of General Counsel.

At no time, to my knowledge, did the Secretary or the Under Secretary-Designate instruct, advise, or suggest that the investigation of Home Kare be discontinued, suspended or slowed down in any way.

St. JOHN BARRETT.

Subscribed and sworn to before me this 23d day of March 1977.

Notary Public.

My commission expires: July 31, 1981.

AFFIDAVIT OF THOMAS D. MORRIS AND PETER S. LIBASSI

The undersigned, Thomas D. Morris, Inspector General-Designate, Department of Health, Education, and Welfare, and Peter S. Libassi, General Counsel-Designate, Department of Health, Education, and Welfare, hereby certify that attached hereto is a statement of principles governing the relationship between the Office of Inspector General and the Office of General Counsel of the Department of Health, Education, and Welfare, agreed to by the undersigned on March 8, 1977.

Dated: March 22, 1977.

THOMAS D. MORRIS,
PETER S. LIBASSI.

Subscribed and sworn to before me this 22d day of March 1977.

JACQUELINE M. BENNETT,
Notary Public.

My commission expires: July 31, 1981.

Subject: Statement of Principles Governing Relationships Between Inspector General and General Counsel.

Pursuant to the provisions of P.L. 94-505, the Office of Inspector General is an "independent and objective unit" within the Department of Health, Education, and Welfare. At the same time, in performing its responsibilities, the Office must investigate and measure the conduct of Departmental program officials, recipients of Departmental funds, and others against a myriad of authorizing statutes that are properly the subject of legal advice by the General Counsel of the Department. For both of these reasons it is necessary to have a clear understanding how these two offices will relate, one to the other.

I. The independent role of the Inspector General

As a part of its freedom from the direction or control of any Departmental officials in performing its investigative role, the Office of Inspector General will not be subject to the clearance or approval by the General Counsel with respect to any of its activities, including:

- (1) Initiating any inquiry or investigation;
- (2) Transmitting to the Department of Justice or to any other enforcement or investigating agency any complaints, information, or investigative reports in its possession;
- (3) Conducting investigations and determining the scope, direction, and character of those investigations; and
- (4) Preparing reports and submitting such reports to the Secretary and the Congress.

II. Availability of legal services to the Inspector General

The Inspector General will be entitled to receive from the General Counsel, in accordance with such procedures as the Secretary may prescribe, legal advice and services with respect to:

- (1) The proper interpretation of the statutes, regulations, and policy directives governing the administration of Departmental programs;
- (2) Investigative procedures and techniques, such as subpoenaing documents, admonishing witnesses, procuring search warrants, surveillance, and the like;
- (3) The interpretation of general statutes applicable to the Inspector General as well as to other officials of the Department, such as the Freedom of Information Act and the Privacy Act; and
- (4) The legal implications and conclusions to be drawn from the audits and investigative reports of the Inspector General.

