

**NOMINATIONS OF LAURENCE E. LYNN, JR.,  
CATHERINE MAY BEDELL, AND  
JOSEPH O. PARKER**

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

ON

NOMINATIONS OF LAURENCE E. LYNN, JR., OF CALIFORNIA,  
TO BE AN ASSISTANT SECRETARY OF HEALTH, EDUCATION,  
AND WELFARE; KATHERINE MAY BEDELL, OF WASHINGTON,  
TO BE A MEMBER OF THE U.S. TARIFF COMMISSION; AND  
JOSEPH O. PARKER, OF VIRGINIA, TO BE A MEMBER OF THE  
U.S. TARIFF COMMISSION

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JUNE 23, 1971

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# NOMINATIONS OF LAURENCE E. LYNN, JR.; CATHERINE MAY BEDELL; AND JOSEPH O. PARKER

WEDNESDAY, JUNE 23, 1971

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

The committee met, pursuant to call, at 10:15 a.m. in room 2210, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Talmadge, Nelson, Byrd, Jr., of Virginia, Bennett, Curtis, Miller, Jordan of Idaho, Fannin, Hansen, and Griffin.

## STATEMENT OF LAURENCE E. LYNN, JR., NOMINEE, TO BE ASSISTANT SECRETARY OF HEALTH, EDUCATION, AND WELFARE

The CHAIRMAN. You are Laurence Lynn?

Mr. LYNN. Yes, sir.

The CHAIRMAN. We will include your biographical sketch in the record at this point.

(The biographical sketch of Mr. Lynn follows:)

### BIOGRAPHICAL SKETCH OF LAURENCE E. LYNN JR.

Address: 1017 Vernier Place, Stanford, Calif.

Date of Birth: June 10, 1937.

Marital Status: Married, 4 children.

#### Education:

Ph.D. (Economics) Yale University, 1966.

A.B. (Economics) with honors, University of California, Berkeley, 1959.

Thesis: *U.S. Foreign Economic Aid and the U.S. Balance of Payments, 1954-1963.*

Honors: Phi Beta Kappa; Yale University Scholarship; Ford Foundation Doctoral Dissertation Fellowship; Secretary of Defense Meritorious Civilian Service Medal; Presidential Certificate of Distinguished Achievement.

Experience: September 1970-present: Associate Professor of Business Economics, Graduate School of Business, Stanford University. Taught courses in economic analysis, decision-making in the public sector, and business in the changing environment to MBA candidates. Consultant to National Security Council on strategic intelligence, defense programs and policies; Department of Health, Education and Welfare on higher education, Chief of Naval Operations on naval strategies and programs.

January 1969-August 1970: Assistant for Programs to Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs. Directed the Program Analysis Staff (6 professionals), which was responsible for supervising comprehensive country and regional program analyses to be used as the basis for Presidential and NSC decisions on major policy and program issues; provide general staff assistance, direct interagency study groups, prepare studies and analyses on U.S. strategic intelligence estimates and capabilities, strategic arms limitation, defense strategies, programs and budgets, Vietnam policies and programs, other program-related issues.

April 1968-January 1969: Deputy Assistant Secretary of Defense (Economics and Resource Analysis), Office of the Assistant Secretary of Defense (Systems Analysis). Responsibilities included supervising and directing the work of a staff of 70, including 50 professionals, organized into the following divisions: Mobility Forces; Command, Control and Communications; Cost Analysis; Manpower Requirements; Special Economic Studies. Worked directly with the Secretary and Deputy Secretary of Defense, Assistant Secretaries of Defense, Secretaries and other senior civilian and military officials of the military departments.

February 1966-April 1968: Director of Strategic Mobility and Transportation Division and then of Economics and Mobility Forces in the Office of the Assistant Secretary of Defense (Systems Analysis). Directed extensive program of research, studies and analyses on U.S. requirements for airlift and sealift forces, national maritime policy, economic impact of defense expenditures, related issues.

July 1965-February 1966: Weapon Systems Analyst, Office of the Assistant Secretary of Defense (Systems Analysis).

July 1963-July 1965: U.S. Army (1st Lieutenant, Infantry).

*Publications:*

"Economic Models in the Analysis of Military Strategic Mobility Requirements," in *Proceedings, 17th Military Operations Research Symposium*, Spring 1966.

"The Analysis of Strategic Mobility Problems," in *Papers--Seventh Annual Meeting, Transportation Research Forum*, November 1966.

"Strategic Mobility and Logistics," in *Proceedings, 20th Military Operations Research Symposium*, Fall 1967.

"Economic Impact of Defense Programs: Progress and Prospects," (with R. Reiler) *1967 Proceedings of the Business and Economic Section--American Statistical Association*.

"Economic Analysis of Public Investment Decisions: Interest Rate Policy and Discounting Analysis," *Hearings Before the Subcommittee on Economy in Government of the Joint Economic Committee, U.S. Congress, 90th Congress, 2nd Session, Washington, U.S. Government Printing Office, 1968, pp. 141-150.*

"Systems Analysis--Challenge to Military Management," in Cleland, David L. and King, William R., eds. *Systems, Organizations, Analysis, Management: A Book of Readings*. McGraw-Hill, 1969.

*Other Research:* Performed contract research and engaged in consultation on U.S. foreign economic assistance and the U.S. balance of payments for U.S. Agency for International Development. Reports submitted to A.I.D.: "U.S. Foreign Economic Assistance and the U.S. Balance of Payments, 1954-1962," "Analysis of Regional and Third Country Impact," "The Analysis of Tied Aid: Some Concepts and Methods." Author, "A Program to Compute Partial Correlation Coefficients," Yale Computer Center Memorandum No. 10, May 10, 1963, and "A Program for Obtaining Efficient Estimates of the Parameters of a Set of Single Equation Regressions," Yale Computer Center Memorandum No. 12, May 10, 1963. Also participated in drafting chapter on defense programs and budgets for Brookings Institution analysis of the 1972 federal budget.

The CHAIRMAN. I am looking over your background here, and according to this your experience has been mainly in foreign trade, it would appear. Is there anything about that that you think would be applicable to this job that you are nominated for?

Mr. LYNN. Yes, sir. I have been involved in national security problems that involve the use of analytical skills. My training is as a professional economist, and my background is as an analyst of the problems. The kind of problems that are encountered in social action, I think, also benefit from the application of the same analytical skills and the professional insights that I have developed in my prior work.

So, I think there is some transferability quite definitely in those skills.

What I lack, of course, is experience and specific knowledge in the Health, Education, and Welfare area.

The CHAIRMAN. With what seems to be happening with H.R. 1, to put 10 million more people on welfare, and then hopefully get them

into jobs, while our trade policies are putting more people out of jobs, it looks to some of us as though the idea seems to be to put everybody out of work and put them on welfare. Does that idea appeal to you?

Mr. LYNN. I certainly hope that is not what we are doing.

The CHAIRMAN. Isn't that about the way it has been working out?

Mr. LYNN. I have never dealt with our foreign trade policies. I don't really feel I am professionally qualified to evaluate those policies.

The CHAIRMAN. Did you participate in developing the present welfare proposals?

Mr. LYNN. No, sir.

The CHAIRMAN. For your information, those proposals were developed without consulting this committee, and I doubt if there was much consultation with the Ways and Means Committee in developing those proposals. And when I say that, I am not speaking politically. I don't think there was any considerable amount of consultation with the Republican members; it is just something that was dreamed up there and brought up on the Hill.

Don't you think that some of the fiascos that occurred last year could have been avoided if the Members of Congress, particularly those who expected to carry the ball for that proposal, had been consulted about it to begin with, rather than sending down here something that they found to be just a hopeless proposition when we looked into it?

Mr. LYNN. I would hesitate before passing judgment on what happened in the past. All I would say is that in anything I am connected with I would think it would be desirable to work with the staffs and the members of the relevant committees. In my previous jobs in the Government I have had the opportunity of working with congressional committees, and I have found it to be extremely beneficial. And I think it ought to be done as a matter of principle.

The CHAIRMAN. Let me say to you, Mr. Lynn, after the failure of the welfare bill last year the President said was in the No. 1 domestic program I was invited down to the White House. Secretary Richardson was there and they discussed this matter, asking me to promise that I would move expeditiously on this matter when it came up this year.

I said to them at the time: "If you want that thing to move, I would suggest that you consult with some of the people who have been primarily responsible for not moving this last year."

Now, John Williams is not going to be here, but there are others who don't think FAP is a good idea, and you ought to consult with some of them. I will tell you frankly that I just can't see where, as far as the Senate is concerned, there has been any consultation with anybody. There may be some little effort to try to get an opinion of what Senators thought about one matter or the other, but I don't think that this committee or the Senate have anything in that proposal, any suggestion incorporated at all, other than what developed from all the faults the Senate found with that bill last year. The House proceeded to consider the many shortcomings that we developed in our committee hearings, and having done so, they did, I think, pass a better bill, because they profited by the work we did over here.

But the authors of this welfare reform bill are well on notice that they would be well-advised to reconsider and come up with a different proposal. The only difference I can see in their proposal is a situation

where the House Ways and Means Committee just made them accept it. They said: "It is either this or else." I think you ought to know that this is a committee where the thing came apart last year; where they ran aground and couldn't move, and wound up with a bill that they would just as soon not have.

So, the kind of minutiae that one in your job is supposed to go into to pave the way for that kind of thing has not occurred as far as this committee is concerned. We are sitting right here without any commitment whatever, as far as I am concerned. I would like to see a good bill, but I am the one that suggested to them, for example, that if they couldn't bring a bill in here that we would find some sympathy and appeal to Senator Talmadge over there, that bill is going to be in bad shape, just for the reason that Senator Talmadge is not one of those arch reactionaries. I think he is a sort of middle-of-the-road fellow and if you don't get his vote you are probably going to be in trouble.

I would ask the Senator: Do you know of anything that has been done in the preparation of this bill, H.R. 1, to try to meet the problems that you find as a Senator?

SENATOR TALMADGE. I can only quote what I saw in yesterday's Wall Street Journal, an article by Mr. Spivak, in which he stated that beginning, I think, with 1962 they sold every welfare bill on the idea that they were going to put people to work; take the cheaters off the rolls, and after the bill was passed, more people and more cheaters went on the rolls, and that has been historically true.

I don't know how you are going to reform your welfare rolls by doubling them; offhand, I can't understand the logic of that.

(The article referred to follows:)

[From the Wall Street Journal, Tuesday, June 22, 1971]

#### HOW USEFUL ARE WELFARE WORK RULES?

(By Jonathan Spivak)

WASHINGTON.—"On balance, the Family Assistance Plan is not welfare reform. . . . It is a giant step backward. It is worse than the present inadequate welfare system. FAP must be opposed and defeated by those who believe in improving the conditions and opportunities of poor people." So says the militant National Welfare Rights Organization.

"While the country is desperate for real welfare reform—something to begin curbing welfare rolls and costs—FAP (the family assistance bill) is a step in the opposite direction. . . . It would make so many more people eligible for welfare that our relief rolls could reach 15 million persons in 1973, twice the figure for 1970." So says the National Chamber of Commerce.

So just what is the welfare reform bill being debated by the House this week—a conservative crackdown or a liberal giveaway? Would it force hapless mothers with little tots to leave their homes and labor as domestic servants, or would it encourage thousands of gainfully employed workers to rush to the dole of a guaranteed annual income?

Following the pattern of previous welfare reforms, the new bill probably can be expected to do a little of both. It's a schizoid mixture of stringent work requirements designed to cut back relief rolls and more generous grants designed to ease the poor's financial plight. Less powerful blends of this same "tough-tender" antidote were administered in the government's 1962 and 1967 welfare reforms, and it's significant that neither reform had much success in cutting welfare costs.

The mixture is being applied again, however because Congress finds it politically essential to "crack down on cheaters" and exalt the virtues of work whenever it enlarges the welfare program and makes grants more generous. The result is the appearance of cutbacks but the reality of expanded cost.

Either out of cynicism or lack of knowledge, each new attempt to make the welfare program more capable of caring for the poor is cloaked in the rhetoric of retrenchment and the withering away of the rolls. "You couldn't get any kind of welfare reform bill out of Congress this year without a tough work requirement," insists one administration official.

Most welfare workers are long-standing liberals who reject the notion that the relief rolls are loaded with deadbeats. But they are resigned to the legislative realities and know that few politicians like to run on a platform of higher welfare costs. To gain more money for the poor, the bureaucrats, in both Democratic and Republican administrations, provide sanguine forecasts of long-range reductions in welfare costs through work, training and rehabilitation programs. The lawmakers leap at the bait, somehow overlooking the fact that previous Health, Education and Welfare predictions have either failed to pan out or fallen far short of their heady promise.

#### TEACHING USEFUL SKILLS

The 1962 welfare reform emphasized rehabilitation through counseling and guidance and other social services for relief recipients. The states were encouraged for the first time to adopt work programs for the able-bodied. Known as Community Work in Training, or CWT, these efforts were designed to teach the poor useful skills that would help them hold jobs in the private economy. But CWT wasn't the only thrust of the 1962 act; President Kennedy advanced the concept mainly to gain congressional assent to expanded welfare benefits for the unemployed.

This unemployment welfare aid was billed as a temporary anti-recession device, but has since become a permanent feature of federal law. The 1962 concept of welfare work programs has lived on too, despite its apparent lack of success and a slow start for CWT itself. Only a few states developed CWT programs, partly because the federal government failed to underwrite the extra expenses, such as transportation and supervision costs. "It simply costs more to put someone in a job than to pay cash," explains one federal welfare expert. Those states that did adopt large CWT programs, particularly West Virginia and Kentucky, mainly assigned relievers to road maintenance, brush-cutting and other cleanup efforts. There was much more menial work than job training, and the results of the work-training program and other efforts at rehabilitation disappointed Congress.

"We thought the welfare legislation we enacted in 1962 would provide the basis for getting these people on their feet and off the relief rolls," complained Rep. John Byrnes, the Wisconsin Republican and key welfare legislator. "We were shocked to see what little effect that legislation actually had."

CWT was succeeded in 1965 by Title V of the anti-poverty program, which paid the total costs of work and training programs for welfare recipients. Title V had more money, over \$100 million a year, and offered greater financial incentives to the states to participate. More persons were trained, but the end results were not much more encouraging.

"By the time Ways and Means was holding hearings in 1967 on public assistance legislation, the facts were that 133,000 welfare recipients had enrolled in the programs since 1964, 22,000 had found jobs, and 70,000 were in training, but the total number of recipients of AFDC (Aid to Families With Dependent Children) had increased by 800,000 during the three years. In an Alice-in-Wonderland kind of situation, the more work training successes reported, the larger the population dependent on public relief became," reports Gilbert Steiner, a Brookings Institution welfare expert in his book "The State of Welfare" (Brookings).

