

**NOMINATIONS OF JACK F. BENNETT,
EDWARD C. SCHMULTS, AND
MRS. CATHERINE BEDELL**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-THIRD CONGRESS
SECOND SESSION

ON

NOMINATIONS OF JACK F. BENNETT, TO BE UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS, EDWARD C. SCHMULTS, TO BE UNDER SECRETARY OF THE TREASURY, AND MRS. CATHERINE BEDELL, TO CONTINUE AS CHAIRMAN OF THE TARIFF COMMISSION

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JUNE 4, 1974
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NOMINATIONS OF JACK F. BENNETT, TO BE UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS, EDWARD C. SCHMULTS, TO BE UNDER SECRETARY OF THE TREASURY, AND CATHERINE BEDELL, TO CONTINUE AS CHAIRMAN OF THE TARIFF COMMISSION

TUESDAY, JUNE 4, 1974

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

The committee met, pursuant to notice, at 10:00 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Talmadge, Byrd, Jr., of Virginia, Mondale, Bennett, Curtis, Fannin, Hansen and Dole.

The CHAIRMAN. This hearing will come to order. The committee is meeting this morning to consider these nominations. The first is Mr. Jack F. Bennett of Connecticut to be Under Secretary of Treasury for Monetary Affairs.

Mr. Bennett, you have been confirmed by this committee and by the Senate twice before.

Can you add anything to what we presently know about you on how you would hope to perform in this job if confirmed?

(The biography of Mr. Bennett follows:)

BIOGRAPHY OF JACK FRANKLIN BENNETT

Jack Franklin Bennett, of Greenwich, Connecticut, was nominated as Under Secretary of the Treasury for Monetary Affairs on May 9, 1974. He had been Under Secretary since March 15, 1974 and Deputy Under Secretary from September 1971 to March of this year.

Mr. Bennett was born January 17, 1924 in Macon, Georgia. He received his B.A. degree from Yale University in 1944, and his M.A. (1949) and Ph.D. (1951) degrees from Harvard University.

After service as a Communications Officer in the U.S. Navy from 1943 to 1946, Mr. Bennett was employed as a Commercial Specialist with the Joint U.S./UK Export-Import agency in Germany for one year. From 1949 to 1951 he held a teaching fellowship in economics at Harvard University. For the next four years he held various positions in the fields of economics with the State Department and the Executive Office of the President. In 1955 he joined the Standard Oil Company (New Jersey), serving at various times as Assistant Treasurer; Executive Assistant to the Chairman; Chief Economist; Manager of Corporate Planning; Treasurer of Esso Petroleum Company, Limited, in London; General Manager of the Supply Department of the Humble Oil and Refining Company in Houston, Texas and finally as Vice President and Director of Esso International, Inc.

Mr. Bennett is a member of the Council on Foreign Relations and the Conference of Business Economists. He is also the author of several articles on international finance and investment in publication, including *Foreign Affairs*, *Journal of Finance*, and *Economia Internazionale*.

Mr. Bennett is married to Shirley Elizabeth Goodwin of Sunderland, Massachusetts. They have four children and reside in Washington, D.C.

STATEMENT OF JACK F. BENNETT, OF CONNECTICUT

Mr. BENNETT. I do not believe I have anything to add. I would like to request your support.

The CHAIRMAN. Are you aware of any conflict of interest that might exist?

Mr. BENNETT. No, sir, I have no connection with any private firm other than one small vested right in a pension.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. Mr. Bennett was born in my State. I happen to know him well, Mr. Chairman. I wholeheartedly endorse him for confirmation.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Well, we may be getting too many Bennetts. I think maybe I had better retire.

The CHAIRMAN. We do not want you to do that.

If that is a condition, we will not confirm him. [General laughter.]

Senator BENNETT. I think I will delay the announcement until after you have confirmed him.

I have no serious questions, Mr. Chairman.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. Mr. Bennett, the Soviet Oil Minister recently told some Western journalists that the Soviet Union would not be allowing Western countries to participate in the development of Soviet energy resources.

Do you think we ought to be permitted capital investment in this Siberian energy project?

Mr. BENNETT. I think the Soviet Minister's announcement to some extent was a recognition of the fact that some American companies that had been discussing with the Soviet Union had decided that the terms offered by the Soviet Union were not attractive, and under the terms offered they were not interested in investing in the Tyumen oil project or investing in the offshore Sakhalin project.

I think it is quite different question, however, whether a U.S. firm should have a chance to bid in selling equipment that the Soviets may want to buy and are willing to undertake full obligation to repay. That is not a direct investment, that is export credit. I do not think there is any reason to bar U.S. firms from normal dealings in selling equipment when it is in ample supply here.

Senator HANSEN. The Committee of Twenty is meeting this month to resume its discussion of monetary reform.

What is the United States going to tell the other 19 when the committee meets next week?

Mr. BENNETT. Well, Bill Simon will in fact be making a speech tonight to an International Monetary Conference outlining our hope that this meeting can come up with some significant useful agree-

ments. We cannot predict exactly what will come out of those meetings, but those ministers when they get here next Tuesday will have an opportunity to agree on some useful things. They can agree on a pledge not to introduce new discriminatory trade restrictions. They can agree on a new committee that can keep the gradual future evolution of the monetary system under review at a high level. They can agree on a basket of currencies that can be used in place of gold for stating the obligations to and from the International Monetary Fund.

So I think that there will be some useful things they can agree on, and I hope they can negotiate them.

Senator HANSEN. One final question. Maybe it is actually broken down to three or four parts.

The committee is presently considering the Trade Reform Act of 1973, and there exists a possibility of major multilateral trade negotiations beginning next year.

What in your view is the proper relationship between trade negotiations and monetary reform; and then two other questions, should these negotiations be closely related or should they be conducted separately?

There have even been some talk of merging the GATT and the IMF.

What is your view in this regard?

If it would be helpful to you, I would be happy to hand you this question so you may have it before you.

Mr. BENNETT. Thank you, sir.

I think a closer relationship between the Monetary Fund and the GATT is desirable. In fact, one of the proposals that I referred to and that we have supported would make them more closely related, so that if a nation wants to put on trade restrictions for balance of payments purposes, it would have to get Monetary Fund approval.

I do not think that the literal negotiation of trade barrier reductions, however, needs to be combined with monetary negotiations. In one sense we are reaching a culmination in a set of monetary negotiations next week. They will continue over the years on a more routine basis, but I do not think we need to literally tie those monetary into the negotiations that will probably take place mostly in Geneva on trade, but we do need to have this close connection because a government can really accomplish the same trade restriction by a trade measure or a monetary measure, and review of these measures has to be coordinated.

Senator HANSEN. Thank you.

The CHAIRMAN. Senator Fannin, do you have any questions?

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Bennett, it is good to have you here before the committee this morning. We appreciate the opportunity of visiting with you.

I would like to ask just a couple of questions.

Mr. Bennett, the United States is about the only market left which does not have import controls of one sort or another on meat, and the reason we have had some very serious problems—and I know my State and most of the Western States are suffering considerably on what is happening on the price of meat.

The European Community has imposed import controls. Canada and Japan have recently imposed strict import quotas. In fact, I heard that some of the shipments that were started for some of those countries have been diverted to the United States. U.S. cattlemen are suffering a loss of several hundred dollars a head because the price of feed is greater than the price of cattle.

As a consequence, they are cutting breeding stocks sharply, which can only mean higher prices in the future. The prospect of Australia and other producing countries dumping their meat in our market, now that Japan and some of the other countries have closed their markets, makes the situation desperate.

Senator Curtis has introduced a bill to reimpose meat import quotas. Can you give us the Treasury Department's view on this matter?

Mr. BENNETT. Our basic view is it is better to reduce trade restrictions rather than to put them up, and the U.S. Government should do its utmost to remove those restrictions abroad that damage the American producers.

I have not studied that specific piece of legislation, but in the course of negotiation with other governments, we have to stand ready to put in restrictions, if that is necessary, to get their attention.

Senator FANNIN. Mr. Bennett, I just returned from a meeting of the OECD. I know that we did pass a resolution, a communique which did state that the 24 nations of the world that are involved would coordinate and cooperate, coordinate their efforts and cooperate with each other to try to assist the other countries of the world in the problems they have, and working together to see that we kind of have a status quo until some of the matters can be straightened out.

But with this situation facing us, it seems to me that it is imperative that the U.S. Government use all the power at hand to try to influence these other countries that we cannot just be the dumping point for all of these products, and of course, we also have the tremendous problem with the imports like of automotive equipment, motor vehicles coming in at 31½ percent tariff and the other countries of the world having barriers against us. Whether we could compete or not is another matter.

But is it your feeling, or how do you feel about doing something about the restrictions that other countries have.

Do you feel that Treasury could do more on countervailing duties and dumping than they are doing now?

Mr. BENNETT. Well, you know that Treasury has over the recent years been significantly intensifying the emphasis it has been putting on the use of the countervailing duty, and I do not think I will be getting into trouble to say that the next speaker here probably knows more about these subjects than I do. He has been working on the subject. I will be happy to pass the question to him.

Senator FANNIN. Well, fine.

Mr. BENNETT. But I think that the United States must use its bargaining power to the utmost to avoid the subsidies and the restrictions abroad that damage our trade. I think that it is appropriate for the Congress to require us to use our powers to the utmost, and I think we shall.

Senator FANNIN. Well, I see we will have the distinguished chairman before us shortly, but Mr. Bennett, could you give us a breakdown of U.S. contributions to and the credit extended by the International Development Association over the past 5 years, and how much U.S. procurement was directly associated with these loans.

I realize that it cannot be done off the top of your head.

Mr. BENNETT. I would be happy to provide it to you.

Senator FANNIN. Could you do the same with the Inter-American Development Bank, and the Asian Development Bank and the World Bank.

Mr. BENNETT. I would be happy to provide that.

[The information referred to follows:]

[In millions]

Institution	1969	1970	1971	1972	1973
IDA:					
Lending volume.....	\$385.0	\$506.6	\$584.0	\$999.7	\$1,356.7
U.S. contributions.....	160.0	160.0	160.0	320.0
U.S. procurement.....	30.4	16.1	42.1	34.8	57.4
IDB-ordinary capital:					
Lending volume.....	211.0	192.0	277.0	399.0	490.0
U.S. contributions.....	1 205.9	1 205.9	1 225.0	1 211.8	1 193.4
U.S. procurement.....	20.6	33.6	24.6	28.6	33.2
IDB-fund for special operation:					
Lending volume.....	412.0	440.0	383.0	282.0	377.0
U.S. contributions.....	300.0	50.0	225.0
U.S. procurement.....	20.7	20.5	31.6	45.9	57.6
ADB-ordinary capital:					
Lending volume.....	66.1	196.5	196.7	199.6	297.0
U.S. contributions.....	1 20.0	1 20.0	1 20.0
U.S. procurement.....	1.2	1.9	3.1	12.2	21.0

¹ The entire contribution is in the form of guarantee capital, and represents a contingent liability against which no outlay is anticipated.

² The paid-in subscription was \$25,000,000; the rest was in the form of guarantee capital.

³ The paid-in subscription was \$75,000,000; the rest was in the form of guarantee capital.

Note: IDA's fiscal year is July 1 to June 30. IDB and ADB are on a calendar year basis. U.S. contributions are shown on a fiscal year basis.

Senator FANNIN. Thank you very much.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. I have one question, Mr. Chairman.

Ambassador Eberle informed us yesterday that the Europeans have reached an agreement under the GATT negotiations which would reduce European duties on citrus fruit and other items.

Has the Treasury Department made an analysis of the balance of payments impact on these concessions?

Mr. BENNETT. I do not know.

Senator TALMADGE. Can you provide that for us?

Mr. BENNETT. Yes.

Senator TALMADGE. Thank you, sir.

[The following information was subsequently provided by Mr. Eberle:]

The negotiations referred to were conducted between the United States and the European Communities (EC) under Article 24 of the GATT, as a consequence of enlargement of the EC to include the United Kingdom, Ireland, and Denmark. As part of the enlargement agreement, the three acceding countries had agreed to adopt the EC's common external tariff over a five-year period, in place of their respective national tariffs. From the standpoint of United States exporters to the U.K., Ireland, and Denmark, this meant the raising of some duties and the lowering of others, thereby altering U.S. export prospects in those countries. (In the U.K. for example, duties on industrial products will generally be lowered, while the level of agricultural protection will rise.)

The object of the US-EC negotiations, therefore, was to ensure that prospects for U.S. exporters were *on the whole* no less favorable as a result of the duty changes than before the enlargement of the EC occurred. Restoring this overall balance required that the EC, in a number of cases, make duty reductions on specific products in their common external tariff of special value to U.S. exporters, such as citrus fruit, tobacco, kraft paper, and excavating equipment—in addition to the duty reductions already occurring when the three acceding countries adopted the common external tariff. While export prospects for numerous products will be changing, some for better and some for worse, we believe that the specific concessions the EC has agreed to make do in fact restore overall U.S. export opportunities to the pre-enlargement level.

We would expect, as a result, that the trade and balance of payments effects of the negotiated settlement will be roughly neutral over the next several years, i.e., that it will offset any deterioration which would otherwise have resulted from extending the EC tariff to the acceding countries. The precise trade flows will depend directly on the response of U.S. and other exporters to the EC's new tariff structure. That response will also be affected, of course, by relative rates of inflation, exchange rate variations, levels of domestic and foreign demand, production costs and input availabilities, and a myriad of other factors.

Overall, the three acceding countries will be increasing tariff levels on products which accounted for \$1.1 billion (37%) of U.S. exports to them in 1970-71, and decreasing tariff levels on products accounting for \$1.6 billion (51%) of U.S. exports to them in 1970-71. The size of the tariff change varies from product to product and is of course different in each of the three countries, with respect to amount of change and particular products affected. In addition, as a result of the U.S.-EC negotiations, the EC as a whole will make tariff reductions and other concessions on specific products accounting for some \$600 million of U.S. exports to the nine EC countries in 1970-71.

The CHAIRMAN. Mr. Bennett, I think you have done a good job working for your country, and I am pleased that I voted for your confirmation. I will vote for it again unless you talk me out of it. I would like to ask you a couple of tough questions to see how you can handle them and to see if our views tend to coincide.