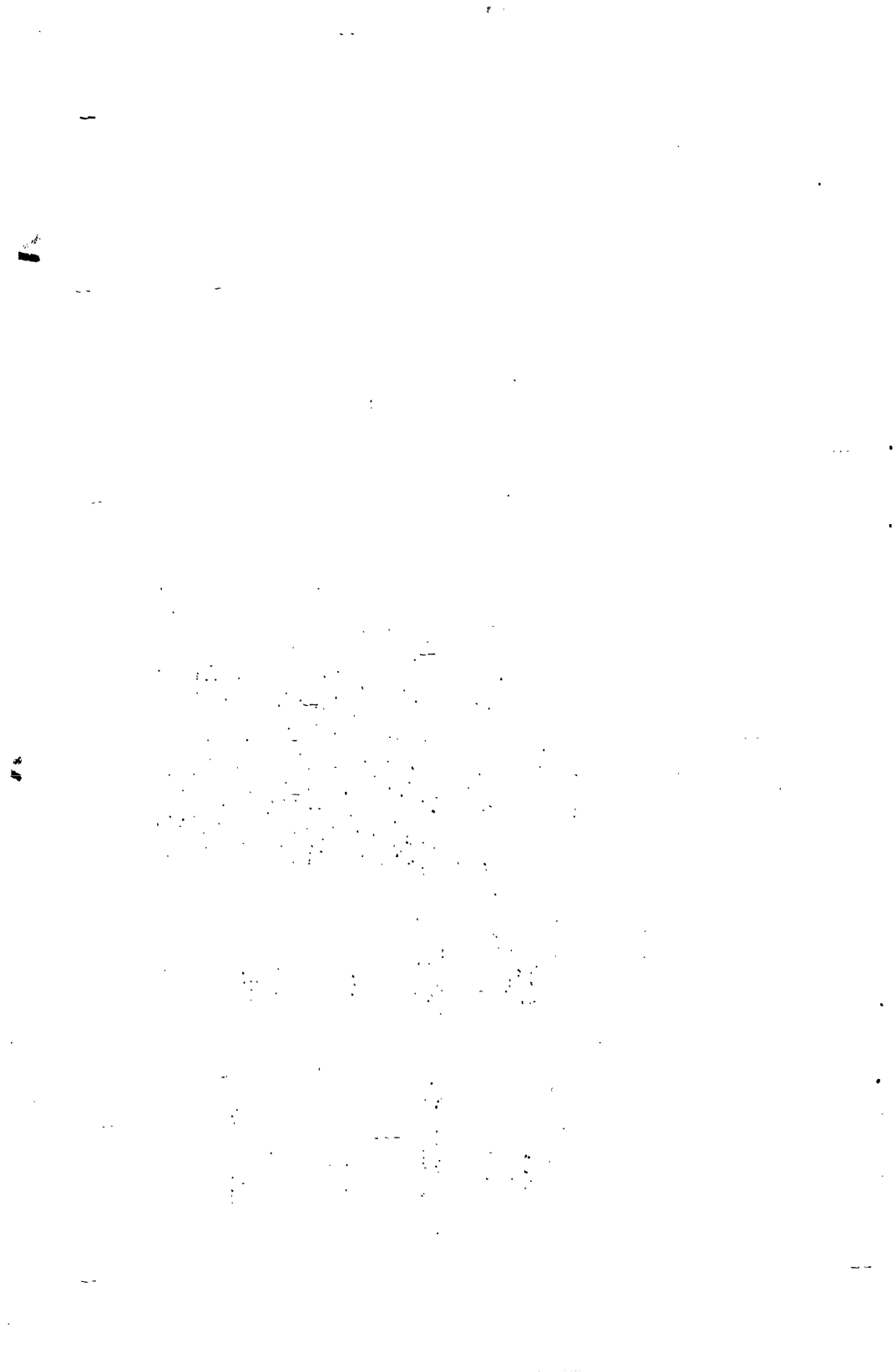
Although the Secretary may require the Inspector General to seek and obtain the advice of the General Counsel with respect to any of the matters just noted, the Inspector General will not be bound by such advice.

III. Exchange of information

The General Counsel will keep the Inspector General informed of any communications from the Office of General Counsel to the Department of Justice, or to any other enforcement or investigative agency, concerning any matter that has been or might be the subject of investigation or inquiry by the Office of Inspector General. Similarly, the Inspector General will keep the General Counsel informed of investigations and inquiries initiated or completed and any transmittal outside the Department by the Office of Inspector General of the results of such investigations or inquiries.

APPENDIX B

**Response of Hon. Bette B. Anderson to Questions Submitted
During the Confirmation Hearings**



SUMMARY OF COUNTERVAILING DUTY ACTIONS SINCE JANUARY 3, 1975

(Including Actions Taken on Cases Pending January 3, 1975)

TREASURY COUNTERVAILING DUTY ACTIONS—PART I

COUNTERVAILING DUTY PETITIONS FILED PRIOR TO JAN. 3, 1975 (WITH PROCEEDING NOTICE PUBLISHED AFTER JAN. 3, 1975)