By 1967, the AFDC rolls were growing at an alarming rate, states were facing mounting fiscal problems meeting their welfare costs and the lawmakers were desperate for solutions. Congress thereupon gave renewed impetus to work and training programs for AFDC recipients. (The aged, blind and the disabled who presumably couldn't help themselves simply got bigger grants). The Welfare Reform Act of 1967 set up a new program, known as WIN for Work Incentive. WIN required able-bodied recipients—including mothers, much to the consternation of liberals—to register at local Labor Department offices and take suitable work or training. To help them, more money was provided for manpower education and day care.



The aim of the new measure, said the lawmakers, was "reducing the AFDC rolls by restoring more families to employment and self-reliance, thus reducing federal financial involvement in the program."

Needless to say, it has not turned out that way: Since 1967 the AFDC rolls have doubled from 5 million to 10 million recipients. WIN did not really get off the ground until mid-1969, partly because of difficulties coordinating the efforts of HEW and the Labor Department. The Senate's forecasts of providing work and training for up to 280,000 persons a year are yet to be realized. Only 100,000 recipients will participate this year. As a result Congress cut back WIN funds by \$70 million or more than 50% in the current fiscal year.

In all, 20% of WIN participants have gained jobs. But many of these are low-paying, dead-end positions. The median wage for women WIN graduates is \$2 an hour and for men \$2.50 an hour, the Labor Department reports.

The drop-out rate is high, and many participants return to the welfare rolls. Administrators maintain that the potential of the program has not been attained because of the shortage of day-care facilities for children; federal financing now makes day care available to only 50,000 children. But even if this problem were solved, elementary arithmetic suggests that the fiscal payoff is not very promising. The cost of day care is about \$2,000 a year per child. If work expenses are added, it's probably cheaper for the government to let mothers stay at home.

#### EMPHASIS UNCHANGED

Despite all the difficulties of the past, the administration's current welfare reform measure continues to emphasize the work ethic. "Congress feels there's a hell of a difference between people who ought to be working and those who can't," explains one welfare expert. The Family Assistance Plan extends the work requirement to women with pre-school children, provides far more money for day care and requires able-bodied recipients to get their payments from the Labor Department. The aim, the lawmakers report, is to create "a system of assistance which will maximize the incentive and the obligation of those who are able to work and to help themselves . . . to move every family in which there are employable adults toward employment and economic independence."

The forecasts now are that these work provisions will result in 1.3 million fewer persons on the relief rolls by 1976. Maybe this will happen. But nine years of effort and three programs don't offer great hope.

There's no doubt that the Family Assistance Plan embodies fundamental welfare reforms. It would establish the first uniform national eligibility standards for welfare recipients; guarantee poor families an annual income of \$2,400; reduce the inequities between welfare payments in destitute and wealthy states; give the "working poor" supplemental income if their earnings fall below \$1,320 a year.

But the plan is also a perpetuation of the past. It offers bigger grants—\$2.3 billion more a year for the aged, blind and disabled, and poor families—coupled with rigorous work requirements. Although this familiar formula may be politically astute, it has yet to provide a long-range solution to rising relief costs.

The truth may be that most of its proponents don't really think it will.

The CHAIRMAN. Some of us think that one of the first things to do in welfare reform is to take some of the people off the rolls that never belonged there in the first instance.

About 2½ years ago former Assistant Secretary Lewis Bulter appeared before this committee after he had been nominated for the same position that you are being nominated for today. And at that time the committee was disappointed by the lack of progress in the work incentive program, primarily because of the attitude of HEW and the Labor Department and the way they administered the program.

Mr. Bulter assured the committee that he would do everything in his power to see that the program achieved what Congress had hoped for.

Instead, over the last 2 years our disappointment has turned into a conviction that the administration of the work incentive program has been a dismal failure. Mr. Bulter not only did nothing to prevent this, but his office designed the family assistance program, which, in

the opinion of some members of this committee, would have replaced one failure with an even bigger and costlier failure.

What is your position on the administration of the laws in the manner Congress intended?

Mr. LYNN. The laws ought to be administered in the manner in which Congress intended, I can't honestly comment on the Senate program, because I am not yet familiar with it. I assume you hope that I will not be guilty of violations of either congressional intent or failure to consult when it is needed and desirable, or of making promises that, end up not only fulfilling, but violating. And I certainly am well aware, just from reading the newspapers, as well as from talking to some future colleagues, of the short comings of the administration before the committees last year. And I personally hope to benefit from the lessons that others have learned.

The CHAIRMAN. I think the majority of this committee feel very strongly that we would like to help people find jobs. You can persuade a majority of this committee without much difficulty to make some kind of contribution to help people who are working hard and not making enough to make ends meet. But, this idea of putting everybody on welfare and then trying to get them to go to work under circumstances where they can't keep but \$1 in \$3 of what they make, is a very frustrating thing. The idea of vetoing propositions to put people to work on the one hand, and then frustrating and short-circuiting the programs calculated to put people to work while talking about "workfare" instead of welfare, just doesn't make much sense to some of us.

I think the majority of this committee want full employment. We want work opportunities for everybody and I believe a majority of this committee, in a real sense, not some illusory sense, but in a real sense, are in favor of refusing to pay money out for able-bodied people who have no good excuse for not working, but who just prefer to loaf.

So, we would like to work out a program of that sort. And I think that part of your duties would be to try to bring about welfare reform. And we would like to work with you, but it would have to be a two-way street.

Mr. LYNN. Yes, sir; I agree.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. The material I have here designates the particular assignments you will have. You are Assistant Secretary for what?

Mr. LYNN. Planning and Evaluation.

Mr. BENNETT. And not administration?

Mr. LYNN. No, sir; not administration. It is the job that Lewis Bulter has held.

Senator BENNETT. I just wanted to get that clear. And that explains why your previous experience will fit into your new assignment, even though it is not in HEW.

Mr. LYNN. Yes, sir.

Senator BENNETT. I hope, coming in new, you will have enough independence not to be forced into a position where you simply pick up the plans that were made before you came there and are forced to rubberstamp them, essentially, and go on. I hope with a new man in that job we could have new plans and better evaluation.

That is all I have to say, Mr. Chairman.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. Mr. Lynn, getting back to this article that appeared in yesterday's Wall Street Journal, Mr. Spivak states:

Congress finds it politically essential to crack down on cheaters and exalt the virtues of work whenever it enlarges the welfare program and makes grants more generous. The result is the appearance of cutbacks, but the reality of expanded costs. To gain more money for the poor the bureaucrats in both the Democratic and Republican Administrations report sanguine forecasts of long-range reductions in welfare costs to work, training and rehabilitation programs. The lawmakers leap at the bait, somehow overlooking the fact that previous help to education and welfare predictions have either failed to pan out or have fallen far short of their heady promises.

Do you think the administration welfare bill fits this pattern?

Mr. LYNN. I earnestly hope that it doesn't. I feel that I can bring some independence to this new job and part of it, an important part of it is evaluation. That is the discovery, and indeed, hopefully, the discovery before its inception, of massive failures in programs that produce the kinds of results that you describe.

I hope I can make some contributions toward avoiding these kinds of things.

Senator TALMADGE. You would favor all able-bodied people working if they were given the opportunity to do so?

Mr. LYNN. Yes, sir; I would most certainly favor that.

Senator TALMADGE. You wouldn't want the Government or the taxpayers who work hard to pay their taxes, to support a program where others could loaf and not work?

Mr. LYNN. No, sir.

Senator TALMADGE. That is all.

The CHAIRMAN. Senator Miller?

Senator MILLER. Mr. Lynn, you have a very fine background, and I am sure you can make a real contribution in this new position.

On the basis of your experience and background in economics, don't you think that we might achieve a more equitable approach to some of our welfare problems by taking into account the cost-of-living differentials around the country? For example: Do you think it is fair and equitable and economically justifiable to have a family, a husband and wife and two children receiving the same amount of welfare money and assistance in a city like New York, as a family similarly constituted in some little town in, let us say, the Middle West?

Mr. LYNN. Sir, I am aware of that being a serious problem, although I simply haven't had enough opportunity to do enough work to know what the alternatives are. I think that there is a real equity problem here. I have heard that kind of situation defended by people who have worked on the problem by arguing that if it were done that way at least it might provide some incentives to stop migration away from suburban areas toward cities, and this might be desirable.

But I frankly haven't thought enough about it or had enough of an opportunity to work with it to know how one copes with that issue.

Senator MILLER. Does that argument that you just recited make any economic sense to you? It seems to me that if \$2,800 will only go so far in New York City, and \$2,200 would go equally far in a little town, that there would be no basis for any migration.

Mr. LYNN. That is right; the fact that it goes a lot further in a little town than it does in New York City, would make the same amount

of dollars look more like a higher standard of living in a small town than it would in a city.

Senator MILLER. My point is that \$2,200 would look smaller than \$2,800, but if it would only buy the same amount, there would be no economic justification for any migration, either one way or the other; would there?

Mr. LYNN. No, there would not; not with that kind of a differential.

Senator MILLER. And it would be inequitable to give the family with the lower cost of living an equal amount as the family with a higher cost of living?

Mr. LYNN. That is right. On an equity ground it would appear to be inequitable.

Senator MILLER. So, my question to you is: Where is there any economic justification for not having some differential?

Mr. LYNN. I would hesitate to say much about it, because I haven't had the opportunity to study the differential factors.

Senator MILLER. Your reaction would be the same as mine; wouldn't it? This is not to say that there might not be some other factors that would come into play. But when we are talking about economics and equity, it seems to me to be rather obvious.

Mr. LYNN. I agree, sir.

Senator MILLER. I wish you well.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. I will pass.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Lynn, I know from your background that you have the ability to carry through the principles that are badly needed when we start thinking about the condition of our country today. Are you alarmed at our budgetary situation?

Mr. LYNN. The size of the deficit?

Senator FANNIN. The size of the deficit, and the projections.

Mr. LYNN. Yes, sir.

Senator FANNIN. I am glad you are—

Mr. LYNN. I am a taxpayer.

Senator FANNIN (continuing). Because I think it is almost disastrous—and I think that your experience as associate professor of business economics certainly should prepare you for some of the problems you must face; that we have now an increase of welfare expenditures of about \$5, \$6 billion or maybe more that would be involved.

Have you analyzed the bill that just came out of the House?

Mr. LYNN. No, sir.

Senator FANNIN. You haven't had an opportunity to do so?

Mr. LYNN. I haven't had an opportunity to do so.

Senator FANNIN. The family assistance plan?

Mr. LYNN. No, sir.

Senator FANNIN. In California your Governor has taken some steps to try to help the people who are on welfare to get off from welfare into jobs. But still the Government has not really assisted to any extent. And I know that the same thing has happened in Arizona, where Governor Williams has taken a stand against some of the programs that he thought were detrimental rather than beneficial. And he vetoed

one of the legal aid programs because of the waste of money and the manner in which it was being handled. They were going far beyond the intent of the legislation involved.

Do you feel that we should give more authority to the Governors to carry through to where they can better administer some of these programs?

Mr. LYNN. I may sound a little unprepared for taking on this issue, but I think I would subscribe in principle to what you are saying. But I still don't have enough specific knowledge at this time to say how that should work.

Senator FANNIN. Being from California you are generally aware of what Governor Peagan is trying to do?

Mr. LYNN. Yes.

Senator FANNIN. Do you agree with this principle of taking a tough stand and not just yielding to these people who are saying: "Well, this isn't the type of job that I desire, so I won't work; I am going on welfare." How do you feel about people taking a job that is available to them that perhaps is below what they call their dignity, but still is a job that they are prepared to do?

So many times, I know we have had in our State; they say: "I can't take that job; I am going to wait for a better job to come along." Well, you know better jobs are not coming along.

Mr. LYNN. I think able-bodied people ought to work, and they ought to take advantage of available opportunities, and I would believe that the majority of them would take advantage of a available opportunities.

Senator FANNIN. The increase in the welfare rolls doesn't indicate that that is a fact. And I know that as Governor I can recall how we did go into these programs quite thoroughly, and still we had problems in some of the smaller communities, where they said: "I am not going to take this type of job." And there were no other jobs available, and they wouldn't move to other communities.

Mr. LYNN. Welfare programs should not provide an opportunity for people not to work if they are capable of doing so and if there are jobs available; with that principle I fully agree.

Senator FANNIN. And you would hold to that principle in planning and evaluation and recommendations?

Mr. LYNN. Surely.

Senator FANNIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Just two brief questions. I notice in your biography that you served in the Office of the Assistant Secretary of Defense.

Mr. LYNN. Yes, sir.

Senator BYRD. Who was the Assistant Secretary of Defense?

Mr. LYNN. Alain Enthoven.

Senator BYRD. That is what I was fearful of.

The second question: What is the salary of this position?

Mr. LYNN. The present one? \$38,000.

Senator BYRD. Thank you, sir.

The CHAIRMAN. Senator Hansen.

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

The CHAIRMAN. Senator Nelson.

Senator NELSON. No questions

The CHAIRMAN. Let us just make one more point: Last year we were willing to vote through and put into effect some major experiments to see just how the administration proposed family assistance plan would have worked, and also how some suggestions by Senator Bennett and myself and Senator Curtis may have worked. The administration decision was that they didn't want to put these trails in to see how it would work.

I think that was a bad mistake. I don't see how knowledge ever hurt anybody. If you try the family assistance plan, and you are accorded the opportunity of trying it in the place where you think it would work the best, and it fails to succeed in such a place as that, I don't think you ought to put that on the people of this country if it doesn't work.

If it does work, then you have got a good case for it. I am aware of what is being done in New Orleans, part of it with Federal money and part of it with foundation money, by Dr. Beasley down there in the area of family planning. I think it is very impressive. I would suggest that you take a look at it and see, because he had a good pilot project, and it shows you just exactly how part of that problem can be solved.

And I really do think— I know Senator Ribicoff would tend to think that way, and he was the former Secretary of HEW—that some of these things ought to be tried before we charge in there with \$500 million or a billion dollars, not knowing what we are doing. It is a lot more efficient if you have some idea of what you are doing before you try to start some vast programs involving hundreds of millions of dollars.

Thank you very much, Mr. Lynn.

Mr. LYNN. Thank you.

The CHAIRMAN. We wish you luck in your assignment.

Mr. LYNN. Thank you.

The CHAIRMAN. Next we will call Mrs. Catherine May Bedell, nominee to be a member of the Tariff Commission, replacing Chester L. Mize.

Mrs. Bedell, you may be seated.

#### **STATEMENT OF CATHERINE MAY BEDELL, NOMINEE, TO BE A MEMBER OF THE U.S. TARIFF COMMISSION**

The CHAIRMAN. Mrs. Bedell, we are going to invite the Senators to ask whatever questions they would like to ask of you.

Mrs. BEDELL. I would be delighted.

The CHAIRMAN. Starting at the far end and working forward.

Gaylord Nelson is our first member by line of juniority, and I envy him from time to time.

Suppose you start out, Senator Nelson.

Senator BENNETT. Before he does, would you like to ask her if she has any statement she would like to make?