I do not see any reason that we should subsidize our trade with the Soviet Union. They are big boys. They are capable of covering the ground they stand on, and I wonder how you feel about this issue.

It is posed now at this moment that we should lend the Soviets money at 6 percent interest when the average American citizen is suffering from double digit inflation and paying interest rates about twice that amount to borrow money.

Now, why should we borrow money at 12 percent in this country or at any rate for more than 6, and let the Soviets have it at a rate below what it costs us to borrow that money?

Mr. BENNETT. Mr. Chairman, I do not think we ought to give foreign aid to the Soviet Union.

The CHAIRMAN. They are not asking for it, so far as I know. They just do not want to be discriminated against, and I can understand that.

Mr. BENNETT. On the other hand, I do not want to discriminate against American companies that happen to be shipping to the Soviet Union in comparison to American companies that happen to be shipping to Brazil, and I know that today American companies are sometimes facing competition that is receiving 5½ percent loans from the Japanese Government and less than 7 percent loans from the French Government. The United States at the moment will not give any new loans at less than 7. That rate is far below the market.

But at the moment, it is also, in many cases, well above the rate that our foreign competitors are getting on their sales to Russia. There will be occasions when I would think it appropriate to prevent American plants and American employees from being shut out of the market, occasions when the Export-Import Bank should assist the American exporter. They certainly should not subsidize the Soviet Union.

The CHAIRMAN. Well, I find myself dismayed sometimes at some of these completely unnecessary gratuities where we are doing something just because we did it before, or because we did it for somebody else where there was a compelling need to do it in the first instance, but no logic for doing it in the second instance.

Why should we not look upon these loans on an ad hoc basis, or strictly on a case-by-case basis? If a subsidized loan is not necessary to make the deal, let us simply not charge the taxpayer for it; and if it is, and the deal is sufficiently good for this Nation and in our national interest to justify it, then perhaps we would be justified in doing it.

Now, why should we not do it that way?

Mr. BENNETT. I think each project should be looked at on a case-by-case basis, just as you say. I see no reason for giving a low interest loan when the low interest loan is not necessary.

The CHAIRMAN. Well, now, if we make an Export-Import Bank loan to the Soviet Union, does that just automatically carry 6 percent interest, or might it carry the same interest rate as a commercial loan from the Chase Manhattan Bank, for example?

Mr. BENNETT. At this point the Export-Import Bank has a mixture in its assistance, but the direct loan portion carries only a 7 percent interest rate, the Bank it does vary the amount of the loan, whether there is a guarantee that goes with the loan, and whether there is a local borrowing guarantee. In fact, for most countries, the Ex-Im bank normally matches a direct loan at 7 percent for 45

percent of the U.S. purchase, with a guarantee by the Ex-Im Bank of private bank lending for 45 percent.

In the case of the Soviet Union, they have never gone beyond the 45 percent direct loan.

The CHAIRMAN. You say they have never gone beyond what?

Mr. BENNETT. They have never gone beyond a 45 percent of the cost loan to the Soviet Union.

The CHAIRMAN. But if it is 45 percent of the cost, would that still be at the low rate?

Mr. BENNETT. At 7 percent. In the other countries, they not only give that 7 percent loan, they also give a guarantee to the banks for another 45 percent of the cost.

The CHAIRMAN. Well, it seems to me when we are looking at the trade bill we should perhaps consider amending the law to say that if this is a deal that could stand the commercial going rate of interest, then it would bear that.

I believe in bidding for the business just like everybody else. If we are competing with somebody who is going to offer them 6 percent, 4 percent, or 3 percent money to make the deal go, and if it is a sweet enough deal to make it—particularly if we are trading off something we have in surplus over here—I think we ought to match their proposition. But if all we are doing is just giving them an unnecessary gratuity, then I think we ought to do business as American businessmen.

Mr. BENNETT. I heartily agree.

The CHAIRMAN. What do you anticipate will be the impact on the balance of payments of the increased cost of oil imports?

Mr. BENNETT. Well, I happen to believe that the market price of oil will be coming down over the course of the rest of this year. There have been predictions that in total the oil producers were going to accumulate over \$50 billion this year of the extra payments from our importers in the free world over and above what they buy from us. I think the number will be smaller.

In the United States the increase this year in our imports that had been expected, of course will not happen. We are probably going to reduce imports at least 20 percent below what people were expecting last August for this year; so that is going to help cut down our bill, but of course, with the higher prices the remaining imports are still going to take \$12 to \$15 billion more than last year.

The CHAIRMAN. Why do you estimate we will import 20 percent less than people were anticipating?

Mr. BENNETT. Well, we would have been importing, according to people's predictions last summer, on the order of 7.5, 7.8 million barrels a day this year. Now I suspect we will import 6 million barrels a day.

Some of that is a result of the government's urging that people conserve. A lot of it is because of the higher prices. People find it

convenient, particularly in industry, to be more careful. They are not so wasteful.

The CHAIRMAN. Well, that is still a great deal of additional money that we are going to pay at these higher prices.

Mr. BENNETT. Yes, sir.

The CHAIRMAN. Can you tell me how much that will be, compared to what it was prior to the time these price increases went into effect?

Mr. BENNETT. My guess would be that it would be \$10 to \$15 billion, but I do think it is a little hard to predict because I expect prices to be tending down over the rest of this year.

The CHAIRMAN. But that is still a great deal of money, \$10 to \$15 billion. How are we going to pay this increased cost?

Mr. BENNETT. Well, our overall trade position this year is not easy to predict. As you know, on the old basis we had a surplus last month, but we had a deficit on the basis you prefer. Overall, on the basis you prefer, we are bound to have a deficit this year.

On the other hand, we will have a sizeable surplus resulting from our foreign investment activities abroad. Thus far this year, despite the higher imports, our reserves have actually grown rather than declined.

We had an official transaction surplus. We may have that for the total of the year, even though in fact our trade position will not be anywhere near as strong as it was at the turn of the year.

The CHAIRMAN. It looks to me as though if we imported 6 million barrels a day at \$9 a barrel, assuming that your optimistic estimates were correct, that would be \$18 billion.

Mr. BENNETT. Last year we were paying around \$7 or \$9 billion as I recall. That \$18 billion is the total, is it not?

The CHAIRMAN. Yes.

Mr. BENNETT. You asked for the increase, and I am saying another \$10 billion.

The CHAIRMAN. I see.

Mr. BENNETT. Actually at the moment the delivered cost of a lot of the oil is well over \$9. I hope it gets down to that later.

The CHAIRMAN. Well, I have some other questions, but I am going to submit them to you, Mr. Bennett, for you to put the answers in the record. I have always had my doubts about pressing a witness too hard for an answer completely satisfactory to a Senator when the witness is up for confirmation, because it is suggested that if he does not answer the question right, off goes his head.

Mr. BENNETT. You will be tougher on me next time.

The CHAIRMAN. Yes, I would expect to be. Please provide the answers to these questions for the record.

Mr. BENNETT. Yes, I will get them and send them to you.

The CHAIRMAN. Thank you very much, Mr. Bennett.

[The questions submitted by the Chairman and responses by Mr. Bennett follow:]

Question: There is great pressure on many countries to find ways to pay their oil import bills. Isn't it possible that countries will give into these

pressures and intervene and frustrate the normal process of monetary adjustments? That is, aren't we more likely to have dirtier floats these days and, if so, what can we do about it?

Answer: It is probably true that the higher bills for imported oil will lead countries to intervene more actively in foreign exchange markets. Even if oil prices come down somewhat over the next year, as I believe they will, the increased costs of oil imports will be so high that many countries will want to borrow to ease their transition to the new era of higher-cost energy. To the extent the borrowing is by governments and central banks, this implies that they will directly or indirectly be intervening in the foreign exchange markets with the proceeds of their borrowings. Such action is understandable in the face of the abrupt change in payments positions brought about by the oil price increases.

The guidelines for floating being developed within the International Monetary Fund and the Committee of Twenty could be useful in inhibiting undesirable intervention practices. They can serve as a benchmark against which to appraise governmental policies, including exchange market intervention, and thereby reduce the danger of restrictive or disruptive actions.

Question: What is the current status of the public debt limit?

Answer: The House has passed legislation providing a \$495 billion debt ceiling through March 31, 1975, and hearings are now under way in the Senate. The House has passed a very tight ceiling, which is \$10 billion below the temporary ceiling we requested to cover the Federal Government's financing requirements through fiscal year 1975. The current \$475.7 billion temporary debt ceiling will revert to its permanent ceiling of \$400 billion on July 1. Since the debt subject to limit on that date will exceed the permanent limit by about \$75 billion, final passage of this legislation soon is necessary to maintain the borrowing authority and the credit of the U.S. Government.

Question: How much of the public debt is in the form of short-term securities?

Answer: On May 31, 1974, the average length of interest bearing marketable public debt securities was 2 years, 10 months. \$142.9 billion or 53 percent of these securities mature within 1 year.

Question: How much interest are we paying each year on the public debt?

Answer: Fiscal year 1978: \$24.2 billion; 1974: \$29.4 billion; and 1975: \$31.5 billion.

TABLE I.—PUBLIC DEBT SUBJECT TO LIMITATION, FISCAL YEAR 1974

(in billions)

	Operating cash balance	Public debt subject to limitation
1973:		
June 30.....	\$12.6	\$459.1
July 31.....	7.2	460.0
August 31.....	3.1	462.8
September 30.....	8.3	462.4
October 31.....	5.7	463.4
November 30.....	4.7	465.0
December 31.....	10.4	470.8
1974:		
January 31.....	10.5	469.1
February 28.....	7.7	471.6
March 31.....	8.4	475.4
April 30.....	11.5	472.9
May 31.....	6.4	475.6
June 30.....	1.6	474

¹ Estimated.

Note: Based on estimated budgeted outlays of \$269,500,000,000 and receipts of \$266,000,000,000.

Source: Office of the Fiscal Assistant Secretary, June 12, 1974.

TABLE 2.—PUBLIC DEBT SUBJECT TO LIMITATION, FISCAL YEAR 1975

[in billions]

	Operating cash balance	Public debt subject to limitation	With \$3,000,000,000 margin for contingencies	With special Federal Home Loan Bank program ¹
1974:				
June 30.....	\$6	\$474	\$477	\$477
July 31.....	6	478	481	481
August 31.....	6	484	487	490
September 30.....	6	480	483	486
October 31.....	6	482	485	488
November 30.....	6	486	489	492
December 31.....	6	488	491	494
1975:				
January 31.....	6	486	489	492
February 28.....	6	492	495	498
March 31.....	6	495	498	501
April 30.....	6	492	495	498
May 31.....	6	499	502	505
June 30.....	6	494	497	500

¹ Not included in outlay assumption of \$305,400,000,000.

Note.: Based on estimated budget outlays of \$305,400,000,000 and receipts of \$294,000,000,000.

Source: Office of the Fiscal Assistant Secretary, June 12, 1974.

TABLE 3.—BUDGET SUMMARY

[in billions]

	1974	1975
Receipts:		
Federal funds.....	\$181.8	\$201.4
Trust funds.....	105.3	116.8
Interfund transactions.....	21.1	24.2
Total budget receipts.....	266.0	294.0
Outlays:		
Federal funds.....	199.5	221.3
Trust funds.....	91.2	108.3
Interfund transactions.....	21.1	24.2
Total budget outlays.....	269.5	305.4
Surplus or deficit (-):		
Federal funds.....	-17.7	-19.9
Trust funds.....	14.1	8.5
Total budget.....	-3.5	-11.4

Note: Detail may not add to totals due to rounding.

Question: Are you in favor of a balanced budget? Real or full employment?

Answer: In today's circumstances it is imperative that we aim toward a more balanced budget in fiscal year 1975 and to work even more in that direction during fiscal year 1976. In this statement I refer to the so-called real or unified budget which is based on actual cash flows. The full employment budget, however, is not a measure of actual flows but a theoretical calculation. It is a calculation which many economists have found useful but which I have found difficult to use. The full employment budget calculation must depend on difficult assumptions about productivity, about the distribution of production in the economy, about the distribution of the labor force, and—most important at this time—about the level of prices. When the economy is in a situation dominated by inflationary problems, as is the case at this time, the validity of assumptions on these subjects cannot help being suspect.

Question: Don't you think the Treasury ought to have more power over the budget since you have to manage the debt that arises from the budget deficits?

Answer: The Treasury certainly plays an important role in the formulation of the budget. The Secretary of the Treasury is the Chief Financial Officer of the government and he is a vital member of every important economic policy group. As such, it can certainly be expected that the Secretary provides an important input in the formulation of the budget. In the final analysis of course, the budget is the President's decision and naturally the weight of the Treasury's position depends upon the President's confidence in the Secretary of the Treasury and on the working relationship between the Secretary and the President. Within this context, I think it is fair to say that the Treasury's views on the budget are clearly and forcefully expressed.

On the general subject of budget review, I would like to take this opportunity to express again the Administration's general support for the principle of Congressional budget reform.

Question: Do you believe that American Citizens should have the right to own gold?

Answer: Fundamentally, yes. I hope the time will come when gold can be treated as an ordinary commodity and U.S. citizens allowed to deal in it as they may now deal in other metals.

The question is one of timing as the Congress recognized when it provided for repeal of the present regulations upon a finding by the President, in the context of international monetary reform, that it would not adversely affect our interests.

At the moment, the Articles of Agreement of the IMF still focus on gold as the center of the monetary system and gold still constitutes a substantial proportion of the international monetary reserves of many countries. We are still discussing the role of gold in our international monetary negotiations. Consequently, it would be unwise to relax the gold restrictions now. We do hope, however, to be able to recommend to the President that he do so before the end of this year, barring new developments that suggest not taking that step.

Question: How would the repeal or phaseout of the depletion allowance for domestic oil and gas help the Administration's goal of energy self-sufficiency?

Answer: As we have stated on many occasions, the Administration is opposed to the repeal of percentage depletion for domestic oil and gas at this time. We believe the current time of critical shortage in oil and gas supplies is the wrong time to make such a fundamental change in the economics of the oil and gas industry. The oil and gas industry has long relied on the availability of percentage depletion in planning energy investment. If that allowance were now removed, the industry would be led to reconsider its investment plans. Now when we are trying to initiate the investments necessary to move us toward energy self-sufficiency would be an unfortunate time to place new restraints on investment in developing new sources of oil in the U.S.