Product	Country	Alleged bounty or grant	Date initiated	Date tentative decision published	Date final order published	Calendar year 1974 import value (millions)
Floet glass	Belgium	Various forms of regional assistance	Jan. 15, 1975	Affirmed July 3, 1975	Negated Jan. 7, 1976	\$0.5
Do	France	do	do	Negated June 30, 1975	Negated Dec. 4, 1975	.1
Do	West Germany	do	do	Affirmed June 30, 1975	Negated Jan. 7, 1976	.1
Do	United Kingdom	do	do	Negated June 30, 1975	Negated Dec. 22, 1975	1.2
Do	Italy	Investment grants; special tax reductions; low-interest rate financing; reduction of contribution to State welfare organizations	do	Affirmed July 3, 1975	Affirmed Jan. 7, 1976	.5
Processed asparagus	Mexico	Tax credit for indirect taxes	do	do	Negated Jan. 7, 1976	1.7
Dairy products (cheese)	EEC	Restitution payment	do	Affirmed Feb. 14, 1975	Affirmed May 19, 1975	130.0
Ferrochrome	South Africa	Favorable rail rates for export; reduced electrical rates; reduced harbor dues; income tax allowance for market development; preferential financing; Government encouragement of investment for export capability; Government provision for cheap labor	do	Affirmed June 30, 1975	Negated Jan. 7, 1976	18.0
Footwear	Taiwan	Exemption from business tax; reduction of stamp tax; income tax exemption; accelerated depreciation; drawback on imported machinery; tax incentives for plant expansion; preferential financing; export-processing zones; Government subsidization of export risk insurance; tax exemption for reserve for export promotion	do	Negated July 3, 1975	Affirmed Jan. 7, 1976	170.0
Cheese	Austria	Direct price support representing difference between cost of marketing and price received	do	Affirmed May 20, 1975	do	15.8
Do	Switzerland	do	do	Affirmed July 3, 1975	Affirmed Jan. 8, 1976	8.0
Leather handbags	Brazil	Exemption from Federal and State value-added taxes; exemption from Federal value-added tax on imports; tax credits equal to Federal and State value-added taxes; income tax exemption; preferential financing; exemption from import taxes beyond custom duties; favorable income tax treatment for marketing expenditures; exemption from warehousing tax; exemption from tax on trading companies; exemption from Federal and State value-added tax on exports; exemption on other taxes on imports	do	Affirmed June 30, 1975	Affirmed Jan. 12, 1976	5.2

(79)

TREASURY COUNTERVAILING DUTY ACTIONS—PART I—Continued

COUNTERVAILING DUTY PETITIONS FILED PRIOR TO JAN. 3, 1975 (WITH PROCEEDING NOTICE PUBLISHED AFTER JAN. 3, 1975)—Continued

Product	Country	Alleged bounty or grant	Date initiated	Date tentative decision published	Date final order published	Calendar year 1974 import value (millions)
Footwear, nonrubber	Korea	Preferential financing; exemption from commodity taxes; marketing expenses exempt from income tax; reserve fund (nontaxable) for export losses; depreciation allowances for foreign exchange proceeds; free-trade zones; drawback on imported machinery.	do	Affirmed July 3, 1975	Affirmed Jan. 8, 1976	\$23.5
Canned hams	EEC	Restitution payment	do	Affirmed June 30, 1975	Affirmed Dec. 2, 1975	231.0
Shoes	West Germany	Remission of VAT	do	do	do	do
Leather products	Argentina	Direct cash remission; preferential financing; income tax deduction exemption from domestic sales tax.	Jan. 5, 1975	do	Terminated June 3, 1975	do
			Jan. 15, 1975	do	Terminated Apr. 22, 1975	do
Steel products	West Germany	Remission of VAT	do	do	do	do
Do	France	Remission of VAT; accelerated depreciation.	do	do	Terminated June 3, 1975	do
Do	Netherlands	Rebate of VAT	do	do	do	do
Do	Luxembourg	Loan guarantees; preferential financing; capital gains; accelerated depreciation; export promotion grants; favorable rail freight rates; rebate of VAT.	do	do	do	do
Do	Belgium	Rebate of VAT; loan guarantees; capital grants exemption from property and income taxes; export credit financing; market promotion assistance.	do	do	do	do
Do	United Kingdom	Rebate of VAT	do	do	do	do
Do	Austria	do	do	do	do	do
Cotton textiles and man-made fibers	India	Income tax concessions	do	Negated July 3, 1975	Negated Dec. 17, 1976	100.00
Dried apples	Italy	Remission of IGE (turnover) tax	do	do	do	do
Cast iron soil pipe and fittings	India	Direct cash payment for remission of taxes; favorable freight rates; preferential financing; import entitlement (allocation) program.	do	Negated July 9, 1975	Terminated Mar. 7, 1975 Negated Nov. 24, 1976	2
Tie fabrics	Korea	Preferential financing; assistance from conglomerates; remission of internal taxes; all other government assistance existent in other cases.	do	do	Terminated June 3, 1975	do
Do	West Germany	Remission of VAT on exports; rebates on raw materials purchases.	do	do	do	do
Do	Japan	Assistance from conglomerates; remission of internal taxes; textile industry capitalized with Government assistance; all other Government assistance existent in other cases.	do	do	do	do
Oxygen sensing probes	Canada	Government development of patented oxygen-sensing probe and all costs of further improvements—with only nominal licensing fee charged to Canadian licensee; subsidiary distributor established for U.S. distribution, which meant product not freely available.	do	do	Terminated Dec. 12, 1975	do
Steel products	Italy	Rebate of IGE tax; favorable freight rates; EC encouragement of investment; remission of specific and basic rate taxes (Public Law 639); loans for export; exemption of insurance taxes.	Mar. 7, 1975	do	do	Terminated June 3, 1975