The CHAIRMAN. Do you care to make any statement?

Mrs. BEDELL. Mr. Chairman and Senator, I have no prepared statement. You have been given my financial statement and my biographical statement and I thought I would let you question me, in the interest of time, rather than give you a prepared statement.

The CHAIRMAN. We will print your biographical statement at this point in the record.

(The biographical statement follows) :

BIOGRAPHICAL STATEMENT OF CATHERINE MAY BEDELL

Catherine May Bedell, born May 18, 1914, Yakima, Wash. Bachelor's Degree and 5-year Education Degree from the University of Washington, Seattle, Washington, 1936.

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

She was a member of the Washington State Legislature for 6 years, and was elected to the U.S. 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, 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 FAO 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 Corp. She presently serves as a permanent member of the Board of Directors of that organization.

She is married to Donald W. Bedell, management consultant in the field of chemicals and plastics. Mrs. Bedell's son, Captain James C. May, is in the U.S. Marine Corps, stationed at the Naval Air Base in Alameda, Calif. Her daughter, Melinda May, is presently in Rome, Italy, attending art and language school.

Mr. and Mrs. Bedell's local address is 4101 Cathedral Avenue NW., Washington, D.C.

The CHAIRMAN. Senator Nelson, you are the first on the firing line.

Senator NELSON. Thank you, Mr. Chairman.

I visited with Mrs. Bedell in my office and may I say as a preface, that I have never served on Finance; I don't know much about trade or tariff. But I did raise briefly with you, Mrs. Bedell, the question of the problems in a number of areas. One of them is the old question of subsidy, the dumping of dairy products into our market. Over the years we have had a difficult time getting any action out of the Tariff Commission.

We had a specific case in the Johnson administration. They gave New Zealand a quota of 5 million pounds of Monterey Jack. We notified the tariff people that it was supposed to come in as "other cheese"; in fact it was cheddar, and there was a limitation on the import of cheddar. And finally we got the University of Wisconsin experts to analyze it. And they said it was cheddar. Then we had the Agriculture Department set up a test. They all agreed it was cheddar.

But, this is a constant problem.

And there will be chocolate crumb coming in and there will be claims of dumping. But nobody ever seems to bother to get the proof. Our dairy people insist they have a two-price level over in Europe, and that they dump their cheese and dairy products here. But no administration seems to pay much attention to what the other countries are doing.

It is very frustrating that we have to get the facts like we did in the case of cheese, and then we have to set up the test when it ought to be a function of the Government to look after that problem.

This is just a small piece of the whole trade problem that this committee has been conducting hearings on. I am just wondering what your attitude would be toward getting some initiative out of the Tariff Commission in seeing to it that the law is complied with.

I am just wondering if you would have an interest—I am not talking about stopping free trade, or anything, but just enforcing whatever laws we have and if there are subsidies that go on in this field, and it is within the Tariff Commission's jurisdiction to raise the question, whether or not you are interested in doing something about that problem?

Mrs. BEDELL. Senator Nelson, I might just say very briefly in opening, that having represented a rural district in my 12 years in Congress, and being on the Agriculture Committee, the problems in agricultural imports, as far as our domestic farmers are concerned, are something that are very familiar.

Now, I cannot answer you with expertise at this point, as to why the proper relief that you seem to think should have been coming to the dairy industry—and I am deeply sympathetic because I have had more than usual exposure to their problems—why it was not determined as injury by the Tariff Commission.

I do know that the Tariff Commission is a strictly factfinding organization, and the arm of Congress that has the responsibility to make an exhaustive survey of the facts as they are on which you, as Congress, can determine your policies, or the executive branch can determine policies.

I couldn't presume to criticize any finding of the Tariff Commission without further information—I have not read the dairy import case. I am trying to do some homework, but there are stacks of cases to go through yet.

If I am confirmed as chairman of the Tariff Commission, I can only promise you that my creed will be that of the original chairman, Mr. Taussig, who said—and I can't remember his exact statement—that the sacred charge of this Commission is to sift the facts exhaustively, proceed with scientific care, to get the real facts without guesswork so that the legislative and the executive branch can make the best decisions for our very important future in the world of trade.

Now, if indeed a case was made factually for protection against import of any agricultural product or any other product, and it was brought to the Tariff Commission, and they did not find for relief for our domestic industry, I would assume that Congress had good reason for faultfinding. Or it could be that the Tariff Commission, whoever they were at the time the case was brought before them, did not have the right facts and weren't able to be responsive.

It would be very presumptuous for me to criticize. Senator Nelson, where I do not know. But I think this is a unique Commission, becoming more and more important because of the ever greater need of facts that it must give you here in Congress to base your decisions on. I am very concerned about maintaining the delicate balance in our domestic and our international trade position.

Senator NELSON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Griffin.

Senator GRIFFIN. Mr. Chairman, this is a very tough decision for



me to decide, whether or not to vote to confirm Catherine May, with whom I have served in the House a good many years.

All I can say is that I think she will bring to the Tariff Commission a background, an understanding of the congressional legislative process that is desperately needed in these commissions. She was a great Member of the House of Representatives and I know she is going to be a great member of the U.S. Tariff Commission. We just couldn't do any better.

Mrs. BEDELL. I appreciate that. I hope I can live up to it.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

In your reply to Senator Nelson you indicated that your Commission, the Tariff Commission, is a factfinding commission, not an action commission.

Mrs. BEDELL. That is the way I read the statute, that it was to be a factfinding commission, acting mostly on the request of the Congress and the executive branch, to develop facts, makes findings, and so forth.

Now, I have read some of the cases that they have had hearings on, and they find a set of facts. But, Senator Byrd, action is only taken by the executive branch, or Congress, or the Secretary of the Treasury, depending on which act you are working under.

Is my understanding correct as far as you are concerned in this committee?

Senator BYRD. That is my understanding; yes.

Thank you. And I concur in the remarks made by the Senator from Michigan.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Hansen.

Senator HANSEN. Thank you, Mr. Chairman.

I would like to express, first of all, my very real pleasure in greeting Mrs. Bedell here this morning. I know her and I share the high regard that I am sure she enjoys from many of her colleagues in the Congress.

I am deeply concerned about the loss of jobs, putting it very bluntly, in this country today, as we see industry, oftentimes American financed and based industry, moving plants abroad, because of the great disparity between American wages and the wages paid workers in other countries.

I am concerned about the increasing cost of welfare in this country. This morning's Wall Journal, as a matter of fact, has a story on it. And I know that in the past 12 months, from January 1970 to January 1971, the number of AFDC recipients on welfare rolls rose from 7 and a half million to 9.7 million. This is an increase of 2.2 million people. The costs of this welfare proposal before us now are not known. People are speculating as to what they might be.

I just think that the United States can no longer afford to pursue a course of action that pays little attention to the inroads made by foreign products into our country that deprive Americans of an opportunity for a job.

And I call attention to what Henry Ford said recently when he pointed out that in his opinion, for each 1 percent of the American automobile market that is won or taken over by a foreign exporter, you may chalk up a 20,000 job loss to the industry. If we import, as

has been predicted, some 20 percent of our consumption, that will mean that we have lost to foreign suppliers 400,000 jobs.

I would hope that, as chairman of the Tariff Commission, which I firmly believe you will become, you will take an additional step. While I recognize, as you pointed out, that your first job is to assemble the facts, and to make recommendations—and I assume that that follows—I would hope that you would be rather specific and more courageous than the Tariff Commission has been in the past.

I think that they have been rather derelict in being overruled or outvoted or outinfluenced by other agencies of the Government, particularly the State Department. I don't argue with the objectives of the State Department, but I think the time has come when we have got to say that American jobs come first. If we don't, we are going to suffer a loss of jobs in this country to such an extent as to place a totally unbearable burden upon the economy. Welfare rolls are going to increase even more dramatically than we have seen so far.

And I look upon this opportunity that you are contemplating as a unique chance to stake out a new course for American industry and for this Government to pursue. And I just wish you well in doing that.

I have no questions, Mr. Chairman.

Mrs. BEDELL. Thank you, Senator.

THE CHAIRMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Mrs. Bedell, I certainly enjoyed my visit with you in my office. And I know that you realize the magnitude of the problems that we face from your years as a Member of the House of Representatives. You know that we deluged by pleas from both labor and industry for import protection. Many claim that foreign competition is unfair and is seriously injuring domestic business and labor.

And, as was brought out by Senator Hansen, both the President and the Congress would appreciate the help of the Tariff Commission in pinpointing precisely where the problems lie on an industry-by-industry basis.

In this respect, our Subcommittee on International Trade of this committee, has asked the Tariff Commission for a number of studies. Will you see to it that these studies are completed and sent to the committee in a reasonable period of time?

Mrs. BEDELL. Senator Fannin, I would consider this as a sacred responsibility, not only as the Chairman, but as a member of the Commission, because as I understand it, those studies can be very influential and very important. I know there has been some criticism on the basis of timeliness. I don't know whether it is a fair criticism of the Commission. And I guess I had better tell all of you this: I promise you that if I get my hands on why some of the criticisms are made, and where I think changes might be made, you will naturally be the first ones that I will come back and report to. It may be that not all of it lies within the Commission itself.

There may be difficulties with legislation that we, in our wisdom or un wisdom have passed over the years that are such that it does not give the Commission the flexibility to make these changes.

But I intend to find out as much as I can, Senator Fannin, because we do share the same very grave concern.

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Senator FANNIN. That is all we could ask of you. And I know you realize the problems that we have now, as the other Senators brought out. We do have the State Department to contend with. I say that without great criticism. But they talk about this free trade policy. As I discussed with you, I don't think that there is a free trade policy in any country of the world today. There may be fair trade, but as free trade, it is just a misnomer as far as I am concerned, because when you start saying you are going to have free trade, you have to consider the underdeveloped countries. And then our serious problems, with the Japanese. They say: "We want free trade," and still they have the most protectionist policy of any nation I have come in contact with.

And so I just hope that the studies that we have asked for will be completed, and that we will have the information that is needed to try to devise legislation or actions that will correct some of these policies that I think are practically eliminating some of our industries.

I did discuss with you the seriousness of the situation and I hope that you will give it prompt attention, because I think it is one of the most depressing problems that we face.

Mrs. BEDELL. I will certainly do so, Senator.

Senator FANNIN. Thank you.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. Thank you, Mr. Chairman.

Mrs. Bedell, many of the foreign nations that enjoy a substantial share of our domestic market have used every conceivable device to prevent the import into their countries of American goods. I don't know that that comes under the jurisdiction of the Tariff Commission, but I would like to find out what your attitude is toward some degree of reciprocity in dealing one nation with another?

Mrs. BEDELL. Well, Senator Jordan, you and I did talk about this. It does not come under the Commission jurisdiction, as I understand it. Again, the Tariff Commission is a factfinding arm upon whose findings you act in the Senate and in the House and in the executive branch.

However, we would indeed be very naive in our knowledge of America's trade position today if we did not show great concern for what our position will be with changes that are coming up, such as the expansion of the Common Market, and our very difficult two-way trade problems with Japan. I think that our problems were going to get worse, not better, and that we need more than ever to have the right facts on which to base a change in policy, whether it is on reciprocity or wherever.

And here again—and I am speaking as a Member of Congress now, you understand, and not as a member of the Commission—I have always felt that we didn't review our trade policies quickly enough to make intelligent changes. We are always reacting instead of initiating. We have to ask ourselves: are our present trade laws under which Congress operates really applicable to the contemporary situations of international trade.

I think that is a tremendously important question.

Senator JORDAN. We hope that under your leadership we are supplied with the data upon which we can get better reciprocal arrangements. There are some countries that are taking the hide off of us in our open market.

And I wish you well.

Mrs. BEDELL. Thank you, Senator.

Senator JORDAN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Miller.

Senator MILLER. Thank you, Mr. Chairman.

Mrs. Bedell, it is a pleasure to have you here.

My two main criticisms of the Tariff Commission since I have been in Congress, first of all, that I think that in their factfinding activities they have not followed the old maxim that "Substance governs over form," and I am pleased that you are going to be heading this factfinding agency, because not only do you have the background of congressional service, but equally important, it has been my personal observation that you have courage and frankness, and you are inclined to look at the substance and not the form. I think this is what Senator Nelson was getting at.

For several years we had what I referred to as a game of musical chairs with respect to dairy imports and I think the reason we had the game of musical chairs was the failure of the Commission in its factfinding activities to get to the substance, and its tendency to follow the form. And whether something is a cheddar cheese or is called a cheddar cheese or not is a matter of form. The substance is what is in there and what it is going to do to our dairy industry and I am comforted by the knowledge that you are that type of a person that calls a spade a spade and is not carried away by form and looks at the substance.

The other criticism I have of the Commission—and I hope you will do all you can in this respect—and it is not only my criticism, but I have had this come to me from many other Members—is the long, drawnout delay in the factfinding over there. Now, I think that there is a point of no return in that finding. And when it takes months and sometimes longer for the Commission to arrive at its findings, I think it is destroying the viability and the effectiveness of the Commission.

So that I hope that you will, in your position of leadership over there, try to cut down on the time needed for this factfinding, with the realization of why we want to have the factfinding to be objective and thorough.

But, you can overdo that, too, and in the meantime the horse goes out of the barn door. That is exactly what is happening in some of the cases brought to the Commission, that by the time they have found their facts and the executive action has been taken, irreparable damage has been done.

So, I wish you well and I am sure you will do a wonderful job.

Mrs. BEDELL. Thank you very much.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. I have no questions, Mr. Chairman, except to say that I have spent many days in conferences on agricultural matters with Mrs. Bedell representing the House, and I representing the Senate in part; and I have found her to be not only articulate, but extremely well informed and very tenacious.

Mrs. BEDELL. Thank you, Senator.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Well, I guess for the first time in history the Tariff Commission is going to have a woman as a Chairman, and I am

sure that Mrs. Bedell can make those men stand around and take orders and sit up—

Mrs. BEDELL. Please, Senator; don't terrify those poor Commissioners before I even get there.

Senator BENNETT. Well, that is your job.

I have two or three questions here, more or less, for the record.

Mrs. BEDELL. All right.

Senator BENNETT. Have you read the statute which governs the activities of the Commission insofar as outside employment and income are concerned?

Mrs. BEDELL. Senator Bennett, I have, and I would like to confess that it wasn't easy, but I have read the whole statute; I figured I had better start there.

Senator BENNETT. Are you satisfied that you have met the requirements of office from that point of view, the question of outside income?

Mrs. BEDELL. Yes, Senator Bennett. I guess you would have to decide on that, but I believe I have met it in all respects.

Senator BENNETT. Are you familiar with the statute on conflicts of interest, and are you satisfied that there is nothing in your present personal holdings which would be a conflict of interest in your responsibility?

Mrs. BEDELL. I am satisfied and I have submitted to Senator Long, and to the Members, my complete and full financial statement for my husband and myself.

