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writing this industry is getting, a conservative estimate is that consumers are paying $4 to $5 billion a year in higher gas and oil prices simply because of the oil import program.

Many statistics relating to the cost of this program were laid out on the record of recent Senate Antitrust and Monopoly Subcommittee hearings. Some of these have been capsuled in a June 13, 1969, article in Time magazine, which I ask unanimous consent be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. HART. Mr. President, the article also makes a point which is most significant in light of these high costs: that although the subsidies were intended to "protect national security" by preserving our domestic reserves, the theory has not worked.

By many indicia used, exploration and discovery of domestic oil is falling. In fact, the industry itself estimates that by 1985, 85 percent of the Nation's oil needs will have to come from reserves not yet discovered.

EXHIBIT 1

OIL: BATTLE OVER SPECIAL PRIVILEGE

In more ways than one, oil is power. It provides 75% of the U.S.'s energy, serves as the basis of some of its most fabled personal fortunes and influences its foreign and domestic policy. Now the Nixon Administration and the Congress are conducting some long-overdue reappraisals of the Government's policy toward the oil industry itself. The question increasingly asked in Washington is whether the industry should continue to enjoy its privileged position with regard to income taxes and import controls.

To find answers, President Nixon has appointed a task force that includes practically his entire Cabinet and ordered it to report to him this fall on oil policy. Two congressional committees are also scrutinizing the industry. The inquiry is likely to be more intense than in the past, since many of oil's longtime friends in high places have departed. Lyndon Johnson has retired; former House Speaker Sam Rayburn and Senator Robert Kerr are dead. Louisiana's Russell Long is left to defend the industry against such Senate reformers as Edward Kennedy, Edmund Muskie, Philip Hart and William Proxmire. Oilmen have mobilized their own forces in a desperate battle to protect their interests.

DWINDLING RESERVES

The prime target of the critics is the oil depletion allowance. It permits owners to deduct from their taxable income 27½% of the value that each well yields; moreover, the deduction can be taken as long as the well produces, even if the original cost of exploration and development has been returned many times over. The allowance was partially responsible for the fact that no taxes at all were paid by 155 U.S. citizens who earned more than $200,000 in 1967.

Oilmen argue that the special allowance is necessary to compensate them for the tremendous costs and risks involved in prospecting for oil, and to give them extra incentive to search for more of it. The search has been slowing lately. Since 1957, the number of new wells drilled in the U.S. has dropped 40%; domestic reserves have remained nearly constant but demand for oil has increased by as much as 29%. Two weeks ago, Michael A. Wright, chairman of Humble Oil, told Senator Hart's antitrust subcommittee that 87% of the nation's oil needs by 1985 will have to come from reserves that have not yet been discovered.

QUOTA SYSTEM

Even so, Congress has not been persuaded that exploration would be discouraged by a reduction in the depletion allowance. On Capitol Hill, the feeling is growing that the allowances, which cost the Government about $1 billion a year in lost taxes, are indefensible from the viewpoint of tax equity. Partly because of its tax privileges, the oil industry has fairly high profits. Oil companies earn an average of 11.2% on their invested capital, which is slightly above the norm for all U.S. industry; they also earn 10% on sales, which is about double the figure for other U.S. industry. Oilmen seem reconciled to seeing the allowance cut to 22½% or perhaps less, and the depreciation limited to fixed periods instead of the lifetime of the well.

Another target for congressional fire is the oil import-quota system, which helps keep domestic oil prices up by keeping foreign oil out. Middle Eastern oil costs about 4¢ a gallon compared with U.S. oil's 7¢; best estimates are that the quotas oblige U.S. customers to pay $4 billion to $5 billion a year in higher oil and gasoline prices. Imposed by the Eisenhower Administration in 1959 on the grounds of "national security," the quotas limit imports of crude to 21% of domestic production.

Like the depletion allowance, the quota system is also justified as a means of encouraging exploration for more domestic reserves. The quotas, according to the oilmen's argument, save the U.S. from becoming too dependent on the oil sheiks of the unstable Middle East. They would probably raise their royalties—and thus the price—if the U.S. needed substantially more oil.