Question: There have been several upheavals in the international monetary system in recent years, the latest being the oil embargo and the increase of oil imports. I agree that the present floating system has weathered these upheavals fairly well, but there seems good reason to believe that the cause of comprehensive monetary reform has been set back. Do you agree that the oil situation has greatly complicated the cause of long-term monetary reform?

Answer: Many things have changed in the two years that the monetary negotiations have been under way. The sudden quadrupling of the price of oil and threats of interrupted supply have radically altered economic prospects throughout the world and created great uncertainties. These events inevitably led to a shift in priorities as to the reforms which should be implemented at this time. The agreement which the C-20 has reached is a realistic and meaningful response to current conditions and should be of major importance in guiding the future evolution of the international monetary system.

The CHAIRMAN. Next we will call before us Mr. Edward C. Schmults of Maryland to be Under Secretary of the Treasury.

I will submit this biographical statement.

[The biography of Mr. Schmults follows:]

BIOGRAPHY OF EDWARD CHARLES SCHMULTS

Edward Charles Schmults was sworn in as the General Counsel of the United States Treasury June 4, 1973.

Mr. Schmults was born February 6, 1931 in Paterson, New Jersey, the son of Edward M. and Mildred E. Schmults. He received a bachelor of science degree from Yale University in 1953, and a bachelor of law (cum Laude) from Harvard Law School in 1958.

After graduation from Law School, he joined the law firm of White & Case, and became a partner July 1, 1965, specializing in corporate and securities law. He had been with the firm until May 1973, when he was appointed consultant to the former General Counsel, Judge Samuel R. Pierce, Jr.

Mr. Schmults was an officer of the United States Marine Corps, having been discharged from the Reserves as a Captain in 1962. He was also a director of Holly Sugar Corporation, and has been a lecturer at Practicing Law Institute on Business Acquisitions and Securities Laws.

He has written chapters appearing in several books concerning corporations and securities, and has co-authored articles in *The Business Lawyer*.

He married the former Diane Beers (Wellesley College, BA 1958) in 1960. They have three children, one daughter and two sons, and reside in Chappaqua, New York.

STATEMENT OF EDWARD C. SCHMULTS

Mr. SCHMULTS. Good morning, Mr. Chairman and members of the committee.

The CHAIRMAN. Mr. Schmults, are you aware of any conflict of interest that you may have?

Have you cleared this matter within your Department?

Mr. SCHMULTS. Yes, sir, I have. I have no conflict of interest, and I have submitted a letter to the committee from the Deputy General Counsel so stating.

The CHAIRMAN. What do you view your most important goal to be as Under Secretary of the Treasury?

Mr. SCHMULTS. Mr. Chairman, one of the things we will be doing at the Treasury Department is to effect a general reorganization which will bring the position to which I have been nominated into the organizational stream. Thus, three Assistant Secretaries will be reporting to me. One of my principal goals will be to assist the Secretary and the Deputy Secretary in a more efficient management of the Department input, by achieving better policy coordination with our various bureaus and with other agencies in the executive branch. Also, as Secretary Simon stated at his swearing in ceremony, I think it is going to be critically important in the future that all of us in the Treasury Department work very closely and cooperatively with the Congress. I see that as one of my most important tasks.

[The following chart was submitted by Mr. Schmults:]

TREASURY DEPARTMENT: SIMPLIFIED ORGANIZATION CHART

SECRETARY

DEPUTY SECRETARY

UNDER SECRETARY FOR
MONETARY AFFAIRS
~~(George Borah)~~

Asst. Sec. (Trade,
Energy and Financial
Resources Policy
Coordination)
Trade
East-West Trade
Energy
Raw materials
Financial resources
policy coordination

Asst. Sec. (International
Affairs)
International monetary,
credit, and invest-
ment policy
Development finance
policy
Debt management
Treasurer of the U.S.

Asst. Sec. (Economic Policy)
Fiscal Asst. Sec.

UNDER SECRETARY
~~(Richard G. Schmidt)~~

Asst. Sec. (Enforcement
Operations, and Tariff
Administration)
Anti-dumping
Countervailing duties
U.S. Customs Service
Bureau of Alcohol,
Tobacco, and Firearms
Bureau of Engraving and
Printing
Bureau of the Mint
Consolidated Federal Law
Enforcement Training
Center
Secret Service
Revenue Sharing
Public Affairs

Asst. Sec. (Administration)

Asst. Sec. (Legislative Affairs)

Internal Revenue Service

Asst. Sec. (Tax Policy)

General Counsel

Comptroller of the Currency

The CHAIRMAN. During Secretary Simon's confirmation hearing, Senators Mondale and Nelson requested information on whether the Treasury Department will exercise its responsibilities under the countervailing duties statute with respect to dairy imports.

The Senators presented a detailed list of the European Community's subsidies of dairy exports to the market. We are now in the process of marking up the trade bill. Since the Secretary said that you would make a decision on countervailing duties soon, can you tell us how far along you are on this issue?

Mr. SCHMULTS. Well, I believe Senator Dole also sent a letter to that same effect. The Secretary stated that he would intensify the investigation and that, as soon as a report was made to him, if the facts required it, he would enforce the law.

I have not really gotten into that investigation at all, though. If I am confirmed and appointed, the Assistant Secretary for Enforcement, Operations and Tariff Administration will be reporting to me. So I will be in that chain of command, and I certainly would reaffirm the Secretary's pledge to you, Mr. Chairman, and to those who wrote letters to him.

The CHAIRMAN. It seems to me that when we try to do something about unfair trade practices, the remedy is often one that involves so many considerations, and it is sometimes such a harsh remedy—such as a quota or a boycott—that perhaps we ought to just have something like the Federal Trade Commission has, to be issued by the Tariff Commission, a sort of a cease and desist order to at least maintain a status quo until such time as we can reach a judgment on the matter. This would be better than just to let the injury continue up until the various mechanisms in this Government and the departments can find a better way to solve the problem.

Does that have some appeal to you?

Mr. SCHMULTS. Well, Mr. Chairman, I think that those are tough problems, and in that sense I do agree with you. I think they make it all the more important that the Trade Reform Act be passed, because I think such problems are truly multi-lateral. When we talk about export subsidies and nontariff barriers and other trade provisions or restrictions which harm American industry, I think they are best settled in multi-lateral trade negotiations. I think it is critical that the President have the authority to enter into agreements, subject in appropriate cases, as you know, in that bill to congressional oversight, to deal with these problems. And I think that in the anti-dumping and the countervailing duty areas there are some very constructive amendments in the Trade Reform Act which will make the administration of those laws much more effective. We certainly intend to do our best to administer those laws at the Treasury.

The CHAIRMAN. One of our big objections, of course, and one of the reasons that Congress has not cooperated as much as the President would like for us to cooperate with him, has been that we sometimes have difficulty getting the administration to act. Of course, they have their own side of the argument but we would feel a lot better about passing a law to put more powers in the hands of the President if we could feel with some confidence that the President

was going to use those powers as we had hoped he would use them when we gave them to him.

I have no further questions at this point.

Senator Bennett?

Senator BENNETT. Would you tell us something about the progress of Customs in preventing the illegal importation of drugs?

This would be your department.

Mr. SCHMULTS. Yes, sir. I think Customs has been increasingly effective in preventing the smuggling of drugs into this country. The degree of cooperation with DEA and Border Patrol is improving. It does require a coordinated effort of all of the agencies, and that is something that we are going to continue to emphasize in the Treasury Department to see that there is effective cooperation. Customs has been increasingly effective in this, particularly down at the Mexican border and the other ports of entry around the United States.

Senator BENNETT. Well, I think we face specific problems from France and from Turkey. I realize that you have not been in office long enough to probably have the details. I would appreciate for the record if you could give us a comment on how we are getting along in our success against the importation from those two sources.

Mr. SCHMULTS. With respect to France and Turkey?

Senator BENNETT. Yes.

Mr. SCHMULTS. Yes, sir, I will do that for the record.

[The information referred to follows:]

Traditionally, heroin and opium have been produced in Turkey, processed in France, and smuggled into the United States through third countries, including South America. In 1971, the U.S. Customs Service began to intensify its interdiction in all areas of activity throughout the United States. As reflected in the chart below, seizures of white heroin and opium have dropped dramatically in the last 2 years. In addition to the drop in seizures, a substantial decrease has occurred in the availability of white heroin in the United States, particularly in the East and a decrease has occurred in the number of heroin addicts.

This turnabout in the availability of heroin in the United States can be traced to a Government wide effort in which Customs and the former Bureau of Narcotics and Dangerous Drugs and its successor agency the Drug Enforcement Administration, have played major roles in communicating with other countries, coordinating drug interdiction, and exchanging narcotics intelligence and technology. Customs maintains a close Customs-to-Customs relationship with most nations of the world, including Eastern bloc countries which have been major transit countries for illicit heroin shipments. Customs has been providing many countries with Customs training to improve their border interdiction capability.

Because it is difficult, if not impossible, to determine the origin of particular shipments of heroin, Customs does not maintain statistics indicating the country where seized heroin was cultivated or processed. The following figures represent total seizures by Customs for the years noted:

Type	Fiscal year 1971		Fiscal year 1972		Fiscal year 1973		Fiscal year 1974 (through May)	
	Quantity	Number of seizures	Quantity	Number of seizures	Quantity	Number of seizures	Quantity	Number of seizures
Heroin.....	937.11	503	643.81	611	253.09	579	70.59	435
Opium.....	38.19	141	50.59	121	135.65	119	21.40	51

1 Pounds.

The CHAIRMAN. Mr. Talmadge?

Senator TALMADGE. Mr. Schmults, do you have any views on what constitutes a bounty or a grant with regard to the countervailing duty law?

Mr. SCHMULTS. Senator Talmadge, that is an extremely technical subject, and it is one that has perplexed many of our experts at the Treasury. We are trying to do our best to administer that law. I do not have a precise definition of what is a bounty or a grant. Obviously it would be a practice that would subsidize exports to this country within the meaning of the countervailing duty law, but these are difficult problems. The number of trade restrictions have become much more complex since the countervailing duty law was enacted in 1897.

These are difficult questions requiring detailed analysis, and they sometimes take long periods of time. I am afraid I really could not add much more than to state that it is a difficult problem because the laws and the restrictions which may involve subsidies and which are imposed by foreign countries and indeed by the United States have become much more complex and sophisticated. So it does not lend itself, I think, to an easy definition.

Senator TALMADGE. As the former General Counsel for the Treasury Department, are you aware of the court cases which established a mandate for action in this area with regard to foreign bounties or grants on the exports, the production and manufacture of products destined for the United States?

Mr. SCHMULTS. Are you referring to the two Supreme Court cases many years ago?

Senator TALMADGE. Yes, sir.

Mr. SCHMULTS. Yes, sir, I am familiar with those cases.

Senator TALMADGE. Has the Department been acting in accordance with those cases?

Mr. SCHMULTS. We think we have, sir.

Senator TALMADGE. Thank you very much.

No further questions, Mr. Chairman.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Schmults, you heard me ask a question earlier about the problem on meat, and we talk about antidumping. I realize it is very difficult to determine just what is involved as far as dumping is concerned.

We have stories that meats that have been consigned to Japan and other countries are reshipped to the United States.

How would you determine or could you determine whether or not this would come under the dumping provisions of the law?

Mr. SCHMULTS. I do not really know, Senator. I am not familiar with the facts of exactly what is going on with respect to the exportation or importation of meat. I think there again you have another example that where you have an abundance of a product or, in other cases, products in short supply, you need new trade reform laws and new authority to cope with these problems on a multilateral basis to prevent that from happening. Until we can get these new agreements in place among the various nations, I think we have to

look very hard at the problem that you mentioned and see if it does run afoul of the anti-dumping law.

I do not have an answer as to whether they do or not because I am not familiar with practices which other countries are engaging in with respect to exporting meat.

Senator FANNIN. I realize, Mr. Schmults, this is something that has become a problem in recent weeks, and I do hope that you will look into it because the Western cattlemen are certainly adversely affected and very much concerned about it.

Senator DOLE. And the Midwest, too.

Senator FANNIN. Yes, the Midwest, too.

Mr. Schmults, can you tell us a little bit about any administrative or other difficulties with regard to the revenue-sharing program?

Have there been any checks, audits determining how the local governments are utilizing revenue-sharing funds? I notice that that comes under your jurisdiction.

Mr. SCHMULTS. Yes, sir. The Office of Revenue Sharing has submitted a report to the Congress on the uses made of revenue-sharing funds by the localities. To some extent this involves the problem of tracing dollars. It is not always clear what the ultimate effect of these dollars is, but that is being audited and looked at by the Office of Revenue Sharing.

My impression is that the office has been well run and well managed, has mailed the checks out on time, and has coped very well with the administrative problems that set in in the early days of a new office. I think it is doing quite well, sir.

Senator FANNIN. Then you would say from what you have observed that the local governments are utilizing revenue-sharing funds as they were designated?

Mr. SCHMULTS. Yes, in the manner contemplated by Congress. Yes, sir, that would be my observation.

Senator FANNIN. Fine. Very good.

Thank you very much, Mr. Schmults.

Senator TALMADGE (presiding). Senator Dole?

Senator DOLE. I just wanted to comment on the revenue sharing program.

It is my impression that it has worked quite well. Some small communities have sent their money back because it costs more to process it or publish notices than they receive.

When was the report issued? Does Congress have the recent report?

Mr. SCHMULTS. Yes, I believe it does. I do not have the exact date. It was within the past 4 or 5 months, yes.

Senator DOLE. Does that give the information on the total amount of revenue sharing and how it has been expended?

Mr. SCHMULTS. Yes, and the broad categories to which the local communities dedicated those funds.

Senator DOLE. But is there an ongoing review or audit of how each State allocates revenue sharing?