Senator BENNETT. We understand that the House Appropriations Committee has cut the Tariff Commission's request for an increase in its budget. We realize that the Commission is presently understaffed, and it will be worse in the future if it undertakes the new things that we have been talking about today.

Will you inform this committee if you feel that we can be of any assistance on the Senate side in helping you solve your budgetary problems?

Mrs. BEDELL. Senator Bennett—may I go off the record for a moment please?

The CHAIRMAN. First, you had better answer the question: yes or no.

Mrs. BEDELL. Yes; I will.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Senator BENNETT. I think what you have just said is so important that I will put the question to you this way: Do you realize that the Tariff Commission is an independent agency?

Mrs. BEDELL. I do realize that, Senator Bennett. I have read the original statute when it was set up and I have seen nothing that has happened since then that has changed it from what it was set up to be and still is: a factfinding arm of Congress.

Senator BENNETT. Will you fight to maintain that independence?

Mrs. BEDELL. I pledge you; I certainly will.

Senator BENNETT. If you have any problems, will you come to us and let us help you?

Mrs. BEDELL. I certainly will; maybe oftener than you will want to see me, but I will.

Senator BENNETT. One other question, there seems to be some question of divisiveness, both at the Commission level and between some Commissioners and the staff. Are you aware of that problem?

Mrs. BEDELL. No; I am not, Senator Bennett. I have heard comments which I think it would not be wise for me to accept as the actual facts, because I haven't talked to enough people, and I haven't been there.

Senator BENNETT. With that exchange, will you become aware to the extent that you will try to find out whether it exists, the source or cause of the divisiveness, and what you can do to straighten it out?

Mrs. BEDELL. I would think, Senator Bennett, my answer would certainly be: yes. I would be a pretty poor Chairman if that wasn't one of the first things I tried to do.

Senator BENNETT. The reason for bringing it up is that we would like to put you on notice so far as this committee is concerned, that we think it may exist, and it may be one of the reasons why reports aren't coming out, and why the commission isn't quite as effective.

Mrs. BEDELL. Senator, I am glad that you raised that point. And I shall certainly be aware of it.

Senator BENNETT. Thank you. I have no other questions.

The CHAIRMAN. Mrs. Bedell, we have had some Commissioners who have gone to the Tariff Commission with a philosophical bias, which bias has caused them in the past to twist and distort the congressional intent to reach preconceived goals. Do you, to your knowledge, have any philosophical predilections concerning foreign trade, either in the direction of free trade or protectionism, which would cause you to read the statute with colored glasses; either rose colored or some other colored?

Mrs. BEDELL. Senator Long, I honestly think not. Now, that is very difficult to say about one's self; it is a subjective finding, but I am not aware of being a hard-liner in either one of these philosophies. It is far too involved and important a field to approach with blinders on, so to speak.

Senator MILLER. If I might make an observation, I think that the lady from Washington is a little hard lined when it comes to bees and honey.

Mrs. BEDELL. There are few exceptions, Senator. But that was as a Member of Congress, you understand.

Senator TALMADGE. Maybe even wheat.

The CHAIRMAN. The Justice Department is apparently suggesting that the Tariff Commission should have followed their advice in administering the unfair trade practice statutes.

What would your attitude be toward following the advice of some lawyers in the Justice Department in the interpretation of an anti-dumping act?

Mrs. BEDELL. Senator Long, I am not aware of what action has gone on in the Department of Justice. I would consider that any member of the U.S. Tariff Commission as I understand their responsibility and their function, would be wrong in following the philosophical or legal advice of other than their own attorneys or factfinding studies.

As I understand it, the Commission has its own attorneys and general counsel.

The CHAIRMAN. That is what we think. We think that the executive branch has no business trying to tell the Tariff Commission what facts the Tariff Commission is supposed to find. That is why we have insisted on the independence of the Tariff Commission. We don't

want a continuation of these efforts that we have had under the previous administration of people trying to prevail upon the Tariff Commission not to do its duty and to advise the Tariff Commission that the law means something other than what the Tariff Commission, through its own lawyers and its own independent judgment is entitled to construe. We don't want that to happen again.

That is just one more effort of the administration to try and control the Tariff Commission. It is not supposed to even try to do it.

As you know, your agency is an arm of the Congress which was set up to provide us with the facts so that we, and also the Executive, could better determine the policies that we wanted to pursue.

What is your understanding of the role of the Tariff Commission, and in particular the Chairman of the Tariff Commission, in providing both the Congress and the Executive with objective factual information on trade matters?

Mrs. BEDELL. Well, as I said earlier, the first Chairman of the Tariff Commission, Mr. Taussig, said it as well as it has ever been said when he said that this was its role: factfinding, it was an arm of Congress. And again I repeat: I certainly believe that the Tariff Commission was, when it was set up and is considered today to be such a body. And certainly from my viewpoint as Chairman, I would consider it my responsibility to hold it sacred as such.

The CHAIRMAN. Let me point out one thing to you about these fraudulent statistics that we have been getting down through the years. For the last 5 years we have had these reports that we have a favorable balance of trade. And I would like for you to read this statement I am going to put in the record.

(The statement referred to follows:)

[From the Congressional Record, Tuesday, May 11, 1971]

#### SENATE

(By Mr. Long)

S. 1815. A bill to require that publications of statistics relating to the value of articles imported into the United States include the charges, costs, and expenses incurred in bringing such articles to the United States, and for other purposes. Referred to the Committee on Finance.

#### OFFICIALLY MISLEADING FOREIGN TRADE STATISTICS

Mr. LONG. Mr. President, several years ago, my late beloved colleague Everett McKinley Dirksen and I brought out the fact that our foreign trade statistics are fraudulent and misleading. In 1966, the Committee on Finance held a hearing on the subject and the facts developed at this hearing substantiated our contention. Ever since the death of Senator Dirksen, I have been trying to get the Commerce Department to publish more accurate trade statistics to show our true international competitive position. At numerous hearings, I have brought this subject up to the Secretaries of Commerce and Treasury and to other officials.

These top officials understood the problem and agreed that the present statistics are misleading. However, the entrenched, faceless bureaucrats in the Federal Government who maintain their status throughout every administration, Republican or Democrat, have fought the presentation of accurate trade statistics in every way they could.

Finally, after much agonizing and dillydalling the Commerce Department agreed to publish, on a quarterly basis, statistics which would break out those exports financed under our giveaway foreign aid programs from private commercial exports, and to add a factor to our imports showing the cost of insurance and freight. However, as time passed, it was clear that this quarterly publication was

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completely inadequate. In the meantime, the Government's monthly trade statistics were published proclaiming our foreign trade position to be in rosy surplus. The truth is that we have had actual deficits in our foreign trade position ever since 1968 as table I shown below indicates, which I ask unanimous consent to have printed in the RECORD.

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

TABLE I.—U.S. TRADE BALANCE, c.i.f. ADJUSTED 1960—1970

[In billions of dollars]

|           | Total exports, f.o.b. (A) | Total imports, f.o.b. (B) | Trade balance (C=A-B) | AID and Public Law 480, Government-financed exports (D) | Total exports less AID and Public Law 480, financed exports (E=A-D) | Total imports, c.i.f. <sup>1</sup> (F) | Merchandise trade balance (G=E-F) |
|-----------|---------------------------|---------------------------|-----------------------|---|---|--|-----------------------------------|
| 1970..... | 42.7                      | 40.0                      | +2.7                  | 1.9   | 40.8  | 44.0                                   | -3.2                              |
| 1969..... | 37.3                      | 36.1                      | +1.2                  | 2.0   | 35.3  | 39.7                                   | -4.4                              |
| 1968..... | 34.1                      | 33.2                      | + .9                  | 2.2   | 31.8  | 36.5                                   | -4.7                              |
| 1967..... | 31.0                      | 26.9                      | +4.1                  | 2.5   | 28.5  | 29.6                                   | -1.1                              |
| 1966..... | 29.5                      | 25.6                      | +3.9                  | 2.5   | 27.0  | 28.2                                   | -1.2                              |
| 1965..... | 26.8                      | 21.4                      | +5.4                  | 2.5   | 24.3  | 23.5                                   | + .8                              |
| 1964..... | 25.8                      | 18.7                      | +7.1                  | 2.7   | 23.1  | 20.6                                   | +2.5                              |
| 1963..... | 22.5                      | 17.2                      | +5.3                  | 2.6   | 19.9  | 18.9                                   | +1.0                              |
| 1962..... | 21.0                      | 16.5                      | +4.5                  | 2.3   | 18.7  | 18.2                                   | + .5                              |
| 1961..... | 20.2                      | 14.8                      | +5.4                  | 1.9   | 18.3  | 16.3                                   | +2.0                              |
| 1960..... | 19.6                      | 15.1                      | +4.5                  | 1.7   | 17.9  | 16.6                                   | +1.3                              |

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

Source: U.S. Department of Commerce.

Mr. LONG. After many members of the Finance Committee and the Ways and Means Committee made it abundantly clear to the Secretary of Commerce that the two responsible committees of Congress were unsatisfied with the misleading trade statistics propagated on the American public by the Commerce Department, the Secretary of Commerce took the matter up with the President of the United States. This is stated in the Secretary's memorandum of December 17 which I shall later ask to be included in my remarks.

According to the Secretary's memorandum, the President directed the Secretary to implement the proposal. I repeat, the President of the United States directed the Secretary of Commerce to publish accurate import statistics. The memorandum states:

"I discussed this proposal with the President, and he directed me to implement it."

Mr. President, a most extraordinary thing has occurred. Those nameless and faceless bureaucrats in the Federal Government have told the President to go fly a kite; he is wrong.

I shall ask to place in the RECORD a most extraordinary report from Mr. Shultz to Secretary Stans which states that—

"A great majority of participants in the Interagency Committee on Foreign Trade Statistics expressed the view that it would be inadvisable for both statistical and conceptual reasons to calculate and publish prominently such a series on a regular basis."

In other words, Mr. President, these bureaucrats are afraid of showing the American people the true facts with respect to our foreign trade position. It is incredible to me that the President of the United States cannot get foreign trade statistics published the way he and the Congress wants them published.

The Shultz letter is full of incorrect, irrelevant, and misleading statements. For example, he states that—

"With regard to the calculation of imports c.i.f., a significant part of these charges is paid to U.S. firms and therefore does not represent an international payment."

He apparently is not aware of the fact that U.S.-flag vessels carry only about 6 percent of U.S. foreign trade. Is that a significant part? The fact is we simply do not know what the costs of domestic versus foreign insurance and freight charges are because we do not have the data to make the analysis.



Then he says :

"C.i.f. charges cannot be legitimately considered part of the import side of the trade balance."

This is wrong. The effect of imports on domestic economy, on American jobs, is not their value at the foreign factory or foreign port, but their landed value in the United States.

He is obviously confusing balance of payments with balance of trade. I do not particularly care if they want to break out services in balance-of-payments accounting. I think they will find their service statistics are woefully inadequate anyway. But for balance-of-trade analysis and the impact of imports on the American economy, production, and jobs we should have c.i.f. statistics.

The letter then says that the British and French calculate their balance of payments to show freight and insurance separately. But their import figures are c.i.f. I checked the April International Monetary Fund statistics and found they continue to calculate their imports c.i.f. I ask unanimous consent to have table 2 printed in the RECORD.