TREASURY COUNTERVAILING DUTY ACTIONS—PART II
COUNTERVAILING DUTY PETITIONS FILED SINCE JAN. 3, 1975

Product	Country	Alleged bounty or grant	Date petition received	Date tentative decision made	Date of final order	Import value (millions)
Glazed ceramic wall tile.....	Philippines.....	Credit for border taxes, excise taxes and duties on raw materials used for production of exports; reduced income taxes; tax exemption on imported capital equipment; tax credit on domestic capital equipment; favorable income tax treatment for export promotion; accelerated depreciation; income-loss tax carryover.	Feb. 26, 1975	Affirmed Aug. 22, 1975....	Negated Feb. 25, 1976.....	\$1.6
Castor oil and certain castor oil products.....	Brazil.....	Federal and State tax credits; income tax exemption; preferential financing; price controls on castor oil; export exemption from IPI and ICM taxes; exemption from general import taxes; income tax exemption for foreign market expenditures; tax exemption for foreign trading companies.	Mar. 5, 1975	Affirmed Sept. 9, 1975....	Affirmed Mar. 9, 1976.....	1.0
Cheese.....	Norway.....	Consumer subsidy; producer (direct) subsidy; regional support; agricultural development fund; freight subsidy.	May 21, 1975	Affirmed Nov. 21, 1975....	Affirmed May 21, 1976.....	10.0
Do.....	Finland.....	Export subsidy (restitution payment); special milk export rate (producer subsidy); regional support; freight subsidy; agricultural assistance (development).	June 11, 1975	Affirmed Dec. 11, 1975....	Affirmed June 8, 1976.....	11.2
Do.....	Sweden.....	Equalization fund (basic support or producer subsidy); restitution payment.	June 8, 1975	Affirmed Dec. 18, 1975....	Affirmed June 17, 1976....	1.5
Screws, cap screws of iron or steel, 1/4 inch or over in diameter.....	Italy.....	Tax deferrals; promotional assistance; preferential export financing; tax exemptions for expenses incurred in developing new markets; tax reductions for small and medium businesses; tax exemptions for dues to trade assn. Government assistance to employees temporarily laid off; steel industry benefits (indirect assistance); special depreciation; regulations governing lending practices to small enterprises; restriction of production and expansion, supervision of large department stores.	Aug. 11, 1975	Affirmed Feb. 11, 1976....	Affirmed Aug. 9, 1976.....	1.9
Glass beads.....	Canada.....	Direct grant from national development authority; stock purchase by provincial authority; subsidized land from city; reduced freight rates on raw materials; recycling of crushed glass by province; preferential financing.	Aug. 25, 1975	Affirmed Feb. 25, 1976....	Affirmed Aug. 30, 1976....	.3
Vitamin K.....	Spain.....	Cash remission of indirect tax (portions of which are not directly related to product) in excess of taxes paid; loan guarantees for plant expansion to facilitate exports; short-term preferential financing.	Nov. 10, 1975	Affirmed May 7, 1976.....	Affirmed Nov. 10, 1976....	.015

See footnotes at end of table.