Mr. SCHMULTS. Yes, there is an ongoing audit program. Just recently the State of New York signed an agreement with the Office of Revenue Sharing agreeing to audit its own localities as to whether

the funds are being used in the manner contemplated by Congress, to be sure that the civil rights provisions are being adhered to and so forth. This sort of cooperation between the Federal Government represented by the Office of Revenue Sharing and New York State is really an example of the New Federalism working because it will not be necessary to set up a vast Federal audit team in the Office of Revenue Sharing. Revenue Sharing can use its personnel to engage in spot checks, and we can rely on the State to provide us with detailed audit reports on a regular or periodic basis. It is not necessary to enter into agreements with other States along these same lines.

Senator DOLE. The program is very popular. It is usually popular to give money to a city or county official or State or Governor of a State or anyone else. It is a very popular program and we are often asked the question, at least I am in Kansas, of the future of revenue sharing. I assume that your answer would be it depends upon the Congress, but it has worked well in your view?

Mr. SCHMULTS. Yes, in my view. Secretary Simon will be testifying on revenue sharing. I think either this morning or tomorrow morning. I believe it is this morning. And he will be giving his views about that.

Senator DOLE. That is all I have.

Thank you.

The CHAIRMAN (presiding). Senator Byrd, do you have any questions for the Secretary?

Senator BYRD. Thank you, Mr. Chairman. I have no questions. I have had a chance to talk with the Secretary.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Mr. SCHMULTS. Thank you, Mr. Chairman.

The CHAIRMAN. Next we will call the Chairman and the nominee to continue as Chairman of the Tariff Commission, Mrs. Catherine Bedell.

Mrs. Bedell, we welcome you to the committee room and we are pleased to have you back. We look upon you as an old friend, having done business with you down through the years.

[The biography of Mrs. Bedell follows:]

BIOGRAPHICAL DATA OF CATHERINE MAY BEDELL, CHAIRMAN, U.S. TARIFF COMMISSION

Catherine May Bedell was born May 18, 1914, in Yakima, Washington. She received a bachelor and 5-year education degree from the University of Washington at Seattle in 1936.

Before entering a political career, Mrs. Bedell was a teacher and a radio broadcaster and educator.

She was a Member of the Washington State Legislature for 6 years and was elected to the United States Congress in 1958 where she served 12 years.

In Congress, Mrs. Bedell was a member of the House Committee on Agriculture, the District of Columbia Committee and the Joint Committee on Atomic Energy. She also served on the National Commission on Food Marketing and was appointed to the House Select Committee on Standards and Conduct. Specialized work in Congress included agriculture, water and land conservation, food marketing, consumer education and selected areas of special education. Her participation in international trade meetings and activities included the Interparliamentary Union meetings in Ottawa, Canada,

and Majorca, Spain; U.S. Representative at the 1968 Trade Fair in Tokyo, Japan; attendance at the U.S. Agricultural Attaches meeting in Bonn, Germany in 1969; and the Food and Agriculture Organization Conference of 1969 in Rome, Italy. In December of 1970 Mrs. Bedell was a Presidential Appointee to the Board of Incorporators of the National Railroad Passenger Corporation (AMTRAK) and served on the Board of Directors of that corporation until her appointment to the United States Tariff Commission, being sworn in as Chairman in July 1971—the first woman to hold the position of Chairman.

Mrs. Bedell is married to Donald W. Bedell, a management consultant. She has two children, a son James C. May, and a daughter Melinda E. May, who reside in the San Francisco Bay area.

STATEMENT OF CATHERINE MAY BEDELL, CHAIRMAN, U.S. TARIFF COMMISSION

The CHAIRMAN. Do you have a statement that you would care to make?

Mrs. BEDELL. No, Mr. Chairman, I do not have any special statement to make. I would rather be available for questions.

The CHAIRMAN. Well, I have a number of questions to ask, but I thought it might be more appropriate to start at the other end of the table on this occasion.

Senator Byrd, do you care to question?

Senator BYRD. I think not, Mr. Chairman.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you very much, Mr. Chairman. It certainly is a privilege to have you before us again with your tremendous background and business experience and every phase of activities that might be of assistance to you in doing your work.

It is hard to ask you a question that you would not be able to answer with great dexterity, and I am very pleased.

You have heard some of the questions that were asked concerning the trend of events, especially what has happened in recent weeks as far as the meat industry is concerned and the closing off of markets by some of the other countries, and then the products coming into the United States, and I was asking about whether this could come under antidumping. It is very difficult to say.

Do you have any thoughts on what we might do regarding this particular problem?

Mrs. BEDELL. Senator Fannin, I would rather not offer an opinion on what we might do. I would rather answer you this way. This situation has come to the notice of the Tariff Commission in that we are charged with the responsibility of keeping up in the area of agricultural imports. We can and will pull together some facts and statistics on this. Now, this would not be a formal study because we have not been asked for such a study.

I cannot, therefore, intelligently evaluate any import impact yet. I doubt if anyone could right now. But I do think it is certainly important, and a serious enough situation, it would seem a trend that we ought to take a look at it and try and evaluate some of the impact. Beyond that, no, I could not make any comment at this time that would have any value as to what effect it is having.

Here again, is it a short range trend or long range?

Senator FANNIN. It is probably an unfair question to pose to you because in some respects it is up to the Congress to make some

decisions to give you something to work with in that respect. I do not know that we have.

Mrs. BEDELL. I know you are, and as I say in our role as advisers, the Tariff Commission is supposed to be ready to give good advice when requested, and certainly we should stand ready to do that.

Senator FANNIN. Fine.

Mrs. Bedell, has anyone in the White House ever suggested to you that your reappointment is conditional on adopting their particular points of view on any policy matters?

Mrs. BEDELL. No, Senator Fannin.

Senator FANNIN. Can you give us assurance that you would strongly resist any White House pressure from any administration, Democrat or Republican, which might infringe on the independence of the Commission?

Mrs. BEDELL. My answer is an absolute yes. If I might go further, in the 8 years I have been chairman of the Tariff Commission, I can think of no single instance in my case where either the executive branch or the legislative branch has even attempted to exert improper pressure, or pressure of any kind.

Senator FANNIN. Well, realizing your background and your expertise and splendid record, well, I would certainly accept that.

Mrs. BEDELL. Thank you, Senator.

Senator FANNIN. I did want an answer to the question. I certainly expected the answer that you have given.

It is my understanding that a management team was brought to the Commission to study organizational makeup, and that team was basically a team from the Office of Management and Budget.

Was there any effort made to get another view or approach to Commission organization from the General Accounting Office or an agency more responsive to the legislative branch of Government, as the OMB is responsive to the executive branch of the Government.

Mrs. BEDELL. Senator Fannin, may I take a little more time than usual to put my answer to your question in perspective because I think it is important that this committee understand this whole question of the present reorganization that we are attempting to do in the interest of more efficient management.

Shortly after I came to the Tariff Commission, I discussed with members of the Senate Finance Committee and the House Committee on Ways and Means, certain lacks at the Tariff Commission in the way of its handling its work that had been pointed out. A great many of them went back to lack of attention to management, and one of the things I have attempted to offer in my role as chairman is leadership in getting better management of our resources so that we might serve you better.

I went to Mr. Weinberger, who then headed OMB, and asked, (because I am not an expert in management and we did not have staff expertise), and asked them to come and do a management survey. They did, and they did an excellent one. They came in, not pushing themselves in, but at the Commission's invitation. This group had people from Civil Service on its team looking at our personnel practices and our performance evaluation. They brought in experts

like that. They gave us a very sound and good management evaluation and some recommendations.

At this point—now, I would recall that this is over a year and a half ago—at this point, then, we took that plan and sent it to our staff, leading staff members. Mr. Parker, our vice chairman, and I sat down with the staff people, asked them to make their recommendations, and then we hired a competent executive director, a management director, the first time the U.S. Tariff Commission has had such a director. We knew there would be no wisdom in trying to go ahead with reorganization without having someone competent to implement it. And based on that, we presented to the Tariff Commissioners, in January of this year, a concept of reorganization, simple, not overwhelming, and all with the kind of goal the Senate Finance Committee I know wants us to reach, to produce a better, more timely, quality product and make efficient use of our resources and our money. And that is the kind of reorganization we are going to implement, or are in the process of implementing. We did go to GAO, Senator Fannin, and ask them if they would be willing to come in and do another study. However, GAO pointed out to us that OMB had better facilities to do the kind of study we wanted, and they really would take—it would be months and months before they would have anybody available to do it.

We did not depend solely on the OMB survey. The reorganization plan is really the creation of the Commissioners and some of our key staff.

Senator FANNIN. Very good. My commendations to you.

Thank you.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. I have one or two, Mr. Chairman.

The Commission is currently conducting hearings around the country concerning the conversion of the Tariff Schedules to the Brussels tariff nomenclature system.

Would you like to comment on your progress in this area?

Mrs. BEDELL. Yes. The Commission decided some months ago that when we went into hearings on Brussels tariff nomenclature, that we wanted to make it sure that everyone in the public domain, business that would be affected, if and when at some point in the future we converted from TSUS to Brussels tariff nomenclature, those most nearly affected would have a chance to comment.

Of course, as you know, we are going through only a proposed revision to try and understand what the impact might be if someday the administration proposes conversion to Congress and Congress accepts it.

So we have set up a number of hearings, on all chapters, of the Brussels tariff nomenclature, and have held hearings in some cases, in areas where the industry is, so that they have better access to come in and comment on any rate change that we think might be proposed. There are very few rate changes so far in the chapters we have had hearings on. We also sent out the chapters with the proposed revision ahead of the hearings.

People, I guess, have been by and large satisfied because we have not had controversial hearings, and we have not had a lot of people turning up at our hearings. Mainly they have been submitting statements. We have made it clear that as we go on with this they can come back and ask questions and make further comments. But we are doing our very best before we send this draft to the President on September 30th, to see that those who would be most directly impacted and affected in trade in the United States will have a good chance to look at it and comment on it.

Senator BENNETT. According to the Trade Reform Act as it was passed by the House, the Commission would no longer play a direct role in the adjustment assistance process.

Would you like to comment on this?

Mrs. BEDELL. Would no longer play a role in the adjustment assistance process concerning worker and firm cases?

Senator BENNETT. That is right.

Mrs. BEDELL. And my comment on this is that we have no policy position on this at the Commission. This will be the determination of Congress.

We have written to your committee through Senator Long and pointed out that the procedures still would be connected with import causation. We want to be sure that whatever agency handles these cases has the information, on the trends and impact of imports.

Now, as I understand it, under the bill the agencies could come to the Tariff Commission for that information. So even though it would be transferred to another agency and the criteria moderated, I think it is very important that the facts about the imports be made available to the people making the decision on injury.

In industry cases, on the other hand, where there is no transfer to another agency, the criteria would be moderated. If the bill passes that way, we anticipate an increase of workload for the Tariff Commission. We are not complaining, just noting that 10 industry cases would take the place of about 30 man-years on worker and firm cases.

Senator BENNETT. Occasionally we are told, and we were told during the hearings on the trade bill, that granting of import relief has been slowed down by the Tariff Commission.

Do you have any comment about that?

Mrs. BEDELL. It is going to be a highly prejudiced comment, Senator Bennett.

Senator BENNETT. That is your privilege.

Mrs. BEDELL. When that criticism is based on lack of affirmative action on cases I must speak for myself, always aware that the other five Commissioners may agree or disagree with me. We have a heavy workload, as you know. I do not know what the percentage of affirmative versus negative decisions has been over the years, but I think that is not a very good way to judge in that each case must be decided on its own merits. We have been handling worker cases on a much more expedited basis. We changed rules and regulations almost 2 years ago so that workers' petitions are being handled much more quickly than they were, and the Commissioners are determined to get more expeditious handling.

Now, on the final results of these cases, we are oftentimes criticized from outside on not having more affirmative results, or criticized on the other side for not having more negative results. Senator Bennett, I could not comment, we have so many types of cases and the Commissioners look at each on its own merit.

On the other hand, Senator Bennett, when the criticism that the Tariff Commission has delayed import relief is based, as it was in the hearings on the Trade Reform Act of 1973, on delayed administrative action in the conduct of its investigations, the criticism is just not valid because we have statutory deadlines and we meet them. Here, I would refer you to the letter I wrote to Senator Long on April 8, 1974, discussing the statements made by Secretaries Dent and Brennan in the committee's hearings.

[The letter to the Chairman referred to by Mrs. Bedell follows:]

U.S. TARIFF COMMISSION,
Washington, D.C., April 8, 1974.

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

DEAR MR. CHAIRMAN: During the course of your Committee's hearing on the proposed Trade Reform Act of 1973, Secretary of Commerce Frederick B. Dent and Secretary of Labor Peter J. Brennan both implied that the Tariff Commission has been responsible for delays in the adjustment assistance program as provided in the Trade Expansion Act of 1962 (TEA).¹ As you are aware, the Tariff Commission's role in the adjustment assistance program is widely misunderstood, and, in this regard, the following information may prove helpful.

The TEA provided a deadline—"60 days after the date on which the petition is filed"—for the Tariff Commission to conduct its investigation and make its determination in cases involving adjustment assistance for firms or workers. On the other hand, no statutory time limits were imposed on the Departments of Commerce and Labor within which adjustment assistance had to be delivered.

Criticism concerning the timing of relief can be better evaluated when one considers that the adjustment assistance process occurs in three discrete phases. In the onset and awareness phase, unemployment or injury begins but usually on a gradual basis. Potential petitioners may be immediately unaware that imports are responsible and that a relief procedure exists. (A point often overlooked is that the adjustment assistance program is not widely known). In the petitioning-determination phase, petitioners first file their petition, then the Tariff Commission conducts its investigation, makes its determination, and reports to the President. A review of Commission determinations will show that, although 60 days is the maximum the law provides, investigations are not treated as perfunctory and routine matters, but are carefully tailored to uncover the market factors at work on very specifically defined products. In the delivery phase, the Department of Labor makes its certifications—usually within about five weeks of an affirmative Commission determination. Certification in evenly split decisions may be delayed, since the tie must first be resolved by the President. Actual payments at the State level may not begin until some two to six weeks after certification. Certification and delivery of benefits for firms by the Department of Commerce is more complex.² On the average, nearly a year passes between the firm's certification and its receipt of assistance.

Set in this fashion, one sees that, while the Tariff Commission's role is critical to the outcome of the adjustment assistance process, the Commission

¹ See attachment.