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

TABLE 2.- WORLD TRADE: VALUE IN MILLIONS OF DOLLARS

Exports (fob) + Imports (cif) 1

|                                      | 1963    | 1964    | 1965    | 1966    | 1967    | 1968    | 1969    | 1970    | 1964    | 1965    | 1966    | 1967    | 1968    | 1969    | 1970    |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| World total                          | 136,100 | 152,700 | 165,400 | 181,300 | 190,600 | 212,900 | 243,500 | 278,000 | 160,900 | 175,200 | 192,400 | 201,700 | 224,700 | 255,500 | 288,000 |
| United countries                     | 95,330  | 107,940 | 118,430 | 130,770 | 137,740 | 155,800 | 179,600 | 208,000 | 110,590 | 120,540 | 134,020 | 141,200 | 159,970 | 184,000 | 211,000 |
| United States                        | 23,387  | 26,650  | 27,530  | 30,430  | 31,622  | 34,636  | 38,006  | 43,227  | 20,286  | 23,186  | 27,745  | 28,745  | 35,319  | 34,315  | 42,482  |
| United Kingdom                       | 12,220  | 12,785  | 13,722  | 14,676  | 14,379  | 15,346  | 17,515  | 19,363  | 15,949  | 16,103  | 16,651  | 17,694  | 18,959  | 19,956  | 21,643  |
| Industrial Europe                    | 47,490  | 53,760  | 60,230  | 65,900  | 70,260  | 79,690  | 93,740  | 109,240 | 58,860  | 64,370  | 69,930  | 72,130  | 80,220  | 96,500  | 114,500 |
| Austria                              | 1,326   | 1,446   | 1,600   | 1,684   | 1,809   | 1,989   | 2,412   | 2,857   | 1,683   | 2,100   | 2,328   | 2,359   | 2,496   | 2,825   | 3,549   |
| Belgium-Luxembourg                   | 4,840   | 5,601   | 6,394   | 6,832   | 7,032   | 8,164   | 10,032  | 11,600  | 5,930   | 6,502   | 7,182   | 7,176   | 8,333   | 9,964   | 11,900  |
| Denmark                              | 1,908   | 2,121   | 2,320   | 2,454   | 2,539   | 2,639   | 3,018   | 3,400   | 2,618   | 2,823   | 3,003   | 3,154   | 3,236   | 3,812   | 4,490   |
| France                               | 8,085   | 8,995   | 10,053  | 10,890  | 11,381  | 12,682  | 14,992  | 17,888  | 10,070  | 10,343  | 11,843  | 12,381  | 13,939  | 17,373  | 19,139  |
| Germany                              | 14,621  | 16,221  | 17,901  | 20,145  | 21,748  | 24,853  | 29,070  | 34,194  | 14,618  | 17,482  | 18,036  | 17,365  | 20,235  | 24,953  | 29,817  |
| Italy                                | 5,054   | 5,958   | 7,200   | 8,038   | 8,705   | 10,187  | 11,728  | 13,186  | 7,252   | 7,378   | 8,589   | 9,827   | 10,286  | 12,450  | 14,939  |
| Netherlands                          | 4,961   | 5,807   | 6,392   | 6,751   | 7,286   | 8,341   | 9,963   | 11,765  | 7,055   | 7,460   | 8,016   | 8,336   | 9,291   | 10,989  | 13,391  |
| Norway                               | 1,073   | 1,291   | 1,443   | 1,564   | 1,738   | 1,938   | 2,203   | 2,445   | 1,984   | 2,201   | 2,404   | 2,748   | 2,706   | 2,943   | 3,696   |
| Sweden                               | 3,203   | 3,675   | 3,971   | 4,266   | 4,528   | 4,937   | 5,688   | 6,762   | 3,856   | 4,377   | 4,582   | 4,701   | 5,182   | 5,905   | 7,011   |
| Switzerland                          | 2,417   | 2,647   | 2,960   | 3,275   | 3,498   | 3,968   | 4,627   | 5,135   | 3,610   | 3,697   | 3,944   | 4,129   | 4,513   | 5,285   | 6,551   |
| Canada                               | 6,779   | 8,067   | 8,494   | 9,988   | 11,033  | 13,158  | 14,390  | 16,861  | 7,554   | 8,713   | 10,170  | 10,966  | 12,482  | 14,250  | 14,526  |
| Japan                                | 5,453   | 6,674   | 8,452   | 9,777   | 10,442  | 12,973  | 16,002  | 19,379  | 7,994   | 8,175   | 9,530   | 11,627  | 12,997  | 15,035  | 18,889  |
| Other developed areas                | 9,540   | 10,730  | 11,120  | 12,310  | 13,230  | 13,800  | 15,940  | 18,000  | 15,110  | 17,360  | 18,420  | 18,980  | 19,700  | 22,500  | 26,000  |
| Other Europe                         | 4,410   | 5,130   | 5,620   | 6,350   | 6,800   | 7,100   | 8,300   | 9,800   | 8,480   | 9,850   | 11,160  | 11,160  | 11,530  | 13,650  | 16,000  |
| Finland                              | 1,149   | 1,291   | 1,427   | 1,505   | 1,534   | 1,637   | 1,985   | 2,307   | 1,505   | 1,645   | 1,726   | 1,698   | 1,598   | 2,023   | 2,637   |
| Greece                               | 290     | 309     | 328     | 406     | 455     | 468     | 554     | 554     | 885     | 1,134   | 1,223   | 1,186   | 1,393   | 1,594   |         |
| Iceland                              | 94      | 111     | 129     | 140     | 97      | 82      | 108     | 146     | 131     | 137     | 159     | 167     | 138     | 123     |         |
| Ireland                              | 550     | 623     | 615     | 684     | 790     | 798     | 891     | 1,035   | 974     | 1,041   | 1,043   | 1,087   | 1,175   | 1,411   |         |
| Malta                                | 15      | 19      | 24      | 30      | 27      | 34      | 38      | 40      | 96      | 98      | 109     | 112     | 123     | 148     |         |
| Portugal                             | 418     | 516     | 576     | 620     | 701     | 732     | 823     | 946     | 778     | 924     | 1,023   | 1,059   | 1,039   | 1,232   |         |
| Spain                                | 736     | 955     | 967     | 1,254   | 1,584   | 1,590   | 1,900   | 2,344   | 2,245   | 3,004   | 3,574   | 3,456   | 3,498   | 4,233   |         |
| Turkey                               | 368     | 411     | 464     | 490     | 523     | 496     | 537     | 537     | 537     | 572     | 718     | 685     | 764     | 747     |         |
| Yugoslavia                           | 790     | 893     | 1,092   | 1,223   | 1,252   | 1,264   | 1,471   | 1,679   | 1,323   | 1,288   | 1,576   | 1,707   | 1,797   | 2,135   |         |
| Australia, New Zealand, South Africa | 5,130   | 5,600   | 5,500   | 5,960   | 6,420   | 6,690   | 7,630   | 7,630   | 6,630   | 7,510   | 7,260   | 7,820   | 8,170   | 8,850   |         |
| Australia                            | 2,788   | 3,038   | 2,978   | 3,158   | 3,478   | 3,526   | 4,221   | 4,771   | 3,313   | 3,765   | 3,636   | 3,913   | 4,382   | 4,558   |         |
| New Zealand                          | 910     | 1,074   | 1,007   | 1,076   | 993     | 1,010   | 1,211   | 1,400   | 961     | 1,043   | 1,095   | 955     | 895     | 1,003   |         |
| South Africa                         | 1,432   | 1,490   | 1,518   | 1,726   | 1,954   | 2,158   | 2,200   | 2,200   | 2,356   | 2,699   | 2,526   | 2,948   | 2,891   | 3,291   |         |
| Less-developed areas                 | 31,200  | 34,000  | 35,900  | 38,300  | 39,600  | 43,300  | 48,000  | 48,000  | 35,200  | 37,400  | 39,900  | 41,500  | 45,000  | 49,000  |         |

TABLE 2. WORLD TRADE: VALUE IN MILLIONS OF DOLLARS Continued

|                               | Exports (fob) <sup>1</sup> |       |        |        |        |        |        | Imports (cif) <sup>1</sup> |       |       |       |        |        |        |      |
|-------------------------------|----------------------------|-------|--------|--------|--------|--------|--------|----------------------------|-------|-------|-------|--------|--------|--------|------|
|                               | 1963                       | 1964  | 1965   | 1966   | 1967   | 1968   | 1969   | 1970                       | 1964  | 1965  | 1966  | 1967   | 1968   | 1969   | 1970 |
| Latin America.....            | 9,180                      | 9,860 | 10,380 | 11,040 | 11,030 | 11,570 | 12,400 |                            | 8,580 | 8,840 | 9,720 | 10,130 | 11,180 | 12,100 |      |
| Argentina.....                | 1,365                      | 1,410 | 1,493  | 1,593  | 1,464  | 1,368  | 1,612  |                            | 1,077 | 1,119 | 1,124 | 1,096  | 1,169  | 1,576  |      |
| Bolivia.....                  | 66                         | 93    | 110    | 126    | 145    | 153    | 182    |                            | 97    | 126   | 138   | 151    | 152    | 167    |      |
| Brazil.....                   | 1,406                      | 1,430 | 1,595  | 1,741  | 1,654  | 1,881  | 2,311  |                            | 1,263 | 1,096 | 1,496 | 1,667  | 2,132  | 2,242  |      |
| Chile.....                    | 540                        | 624   | 685    | 877    | 910    | 941    |        |                            | 607   | 604   | 757   | 727    | 743    |        |      |
| Colombia.....                 | 446                        | 546   | 537    | 510    | 510    | 558    | 698    |                            | 586   | 454   | 674   | 497    | 643    | 686    |      |
| Costa Rica.....               | 95                         | 114   | 112    | 136    | 144    | 171    | 194    |                            | 139   | 178   | 178   | 191    | 214    | 245    |      |
| Dominican Republic.....       | 174                        | 179   | 126    | 137    | 156    | 164    | 184    | 214                        | 221   | 100   | 185   | 201    | 226    | 243    | 306  |
| Ecuador.....                  | 148                        | 159   | 180    | 186    | 200    | 208    | 183    |                            | 152   | 168   | 164   | 191    | 229    | 262    |      |
| El Salvador.....              | 154                        | 178   | 189    | 189    | 207    | 213    | 202    |                            | 191   | 201   | 220   | 224    | 214    | 214    |      |
| Guatemala.....                | 154                        | 167   | 187    | 232    | 204    | 227    | 262    |                            | 202   | 229   | 207   | 247    | 247    |        |      |
| Haiti.....                    | 41                         | 40    | 37     | 35     | 34     | 36     | 37     |                            | 41    | 34    | 38    | 36     | 38     | 40     |      |
| Honduras.....                 | 83                         | 95    | 127    | 143    | 154    | 179    | 169    |                            | 102   | 122   | 149   | 165    | 186    | 184    |      |
| Mexico.....                   | 969                        | 1,031 | 1,120  | 1,199  | 1,136  | 1,254  | 1,430  |                            | 1,493 | 1,560 | 1,605 | 1,746  | 1,960  | 2,078  |      |
| Nicaragua.....                | 100                        | 118   | 144    | 138    | 146    | 157    | 155    |                            | 136   | 160   | 182   | 204    | 185    | 177    |      |
| Panama.....                   | 60                         | 70    | 79     | 89     | 93     | 100    | 120    |                            | 181   | 208   | 235   | 251    | 266    | 294    |      |
| Paraguay.....                 | 40                         | 50    | 57     | 49     | 48     | 48     | 51     | 64                         | 40    | 55    | 59    | 71     | 73     | 82     | 76   |
| Peru.....                     | 540                        | 666   | 666    | 763    | 801    | 865    | 864    |                            | 584   | 745   | 817   | 833    | 630    | 604    |      |
| Uruguay.....                  | 165                        | 179   | 191    | 186    | 159    | 179    | 200    |                            | 198   | 150   | 164   | 170    | 159    | 197    |      |
| Venezuela.....                | 2,629                      | 2,703 | 2,744  | 2,713  | 2,886  | 2,857  | 2,892  |                            | 1,269 | 1,454 | 1,331 | 1,464  | 1,697  | 1,752  |      |
| Other Western Hemisphere..... | 1,650                      | 1,650 | 1,680  | 1,790  | 1,880  | 1,930  | 2,000  |                            | 2,300 | 2,420 | 2,540 | 2,720  | 2,800  | 3,000  |      |
| Barbados.....                 | 41                         | 35    | 37     | 40     | 42     | 43     | 40     |                            | 64    | 68    | 76    | 77     | 84     | 97     |      |
| Guadeloupe.....               | 38                         | 35    | 38     | 35     | 32     | 38     | 34     |                            | 79    | 85    | 93    | 100    | 102    | 106    |      |
| Guyana.....                   | 102                        | 95    | 97     | 112    | 113    | 108    | 121    |                            | 87    | 104   | 118   | 129    | 110    | 118    |      |
| Jamaica.....                  | 202                        | 216   | 214    | 228    | 224    | 219    | 257    |                            | 289   | 289   | 327   | 348    | 383    | 442    |      |
| Martinique.....               | 36                         | 29    | 38     | 45     | 43     | 40     | 36     |                            | 79    | 91    | 93    | 106    | 109    | 128    |      |
| Netherlands Antilles.....     | 658                        | 630   | 603    | 592    | 608    | 599    | 625    |                            | 758   | 721   | 721   | 776    | 781    | 808    |      |
| Surinam.....                  | 46                         | 48    | 59     | 92     | 107    | 113    |        |                            | 81    | 95    | 90    | 103    | 99     |        |      |
| Trinidad and Tobago.....      | 374                        | 408   | 403    | 429    | 440    | 472    | 473    |                            | 426   | 477   | 454   | 417    | 420    | 483    |      |
| Other.....                    | 150                        | 150   | 190    | 220    | 270    | 300    | 350    |                            | 440   | 490   | 570   | 660    | 710    | 800    |      |

<sup>1</sup> The world total excludes the Soviet area countries and Cuba. Available current trade totals for these countries are shown on page following Austria country pages.

The data are identical to those given on the country pages, converted to U.S. dollars and assembled into January-December years. However, data are also given here for countries for which there are no country pages. Descriptions of the data and discussions of the problems of conversion to U.S. dollars are in the country notes. Totals include estimates for listed countries for which data are not

available. The comparability of trade data over a period of years is necessarily affected by changes in political or customs area boundaries. Except as noted the data refer to the area as they were at the period reported.

For countries reporting imports f.o.b. or exports at place of dispatch, the data in this table are adjusted to include freight and insurance. For details see the 1966/67 supplement to IFS.

Source: International Monetary Fund, International Financial Statistics, April 1971, p. 36.

Mr. LONG. On the export side, Mr. Shultz says that we should not show our foreign aid financed giveaway exports separately from private transactions because "the proposal ignores the favorable impact on the balance of payments which occurs when the dollar balances are repaid." He is obviously not familiar with our aid program. When we sell wheat to India in exchange for Indian rupees, how does that earn us dollars? From a balance of payments point of view, we might just as well dump the wheat in the ocean. In fact, it might be cheaper since it would save us shipping expenses.

Most of our aid is long term—40-year loans at low interest. A large part of the Public Law 480 agriculture sales are for nonconvertible foreign currencies, which no one expects to ever see paid in to the U.S. Treasury. To put these transactions in the same basket as straight cash or short-term credit transactions is to completely mislead the American people as to the true state of American competitiveness.

Mr. President, this episode raises another question: Why does the Secretary of Commerce have to go on his knees to Mr. Shultz to get some statistics published, which, by statute, under section 484(e) of the Tariff Act, are under the legal jurisdiction of the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Tariff Commission. After having received the approval of the President, why does an interagency committee have the authority to thwart the President's will on a matter he has already approved. I applaud Secretary Stans for his efforts to correct his Department's misleading statistics and for getting the President's support. It is unfortunate that an interagency committee can thwart the President's will.

To assist the Secretary and the President I intend to do what is in my power to make sure that the foreign trade statistics presented to the American people paint an accurate picture of where we stand in foreign trade. To this end, Mr. President, I am introducing a bill which had been approved last year by the Finance Committee as part of the Trade Act of 1970, which would by statute direct the publication of the statistics which the President's bureaucracy refuses to publish, even after the President has instructed and directed that they be published.

I ask unanimous consent to have printed in the Record the correspondence between Mr. Shultz and Mr. Stans on this subject, which tells an incredible tale of how the nameless and faceless bureaucrats are able to thwart the will of the President of the United States, and also a news report from the Journal of Commerce describing the affair.

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

OFFICE OF MANAGEMENT AND BUDGET,  
Washington, D.C., December 30, 1970.

**MEMBERS OF INTERAGENCY COMMITTEE ON FOREIGN TRADE STATISTICS—NOTICE OF MEETING**

Time: *Monday, January 11, 1971, 2:30 p.m.*

Place: *Room 10104, New Executive Office Building.*

Subjects to be considered:

1. Proposal by Department of Commerce on the reporting of Merchandise Export and Import Data presented in attached memorandum, December 17, 1970, from the Secretary of Commerce to the Director, Office of Management and Budget.

Reference to related data currently published:

*FT990* (Census September, 1970, Special Announcements section, p. III, data on c.i.f. values of imports, and federally assisted exports.

*Survey of Current Business*, Table 4 of quarterly balance of payments articles published in issue dated last month of each quarter.

2. Plans of Census Bureau to update factors used to estimate low-value shipments for which Shippers' Export Declarations are not required.

PAUL F. KRUEGER,

*Chairman, Interagency Committee on Foreign Trade Statistics.*

BEST COPY AVAILABLE

THE SECRETARY OF COMMERCE,  
Washington, D.C., December 17, 1970.

Memorandum for: The Honorable George P. Shultz, Director, Office of Management and Budget.  
Subject: Reporting Merchandise Export and Import Data.

In response to a request from the Senate Finance Committee, I am hereby proposing that the Department of Commerce report monthly and annual merchandise export and import totals on a new basis, as well as continuing the present basis of reporting. The new series to be reported are total "commercial" exports and total "CIF" imports.

I discussed this proposal with the President, and he directed me to implement it.

We plan to derive the monthly "commercial" export total by deducting from the present total export value: (1) actual military-grant-aid shipments, (2) the estimated value of exports financed under Public Law 480 and (3) the estimated value of exports financed by the Agency for International Development under the Foreign Assistance Act. These two estimated values would be provided by the Department of Agriculture and the Agency for International Development, respectively.