On the other hand, the protectionist system forces the U.S. to use up its reserves at a time when much cheaper oil is readily available abroad. Senator Hart has, perhaps extravagantly, accused the oil companies of "playing Russian roulette with national security" by supporting import restriction while drawing down the domestic supply. Ted Kennedy scoffs that the industry maintains that "our reserves will be conserved if we consume them first." In view of such attacks; Congress is likely next year to increase the import qoutas.

HELP FROM THE NORTH

The whole debate has been intensified by the discovery of a huge pool of oil under the snows of Alaska's North Slope. The biggest new find in the U.S. since the East Texas strike of 1930, the North Slope promises to lessen U.S. dependence on oil from the Middle East. Walter Levy, internationally known oil consultant, estimates the find could run as high as 20 billion barrels, enough to increase U.S. reserves by two-thirds.

For their part, oilmen maintain that they would not have risked North Slope drilling without the depletion allowance, and claim that the allowance is necessary to spur further development. Despite the likelihood of a cut in the allowance, however, the managers of Atlantic-Richfield, British Petroleum and Jersey Standard believe that the find will be so profitable that they plan to invest $900 million in an 800-mile pipeline. It will bring the oil to the ice-free port of Valdez, Alaska. In order to expand its marketing of Alaskan oil, British Petroleum last week announced its intention of merging with Standard Oil of Ohio, whose stock promptly shot up 27½ points to close at 98½.

Humble Oil's executives, hoping to succeed where Explorer John Cabot failed, announced last week that they are fitting out the 115,000-ton tanker *Manhattan* as an icebreaker for a pioneering—and perilous—test run the long ice-choked Northwest Passage to the Arctic next month. Denver's King Resources Co., wagering that the *Manhattan* will make it, has drafted plans to build a deep-water port in Maine's Casco Bay. That port is even closer to the North Slope than Seattle is. No Alaskan oil is expected to be delivered to any of the "lower 48" states before 1972 at the earliest. But its existence may provide Congress with the reasons it needs to make some major changes in the oil industry's present privileges.

PRESIDENT NIXON'S UPCOMING TRIP TO RUMANIA

Mr. MONDALE. Mr. President, an editorial discussing President Nixon's proposed visit to Rumania appeared in this morning's New York Times. The editorial pointed out that the President could have "given greater substance to this visit if he had asked Congress to liberalize the export control law to allow an expansion of American trade with Communist countries."

An editorial which appeared in the New York Journal of Commerce 2 weeks ago discussed the administration's position in light of legislation being considered by the Banking and Currency Committee. In addition, the Minneapolis Tribune published an editorial in support of the effort within the Banking and Currency Committee to reform the Export Control Act.

I ask unanimous consent that the editorial entitled "The President's Travels" from the New York Times of Monday, June 30, 1969, the editorial entitled "Bait for a Political Deal?" from the New York Journal of Commerce for June 18, 1969, and the editorial entitled "Self-Defeating Trade Restrictions" from the Minneapolis Tribune for June 20, 1969, be printed in the RECORD.

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

[From the New York Times, June 30, 1969]

THE PRESIDENT'S TRAVELS

President Nixon seems to place great store in brief visits to other countries for direct talks with their leaders. At this stage in what he calls a transition from an era of "confrontation" to one of negotiation with the Soviet bloc, he has accepted an invitation to Rumania in early August after earlier visits to five Asian countries.

Rumanians will undoubtedly be pleased at this first visit by an American President. If things go well, Mr. Nixon will arrive in Bucharest basking in the success of the Apollo 11 moon trip, having watched the splashdown in the Pacific. He will find it interesting, and perhaps highly useful, to talk with President Ceausescu, whose independence within the Soviet bloc has often infuriated the Kremlin.

There are hazards in fleeting summitry and in this particular mission, however, Mr. Nixon obviously picked Rumania for his first Presidential venture into eastern Europe because Mr. Ceausescu has defied Moscow on major questions, including the invasion of Czechoslovakia last year.

If Russia regards the Nixon visit as an attempt to widen fissures in the Soviet camp it may harden its attitude on arms control negotiations and other key East-West questions. Mr. Nixon may hope his visit will encourage greater independence from Moscow by the Warsaw Pact countries; but it could have the opposite effect of making any show of independence more perilous.