² For a description of this procedure, see U.S. Department of Commerce, Office of Trade Adjustment Assistance, *Trade Adjustment Assistance Program, Guidelines for Applicants*, Aug. 24, 1972.

can do little to either increase the awareness of potential petitioners, or to affect the timing of the actual delivery of benefits to individuals. In that phase where the Tariff Commission exercises some control over the timing of relief, however, it has made changes simplifying and expediting the procedure for workers, for example, the Commission greatly reduced the data required for the initiation of a worker investigation. The data now required (USTC Form 801-W attached) can be obtained from information that should be easily available to the petitioning workers. Although more detailed data is required for firms (USTC Form 801-F attached), most of the information can be generated from within the firm's own records, and the Commission's facilities are always available to assist potential petitioners with such items as import statistics, which may not be in the company's possession.

Few firm or worker petitions were filed through 1969—a situation for which there are a number of explanations, including the fact that no new tariff concessions were implemented until those negotiated during the Kennedy Round began to gradually become effective beginning on January 1, 1968. In 1970, however, the Commission decided 25 firm and worker cases. In 1971, 114 firm and worker cases were concluded—an average of over two per week. In 1972, 50 were concluded, and 64 cases were concluded last year. The sheer number of adjustment assistance cases decided over the past four years suggests an expeditious handling by the Tariff Commission.

In summary, the Commission does not believe that it has been the source of undue delay in the receipt of adjustment assistance. The transfer of the eligibility determination from the Tariff Commission to Executive Branch departments, as proposed in the Trade Reform Act of 1973, even with relaxed criteria, while still retaining the same 60-day time limit, will not, of itself, materially hasten the delivery of adjustment assistance.

The Tariff Commission stands ready to provide your Committee, and the entire Congress, with such information as you may need to assist in your deliberations on the proposed Trade Reform Act of 1973, or other matters, as appropriate.

Sincerely,

CATHERINE BEDELL, *Chairman.*

Enclosures.

Senator ROTH. Mr. Dent, a little over a year ago, I sent a questionnaire to 26 firms which at that time had been certified as eligible for adjustment assistance. By far the overwhelming complaint that came back was that the Department of Commerce procedures were too slow and had too much red tape I wonder if anything has been done to expedite these bureaucratic procedures, whether or not you feel that the legislative proposal in the House bill will expedite the decision-making for adjustments?

Secretary DENT. Yes, sir. The House bill addresses this by transferring the responsibility for finding or certifying firms as being eligible for adjustment assistance and placing it in the Commerce Department. At the present time, the certification has to be obtained through the Tariff Commission and then the matter is approved by the President and is referred to the Commerce Department for action (Transcript p. 308.)

Secretary BRENNAN. In the new bill, we feel the escape clause, the adjustment assistance, would be more helpful under the speed-up system, as Secretary Dent just related to Senator Roth, because it would be directly through the Secretary, instead of going through the Tariff Commission. (Transcript, pp. 311-312.)

Senator BENNETT. Would the reorganization you have set up which you were discussing earlier have any effect on hastening or speeding up your decision process?

Mrs. BEDELL. Senator Bennett, if it does not, then it would be all in vain.

Senator BENNETT. I have no other questions.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. Mrs. Bedell, I welcome you before our committee. I have had the privilege of knowing you for a long, long time. We used to sit together in agricultural conferences between the House and the Senate. I think you have done a very fine job as chairman of the Tariff Commission. My intention is to support your nomination.

I do, however, have two or three questions I would like to ask you.

The Trade Reform Act, as passed by the House would grant the Tariff Commission authority to order the exclusion of imported articles where the articles in question involve unfair methods of competition based on violations of U.S. patent laws.

Is the Commission prepared to exercise this authority?

Mrs. BEDELL. The Commission is prepared to exercise any authority the Congress gives to it. Most of our unfair trade practice cases have been patent cases. I believe, Senator Talmadge, you read our letter to Senator Long, and we did have some comments on this question. At present the Commission recommends temporary exclusion orders or final exclusion orders to the President in section 337 cases. We did comment that the Senate Finance Committee might want to look at remedy, if we acted in these patent cases, and were given the final action, instead of the President. The committee might want to look at this because exclusion orders have been called by many a very punitive first action. With a cease and desist type of approach, we could complete our full investigation without having to ask for an exclusion order that later investigation might prove to be a punishment too much for the crime.

Senator TALMADGE. That was the next question I was about to ask you.

Would you agree that Congress ought to give the Commission authority to issue cease and desist orders whenever it finds a foreign country in violation of our patent laws?

Mrs. BEDELL. Well, may I say that as one of the Commissioners, and I believe we have the majority of us feeling that way, yes, we would like to have you, if indeed the trade bill goes through as it is written now, we would like to have you study this question and hopefully consider a cease-and-desist type of remedy instead of an exclusion order.

Senator TALMADGE. Thank you.

I have no further questions, Mr. Chairman.

The CHAIRMAN. Mrs. Bedell, I think you have done a very good job down there, and that is to put it at a minimum. I really have no criticism of your chairmanship or any of your votes or activities there. I have nothing but commendation for the work that you have done since you went on the Commission.

Prior to the time that you went there, I at one time became engaged in quite a battle that even put me at war with the President of the United States, Lyndon Johnson, who was a very dear friend of mine—fighting to make the Commission not only do its job, but to try to restore the independence of that Commission. I even blocked the Democratic or Republican appointees until we could have some understanding that that Commission was going to regain its inde-

pendence as I saw it. I am concerned about that, and not just with regard to this President. I have no specific criticism to make at all as of now, but looking down the road, there are going to be other chairmen and there are going to be other Presidents and there are going to be other senators. But that Commission, to do its job, ought to be completely independent of the executive branch, and it ought to have the courage to go ahead and vote to do what it thinks is right respecting the acts of Congress and the legislative intent of those measures. And I see you nodding, because I know you agree with that philosophy.

Now, the Executive has a lot of leverage, and I know how some of these things work. People who are in the State Department, for one reason or the other, in pursuance of their duties, want the Trade Commission either to go easy on one of these dumping situations or to go along with the view of the executive branch on something. They move through the White House to try to move the Commission to see it their way. Things of that sort were never really intended by the Congress, but they happen sometimes.

Senator Byrd some time ago proposed that we ought to have a constitutional amendment to say that the Supreme Court would at least be somewhat responsive to the views of the people and to the Congress, and especially the Constitution, by requiring that those people be confirmed from time to time. And it has seemed to me that it would help to improve the independence of that Commission if a person, once appointed to that Commission, assuming that person were interested in serving another term, could merely be reconfirmed by the Senate, rather than requiring renomination. I think that would add to the independence of the Commission. They could simply be reconfirmed every—is it a 6- or 8-year term that you serve?

Mrs. BEDELL. Six.

The CHAIRMAN. Confirmed every 6 years. Harry Byrd said it was 8.

Senator BYRD. It would automatically come before the Senate without being renominated by the President.

The CHAIRMAN. Yes. It just seems to me that the independence of that Commission would be strengthened if the name simply came back before the Senate, unless a person cared to withdraw from consideration. And it might be purely philosophical as far as you are concerned, I suspect that it is; but I wonder what your thoughts would be if a person, once confirmed on that Tariff Commission, unless that person saw fit to withdraw his or her name from consideration, would simply have their name come back before the Senate for reconfirmation.

Mrs. BEDELL. Senator Long, that is almost the same question that our constituents have about their senators and House members terms—but, let us say that this might be an excellent idea. Anything that preserves the protection of and independence of the Tariff Commission is excellent. I have come to know that the Tariff Commission serves a tremendously important role in this country, and it can never do it unless it is objective. It will lose its usefulness; that is why you, the Congress, created it in the first place.

If the Congress will pay attention to the type of person appointed to the Tariff Commission in the first place, and insist that the President appoint top people, persons, because—I would not want the Tariff Commission or the Senate Finance Committee, the Congress, to feel that they had to put up with a Commissioner who was not doing his job or her job. This is what has been going through my mind as you and Senator Byrd have had your discussion here about this, because I have not thought out this approach. I think it is excellent, but it raises the same question as should the House members serve 2 years, 4 years, 6 years? If you have a good representative, you want him there; but you also want to be sure you protect yourself against a bad appointment, inadvertently, let us say.

The CHAIRMAN. Well, I do not know how you get a better appointment than to simply continue in office somebody that you think is doing a fine job. You do not fire anybody down at that Commission if they are doing a good job. And generally speaking, those of us who run for office, at least, if we would like to be continued, we have the opportunity of offering ourselves for consideration.

I have in mind a situation in another area that does not involve the Tariff Commission. Now, some years ago there was a man from my State who I thought was doing a very fine job in an appointive position for the Government on one of these many commissions the President appoints, where they meet from time to time. I talked to one of the White House people; I did not talk to the President himself about it; and I said, this man is doing a fine job, he has good credentials, he is dedicated and would you please see if the President would be willing to consider reappointing that man. Well, the word I got back was, well, now, if you want it done, the President will consider it, and he may just do that because you asked it, but that fellow does not vote with us; just time and again we find him voting contrary to the way we fellows down at the White House think he ought to vote. Now, do you think you could talk to that man and gain some assurance that if we reappoint him, that he is going to do business more the way we think it ought to be done.

Well, now, I know that that is not what the Tariff Commission is there for. The Tariff Commission is not there to vote with the President; the President is simply given the appointive authority, because if you put it in the Congress, then you have to decide which Senator or which Congressman is going to make the appointment and that is hard to do because every Senator agrees that everybody is in all respects at least equal to his colleague. And so we of the legislative body cannot very well work out these appointment things; but it seems to me that if it is a reappointment, the person who has been the most independent of them all might very well be the one who has the most difficulty getting reappointed.

Mrs. BEDELL. Quite true.

The CHAIRMAN. So, my view would be, if we can prevail on this measure, we ought to try and convey upon the Tariff Commission, that additional degree of independence.

Now, I also find myself thinking that the budget of the Tariff Commission should not be subject to the judgment of the OMB. If

the Tariff Commission needs money to do something, and the executive is not happy about the way the Tariff Commission is doing business, they feel the Tariff Commission is not "cooperating," and they might just drastically reduce or decline to make available enough funds for the Tariff Commission to do its job.

Could you give me your thought on that matter? In other words, might it not be a good idea for the Tariff Commission simply to submit its budget request directly to the Congress, without going through the OMB?

Mrs. BEDELL. Well, there again, if that would help preserve for posterity the independence of the Tariff Commission, I certainly could offer no objection. Again, it is a new approach to me, and up to now my experience has been favorable—we have had no serious trouble with our budget, as you know, the 3 years I have been there. Not because I was there, it is because there had been great support by the executive, this committee and House Committee on Ways and Means, as we went through the budget and appropriations process. But that is my experience. We are not only talking about this President or this OMB. There again, if we have a good Commission making sure that the money is being spent right, and we have to be responsible to your appropriations committees up here—and believe me they are a lot tougher up here than they are in OMB, in my experience, anyway—I could see no objection.

The CHAIRMAN. Mrs. Bedell, let me just tell you a little story, and I think at this point in life that I can make this available without particularly embarrassing anyone. I once attended one of these international conferences on Law of the Sea. At that point it appeared to the executive branch that the prime objective of this Nation should be to prevail upon all nations at that conference, if they could be persuaded to do so, to limit themselves to a 3-mile limit, or if not, a 4-mile or 5-mile or 6; but to keep the territorial claims as close to the shore as possible, on the theory that to do so would give our Navy more latitude and more ability to express our national interests and our national will; and it would let them sail into waters that otherwise might not be available to the U.S. Navy to make a showing of its presence.

Now, that was such a high objective from the point of view of the then administration, and I think—well, anyone who wants to research it could figure out who was President at that time—but from my point of view, this is something that should go far beyond politics. That was such a prime objective of the administration at that point that it was fairly clear that they were willing to trade off almost anything to achieve that objective.

Now, at Geneva, the people who were representing the American fisheries were there, and they asked me to have dinner with them on one of the days that I was there. And they said, Senator, there is no way this conference can succeed. This conference has absolutely got to fail; there is no way that America can prevail at this time, and we can show you why. I said, would you mind explaining. Well, they said, to try to get those people to agree to what they want to do for the Navy, they have given away more fish than we have. They

have given away more than 100 percent of our fish. They are now giving it away the third time. Now, when these other countries discover that all of the fish we have been given away more than once, there is no way that this Nation can prevail at this conference. Someone is going to feel he is double-crossed, and he is going to kick the bucket over, so that the whole thing will fail.

And the conference did fail, by the way, and I am not sure that that is why, but I know that when everybody got through adding up what he hoped to get and what the other fellow hoped to achieve out of that conference, that was the end of it. And I know that when the showdown votes came at that conference, working out of the State Department in Washington, all of these different nations were being called by telegram to vote for the U.S. proposal, which failed. And I have not the slightest doubt that every one of those governments were at that point asking the State Department, well, hold on just a minute, now. Here is something we are interested in. We want a concession for our shipping; we want a concession for this; we want a concession for that. How about this little matter that does not have anything to do with the fish or with the Navy of the United States either, but there is something we want.

Frankly, all of those small countries are good politicians—a lot of them are even better than we are at politics—and I would think that would be the time for them to ask that question of the executive branch: "How about our little situation?"

I do not think that the Tariff Commission should be subject to the administration pressing the Tariff Commission to do something for some international consideration, to get a vote at the United Nations or on the Security Council or to gain cooperation on something that might involve a war between Israel and the Arabs, or a thousand other things I could think of. It just seems to me that we in Congress intend that the decisions in the Tariff Commission should be kept completely independent of all that.

I see you nod your head that you agree with that.

Insofar as we have the power to do it, we ought to try to make the Tariff Commission as independent as we can. We ought to do an even better job than I think we have been able to do up till now, of carefully watching what the Tariff Commission does—not to complain about any decision down there, but in the event it looks to us as though the Executive is twisting the arm of the Commission or any Commissioner, that we ought to be in a position of protesting about it.

Mrs. BEDELL. That is right. I could not agree more, Senator Long. I think you and I have discussed this for some time, that the name of the game for the Tariff Commission, is to protect its objectivity.

The CHAIRMAN. I have another question.