At present, AID compiles data semi-annually on exports financed under the Foreign Assistance Act and makes them available only after a considerable time lag. Agriculture prepares quarterly figures on exports financed under the P.L. 480 program, with a lag of about three months. As the compiling agencies, AID and Agriculture should be requested to make the up-to-date monthly estimates that will be necessary to adjust exports to the new basis. These estimates will be needed by the Foreign Trade Division of the Bureau of the Census no later than three weeks after the end of each month. In addition to these estimates, both agencies should be requested to develop more current actual data on these shipments.

In making this adjustment, we have not deducted exports financed by Export-Import Bank loans, because these exports are almost always sold in regular commercial transactions and because the loans are usually short-term. In brief, despite financing aid, these exports are in every sense of the word "commercial."

The current monthly c.i.f. import totals would be calculated by applying to the regular total import value the estimated c.i.f. factor for the most recent calendar year covered by the annual sample survey of c.i.f. import values. (The latest sample survey of c.i.f. import values covered transactions for 1968. C.i.f. values for the sample items were found to be 0.3% higher than the values for the same items as reflected in the regular Census import statistics. A sample study of the 1969 import transactions is now underway and should be completed within the next few months.)

Corresponding data for both imports and exports are being prepared on an annual basis for prior years back to 1947. For exports this will involve deducting actual shipments recorded under Lend-Lease, UNRRA, the Department of Army Civilian Supply, Incentive Materials, and International Refugee Organization Programs and military-grant-aid, as well as the estimated value of exports financed under P.L. 480 and by the Agency for International Development and its predecessor agencies.

For imports, the estimated annual c.i.f. totals will be calculated by adjusting the regular import total as follows:

(1) The 1968 and 1969 total import values will be multiplied by 1.063, the c.i.f. factor estimated from the 1968 import transactions.

(2) The 1967 import total will be multiplied by 1.069, the c.i.f. factor estimated from 1967 transactions.

(3) The import totals for 1947 through 1966 will be multiplied by 1.083, the c.i.f. factor estimated from 1966 transactions. (1966 was the first year for which a sample survey was made of c.i.f. import values.)

Obviously, there are shortcomings in this way of developing "commercial" export and c.i.f. import data. Aside from the acute timing problem, however, it would seem that the costs and difficulties involved in attempting to obtain precise data would far outweigh any improvement in their usefulness.

Our proposed procedure and timing for the new trade data are as follows:

1. The Assistant Secretary of Commerce for Economic Affairs will issue a monthly release containing total merchandise exports on the present basis and on the new basis, showing the trade balance on each basis and giving equal prominence to the trade balance on each basis.

2. The data on the new basis will be prepared by the Foreign Trade Division of the Bureau of the Census, as are the data on the present basis.

3. The issuance of the data on the new basis will begin at the end of January 1971, when data for December 1970 and for the entire year 1970 are first available.

4. The Bureau of the Census will continue to issue detailed monthly data on exports and imports but will not calculate a trade balance.

MAURICE H. STANS,  
*Secretary of Commerce.*

HON. MAURICE H. STANS,  
*Secretary of Commerce,*  
*Washington, D.C.*

DEAR MR. SECRETARY: We have given careful consideration to your memorandum proposing the publication of a new trade balance. The proposal, presented to our Interagency Committee on Foreign Trade Statistics, was that a monthly balance be calculated by subtracting imports c.i.f. from non-Government assisted exports. A great majority of participants expressed the view that it would be inadvisable for both statistical and conceptual reasons to calculate and publish prominently such a series on a regular basis. My staff supports this view, and I concur in their judgment.

With regard to the calculation of imports c.i.f., a significant part of these charges is paid to U.S. firms and therefore does not represent an international payment. Furthermore, insurance and freight are properly classified under services, not trade. Hence, c.i.f. charges cannot be legitimately considered part of the import side of the trade balance. In this connection, it should be noted that last November the British, and only weeks ago the French announced the discontinuance of the balance figures they have been publishing based on c.i.f. valued imports. Their published commodity balances will now be based on f.o.b. values, with freight and insurance being reflected in the services portion of the balance of payments accounts.

Insofar as exports are concerned, the proposal to subtract those which are federally assisted implies that if this assistance had not been available our total exports would be correspondingly less. While there would be some reduction in exports, this implication is incorrect. The proposal also ignores the favorable impact on the balance of payments which occurs when the dollar balances are repaid. In our view, the trade balance should pressure the net transfer of real goods irrespective of the sources of financing.

Annual estimates of imports c.i.f. are published by the Census Bureau for major commodity groups and for major exporting countries. Those data are useful in analysing landed prices of foreign goods and after taking account of tariffs, the import component of the supply of goods to domestic markets. The techniques involving these annual compilations cannot, however, legitimately be used to prepare similar figures monthly.

While we cannot agree with the proposal to publish monthly this additional set of exports and import figures, and the balance derived from their comparison, we do see ways in which you could improve the presentation of trade statistics that fit into your approach, and we would encourage you to proceed along these lines.

Like you, we recognize limitations in the monthly trade balance data now published by the Department of Commerce. We understand that work is now being done in the Department on the preparation of a new monthly balance, following balance of payments concepts, with a view to publication later this year. The definition underlying this balance is generally recognized as the best for balance of payments analyses and trade policy considerations, and is accepted for these purposes in international forums. When this new balance becomes available, it would be desirable to consider substituting it for the monthly balance now published based on Census data.

Your efforts in this direction would be strengthened by improvement and expansion in data collection in order to provide better information both for the work referred to above and for other analytical uses. For example, consideration should be given to improving the quality of valuation data now being collected. More frequent information on transportation and insurance costs associated also be useful.

Finally, it would probably contribute to better public understanding of the international trade situation if you would undertake a more comprehensive

compilation of foreign trade data which would include some information of the type contained in your proposal. I would think that a presentation could be developed which, with analysis and interpretation, would be more effective and useful than either the routine monthly publication envisaged in your proposal, or the present publication of quarterly data on Federally assisted exports and annual data on c.i.f. valued imports. In addition to periodic publication in articles, you and your staff could use such data in speeches and other public statements.

Members of my staff will be glad to assist in the development of these alternative approaches.

Sincerely,

GEORGE P. SCHULTZ,  
*Director.*

## NIXON VOTES NEW WAY TO REPORT TRADE BALANCE

(By Richard Lawrence)

WASHINGTON, April 25.—President Nixon reportedly has approved a new way of reporting the U.S. trade balance—it would show the country as scoring deficits rather than surpluses—but top aides are balky.

They are said to fear that the new procedure would only serve protectionist causes.

The issue is basically whether the U.S. should report its monthly foreign trade position the way most other nations report theirs by counting imports on a c.i.f. (cost insurance freight) basis.

The U.S. tabulates its imports in a way much closer to an f.o.b. basis, where only the value of the product in the country of export is counted. Freight and insurance charges are excluded.

The difference is that U.S. imports probably total 8 per cent more using c.i.f. statistics. Last year, for example the U.S. would have just missed a trade deficit, had the c.i.f. standard been used.

Instead, the Commerce Department reported that last year the U.S. reaped a \$2.7 billion surplus.

For more than four years, the Senate Finance Committee and particularly its chairman, Sen. Russell Long, D-La., has been urging the executive branch to report the c.i.f. import totals, for a better comparison with the trade balances of other major nations.

The committee is not asking that the present import tabulating system be scrapped. It only wants the c.i.f. data to be also reported monthly by the Commerce Department.

It further suggests that the department separate foreign shipments from the U.S. export total. That way, it says, a more "realistic picture of our true competitive position" may be had.

By deducting foreign aid exports, while reporting imports on a c.i.f. basis, the U.S. trade balance these days would be deep in deficit.

The Commerce Department, for a long time reluctant to carry out the committee's urgings, now is willing to do so. Meanwhile, it has been printing c.i.f. estimates and foreign aid exports in an obscure quarterly statistical publication, as a gesture to the Senators.

The department's change of attitude appears to stem from the committee's continuing demand for the monthly data and the department's own growing concern about rising imports.

In a recent letter to committee Chairman Long, Commerce Secretary Maurice Stans said he had raised the issue with President Nixon and that the President had agreed to the committee's request.

### NO ACTION TAKEN

But no action has since been taken, and none seems imminent. The reason, insiders say, is that Budget Director George Schultz is resisting a procedure that would put the already shaky U.S. trade position in a worse light.

The Budget Office is involved since collecting the additional c.i.f. data probably would mean additional customs expenses.

The Senate Finance Committee, however, is likely to take matters into its own hands, if the administration keeps refusing to act. Last year, it appended to

the trade bill a requirement that the Commerce Department report c.i.f. imports and separate foreign aid exports.

The trade bill died, but the committee may tie the requirement onto another measure this year. The full Senate can be expected to approve, and there seems to be a good chance that the House would then go along to force the administration to report what many say is the "real" American trade balance.

Mr. LONG. I also ask unanimous consent to include in the RECORD a statement I made on this subject on September 17, 1970, together with materials submitted at that time. This should put into perspective in one place in the RECORD a full explanation of the fraudulent and misleading trade statistics which have been sold to the U.S. public.

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

#### OFFICIAL MISSTATEMENTS ABOUT OUR REAL FOREIGN TRADE POSITION

Mr. LONG. Mr. President, the International Monetary Fund has recently issued a report warning against the consequences of prolonged U.S. balance-of-payments deficits. We have been running deficits in our balance of payments in every year since 1950 with the exceptions of 1957 and 1967.

For the first half of 1970 the balance-of-payments deficit, under the traditional basis of measurement, was running at an annual rate of \$6 billion. On another basis of measurement—the so-called official settlement method—the balance-of-payments deficit for the first half of this year was running at an annual rate of \$9 billion.

One of the major problems we face in searching for solutions to our balance-of-payments problem is misleading information on our balance of trade.

The Department of Commerce has recently issued monthly trade statistics which have been widely reported by the press as showing "a booming surplus" of exports over imports, "running at an annual rate of more than \$5 billion" for June and July. It has been suggested that this so-called surplus indicates that the country would be better off without the major trade legislation awaiting House action that would impose mandatory import quotas on textiles and shoes, and facilitate import limitations on other products. To cite 2 months' statistics as evidence of a basic reversal in our trade position is grasping at straws. It is a classic example of how misleading facts create erroneous conclusions.

The Department of Commerce statistics give a false impression that this country enjoys a highly favorable balance of trade when, in fact, if our trade balance were accurately tabulated, it would show an unfavorable balance of trade.

For too long the public has been misled into believing that we have a "favorable balance of trade." The proponents of our "one way free trade philosophy" have argued that our trade negotiations have been an unmitigated success since they have resulted in a "favorable balance of trade." Even our negotiators have put themselves at a disadvantage by using our misleading statistics and providing their negotiating counterparts with the ammunition to destroy our negotiating position. All the foreign negotiator has to do is read back the statements of our negotiators about how favorable our trade picture is, and how if we do anything here to protect our industries, they—the foreigners—will retaliate, and our negotiating position is destroyed. If you read back to a man his own words it is hard for him to repudiate the thought behind them.

So here are our own negotiators using misleading trade statistics, misleading Congress, misleading the American public, misleading the world, and defeating their own objectives in representing American interests.

All foreign countries have to do is read back to them their own false statements which they make. Those false statements are picked up and published in the New York Times, which is probably the only American newspaper that diplomats in foreign governments usually read, and they cannot understand why the United States is trying to save some domestic interests, when our national policy requires it.

In past years—during the first half of the sixties—our misleading statistics indicated that our balance of trade was in surplus by \$5 to \$7 billion. In more recent years, since 1967, this so-called surplus has dwindled to a rate of about \$1 billion. So, even under the most rosy method of calculation, the balance of trade has deteriorated sharply over the last 4 or 5 years.



But, Mr. President, this is not the whole story. Those official figures belie the fact that our balance of trade was never as favorable as the official figures would suggest, and that we have a large net deficit on commercial exports and imports.

Under the traditional methods of calculating our trade balance, our exports include foreign aid giveaways which do not earn a penny of foreign exchange for the United States. When we give wheat or corn away to India, for example, the farmer receives his money from the U.S. Government, not from the Indian Government. The American taxpayer pays for the wheat, not the Indian Government. As far as our balance of trade is concerned, we just as well might be dumping it into the ocean. In fact, we would save money, because we would save the ocean freight.

On the import side of the equation we do not include the cost of insurance and freight in computing imports, even though most other countries in the world, the United Nations, and the International Monetary Fund calculate imports on a c.i.f. basis. The Tariff Commission has done some calculations showing that if you computed our imports, on the same basis that most other countries compute their imports, it would increase our import value by 10 percent.

So, Mr. President, if we deduct the foreign giveaways from our exports and calculate our imports the same way that most foreign countries do, instead of having a \$1.4 billion balance-of-trade surplus—last year—in 1969, we would have about \$4.4 billion balance-of-trade deficit. In other words, the statistics overstate our position by more than \$5 billion.

Let us look at what has happened in 1970. Our exports are reported to total \$24.9 billion for the period January through July. If we subtract the foreign aid giveaways, the net figure would be about \$23.4 billion. Our imports, f.o.b., were running at \$22.9 billion and, if we add the c.i.f. factor of 10 percent, this would increase to \$25.2 billion, leaving us with a net unfavorable balance of trade of \$2.3 billion. So, what is widely reported in the press as "a booming surplus" actually turns out to be a blooming deficit.

Let us look at the July data which is being widely circulated as evidence that we do not need the major trade legislation just about to pass the House. The Department of Commerce statistics show exports of \$3,683 million and imports of \$3,242 million for a net "surplus" of \$441 million. Some analysts multiply this by 12 and say we are running a surplus of over \$5 billion.

Now let us see what happens if we revise these misleading figures. Take out the foreign aid giveaways and our exports drop some \$200 million to \$3,483 million; add the c.i.f. factor and our import bill for July increase by some \$324 million to some \$3,566 million, leaving us with a net deficit of \$83 million for July. If we then multiplied that by 12 we could say our balance of trade is running in deficit by \$996 million. Not a \$5 billion annualized surplus. Mr. President, a \$996 million annualized deficit for that month on that basis of calculation; and that is the best month so far this year.

I am not going to elaborate on the fact that what has been hailed as a big export surplus in June or July, occurred at a time of domestic recession, growing unemployment, and huge balance-of-payments deficits. If we need a domestic recession to create a phony trade surplus is that any cause for rejoicing about our competitive position? It is suffice to say that the trade statistics currently published are a misleading indicator of the competitive position of this country in world markets and they should be changed to more accurately reflect our true competitive position.

Mr. LONG. I pointed out, Mr. President, that this country is faced with an unfortunate situation where bad figures lead to bad conclusions. The books are deliberately kept in an erroneous fashion, in my judgment, to justify an erroneous policy that is benefiting somebody, but it is not benefiting this Government. Mr. President, let me sum up my remarks. This Nation has been pursuing trade policies which are indefensible. We maintain an open-door policy for foreign imports, while other countries work hand and glove with their industries, protecting them, and insuring their competitiveness.