Nor should the President lose sight of the fact that he will, in a sense, be bestowing his blessing on a regime that, regardless of its defiance of Moscow, remains a brutal Communist dictatorship, more oppressive by far than the one in Hungary and even the restored hardlining Government of Czechoslovakia.

Mr. Nixon could have given greater substance to this visit if he had asked Congress to liberalize the Export Control Law to allow an expansion of American trade with Communist countries. Instead, he appeased right-wing Republicans by calling for renewal of that restrictive relic of the cold war era.

Presidential visits can be useful exercises in good-will and diplomatic maneuver but they cannot be a substitute for policy.

[From the New York Journal of Commerce, June 18, 1969]

BAIT FOR A POLITICAL DEAL?

With less than two weeks to go before the Export Control Act is due to expire, a good many people are striking some curious postures on the manner in which it should be extended.

Senator Dirksen, writing in the current issue of Reader's Digest, says this isn't the time to loosen controls on East-West trading because the dependence of the Communist states on western technology "represents a vulnerability that should be capitalized upon." If his premise had been halfway correct his conclusion might at least have had a point. But it wasn't. There is nothing in the act that denies Communist countries access to the most advanced technologies of Western Europe, as witness the fact that while Americans don't sell computers in Eastern Europe, Western European manufacturers do.

The Nixon Administration takes the attitude that any easing of East-West trade controls must be part of a package deal, partly political in nature, and that this is not the proper time for it. It has apparently forgotten the observation in Mr. Nixon's inaugural address that in U.S.-Communist relations "after a period of confrontation, we are entering on an era of negotiation." Apparently the beginning of that era is to be somewhat delayed, for what the administration now wants is a four-year extension of the Export Control Act in its present form through June 30, 1973. Did we say "somewhat delayed?" Delayed right into the next Presidential term.

To us this is all very disappointing because there are a number of proposals before Congress that would extend the act in a manner that would allow for greater flexibility in enforcing it.

One, sponsored by Senators Muskie, Mondale, Packwood and Harrison Williams, would control U.S. exports to Communist areas only in items having a "significant military applicability" rather than all those of "economic" importance. Another, introduced by Senator Magnuson and 23 of his colleagues, would give the President authority to grant most-favored-nation treatment to imports from those Communist states willing to provide basic protection for U.S. commercial interests in the treatment of patents, royalties and the like (Communist China, North Korea, North Vietnam, Cuba and East Germany would be barred from this treatment, however).

We find it hard to understand why the administration should not, at the very least, accept the Magnuson proposal. It is permissive in nature. It wouldn't bind the administration to give MFN treatment to any country not accorded it now. (Yugoslavia and Poland are the only Communist states currently getting this treatment. Imports from all other Communist states must pay the high levies established in the Tariff Act of 1930).

It is, of course, understandable that the administration doesn't want to negotiate on this matter now. What is less understandable is its feeling that Congress should not give it merely the authority to negotiate a more rational approach to East-West trading until four long years have passed.

A reason frequently given for making no change in the present restrictions is that this nation's trade with Communist states is too small to be worth bothering about.

Of course it's small, but the Export Control Act is one of the prime reasons why it is small. If one cannot say the same about trading between Eastern and Western Europe, isn't it just possible that one reason might be that Western Europe doesn't apply such severe curbs to this trade?

As matters stand, the United States Export Control Act spreads like a protective umbrella over the industries of Western Europe that can produce sophisticated equipment and market it in the Communist areas with virtually no fear of competition from American exporters. In most major respects, notwithstanding Senator Dirksen's imperfect comprehension of what is happening, Eastern Europe suffers little from the workings of this statute. The sufferers are the American exporters and the American balance of payments.

Finally, it is a little odd to hear a normalization of trade relations discussed as though it were something, like foreign aid, in the nature of a gift bestowed by a benign Washington on some hapless economic areas abroad. Or that a withdrawal of the punitive Smoot-Hawley tariff rates, which so burdened the more efficient potential American exporters in the 1930s, would amount to the same thing.