I have no doubt that when the Commission gets around to making a decision, generally speaking it is a good decision. But sometimes justice delayed is justice denied. Would you have any objection if we would write something into this Trade law that in these areas where we hope to get a decision, to require that by some particular date or after a certain number of days, be it 90 or 365, as the case may be, that the Commission would decide on certain matters that

would be before the Commission, just to make the Commission reach a decision by a certain date?

Mrs. BEDELL. Well, of course we already have deadlines, statutory deadlines, on most of our cases: our workers, our firms, our industry, our antidumping. Now, if you wish to look at the statute and the other responsibilities we have—Senator Long, might I ask you a question?

Are you discussing major studies as asked for by your committee, where there is no deadline, statutory deadline?

The CHAIRMAN. I had in mind decisions on unfair trade practices, mainly.

Mrs. BEDELL. The 337 area; yes. I would have no objection. But, I think it would be very good to confer with representatives of the Tariff Commission on what kind of a deadline that should be, because these unfair trade cases, particularly those involving patents, are extremely complicated and tricky.

We, as you know, have been building our General Counsel's staff with patent expertise. We now have two men with patent backgrounds, which has helped; and we are making some progress.

But, no, I would have no objection for us to get to that and look at that, because we are a commission today, as we are constituted today—and of course it could change—who are very deadline oriented.

The CHAIRMAN. Well, now, in the case of tie votes, with respect to injury determination on import relief cases, the President may choose the decision of either side as a final decision of the Tariff Commission in antidumping determinations, and a tie vote is deemed to be an affirmative determination by the Commission.

Might it not be appropriate to increase the number of Tariff Commissioners to an odd number—that is, seven—so that split decisions could be avoided and the common will of the Commissioners could be established and mandated?

Mrs. BEDELL. I am undecided. As chairman I recognize the difficulty of split decisions or Commissioners who do not participate—though some of them have very good reasons, but I am intrigued by that idea. The Tariff Commission has six members, no more than three of whom can be members of one party. That was a basic objectivity protection. If, say, this was done in connection with your—Senator Byrd's suggestion that after once being appointed to the Tariff Commission, the reconfirmation would come not through the President but directly to the Congress, maybe one protection would balance the other.

Senator Long, I could not give a yes or no answer at this point. I would like to think that one over.

The CHAIRMAN. In connection with the reorganization plan for the Commission, is there anything more that you could add to what you have already told us, as to what input that the other agencies of the Federal Government made with regard to this matter? Or have you fully covered that?

Mrs. BEDELL. Well, I hope so. We have had very good cooperation from Civil Service, which we had to have, in that they gave us a lot

of advice and guidance on how we go about it, because we have to go over every job description we have in our agency to be sure everybody is covered correctly and we are doing it correctly.

Wherever we have asked for agency cooperation, we have had it.

I just want to make it very clear, Senator Long, because I understand this question has implications for an independent agency. The Office of Management and Budget was invited in; they have not pressured us. We have been through two budget sessions since then, and they have not asked, when are you going to reorganize or how are you going to be reorganized? They are just very interested that we are working toward more efficient operations.

The CHAIRMAN. Well, you know that I am very much interested in seeing that Commission do its job, Mrs. Bedell. I think on one occasion I went down and testified for your budget myself, and we were both disappointed that they did not provide you the funds to do the job.

And I certainly wish you the very best in your endeavor. I certainly will be very proud to support your confirmation.

Again, I think you did a very fine job.

Mrs. BEDELL. Thank you very much, Senator Long; and for your continued support of the Tariff Commission.

The CHAIRMAN. Well, the decisions you have to make down there. I am sure you know, many times involve the jobs of a great deal of American working people and investments made in good faith by a lot of good people putting their money into something they think is good for their Nation and good for their neighbors. And those investments should not be wiped out. If the intent of Congress is that they should be preserved, then they certainly should not be destroyed by unfair competition.

Mrs. BEDELL. That certainly is right.

As I said before, Senator Long, I was a member of Congress when the 1962 Act, Adjustments Assistance, passed; and we did make it pretty tight on criteria.

The CHAIRMAN. Well, some people do not think too well of the Congress or the experience we have gained up here, but I am one of those who believes you learn a lot about people by having to run for office.

Mrs. BEDELL. Yes, that is right.

I thank all of you.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I have to have a caveat. I have listened to the Chairman's concept of having Congress handle reconfirmations without any input from the executive department. This, of course, gives Congress a political decision as to who is going to serve on the Commission, rather than the President and the Congress together. It eliminates the President.

If you are concerned about independence, I would rather go the way of the Federal Reserve System, which is to lengthen the term to 12 or 14 years, and put the member of the Commission beyond the length of time that any single President can serve. Otherwise, I

think you can lay yourself open to the charge, particularly in a case where you have the two parties, each in control of the two branches of the Government, that it is a political attempt to transfer—controls of the nomination. You can deny reconfirmation. And it also puts a new pattern into our system of Government that does not exist anywhere else, where Congress both nominates by negative action and confirms, and cuts the executive department completely out of anything except an original appointment.

So, as I say, if you have the feeling, if we have the feeling, that there is too much political interference, then let us lengthen out the term of service and put it beyond the length of time that any President can serve, because his term is limited now. That is just a different opinion.

The CHAIRMAN. Well, I would settle for that if I could not do better, but I hope to get something better.

I would keep in mind that this Tariff Commission is an arm of the Congress; is that not right, Mrs. Bedell?

Mrs. BEDELL. That is correct, Senator Long.

The CHAIRMAN. And the power to write these Tariff laws, to put these quotas into effect and to strike against unfair trade practices, is vested, under the Constitution, in the Congress. Prior to the time that the Tariff Commission was established, the Congress did that job by passing laws to say you will do that or you will not do that. And it is to the Congress, not to the executive, that the Tariff Commission is expected to be responsive. And that is why it made my blood boil, under a Democratic administration, when I found that those over in the executive branch—and I am not sure even with the knowledge of the President himself—were moving that Tariff Commission, in my judgment, to act differently from what the Congress had intended.

I think that with Senator Bennett's support and that of some others—maybe they did not know it, but I was counting on it whether I got it or not—we fought that battle and we finally managed to get this Commission to where I would at least hope that there is a lot of independence on that Commission today. And I would certainly like to preserve that and strengthen it to the extent that I can.

Mrs. BEDELL. Methods and means are always going to be controversial—and I imagine I would get the same different opinions on how to do it among my own commissioners—but as long as this committee and the Committee on Ways and Means in the House pay attention to the U.S. Tariff Commission and what it is doing and what it is not doing—and may I say very frankly that it seems to me there have been some years where that was not done, as long as they pay attention, that cannot happen. But any protection you can build into the law in case Congress in future years might not be paying attention, I think is a good thing.

The CHAIRMAN. Thank you very much.

Mrs. BEDELL. I thank all of you very much.

The CHAIRMAN. We appreciate your appearance here today.

[The following draft progress report was submitted by Mrs. Bedell:]

DRAFT PROGRESS REPORT—DIAGNOSTIC MANAGEMENT REVIEW OF THE U.S. TARIFF COMMISSION

(Prepared by Executive Office of the President, Office of Management and Budget, May, 1972)

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- Introduction.
- I. Background and Perspective.
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INTRODUCTION

This is a draft progress report. As such, it may be subject to review and refinement. Its purposes are to serve as a vehicle to present the Commissioners with our findings, conclusions, and recommendations for action with respect to organization. Our hope is that it will help stimulate useful discussion among the Commissioners and between the Commissioners and this consultant study team.

Subsequent progress reports will deal with other aspects of this project.

CHAPTER I.—BACKGROUND AND PERSPECTIVE

The purpose of this brief chapter is to array several key factors which must be considered in a study of where the Commission is and where it is going.

1. The Commission is Both a Prisoner and a Beneficiary of its Long History

Established more than half a century ago, the United States Tariff Commission predates the massive growth and increasing complexity of the Federal government. Today even its building, one of the oldest government structures in Washington, testifies to the long established place of the Commission in the Federal scheme. Over the years, the Commission has served the country well. Names of distinguished Commissioners and outstanding staff members are chronicled in histories of American foreign trade policy.

Now, as Commissioners and staff ponder the future, they seek to retain the established strengths and build upon the fine record which has already been set down. At the same time, these same people generally realize that some old attitudes and ways of doing things in the past will no longer serve the Commission well in meeting its future challenges. Most agree that some of the arcane and the mysterious practices and arrangements of the past constitute chains which hold the Commission prisoner and impede it in meeting the challenges of today and of the future.

2. The Commission is Mandated to Assist the Congress, the Executive and the Public Both in Response to their Requests and on its own Initiatives

The Tariff Act of 1930 and related laws generally mandate the Commission to perform factfinding and analytical work for the Congress, its committees and its members. In addition, firms, groups of firms and workers also may petition the Commission to determine whether or not injury has been done them by imports. Finally, the Commission has wide latitude to initiate studies on its own nomination.

3. The Commission is a Partner in the International Trade System of the Government But Does Not Enjoy the Highest Confidence of All Other Partners in the System

As noted above, many parties lay claim to Commission factfinding and analytical efforts. In addition, the Commission has dealings with several Executive Branch units: Special Trade Representative in the Executive Office of the President; Department of State; Department of the Treasury; Department of Agriculture; Department of Commerce; Department of Labor.

Taken together, all of these enterprises are partners with the Tariff Commission in the government's international trade system. Effective functioning of this system requires, among other things, that each partner try to work with the others on an even-handed and cooperative basis.

From time to time, in the opinion of some of the partners in the system, the Commission has not lived up to its own high standards with respect to Speed of response; Quality of factfinding; Willingness to cooperate responsively to changing relationships and roles.

Moreover, in the opinion of some partners in the system, the Tariff Commission's own role and status has declined because of these problems. Further, this decline in role and status may be expected to continue unless prompt corrective action is taken.

4. International Trade Relations Considerations in American Economic Policy are Becoming Even More Significant

International trade relations have always been a central theme throughout American economic and political history. The present epoch marked by chronic balance of trade deficits, international industrialization and extremely vigorous international trade competition serves to underscore this historic emphasis.

5. The Workload Imposed on the Commission Has Grown Dramatically in Recent Years

It is generally conceded that the demands now placed on the Commission have never been higher in modern history than those of the past year or two. One approximation of work level is presented in Exhibit I-1, following this page. It indicates that various classes of Commission investigations have increased from the 11 to 18 range in 1968-1969 to about 100-122 range in 1971-1972.

EXHIBIT I-1.—INVESTIGATIONS INITIATED FISCAL YEAR 1968 TO PRESENT, U.S. TARIFF COMMISSION

Investigations initiated in fiscal year.....	1968	1969	1970	1971	1972
Section 332, TA-30.....	3	4	4	5	0
Section 337, TA-30 preliminary.....	0	0	3	5	7
Section 337, TA-30 full investigation.....	1	3	0	6	0
Section 22, AAA.....	1	0	1	1	0
Antidumping Act of 1921.....	5	1	7	14	21
Section 301(b), TEA.....	2	3	4	5	3
Section 301(c), (1).....	2	0	3	14	17
Section 301(c), (2).....	0	0	20	69	53
Section 351(d), (1).....	2	0	0	3	3
Section 351(d), (2).....	0	0	0	0	0
Section 351(d), (3).....	0	0	2	0	1
Total.....	18	11	44	122	105

Note: Estimated on the basis of the first 3 quarters.

6. There is No Consensus Among Commissioners or Senior Staff as to Present or Future Role and Purposes of the Commission in the International Trade System of the Government

Effective organization and operation of an enterprise is usually premised on a consensus as to role and purpose. The consensus may be written in a formal manner or simply understood. One of the uses of such a consensus is to evaluate past performance and plan for the future. No person now can state in unambiguous and uncontestable terms where the Commission should be now or in the future.

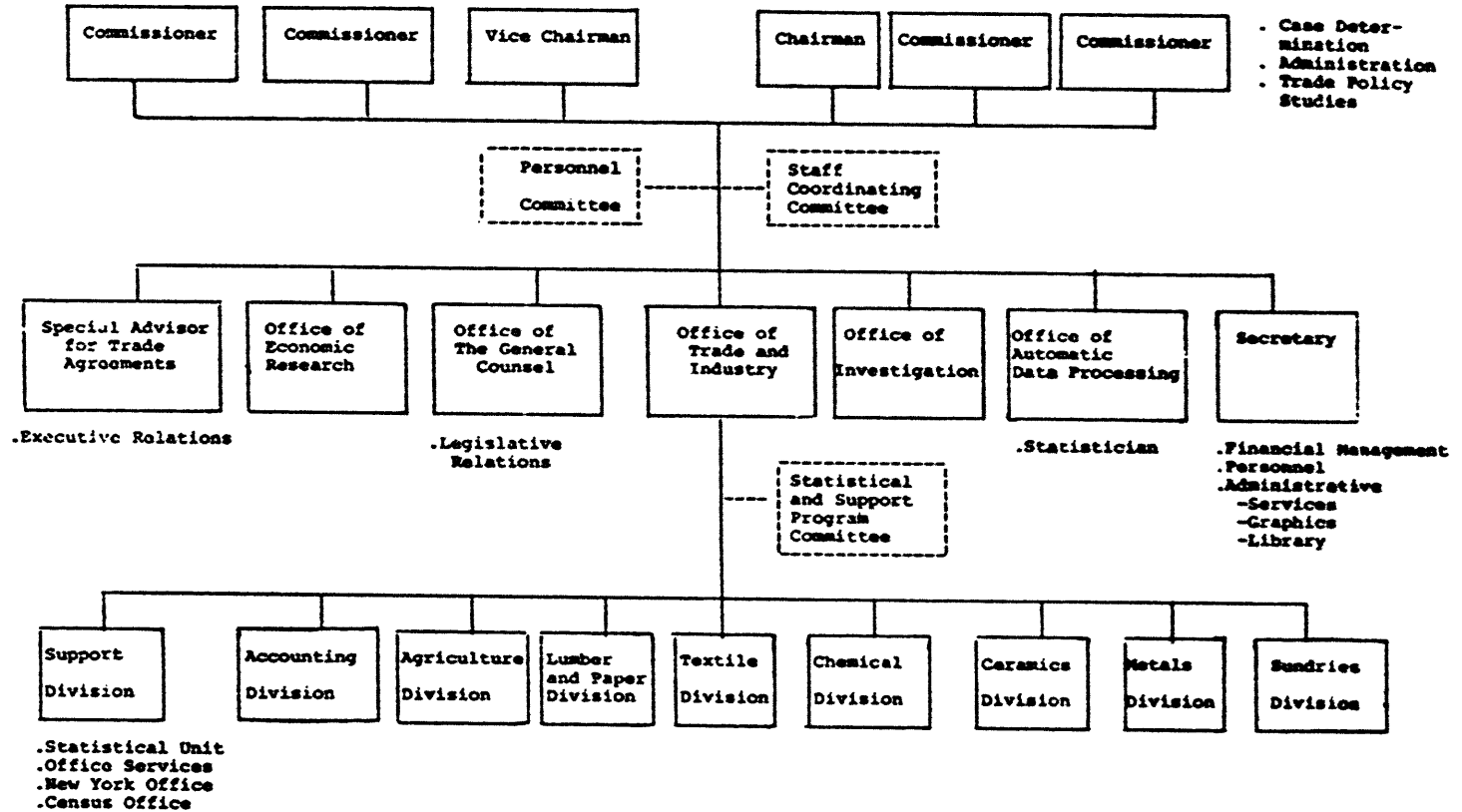
CHAPTER II.—PRESENT ORGANIZATION

The purpose of this chapter is to set forth the key findings on organization and function which characterize the Commission. For the sake of reference, the present organization is illustrated in Exhibit II-1, following this page. It may be of interest to note that this organization chart was drawn by the study team since none existed at the time the study began.