The bureaucrats who created this indefensible policy, and have a vested interest in its perpetuation, do not identify themselves. They hide behind faceless and nameless editorial writers who heap scorn on Members of Congress who try to save American jobs for American workers. These editorial writers pour out insults and use fraudulent statistics published by the Commerce Department to support their nonsensical positions. Their case cannot stand the light of day. Yet one is unable to tell who they are or what their purpose might be.

Mr. President, in the past 10 years our balance of payments has been in deficit, measured on a liquidity basis, by \$27 billion, as table 3 demonstrates, which I ask unanimous consent to have printed in the RECORD.

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

TABLE 3.—U.S. BALANCE OF PAYMENTS, 1961-70

(In billions of dollars)

|   | 1961-65<br>average | 1966  | 1967  | 1968  | 1969  | 1970  |
|---|--------------------|-------|-------|-------|-------|-------|
| Merchandise trade balance.....  | 5.4                | 3.0   | 3.9   | .6    | .6    | .2    |
| Exports.....  | 23.0               | 29.4  | 30.7  | 33.6  | 36.5  | 42.9  |
| Imports.....  | -17.6              | -25.5 | -26.8 | -33.0 | -35.8 | -39.3 |
| Investment income balance.....  | 3.5                | 4.1   | 4.5   | 4.8   | 4.4   | 4.6   |
| Receipts from U.S. investments abroad.....  | 4.9                | 6.3   | 6.9   | 7.7   | 8.8   | 19.   |
| Payments on foreign investments in United States.....   | -1.3               | -2.1  | -2.4  | -2.9  | -4.5  | 1-5.3 |
| Balance on other services.....  | -2.5               | -2.7  | -3.2  | -2.9  | -3.1  | 1-3.1 |
| Balance on goods and services.....  | 6.5                | 5.3   | 5.3   | 2.5   | 1.9   | 13.9  |
| Unilateral transfers, excluding Government grants.....  | -.8                | -.9   | -1.2  | -1.1  | -1.2  | 1-1.3 |
| Balance on current account, excluding Government grants.....  | 5.7                | 4.4   | 4.0   | 1.4   | .8    | 12.6  |
| U.S. Government economic grants and credits <sup>2</sup> .....  | -3.7               | -3.9  | -4.2  | -4.2  | -3.7  | 1-3.4 |
| Balance on private direct investment.....   | -2.2               | -3.6  | -2.9  | -2.9  | -2.2  | 1-3.8 |
| Balance on securities transactions.....   | -.8                | .4    | -.3   | 3.1   | 1.6   | 1.3   |
| Balance on various other long-term capital transactions <sup>3</sup> .....  | -.5                | .6    | .2    | .9    | .7    | 1.3   |
| Balance on current and long-term capital accounts <sup>4</sup> .....  | -1.4               | -2.0  | -3.1  | -1.7  | -2.8  | 1-3.3 |
| Balance on various other capital transactions: Short-term, other than liquid liabilities; long-term bank liabilities to foreign official agencies; non-marketable U.S. Government liabilities; unscheduled debt payments on U.S. Government credits; and Government sales of foreign obligations to foreigners..... |                    | 1.2   | .6    | 2.3   | -1.3  | 1.1   |
| Errors and omissions.....   | -.9                | -.5   | -1.1  | -.5   | -2.8  | 1-2.0 |
| Allocation of special drawing rights.....   |                    |       |       |       |       | .9    |
| Balance on liquidity basis.....   | -2.3               | -1.4  | -3.5  | .2    | -7.0  | -3.8  |
| Less certain nonliquid liabilities to foreign official agencies.....  | .1                 | .8    | 1.3   | 2.3   | -1.0  | .3    |
| Plus liquid liabilities to private foreigners and international organizations.....  | .7                 | 2.4   | 1.5   | 3.8   | 8.7   | -6.2  |
| Balance on official settlements basis.....  | -1.8               | .3    | -3.4  | 1.6   | 2.7   | -9.8  |

<sup>1</sup> 1st 3 quarters of 1970 at a seasonally adjusted annual rate.

<sup>2</sup> Net of scheduled repayments.

<sup>3</sup> Excluding changes in long-term bank liabilities to foreign official agencies and in nonmarketable U.S. Government liabilities.

<sup>4</sup> One version of the so-called basic balance.

Note: Details will not necessarily add to totals due to rounding.

Source: Treasury Department.

Mr. LONG. Mr. President, no nation, however strong, can continue policies which place it in such heavy debt to foreign nations. The American people have been told that central banks and commercial banks in Europe are refusing to accept any more dollars or will accept them only at a discount. This could force a dollar devaluation with dire consequences for the international monetary system. If we do not correct the balance-of-payments deficits on our terms, they will correct it for us on their terms.

How can we correct our balance of payments and remove the albatross which hangs over the head of the international monetary system? We cannot do this by merely increasing exports. We must also take action to stem the tide of rising imports.

There are many ways of correcting a bad situation, but we simply cannot negotiate away our balance-of-payments deficits, or let "benign neglect" solve the problem. Our deficits are other countries surpluses. They do not want us to solve our deficits in a way which will hurt them.

The Germans do not want us to solve our deficits by removing any American troops from Germany. The French and Italians do not want us to solve it by reducing our imports of wine and shoes. Nor do any countries wish to help us by reducing their protectionist policies which discourage U.S. exports to their markets. The Japanese and the Europeans have many more restrictions on imports from us than we do on imports from their countries.

Central bankers from these countries want us to raise interest rates so they can pick up more of the banking business. Well, that is a very unsatisfactory

way to solve our international deficit situation, because it puts our domestic economy through the wringer and causes many economic and social problems for the American people.

We in the Congress are also somewhat schizophrenic on this issue. Members from New England want to solve the balance-of-payments problem by reducing footwear imports without concern for imports of other sensitive products. Members in textile States want to cut down textile imports. Oil States' representatives wish to cut down oil imports. There is no unified, consistent policy to deal with this problem.

But we must deal with it because the United States has adopted many policies around the world which cost us money; without a healthy trade surplus, we will not be able to pay for those policies. Otherwise some of those policies must be discontinued.

Multinational firms who argue against trade restrictions to protect their investments abroad and to insure a ready market for their exports to this country may soon find those investments nationalized and paid for by foreign governments with American dollars earned as a result of our deficits.

It is time for American people to know the truth about our international balance-of-trade and balance-of-payments positions and the consequences that will occur if we do not solve them on our terms.

The President wants to level with the American people on our sorry balance-of-trade situation, but his bureaucracy has prevented it.

The bureaucrats to whom I have made reference have cast their President in the image of a helpless giant, unable to even convey the truth to the public as much as he would like to do it.

An honest presentation of the facts to reflect the truth in an understandable manner is fundamental to a reshaping of outdated and misguided policies of trade and aid. If I have enough influence, the truth will be honestly presented.

The CHAIRMAN. The majority of the Finance Committee agrees with this, because we voted to make the Executive provide this information to make these trade figures reflect the ocean freight because they have been handing us trade figures that are kept differently from those of other nations.

The other nations determine whether or not they have favorable balance of trade and commodities by looking at their imports on a c.i.f. basis, which includes the freight and insurance. Just on a simple basis if you are buying something from abroad, what you are paying is what it costs when you receive it here; not what it costs overseas.

We all agree that it would be appropriate to keep the export figures on an f.o.b. basis, because this is how all important countries keep theirs, so we are supposed to keep ours this way. And we don't argue about that part of it.

Even though you wanted to argue about how that should be kept, it would seem to me that so little of our shipping moves in American bottoms that you could even argue that you ought to consider some of the freight on exports as an expenditure of American cash. But we need not get into that.

The International Monetary Fund, trying to have some basis to compare trade among nations, puts all these figures up on a c.i.f. basis on imports. Japan and all the other major trading nations report on a c.i.f. basis. And if you put our imports on a c.i.f. basis it makes a great deal of difference.

Furthermore, the administration wants to take all these Public Law 480 sales and all these giveaways in the foreign aid program and put these things down there as though they were to be paid for, and take the \$400 million or \$600 million of grain to India in a single year, and put that down as though we made \$600 million, when we gave that away under Public Law 480.

As a matter of fact, we don't expect to get much money back out of that. One fair proposition would be to simply take the ratio of sales

on credit to payments that we are receiving from the prior credit sales in the previous year and apply to sales in the current year so as to make a proper adjustment. That being the case, I suspect that you would find that these long-term credit sales would appear to be about 90 percent give-away and 10 percent payment. And if you make a proper adjustment then we can look at that, but if you make your statistics allow for those two things, we will stop reflecting that we have a favorable balance of trade when we have an unfavorable one, such as these figures show. It is a difference of almost \$6 billion a year, and it has caused the administration for the last 5 years to go around happily stating that they had a big surplus, when the fact of the matter is they had a deficit.

There is a cumulative deficit of \$26 million since 1966. Instead of having a \$12 billion surplus over this period we actually had a \$14 billion deficit. I would urge you to use your best influence to put this matter on a proper basis so that it is at least comparable to foreign countries.

The statute<sup>1</sup> says that the Secretary of the Treasury, the Secretary of Commerce and the Chairman of the Tariff Commission are authorized to direct from time to time for statistical purposes the enumeration of articles, and so forth, and how these statistics are kept. That is you, the Secretary of the Treasury, and the Secretary of Commerce. The Secretary of the Treasury told me no later than last night that he is trying to put our imports on a c.i.f. basis.

Secretary Stans has stated publicly and privately that he thinks it ought to be on that basis. I have no doubt that if you study this you will agree that that is how it ought to be.

Now, we have some people in the State Department and they are not listed here—they are the ones who try to keep us reporting that we have a great big surplus, when we have a deficit. I don't know how we are ever going to get that mess straightened out until we first start reflecting what the deficit is.

We should all be able to agree on what our overall facts are but the problem is this: we have been saying that all of these big deficits are because of defense and foreign trade. They are not. Half of it is because of our unfavorable trade balance.

Now, look at this chart.<sup>2</sup> This gray was our advantage, our assets over liabilities as of 1950. Against this we had a liability to foreigners and that reduced itself down to zero about the year 1960. Since that time we have accumulated this huge deficit shown in red. Our position has worsened by about \$48 billion since 1950. And the deficit keeps getting worse. Half of it is being accumulated in the trade area, and now more than half is being accumulated in the trade area, while they still continue to grind out these fraudulent statistics that say we are making a profit while we are going broke.

It is about the same situation that this friend of mine was in, to whom I once loaned money to buy an airplane. He bought the airplane to try to make some money on it. On a cash-in cash-out basis he made a profit every week, but in 3 years he was broke, because he didn't know what depreciation was. When the airplane wore out he had no airplane and he was out of business.

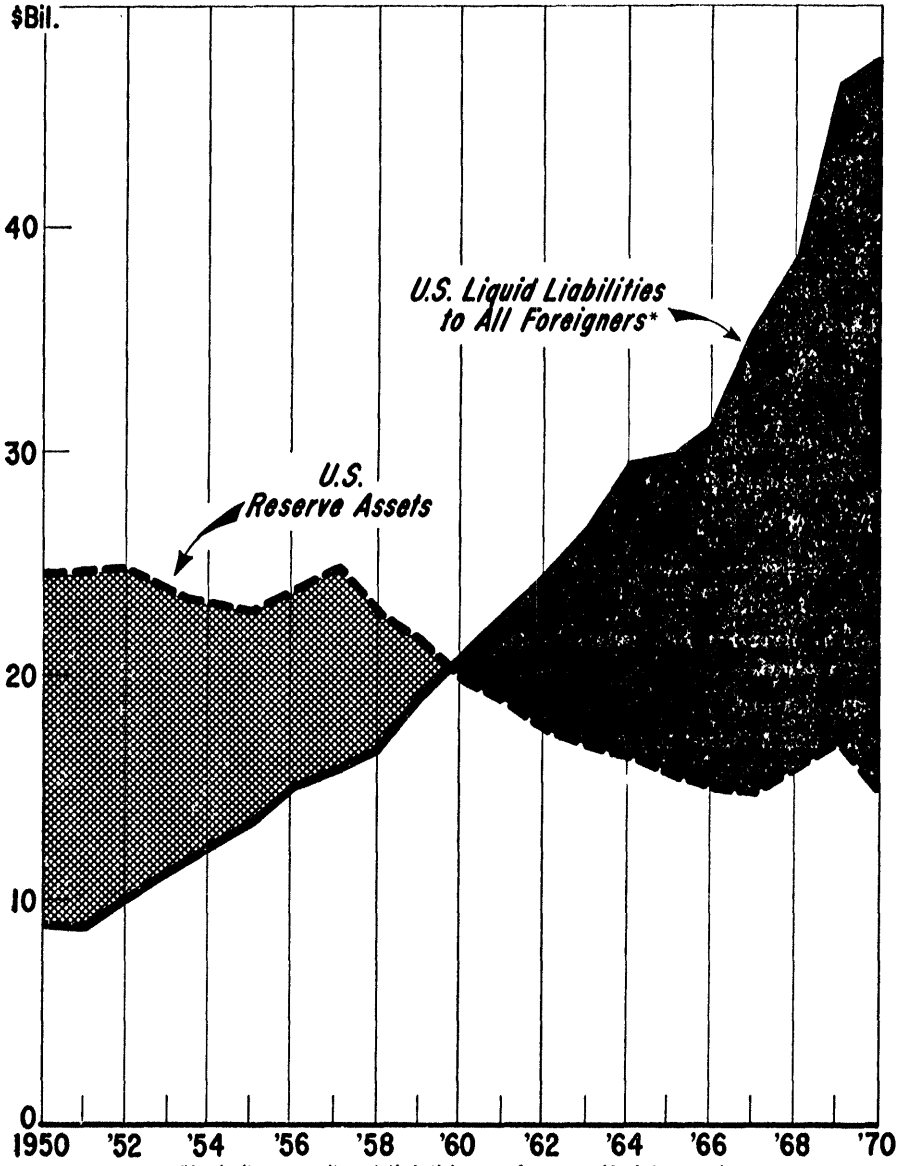
I would also like to point out to you this chart and perhaps it could be put in the record, while we are at it.<sup>3</sup>

<sup>1</sup> Sec. 484 (e) Tariff Act of 1930 as amended.

<sup>2</sup> See p. 34.