TREASURY COUNTERVAILING DUTY ACTIONS—PART II—Continued
COUNTERVAILING DUTY PETITIONS FILED SINCE JAN. 3, 1975—Continued

Product	Country	Alleged bounty or grant	Date petition received	Date tentative decision made	Date of final order	Import value (millions)
Boneless beef	EC	Restitution payment.	Nov. 11, 1975	Affirmed Mar. 24, 1976	Affirmed Apr. 19, 1976	\$3.6
Scissors and shears	Brazil	Exemption from IPI (federal value-added) tax; exemption from ICM (State value-added) tax; exemption from import duties and indirect taxes on raw materials used in production of exports; exemption from income tax on exports, exemption from import duties and indirect taxes on capital goods used in production of exports; preferential financing; credits equivalent to IPI and ICM.	Feb. 9, 1976	Affirmed Aug. 4, 1976	Affirmed Feb. 7, 1977	CY75 \$1.2
Bicycles	Taiwan	Bicycle export cartel; preferential financing; Government purchases of low-demand products; subsidization of foreign exchange purchases; interest suspension on discounts; tax rebates on secondary export commodities; income tax breaks on export losses; reduction and suspension of harbor dues and import license fees; export promotion zones; favorable tax treatment for export promotion expenses; exemption from business tax; reduction of stamp tax; exemption from import duties on equipment; exemption from income taxes for 5 years; accelerated depreciation; export risk insurance.	Apr. 19, 1976	Affirmed Oct. 21, 1976		\$10.9
Cotton yarn	Brazil	Exemption from Federal (IPI) and State (ICM) value-added taxes; exemption from IPI and ICM taxes on imports of raw materials and capital goods; credits equivalent to IPI and ICM; preferential financing; regional investment assistance; exemption from corporate income tax on exports.	Mar. 9, 1976	Affirmed Sept. 9, 1976	Affirmed Mar. 10, 1977	
Industrial fasteners (nuts, bolts, and cap screws)	Japan	Preferential financing; overseas market development reserve; special depreciation allowances; Subsidies for R. & D.; subsidies for small and medium-sized enterprises.	Apr. 21, 1976	Affirmed Oct. 21, 1976		\$133.0
Handbags	Korea	Preferential financing; exemption from commodity tax; tax exemption tax reserve for export loss; special depreciation allowance for foreign exchange earnings; preferential treatment for free trade zones; deferred payment export financing.	May 24, 1976	Negated Nov. 26, 1976		\$28.0
Do	Taiwan	Exemption from business tax; reduction of stamp tax; income tax deductions for expenses incident to exportation; income-tax incentives for foreign investment; reduction or elimination of customs duties on imported machinery.	-----do-----	Affirmed Nov. 26, 1976		\$17.0