1. The Six Commissioners Share All Executive Powers Equally

In effect, the Commission is now structured to be managed by a committee. Few matters, even of the most trivial nature, are delegated to the staff.

EXHIBIT II-1
Present Organization
U.S. Tariff Commission



2. During 1971, the Six Commissioners Considered Nearly 800 Items, Only About One-Sixth of Which Dealt with Votes, Findings and Press Releases

An analysis of agenda items is one way to capture the flavor of what the Commissioners concern themselves with and what broad proportions exist. Application of this analysis to the agenda items in 1971 reveals the following broad proportions:

About one-sixth of the items considered by the Commissioners involved votes, findings and press releases.

About one-fifth of the items involved discussions of questionnaires.

The remaining approximately two-thirds of the items were distributed in such categories as:

Investigations and studies, initiations, notices and work studies (6.8%).
Setting or changing hearing dates (3.5%).

Hearings (7.8%).

Commission publications other than investigations and study reports (1.5%).

Minutes (6.1%).

Ratifications (5.8%).

Security matters (8.0%).

Travel authorizations (4.4%).

Finance and budget matters (3.9%).

Personnel matters (9.8%).

Training matters (0.5%).

Miscellaneous other matters (12.0%).

This analysis is of the item count. It does not reflect the time required since one item might be disposed of in seconds while another may require hours of discussion.

3. At Least Three-Quarters of Pink Jackets Circulated Among the Commissioners are Concerned with Administrative Minutiae

Each Commissioner has been appointed by a President of the United States and confirmed, after examination and consideration, by the Senate. This clearly underscores the dignity, honor, and high status of the Office of Commissioner. It is startling, therefore, to contrast the stature of the Commissioner's office with the pink jackets which are circulated for their consideration. Only about one-quarter of these probably merit top level review as illustrated in Table II-1, following this page. The balance of the pink jackets are concerned with administrative minutiae which probably does not merit review by six Presidentially appointed executives.

4. The Staff Coordinating Committee is Intended to Service as a Quality Control Mechanism

The Staff Coordinating Committee is the key management mechanism below the Commissioner level. Its role is ambiguous because of the reluctance of the Commissioners to make delegations. Its clearest role seems to be that of a quality control mechanism. Full functioning in this role may be impeded for two reasons:

TABLE I-1.—PINK JACKETS CIRCULATED DURING SEPTEMBER 1971

	Number	Percent of total
Probably meriting top level review.....	12	25.0
Approval of publications.....	4	8.2
Memoranda recommending investigations.....	3	6.3
Notices of investigation.....	3	6.3
Findings and press releases.....	2	4.2
Probably not meriting review by 6 Presidentially appointed executives.....	36	75.0
Travel authorizations.....	15	31.3
Work schedules.....	7	14.6
Training requests.....	6	12.5
Questionnaires.....	2	4.2
Memoranda on expenditures.....	2	4.2
Others.....	4	8.2
Total.....	48	100.0

The Committee gets the materials at the eleventh hour before Commission review. This may be too late to make major revisions of inadequate staff work.

Members of the Committee are the same key staff members who supervise the major staff units which prepare the materials under review.

5. *The Secretary Provides Housekeeping Services for the Commission*

The Secretary and his immediate staff invest most of their energy in performing the traditional duties of a secretariat. In addition, the Secretary spends a small fraction of his time providing nominal supervision to: Financial management; Personnel Office; Administrative Services.

6. *The Office of Automatic Data Processing is Searching for a Role to Play*

The recently established Office of Data Processing has not yet found its place in the Commission. Organizationally and socially it is isolated.

7. *The Office of Investigation is Responsible for the Conduct of Case and Investigation Factfinding*

The Office of Investigation has paradoxical responsibilities and resources. On the one hand, it is responsible in some fashion for the conduct of case and investigation factfinding. On the other hand, it must "borrow" the actual personnel to do the work from other organizations, notably: Office of Trade and Industry; Office of Economic Research; Office of General Counsel.

In addition, the study teams are formed without designated leadership so that authority and responsibility for study team performance is foggy at best.

8. *The Special Advisor for Trade Agreements Conducts Executive Branch Relations*

As noted earlier, there is no clear and uncontested Commission policy concerning its proper relationship with the Executive Branch. The role of the Special Advisor for Trade Agreements has necessarily become one of "honest broker" in trying to help the Tariff Commission co-exist, perhaps even to cooperate with the Executive Branch.

9. *The Office of Economic Research Conducts Policy Level Research and Provides an Administrative Home to the Economists Employed by the Commission*

The Commission has moved in recent years to develop a staff of economists with high professional credentials and sophisticated analytical capacities. This staff is designed to undertake policy level research. In addition, the Office of Economic Research provides economists to the Office of Investigation to serve on study teams.

The economists of the Commission have an administrative home in the Office of Economic Research, even if they work, from time to time, someplace else.

10. *The Office of General Counsel Conducts Legislative Branch Relations and Provides Legal Advisory Services to the Commission*

The General Counsel has been the Commission's main source of legislative branch liaison in recent years. In addition, the General Counsel is *primus inter pares* among the senior staff.

All lawyers in the Commission work for the General Counsel but some are assigned to study teams under the Office of Investigations from time-to-time.

It is generally conceded that the General Counsel is personally very heavily burdened with work.

11. The Office of Trade and Industry Provides Expert Advisory Services on Tariff Structure to the Commission and is the Administrative Home of the Bulk of the Professional Staff

The Director of the Office of Trade and Industry is a recognized expert on tariff structure who provides advisory services to the Commission and other parts of the government.

Nearly 150 people or three out of every five Commission employees work in the Office of Trade and Industry. However, when these people are employed on the important work of study teams, they are on loan to the Office of Investigation.

12. The Seven Commodity Divisions are Organized and Manned in a Pattern Parallel to the Dollar Values of Dutiable Imports in the TSUSA

The seventy commodity-industry analysts are distributed in seven divisions which parallel the first seven parts of the TSUSA. Each division has a supervisor who earns between \$27,289 and \$30,701. The general pattern of staffing seems to have two goals:

To approximately parallel the dollar value of dutiable imports as illustrated in Exhibit II-2 following this page.

To cover every item of import whether competitively active or not.

13. Requests for the Services of the Seven Commodity Divisions Do Not Parallel the Dollar Values of Dutiable Imports in the TSUSA

The distribution of investigations started in Calendar 1971 was significantly out of line with the distribution of commodity-industry analysts as illustrated in Exhibit II-3, following Exhibit II-2. 1971 was a year of unusually high activity.

Note particularly that:

Almost 90 percent of investigations started in calendar year 1971 were in three divisions with about half of the expert staff: Ceramics, Metals and Sundries Divisions.

Only slightly more than 10 percent of investigations started in calendar year 1971 were in two divisions having about one-quarter of the expert staff: Agriculture, and Textiles Divisions.

Two divisions with about one-quarter of the expert staff: Chemicals and Lumber & Paper had no investigations started in calendar year 1971. These two divisions employ a total of about 30 people or about one person in ten in the Commission. The total direct salary bill for these people was about \$525,000 in 1971.

14. The Seven Expert Divisions Invest Between a Third and as Much as Nine-Tenths of their Efforts in Homework, Housekeeping, and Miscellaneous Activities

EXHIBIT II-2.—DOLLAR VALUE OF DUTIABLE IMPORTS IN CALENDAR YEAR 1971, U.S. TARIFF COMMISSION

TSUS schedule section/OTI division	Dutiable imports in calendar year 1971		Commodity-Industry analysts	
	Amount (billions)	Percent to total	Number	Percent of total
1—Agriculture.....	\$4.3	14	11	16
2—Lumber and paper.....	1.3	4	4	6
3—Textiles.....	2.6	9	8	11
4—Chemicals.....	3.9	13	14	20
5—Ceramics.....	.8	3	4	6
6—Metals.....	13.3	45	13	19
7—Sundries.....	3.7	12	16	22
Total.....	29.9	100	70	100

EXHIBIT II-3.—ORGANIZATION OF COMMODITY-INDUSTRY ANALYSTS IN 1971, U.S. TARIFF COMMISSION

TSUS schedule section/ OTI division	Investigations started in calendar year 1971		Commodity-Industry analysts	
	Number	Percent of total	Number	Percent of total
1—Agriculture.....	4	3	11	16
2—Lumber and Paper.....	0	0	4	6
3—Textiles.....	12	10	8	11
4—Chemicals.....	0	0	14	20
5—Ceramics.....	14	12	4	6
6—Metals.....	37	30	13	19
7—Sundries.....	55	45	16	22
Total.....	122	100	70	100

The distribution of effort undertaken by the seven expert divisions during the most recent three calendar years is illustrated in Exhibit II-4 following this page. For the sake of convenience and simplicity, total effort is divided into four major categories:

TEA, Anti-dumping, Import Interference, 337 & 337L Investigations which rose sharply in 1971 to something approximating one-third of total effort.

Public Investigations Under Section 332 which equalled about one-sixth of total effort in 1971.

Special Studies which accounted for a trivial fraction of total effort in the three calendar years studied.

Homework, Housekeeping and Miscellaneous which accounted for about half of effort in 1971, down from higher proportions in earlier years.

This illustrates a second major paradox in Commission organization. The staff in the expert divisions are expected to invest their time heavily in homework and related activities so that it will be prepared when investigations and special studies are authorized. Note, however, that the Ceramics Division is very busy with investigations and has comparatively little time for homework while the Chemicals Division has plenty of time for homework and related activities but is the least active in applying this expertise to real investigations.

EXHIBIT II-4.—DISTRIBUTION OF EFFORT IN COMMODITY DIVISIONS IN CALENDAR YEARS 1969, 1970, AND 1971, U.S. TARIFF COMMISSION

[Percent of division total effort during calendar year]

	TEA, antidumping, import interference 337 and 337L investigations			Public investiga- tions under section 332			special studies			Homework, house- keeping, and miscellaneous ¹		
	1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971
Agriculture.....	15.3	8.3	17.6	48.0	38.0	38.8	0.1	7.4	5.9	36.7	48.3	37.7
Ceramics.....	31.8	22.8	79.4	8.7	6.6	.6	0	.1	0	59.5	70.5	20.0
Chemicals.....	2.7	3.4	7.4	8.5	2.6	10.3	1.7	2.5	.3	87.1	91.5	82.1
Lumber and paper.....	.2	10.4	21.3	28.4	2.9	17.1	1.3	.6	0	70.1	60.1	61.6
Metals.....	9.0	24.1	51.6	24.4	33.5	7.6	.8	.3	.9	65.8	42.1	39.9
Sundries.....	7.1	40.2	57.7	26.9	23.4	5.2	3.1	1.2	1.0	63.0	35.2	36.0
Textiles.....	7.4	15.1	33.6	20.3	14.4	5.2	.3	1.6	1.5	72.1	68.9	59.7

¹ Homework, housekeeping, and miscellaneous consists of the following activities: Legislation and correspondence with Congress; Trade agreement activities; TSUSA, 484E, etc.; Chemical reports; Tariff summaries; Assistance to Federal agencies; Assistance to the public; General work, file work, field visits; Tariff Commission annual report; and Automatic data processing.

15. About Two-Thirds of the Efforts of Commodity-Industry Analysts Expended on Cases and Investigations Were as Generalists Working on Projects Outside Their Area of Expertness

The participation of commodity-industry analysts in a variety of case activities over the most recent three and one-half years is presented in Exhibit II-5. It indicates that for the time period covered and the activities studied, commodity-industry analysts acted outside of their areas of expertness 62.8% of the time and therefore functioned as generalists. They were applying their expertness only 37.2% of the time spent in these cases. The study of fifty-seven completed cases illustrates that:

Agriculture and Ceramics participated heavily as experts 79.1% and 72.7% of their time respectively.

Sundries and Metals participated modestly as experts 40.9% and 25.4% of their time respectively.

Textiles and Chemicals participated nominally as experts 7.7% and 2.7% of their time respectively.

Lumber and Paper Division did not participate as expert in any of the cases studied.

16. The Accounting Division Acts as Special Staff to the Balance of the Office of Trade and Industry Investing Nearly Two-Thirds of its Efforts in Industry and Firm TEA Cases

In cases where accounting opinion and analysis is required, the Accounting Division stands ready to provide it.