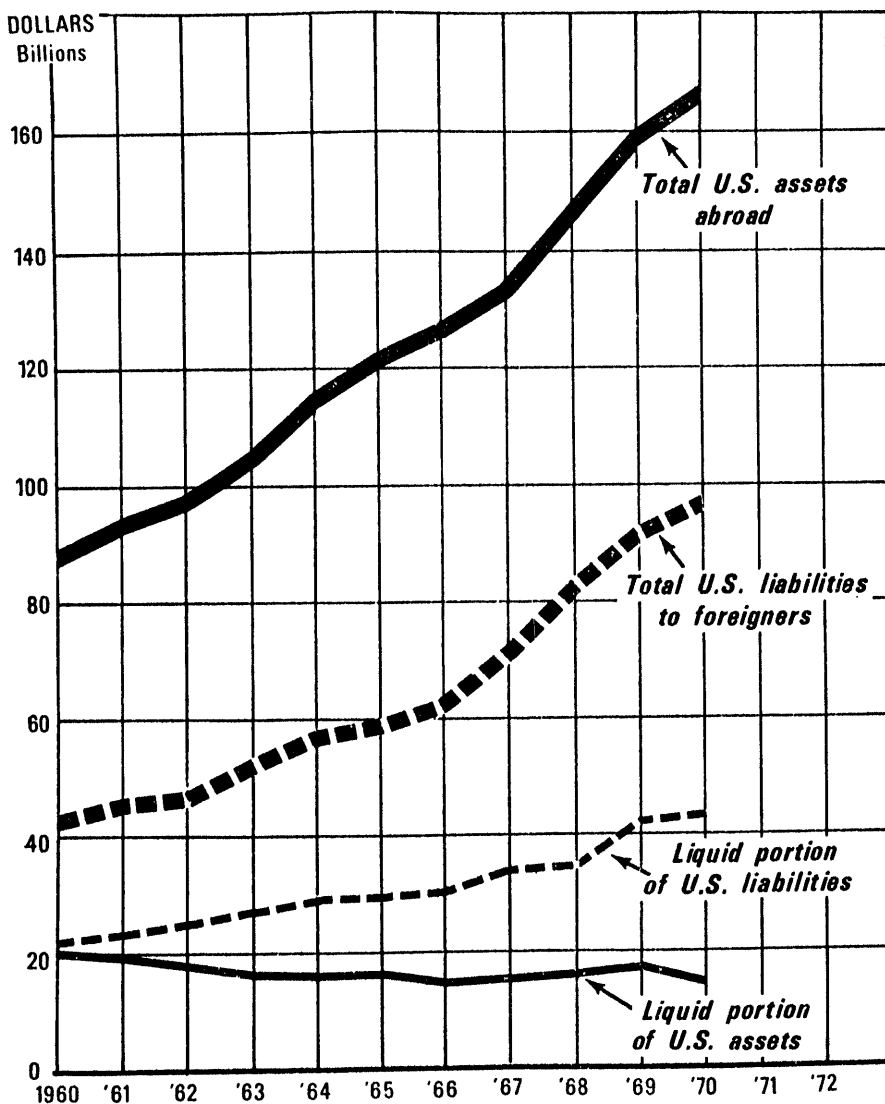
<sup>3</sup> See p. 35.

# U.S. RESERVE ASSETS AND LIQUID LIABILITIES TO FOREIGNERS



Source: Treasury Bulletin

## U.S. INVESTMENT POSITION



Source: Survey of Current Business, Treasury Bulletin and Federal Reserve Bulletin.  
 Note: U.S. assets include U.S. gold holdings and SDRs.

The CHAIRMAN. This line reflects our total liability to foreigners. And here is our liquid liability and here is the liquid portion of the U.S. assets and this part down here would be reflected by the chart I just showed, and this \$90 billion is liabilities to foreigners.

Now, here is something that can also be a very misleading thing: the total U.S. assets abroad, the difference between that and this goal that we are talking about is represented by a U.S. plant built with American investment in foreign lands. As a practical matter, those plants in those foreign countries are not American assets abroad; they are foreign assets. An American plant in a foreign nation can be taken any time the foreign government wants to take it, and every dollar earned from that plant can be taxed 100 percent, or if they want to, they can tax it 200 percent, and take it all.

Senator TALMADGE. Or confiscate it.

The CHAIRMAN. Or take the plant and give you nothing for it.

If the plant is on their property, on their soil, we are not going to go to war with them if they deny us the right to make a profit and bring it back into this country, or even if they take the plant. The worst we would think of doing is not trade with them any more. And that is strictly a losing proposition.

If they say: We are going to take \$500 million worth of plant, and what are you going to do about it? We say: we are not going to trade with them any more.

Senator TALMADGE. They haven't even cut off foreign aid to Peru now that they have confiscated our property, in spite of the fact that the Hickenlooper amendment demands it.

The CHAIRMAN. Well, as a personal matter, those so-called assets are situations which are brought about by what is produced in those plants. All the wages are paid into the foreign economy; all of the taxes are paid into the foreign economy, except such as they might permit us to bring back in the form of dividends here. But if they want to they are privileged to tax it all the way over there without allowing us to bring anything back.

So, it is really an illusion to talk about this being a big asset, because these countries really don't have to let us even liquidate those assets if they don't want to. I think that we ought to start looking at this thing realistically in terms of where we really stand with these people.

It is only when we get the facts laid out—and that is what your job is: to get the facts where you can look at them and understand them and compare them to other situations—so that we can begin to see how to work our way out of this mess.

Mrs. BEDELL. Senator Long, why haven't we done this? Why is it necessary for you to even introduce a bill? As I understand it, you just told me that the Secretary of the Treasury and the Secretary of Commerce agreed, and the Chairman of the Tariff Commission. Haven't they the right, then, to go ahead and start showing the figures this way?

The CHAIRMAN. That is what the statute says. What has happened is that Mr. Shultz has gotten himself a little interdepartmental group down there, and they have undertaken to say: "Oh, no; this must not be published in the way that we think it should be published, because—"

Mrs. BEDELL. Can his decision override the decision under the statute?

The CHAIRMAN. That is what they have permitted to happen. We are told that even the President is supposed to have agreed that it ought to be reported the way we thought it ought to be reported. This interdepartmental task force has been permitted to overrule what even the President is supposed to have agreed to.

The press reports that the interagency task force thinks that to publish these figures the way we think they ought to be published and the President agrees with us—that the truth would fall into the hands of protectionist groups.

Well, of course, it may. Obviously, if you are going broke and going bankrupt, as fast as you can get there from an international point of view, you need to do one of two things: you need to either sell more or buy less. Selling more is not necessarily a protectionist measure. It might be that some protectionists don't like it if you have to subsidize something to sell it. Trade expansionists take the view that they would like to see you sell more.

But you can't make those people buy more. If you want to make them buy more you are going to have to put some quotas on something and tell them: If we are going to buy from you you are going to have to buy from us. That is the way we have to talk to them under the Sugar Act. But it would seem to some of us that we are entitled to know the truth, no matter who it helps or hurts. We don't think that we will work our way out of this mess unless we are able to have the facts laid honestly before us.

And that is an area where we think you might be able to help.

Mrs. BEDELL. All I can say, Senator Long, is that I don't like hard realities any more than anyone else. They are unpleasant, but I don't know of any decision that has ever been made in any nation unless it was made on the hard reality of unpleasant facts. And I, frankly, am interested in this puzzle of why we have consistently, over the years, refused to state the facts as they are, because that is the only way, we can ever develop effective trade policy.

I am not an expert in this field. I have read your statement. I will do what I can.

The CHAIRMAN. Thank you.

Any further questions, gentlemen?

(No response.)

Thank you very much.

Next we will hear from Joseph O. Parker.

#### STATEMENT OF JOSEPH O. PARKER, NOMINEE, TO BE A MEMBER OF THE U.S. TARIFF COMMISSION

We will include Mr. Parker's biographical sketch in the record at this point.

(The biographical sketch follows:)

##### BIOGRAPHICAL SKETCH OF JOSEPH O. PARKER

Personal: Born, Pratt, Kans., December 11, 1908.

Married, one daughter.

Education:

A.B. Economics, University of Kansas, Class 1931.

L.L.B. Harvard Law School, Class 1934.

Admitted to Practice—Supreme Court Kansas, 1935; United States Supreme Court, 1947.



Member, Federal Bar Association; American Bar Association; Administrative Law Section.

Experience:

General Practice—Kansas 1935.

Office of Solicitor (now office of General Counsel), U.S. Department of Agriculture, 1936-44.

USNR—Active Duty, 1944.

General Counsel, Committee on Agriculture, U.S. House of Representatives, 1945-51.

Practice Administrative Law—1952 to date. Associated with L. Alton Denslow, Washington Building, Wash., D.C. (Specializing in Food and Agriculture Law and Legislation).

Consultant to Select Committee on Foreign Air (Herter Committee), 1947.

Consultant to Commission on Industrial Use of Agricultural Commodities, 1956.

Non-Governmental Advisor to U.S. Delegation to Food and Agricultural Organization Session, Rome, Italy, 1955.

Chairman, International Trade Development Board, U.S. Poultry Industry, 1956 to date.

The CHAIRMAN. Mr. Parker, Senator Byrd had to leave, but he wanted to be remembered to you and he approves your nomination.

Do you have a statement you want to make about your nomination for the Tariff Commission?

Mr. PARKER. I don't have a prepared statement, Mr. Chairman, but I will make a brief oral statement.

I think you have my brief résumé there, which indicates that I have spent—I am a lawyer by profession, and I have spent a large part of my professional life in interpreting, applying, and drafting Federal statutes and regulations, first from the executive side, and then the congressional side, and most recently, of course, in representing clients before the Federal agencies.

So, this has been my life. And I should say that I think my congressional experience should stand me in excellent stead for the type of work that is involved here. I have a high appreciation of the importance and value of the legislative oversight functions of the committees that were vested in them under the Legislative Reorganization Act. I realize that this position, if I am confirmed, that I would assume is still in another area of the Government, so to speak, in that it is an independent agency. I realize that service on the Tariff Commission will require the highest degree of objectivity and impartiality. The Tariff Commission, I think, is unique in that it is largely an investigatory, factfinding agency, with very little policymaking power, except perhaps in the interpretation of some provisions of law, or in the making of recommendations. It has no regulatory functions.

But I can say this that if I am confirmed I will certainly endeavor to carry out my obligations with honesty and integrity.

The CHAIRMAN. You are a lawyer. Let me just submit to you the problem we had some time back.

We had an Antidumping Act with a legislative background, and we had a great deal of experience under that Antidumping Act, the Commission having undertaken to apply it and construe it down through the years. We had some negotiators who agreed to an International Antidumping Code as an executive agreement, which was not submitted to Congress. They contended that that code should be construed along with the act, so as to find no conflict between the two.

Now, by doing so it would make a great number of cases work out differently than would be the case if that code had never been agreed to.

What would your attitude be toward that sort of an argument?

Mr. PARKER. I am generally familiar with the fact that there was a code negotiated. I am also familiar with the antidumping statutes of the Congress. I don't believe that an executive agreement would override a statute of Congress, at least in the domestic area.

The CHAIRMAN. That is my argument, that you can't amend or modify an existing act of Congress by an executive agreement.

Mr. PARKER. I think that would be correct.

The CHAIRMAN. In other words, an executive agreement, not having been ratified as a treaty, cannot modify, amend, or construe an act of Congress to mean something different. I take it that you agree with that?

Mr. PARKER. I am in general agreement with that, sir.

The CHAIRMAN. I think you have pointed out, and we are agreed, that the Tariff Commission is independent; it is not supposed to be influenced by the State Department, by the Justice Department, or by the White House; it is a factfinding agency that is supposed to report to us fairly and impartially what the facts are so that we and the Executive can perform our duties based on the facts fairly and impartially laid before us.

Mr. PARKER. That is my understanding of the responsibility; yes, sir.

The CHAIRMAN. Have you read the conflict-of-interest statutes, and are you satisfied that there is nothing in your present holdings which would conflict with your interest and your responsibility as a Tariff Commissioner?

Mr. PARKER. I think there are none. Of course, I will have to withdraw completely from my present law practice, which I would do, of course.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I had a visit with Mr. Parker and I have no questions.

The CHAIRMAN. Any further questions, gentlemen?

Senator JORDAN. No questions. I have had a visit with Mr. Parker.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. I had the pleasure of visiting with Mr. Parker, and I was certainly impressed.

Your background prepares you for your activity.

I was wondering if you could give us your thoughts on why, under the General Agreement on Tariffs and Trade we have been so negligent in letting our tariffs be so inequitable. For instance: on electronic equipment, we are letting the equipment come in here at 6 percent, and when we try to get equipment into certain other countries of the world it is 24 percent.

Can you understand why we have permitted this to go on all these years, practically bankrupting our country?

Mr. PARKER. I wish I could. When you get down to a specific instance like that I presume that the character of the negotiations that have taken place is very complex. I know in some of the areas that I am somewhat familiar with, in the agricultural areas, we have been unhappy at times with the effect of the negotiations and this may be due in part to lack of information and lack of facts that maybe the Commission might provide.

Senator FANNIN. That is what I am hoping. I certainly agree.

Mr. PARKER. I do know that there are some recommendations and

requests from this committee now calling for studies by the Commission, which I think are very timely.

Senator FANNIN. I certainly appreciate that answer, because I do feel that if the Tariff Commission had been furnishing both the executive department and the Congress the information that should have been forthcoming perhaps we would have made different decisions over the years, because I don't think that the Members of Congress realized what was coming, and they could not project for the future because they did not have the information on what had happened in past years.

I know that you have been very close to agricultural fields of endeavor, and—over the years agricultural spokesmen have tended to be free traders for everything else, but they favored protection when it came to agricultural commodities—what is your general philosophy with respect to dairy and meat quotas and textile and oil quotas? And if you are confirmed, do you think you will view agriculture as a special case, or do you feel that you must look at the problems of industry as well as agriculture with equal sympathy?

Mr. PARKER. I would certainly say that I would have to deal with the matter with equal sympathy and equal objectivity. And I certainly will do my best to apply the law and the policy of Congress in these areas, whatever it might be. It so happens now that to some extent agriculture may have a dual interest with a desire to trade and export, and also with some special provisions, like section 22, which enables them to cope with some of their import problems a little more easily than perhaps in other areas.

Senator FANNIN. You understand I am very sympathetic with agriculture, because they have that problem in our own State, and have had over the years. And we see industries leaving the United States and going into other countries and it is certainly taking away jobs and taking away taxes and benefits from our country. And we are rather concerned about it.

And so I am anxious to see what can be done to continue to protect our agriculture.

But, I was alarmed at a meeting in Japan just a short time ago, when we were talking to our counterparts there, their Members of Congress, when some of them stated that we were in a better position to compete on food and fiber. Well, I don't feel that we can go back to the agrarian economy and I just hope that we will have the information from the Tariff Commission, the requested information, in order that we can impress, not only upon the Member of Congress, but on the people of the United States, just what is happening to our economy.

I certainly wish you well. And I have confidence that you will be of great help to us.

I understand that there are problems of more personnel, and that you will have extra work to do because of that. But I just hope for the best.

Mr. PARKER. Thank you very much.

Senator FANNIN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Parker. I appreciate it very much, and we wish you the best of luck in your job. I anticipate that you will be confirmed, but I can't say yet.

(Whereupon, at 11:45 a.m. the committee adjourned, subject to the call of the Chair.)