Groundfish	Canada	Direct cash subsidy upon delivery of fish; subsidization of processing plants; marketing assistance fund; fishing vessel construction program.	Apr. 1, 1976	Affirmed Oct. 1, 1976	13.2
Unwrought zinc	Spain	Overrebate of an indirect tax; rebate of indirect tax not directly related to the product.	June 17, 1976	Affirmed Dec. 17, 1976	18.0
Chairs and parts	Italy	Rebate under Italian Law 639.	Oct. 1, 1976		5
Canned tomatoes and tomato products	do	Government payments for stockpiling and price supports, paid to agricultural cooperatives and to processors.	July 2, 1976	Negated Jan. 10, 1977	7.3
Silicon electrical steel	do	Access to funds at preferential interest rates; rebate under Italian Law 639; export credits to foreign purchasers; exemption from surcharge on electricity; access to scrap iron at preferential prices; subsidized shipping rates; subsidized insurance coverages.	Oct. 1, 1976		6.7
Leather wearing apparel	Korea	Preferential short-term and long-term financing; benefits from locating in special export zones; deferred payment of duties on imported raw materials; tax shelter for overseas earnings; exemption of commodity and textile taxes.	Oct. 18, 1976		46.0
Cordage of manmade fiber	do	Preferential short-term and long-term financing; benefits from locating in special export zones; deferred payment on duties on imported raw materials; tax shelter for overseas earnings.	Oct. 28, 1976		2
Footwear	Argentina	Reopening of previous investigation.	Feb. 11, 1977		
Butter cookies	Denmark	Direct cash remission upon export; sale of butter from EC intervention stocks at prices substantially below the EC support price; refund payments when agricultural raw materials are consumed in manufacture of cookies.	Dec. 28, 1976		23.7 4.0
Chairs and parts thereof, of iron and steel	Spain	Overrebate of an indirect tax; rebate of indirect tax not directly related to product.	Jan. 10, 1977		4
Leather wearing apparel	Taiwan	Exemption from a business tax for all export business transactions; reduction in stamp tax on invoices; preferential financing; certain travel expenses treated as an operating expense; accelerated depreciation allowance on income tax; establishment of export processing zones which grant tax benefits; export risk insurance; increased tax refunds for exports.	Jan. 21, 1977		23.9

¹ Calendar year 1976.
² January-June 1976.
³ January-August 1976.

⁴ January-July 1976.
⁵ January-September 1976.
⁶ Calendar year 1976.

ANTIDUMPING PETITIONS RECEIVED PRIOR TO JAN. 3, 1975, BUT INITIATED AFTER JAN. 3, 1975

(Dates in parentheses represent date of publication in Federal Register)

Product and description	Petition received	Date initiated	Preliminary determination	Treasury final determination
Doorskins, birch 3-ply—Japan ²	Dec. 12, 1974	Jan. 9, 1975 (Jan. 13, 1975)	July 9, 1975 (July 14, 1975)	Oct. 10, 1975 (Oct. 15, 1975)
Batteries, rechargeable sealed nickel-cadmium—from Japan. ¹	Dec. 24, 1974	Jan. 22, 1975 (Jan. 24, 1975)	July 21, 1975 (July 24, 1975)	Oct. 22, 1975 (Oct. 24, 1975)