EXHIBIT II-5.—USE OF THE COMMUNITY-INDUSTRY ANALYSTS AS EXPERTS AND AS GENERALISTS, FISCAL YEAR 1969-71 AND FISCAL YEAR 1972 IN PART, U.S. TARIFF COMMISSION

Activity type	Participation of division personnel in cases as experts or generalists							Percent of experts acting as generalists Personnel on each
	Agriculture division	Ceramics division	Chemicals division	Lumber and paper division	Metals division	Sundries division	Textiles division	
TEA-workers.....	0E, 1G	2E, 0G	0E, 3G	0E, 6G	5E, 1G	3E, 1G	0E, 1G	47.9
TEA-firms.....	0E, 0G	0E, 0G	0E, 3G	0E, 2G	3E, 1G	1E, 1G	2E, 1G	37.4
TEA-industry.....	0E, 0G	3E, 0G	0E, 0G	0E, 4G	0E, 3G	3E, 2G	0E, 0G	8.6
Antidumping.....	0E, 4G	6E, 0G	0E, 1G	0E, 6G	5E, 1G	0E, 2G	0E, 0G	21.5
Section 332 Investi- gating.....	10E, 12G	0E, 8G	0E, 19G	0E, 17G	0E, 14G	1E, 16G	0E, 12G	74.4
Unfair imports.....	1E, 1G	0E, 0G	1E, 0G	0E, 0G	0E, 2G	0E, 0G	0E, 0G	20.2
Import interference.....	1E, 0G	0E, 0G	0E, 0G	0E, 1G	0E, 0G	0E, 0G	0E, 0G	4.2
Total for all activity types.....								62.8
Number of cases participated in as expert.....	12	11	1	0	13	8	2	
Number of cases participated in as generalist.....	18	8	26	36	22	22	14	
Percent of activity above as expert.....	79.1	72.7	2.7	6	25.4	40.9	7.7	
Percent of activity above as generalist..	20.9	27.3	97.3	100.0	74.6	59.1	92.3	

CHAPTER III.—CONCLUSIONS ON ORGANIZATION

This brief chapter outlines key conclusions with respect to organization. While there are manifest organization problems, there is also an awareness of them and a will to seize them as opportunities for improvement.

1. Recent Dramatic Increases in Workload Have Strained the Existing Organization Structure to the Breaking Point

Persons familiar with the comparatively recent past describe what must have been a sedate, tranquil, even reticent atmosphere at the Tariff Commission. The press of business has dispelled that description today. Now the Commission finds itself hard pressed to meet its current responsibilities with an organization structure and methods of operation inherited from that placid era.

2. There is a Will on the Parts of Commissioners and Staff Alike to Improve the Commission So That It Can Better Meet Its Vital and Growing Public Responsibilities

The Commissioners and the staff share a pride in the Commission and a dedication to work for improvement.

3. Deep and Unresolved Differences of Opinion as to the Present and Future Role and Purposes of the Commission Preclude the Establishment of a Focus and Direction of Efforts

The ambiguity and uncertainties which surround the role and purposes of the Commission are, in large measure, the business of the six Commissioners to resolve and communicate to the staff. This is the proper business of these Presidentially appointed executives.

4. As a Practical Matter, There Is No Effective Overall Management Functioning at the United States Tariff Commission

The six Commissioners do not, in fact, exercise practical managerial control over the Commission. Likewise, the staff is not organized nor has it been delegated authority to manage the affairs of the agency.

5. Management By a Committee of the Six Commissioners has Focussed on the Lowest Common Denominator of Trivial Detail While Almost Completely Ignoring the Major Administrative Policy Issues

A sort of "Gresham's Law" of administration has been at work in the Commission. Clouds of trivial detail have obscured more significant administrative issues. Each Commissioner, pondering the problems as an individual, has several useful ideas. However, the Commissioners have not been able to combine these individual initiatives into a concerted effort of the committee of six to attack major planning and evaluation issues.

6. Senior Staff Efforts to Provide Meaningful Administrative Continuity to the Agency Have Been Frustrated By Lack of Delegated Authority and Unpredictable Commissioner Reaction Which Sometimes Borders on the Capricious

The senior staff, in a positive spirit of dedication to the Commission, has done what it could to provide meaningful administrative continuity. This has largely been frustrated by a lack of delegated authority. At the same time, the senior staff has become "gun shy" because of the unpredictability of Commissioner reaction to even the most innocuous proposals.

7. Contrary to Popular Belief, Changes in Workload Requirements Are Not Completely Unpredictable

It is an article of faith that Commission workload is utterly unpredictable. This is not necessarily the case. One might hypothesize that one important cause of activity would be changes in import magnitudes and their effect on American industry. Increases in imports between 1964 and 1971 were most striking in textiles, metals, and sundries as illustrated in Exhibit III-1, following this page. These sections had 85% of the investigations started in calendar year 1971. Thus a careful monitoring of changes in imports could have given clues which might have been used for prediction and planning purposes.

EXHIBIT III-1.—IMPORTS IN 1964 AND 1971 U.S. TARIFF COMMISSION

TSUSA	Value of imports; in millions of dollars		Percent increase, 1964 to 1971
	1964	1971	
1—Agriculture.....	\$4,514	\$7,037	55.9
2—Lumber and paper.....	1,954	3,107	59.0
3—Textiles.....	1,449	2,903	100.4
4—Chemicals.....	2,917	5,358	83.7
5—Ceramics.....	762	1,309	71.8
6—Metals.....	5,105	29,221	296.1
7—Sundries.....	1,239	3,966	220.1
8—.....	408	1,039	154.4
9—.....	251	607	141.8
Total.....	18,599	45,546	144.9

¹ Sections accounting for 85 percent of the investigations started in calendar year 1971.

Moreover, a major responsibility and activity of the commodity-industry analysts has been to study and keep current in their specialties. It seems reasonable to assume that this expertise could be translated into predictions and plans to handle investigations stemming from changing trade relationships.

8. Staff Organization Has Little Resemblance to Actual Work Requirements

The present staff organization presents several paradoxes:

Some staff are burdened with cases while others are not.

The "experts" function most frequently as "generalists."

The staff members who invest the most time in developing expertness have the least opportunity to use it.

Staff working in their most significant efforts, investigations and studies, are not supervised by those who evaluate, promote or even hire them.

9. Substantial Organizational Revision Is Required

Changes are needed which will:

Enable the Commission to define its proper role and function in the governmental system

Provide a focus and direction of efforts applied to the solution of pressing and growing public problems

Establish an effective overall management function

Focus on the major administrative policy issues while providing control over necessary detailed implementation of policy

Enable the staff to appropriately manage itself within guidelines established at an authoritative level

Provide planning, control and evaluative information to managers and policymakers

Match staff resources in terms of both numbers of people and skills really required to the actual workload requirements

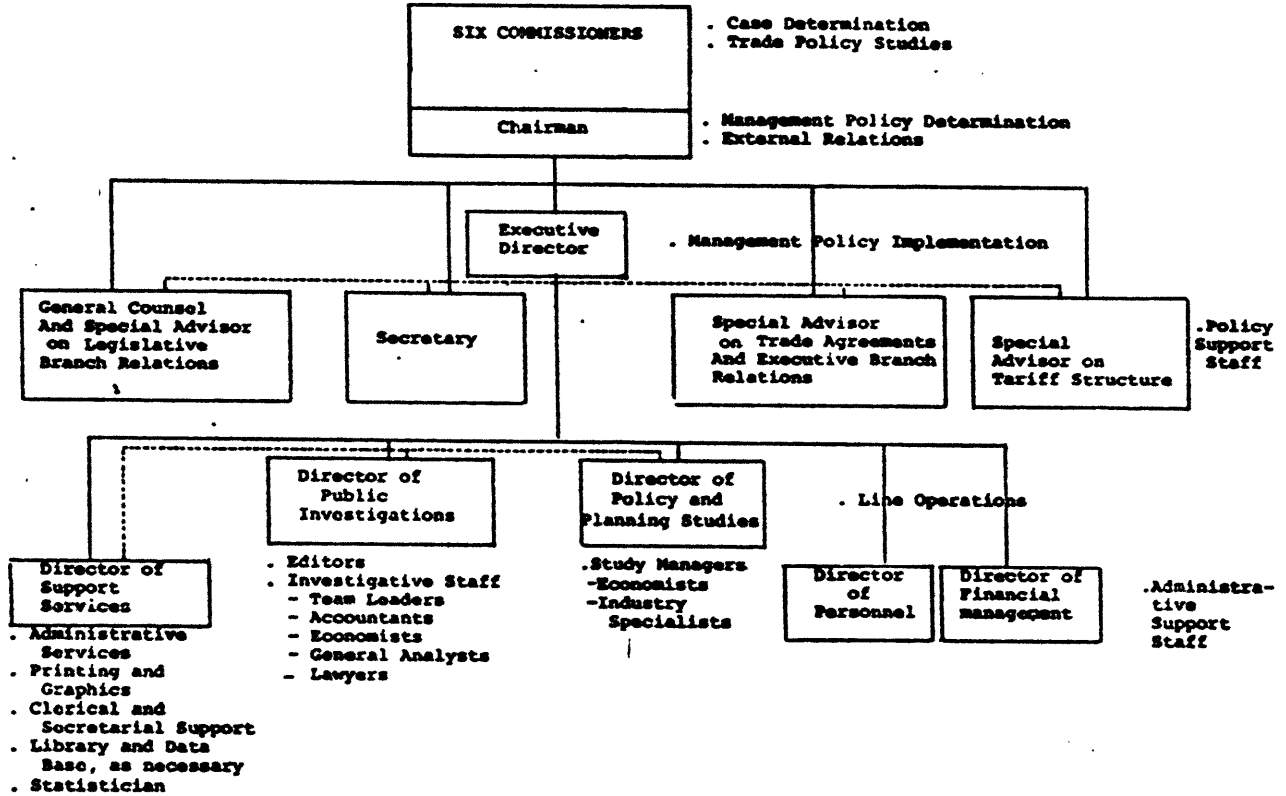
Define roles, responsibilities and authority in unambiguous and useful ways

CHAPTER IV.—RECOMMENDED ORGANIZATION

This chapter contains a recommended organization which is intended to help the Commission better meet its growing and changing responsibilities. A review of the statutes indicates that the Commission probably has the power to make the recommended organization changes and delegations on its own initiative.

A recommended management organization for the United States Tariff Commission is presented in Exhibit IV-1, following this page.

EXHIBIT IV-1
 Recommended Management Organization
 U.S. Tariff Commission



Lines of authoritative direction are solid
 Lines of coordination are dotted

1. The Six Commissioners Should Focus Their Energies Exclusively on Case Determination and the Review of Staff Policy Studies

Case determination and review of staff policy studies are both activities which benefit from the application of collective analysis and judgment of six independently minded commissioners. The six Commissioners should continue to involve themselves in these high level matters. In order to do this most effectively, all (except the Chairman) should be freed from the burden of trivial administrative detail so that they can devote their full energies to this important work.

2. The Chairman Should Be Delegated Responsibility to Determine Management Policy and to Conduct External Relations for the Commission

The six Commissioners should delegate authority to determine management policy to the Chairman. This would have at least two important benefits:

Responsibility for the determination of effective management policy would be clearly fixed and the Chairman would be accountable for the management of the administrative aspect of the agency.

The other Commissioners would be relieved of the oppressive burden of administrative detail so that they could focus their energies more specifically on case determination and the review of staff policy studies.

It is further appropriate that external relations responsibilities be delegated to the Chairman. This would have other worthwhile benefits:

The present *de facto* situation of having senior staff conducting external relations would be eliminated.

The agency would be represented to the outside world by a single clearly audible spokesman.

3. An Executive Director Should Be Established to Implement the Management Policies As Determined By the Chairman

The staff should be provided with authoritative and coordinative leadership from a single unambiguous source. Since the Chairman will have the same case determination and policy study review responsibilities as the other Commissioners, the Chairman will have time only to set administrative policy and review implementation. The agency will require a full time staff officer, the Executive Director, to implement the management policies determined by the Chairman.

Because of the inherent ambiguities of committee management approach, the Executive Director should take direction from the Chairman rather than from the six Commissioners acting as a management committee.

4. A Policy Support Staff Should Be Established

Four offices should be established as a policy support staff. This staff performs very high level professional strategic staff work of keen interest to the Commissioners. For this reason, it should report directly to the Chairman but be readily accessible to each Commissioner. The Executive Director should provide administrative coordination as needed for these four offices.

The four policy support staff offices should be:

General Counsel and Special Advisor on Legislative Branch Relations who will act as the legal advisor to the Commission and assist the Chairman in the conduct of relationships with the Legislative Branch.

Secretary who will provide ministerial services for the Commission.

Special Advisor on Trade Agreements and Executive Branch Relations who will assist the Chairman in the conduct of relationships with the Executive Branch.

Special Advisor on Tariff Structure who will assist the Chairman on revision and evolution of the structure of the TSUSA.

5. A Director of Public Investigations Should Be Established to Direct the Case Investigation Staff

The responsibility for conducting case investigations should be placed in the hands of a Director of Public Investigations. This manager should also have the staff resources needed to conduct the investigations for which he is responsible.

The staff of this office should include:

Editors to assure clarity and continuity in the reports offered to the Commissioners for determination.

Team Leaders who are experienced investigators and who can plan and direct investigative teams. -

Accountants who can apply the professional accountancy skills needed in public investigations.

Economists who can apply the professional skills of the economists needed in public investigations.

General Analysts who can, under the direction of investigative team leaders, assemble the relevant facts needed for Commissioner determination of case issues.

Lawyers who can provide the professional legal skills needed in public investigations.

6. A Director of Policy Studies Should Be Established to Manage the Conduct of Commission Policy Studies

Policy studies are generally thought to be different from public investigations in that they generally are: Longer in duration; Broader in scope; Anticipatory rather than remedial; The result of Congressional or Presidential request.

Because of these differences, this business may merit a different organization and set of skills. These may include:

Study Managers who are skilled at planning and conducting useful policy studies.

Economists who can apply their professional skills to the policy issues under study.

Industry Specialists who may be needed from time to time and in limited numbers to apply their expertise concerning a peculiar industry on a policy study.

7. An Administrative Support Staff Should Be Established

Certain administrative support services are now being provided to the Commission. This should continue, but under the management responsibility of the Executive Director. These include: Director of Support Services; Director of Personnel; and Director of Financial Management.

The CHAIRMAN. Well, that concludes these hearings.

[Whereupon, at 11:30 a.m., the committee recessed, subject to the call of the Chair.]