We have always been under the impression embodied in the Trade Agreements Act that the exchange of goods and services is not a one sided affair of benefit to one group of nations but a burden on others. It is not something we normally hold out as bait for a political deal, but an opportunity for economic progress at both ends of the exchange.

That, at least, is the way Washington looks at it where most of the world is concerned. Why does it suddenly take on the attributes of an act of charity when the discussion comes to Poland, Rumania, Czechoslovakia, Rhodesia or the Republic of South Africa? Shall we have to wait four more years to get an intelligible answer?

Perhaps during the next week or 10 days Congress will think better of it.

[From the Minneapolis (Minn.) Tribune, June 20, 1969]

SELF-DEFEATING TRADE RESTRICTIONS

An effort to change a 20-year-old policy of restricting American trade with Eastern European Communist countries is gaining in the Senate, where a committee is likely today to approve a bill liberalizing East-West trade regulations.

The bill, whose chief sponsors are Sens. Muskie and Mondale, is intended to replace the Export Control Act of 1949, which expires June 30. The new proposal would continue to prevent export of strategic and military items, while dropping the network or controls on goods judged of "economic' 'importance only. In addition, the bill would eliminate a requirement that half the wheat and feed grains sold Russia, and half the feed grains exported to most Eastern European countries, must be shipped on American vessels—a requirement which represents a serious obstacle to trade expansion.

The bill is in keeping with today's American foreign policy, which recognizes that Communist nations do not represent a monolithic bloc. It reflects the reality, conceded by the State Department in testimony, that withholding trade has "limited significance," at best, in influencing the policies of Eastern European nations. Many experts claim that increasing trade contacts could have a beneficial effect on the policies of these nations.

In addition, U.S. refusal to trade with Eastern Europe no longer means—as it once might have—that Communist nations are denied products. The result, instead, is to deny U.S. farmers and businesses access to an Eastern European market which is being tapped by other countries, or—as Mondale has observed—to drive the satellite nations toward greater economic dependence on Russia.

Unnecessarily broad restrictions on trade seem self-defeating at a time when this country is searching for ways to expand farm exports and to improve its balance of payments. The Muskie-Mondale bill, on the other hand, offers potential gains that are both economic—by benefitting American workers, manufacturers and farmers—and political—by encouraging constructive trends in relations between Eastern Europe and this country.

TAX REFORM

Mr. METCALF. Mr. President, by now each of us has received a complete set of the hearings on tax reform that were completed in the House on April 24. I find many of the statistics gathered during the course of those hearings rather startling.

For example, when we examine the tax brackets that people are actually in at the various income levels, we find that up to the $50,000 level an individual's tax bracket keeps moving up the scale just as we would expect it to do under a progressive tax. For income groups above $50,000 but under $100,000, the upward movement in effective rates begins to flatten. By the time we reach an examination of taxable returns of individuals with incomes above $100,000, we find that the central range of effective rate moves backward to produce the following result in the $1 million and over group.

Seventy-five percent of the people who have actual incomes of $1 million and over pay only an effective rate of between $0.20 to $0.30 of tax on the dollar. This may be compared with taxpayers in the group between $20,000 and $50,000 of actual income, where about three out of every five taxpayers pay at the same effective rate, yet the $1 million and over group per taxpayer makes over 50 times as much money a year.

Surely no one can disagree with the statement of former Assistant Secretary of the Treasury, Stanley S. Surrey, when he commented on these statistics during the course of his testimony last February, and I quote:

> The obvious departure from the ability to pay concept and from elementary standards of fairness is self-evident in these statistics. Whether a person is below the poverty line or whether he is in the group between $20,000 to $50,000, he is certainly warranted in feeling that the income tax is not working fairly.

Mr. President, I see no reason why we should have to wait any longer before we begin to discuss the causes of unfairness in our present tax laws. Since we have the benefit of almost 6,000 pages of hearings already held this year, there is no reason why we cannot get a headstart on our own deliberations.

WAYNE STATE UNIVERSITY PROFESSORS ENDORSE S. 1591, BILL TO ESTABLISH AMERICAN FOLKLIFE FOUNDATION

Mr. YARBOROUGH. Mr. President, I recently received a copy of a letter