ANTIDUMPING PETITIONS FILED SINCE JAN. 3, 1975

Pumps, water circulating, wet motor type, suitable for use in residential and commercial hydronic systems—from Sweden. ²	Feb. 25, 1975	Mar. 21, 1975 (Mar. 26, 1975)	Sept. 22, 1975 (Sept. 26, 1975)	Dec. 24, 1975 (Jan. 5, 1976)
Rubber, butadiene acrylonitrile—from Japan ²	Feb. 26, 1975	Mar. 24, 1975 (Mar. 27, 1975)	Sept. 23, 1975 (Sept. 25, 1975)	Dec. 29, 1975 (Jan. 5, 1976)
Pumps, water circulating, wet motor type, suitable for use in residential and commercial hydronic systems—from the United Kingdom. ²	Apr. 25, 1975	May 15, 1975 (May 21, 1975)	Nov. 23, 1975 (Nov. 26, 1975)	Feb. 26, 1976 (Mar. 3, 1976)
Polymethyl methacrylate, of pellet, powder, flake, granular or similar forms—from Japan. ²	May 16, 1975	June 11, 1975 (June 16, 1975)	Dec. 15, 1975 (Dec. 18, 1975)	Mar. 18, 1976 (Mar. 24, 1976)
Acrylic sheet, whether or not cast, extruded, drilled, milled, or ground on the edges—from Japan. ^{2,3}	June 19, 1975	July 16, 1975 (July 21, 1975)	Jan. 15, 1976 (Jan. 22, 1976)	Apr. 23, 1976 (Apr. 29, 1976)
Ski bindings (alpine) and parts thereof—from Austria. ²	June 24, 1975	July 18, 1975 (July 23, 1975)	Feb. 23, 1976 (Feb. 27, 1976)	May 28, 1976 (June 4, 1976)
Ski bindings (alpine) and parts thereof—from Switzerland. ²	June 24, 1975	July 18, 1975 (July 23, 1975)	Feb. 23, 1976 (Feb. 27, 1976)	May 28, 1976 (June 4, 1976)
Ski bindings (alpine) and parts thereof—from West Germany. ²	June 24, 1975	July 18, 1975 (July 23, 1975)	Feb. 23, 1976 (Feb. 27, 1976)	May 28, 1976 (June 4, 1976)
Brick and tile, hollow or cored ceramic, not including refractory or heat-insulating articles—from Canada. ²	June 24, 1975	July 18, 1975 (July 23, 1975)	Jan. 23, 1976 (Jan. 28, 1976)	Apr. 29, 1976 (May 5, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from West Germany. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from the United Kingdom. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from France. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from Belgium. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from Sweden. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from Italy. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from Japan. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Automobiles, new, on-the-highway, 4-wheeled, passenger—from Canada. ²	July 8, 1975	Aug. 6, 1975 (Aug. 11, 1975)	May 11, 1976 (May 17, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Knitting machines, for ladies' seamless hosiery—from Italy. ²	July 18, 1975	Aug. 12, 1975 (Aug. 15, 1975)	Nov. 21, 1975 (Nov. 24, 1975)	Feb. 8, 1976 (Feb. 11, 1976)
A.C. adapters, a rectifying apparatus incorporating a transformer rated at less than 1 kVA and possessing 1 or more semiconductor diodes—from Japan. ¹	Sept. 18, 1975	Oct. 2, 1975 (Oct. 7, 1975)	Apr. 2, 1976 (Apr. 8, 1976)	July 7, 1976 (July 13, 1976)
Capacitors, tantalum electrolytic, fixed—from Japan ²	Sept. 24, 1975	Oct. 14, 1975 (Oct. 17, 1975)	Apr. 20, 1976 (Apr. 23, 1976)	July 22, 1976 (July 27, 1976)
Cement, portland hydraulic, other than nonsetting white—from Mexico. ^{2,3}	Oct. 16, 1975	Nov. 17, 1975 (Nov. 21, 1975)	Apr. 21, 1976 (May 24, 1976)	Aug. 31, 1976 (Sept. 7, 1976)
Tires, industrial vehicle, press-on, solid, rubber tires, cured or bonded to steel-base bands, used on off-the-highway work vehicles, whether or not self-propelled—from Canada. ¹	Nov. 18, 1975	Dec. 15, 1975 (Dec. 19, 1975)	May 24, 1976 (May 27, 1976)	Aug. 13, 1976 (Aug. 18, 1976)
Melamine, in crystal form—from Japan ²	Nov. 14, 1975	Dec. 22, 1975 (Dec. 18, 1975)	June 14, 1976 (June 18, 1976)	Sept. 17, 1976 (Sept. 23, 1976)
Body dies, automobile, large, in excess of 10 tons in weight, used by automotive manufacturers to set, draw, extrude, fold, form, pierce, and punch sheet metal into the exterior body components of their mobile end-products—from Japan. ²	Jan. 21, 1976	Feb. 20, 1976 (Feb. 26, 1976)	Aug. 27, 1976 (Sept. 2, 1976)	Nov. 30, 1976 (Dec. 6, 1976)
Scales, fully automatic digital, that display weight, unit price and total price having weight measuring capacity of 25 lbs or less—from Japan. ¹	Mar. 8, 1976	Mar. 24, 1976 (Apr. 8, 1976)	Sept. 28, 1976 (Jan. 17, 1977)	Dec. 30, 1976 (Jan. 6, 1977)
Glass, clear sheet—from Romania. ²	Mar. 9, 1976	Apr. 2, 1976 (Apr. 8, 1976)	Jan. 10, 1977 (Jan. 17, 1977)	Jan. 10, 1977 (Jan. 17, 1977)
Swimming pools, metal walled, above ground—from Japan. ²	Mar. 16, 1976	Apr. 14, 1976 (Apr. 21, 1976)	Dec. 21, 1976 (Dec. 27, 1976)	Mar. 28, 1977 (Apr. 1, 1977)
Lithographic plates, multi-metal—from Mexico. ²	Mar. 24, 1976	Apr. 21, 1976 (Apr. 27, 1976)	June 24, 1976 (June 29, 1976)	Aug. 24, 1976 (Aug. 29, 1976)
Monosodium glutamate (MSG)—from Korea. ¹	Apr. 12, 1976	May 7, 1976 (May 14, 1976)	Nov. 12, 1976 (Nov. 17, 1976)	Feb. 14, 1977 (Feb. 18, 1977)
Plastic tape, pressure sensitive, used in sealing shipping cartons and corrugated boxes, including pressure-sensitive plastic tape over 1 1/2 in in width and 4 mils or less in thickness—from Italy. ²	Apr. 8, 1976	May 10, 1976 (May 14, 1976)	Feb. 14, 1977 (Feb. 18, 1977)	Feb. 14, 1977 (Feb. 18, 1977)

ANTIDUMPING PETITIONS RECEIVED PRIOR TO JAN. 3, 1975, BUT INITIATED AFTER JAN. 3, 1975—Continued

Product and description	Petition received	Date initiated	Preliminary determination	Treasury final determination
Drum plugs, steel, round head, whether or not plated or coated with zinc or other nonprecious metal, and whether or not furnished with gaskets—from Japan. ¹	May 5, 1976	June 7, 1976 (June 11, 1976)	Dec. 8, 1976 (Dec. 15, 1976)	Mar. 11, 1977 (Mar. 17, 1977)
Plastic tape, pressure sensitive, used in sealing shipping cartons and corrugated boxes, including pressure-sensitive plastic tape over 1½ in in width and 4 mils or less in thickness—from West Germany.	Aug. 5, 1976	Aug. 25, 1976 ¹ (Aug. 30, 1976)	Feb. 25, 1977 (Mar. 3, 1977)	
Parts for paving equipment, parts for self-propelled bituminous paving equipment—from Canada.	Sept. 3, 1976	Oct. 1, 1976 (Oct. 7, 1976)		
Maintenance equipment, railway track—from Austria.....	Oct. 1, 1976	Oct. 26, 1976 (Nov. 1, 1976)		
Saccharin—from Korea.....	Oct. 20, 1976	Nov. 22, 1976 (Nov. 29, 1976)		
Saccharin—from Japan.....	Oct. 20, 1976	Nov. 22, 1976 (Nov. 29, 1976)		
Gelatin and glue, inedible animal—from Yugoslavia.....	Dec. 23, 1976	Jan. 19, 1977 (Jan. 26, 1977)		
Gelatin and glue, inedible animal—from Germany.....	Dec. 23, 1976	Jan. 19, 1977 (Jan. 26, 1977)		
Gelatin and glue, inedible animal—from Sweden.....	Dec. 23, 1976	Jan. 19, 1977 (Jan. 26, 1977)		
Gelatin and glue, inedible animal—from the Netherlands.....	Dec. 23, 1976	Jan. 19, 1977 (Jan. 26, 1977)		
Fabric, impression, of man-made fiber; finished impression fabric, slit or uncut, and not inked—from Japan.	Feb. 7, 1977	Mar. 9, 1977 (Mar. 14, 1977)		
Hockey sticks, ice—from Finland.....	Mar. 2, 1977	Mar. 10, 1977 (Mar. 16, 1977)		
Pipe and tubing, stainless steel, welded—reopening of discontinued investigation—from Japan.	Mar. 2, 1977	Mar. 24, 1977 (Mar. 30, 1977)		
Steel plate, carbon; hot-rolled carbon steel plate, 0.1875 (¾) in or more in thickness, over 8 in in width, not in coils, not pickled, not coated or plated with metal, not clad, and not cut, pressed or stamped to nonrectangular shape—from Japan.	Mar. 8, 1977	Mar. 24, 1977 (Mar. 30, 1977)		

¹ No sales at less than fair value.² Sales at less than fair value.³ Discontinuance.⁴ Investigatory period extended in accordance with section 201(b)(2) of the Antidumping Act.⁵ Termination based on I.T.C. "no injury" determination.