

UNITED STATES



U.S. CONGRESS
OF AMERICA

Congressional Record

PROCEEDINGS AND DEBATES OF THE 92^d CONGRESS
FIRST SESSION

VOLUME 117—PART 6

MARCH 17, 1971, TO MARCH 25, 1971

(PAGES 6807 TO 8258)

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

SHARING FEDERAL REVENUES WITH STATE AND LOCAL GOVERNMENTS

(By Murray L. Weidenbaum, Assistant Secretary of the Treasury for Economic Policy)

The financial crisis now confronting so many of our cities and other state and local governments is very real. One has only to read the recent statements of some of the mayors of our largest cities to realize the depth and dimension of the almost overwhelming economic, financial, social, and political problems that threaten the vitality if not the very existence of major portions of the Federal system.

Mayor Kenneth Gibson has provided such a straightforward but inherently dramatic account of Newark's financial condition:

"Upon taking office in July 1970, I found an estimated deficit for 1971 of over 70 million dollars, or over 40 percent of the budget. The budget crisis was brought on by a 10 percent decrease in city revenues and an increase of \$50 million in expenditures . . . largely the result of mandated appropriations for essential municipal services. To fill this gap through increased property taxes, we would have had to raise the present rate, already one of the highest in the nation, by 50 percent . . . After months of study and consultation, we finally opted for a series of taxes on Newark's businesses and consumers . . . We are aware that these are highly discriminatory and regressive taxes . . . but we had no alternative."

Of course, there is a real and effective alternative, and this article will be presenting it. However, we must realize the inadequacy and often the perversity of the many prior attempts by the Federal Government to solve or even ameliorate the kinds of problems faced by Newark and other state and local governments.

This is not an after-the-fact rationalization of a specific recommendation. On the contrary, that was the conclusion of many years of prior study and experience on the part of those who have been most active in designing the revenue sharing approach.

In my own case, I arrived at such findings in the research that I did while still in the private sector:

"The question arises inevitably as to the extent the grant-in-aid system is converting the states into veritable agents of the Federal Government. Is there the possibility that the states may become the civilian counterparts to the arsenal-like, government-oriented corporations in the military sphere? The actual extent to which Federal control and influence are exercised varies substantially both by program and region, but the cumulative effect is quite substantial."¹

That conclusion was hardly unique and is generally shared by those who have worked with or studied grant-in-aid programs. The real challenge, of course, is to come up with alternatives superior to the status quo. Most of the alternatives to revenue sharing that have been suggested recently are not new: In fact, they are precisely the ones that had been considered and, after careful examination, rejected.

It is clear that further direct Federal assumption of local program responsibility or greater expansion of the categorical grant-in-aid system would fundamentally be futile in dealing with the underlying problems facing our state and local governments. To pump substantially more Federal dollars into the proliferating maze of narrow programs represents merely a reecho of that tired and ineffective response.

¹M. L. Weidenbaum, *The Modern Public Sector*, New York, Basic Books, Inc., 1969, p. 15.

Furthermore, this extremely expensive suggestion is now being made by those who have questioned where the Nation will get the money for revenue sharing; the inconsistency in their argument is striking, even though perhaps unintentional.

Similarly, Federal tax credits for state and local income tax payments may seem like an easy response to this difficult question, but they do not hold up under examination as an effective device for bolstering the financial resources of state and local government. Although no Federal funds would go directly to state or local governments, Federal revenues would be reduced immediately.

There seems to be great ignorance as to how a tax credit works. Nobody is suggesting a 100 percent credit for state and local income taxes against a person's Federal tax liability—for that would almost amount to a blank check on the Treasury. On the other hand, those who suggest a credit as low as 10 percent, apparently do not understand the Federal tax system. Many taxpayers would be better off by merely taking the existing deduction for state and local taxes.

In any event, hard pressed states and localities would only benefit to the extent that a credit toward the Federal income tax softens taxpayer resistance and thus enables state and local governments to institute or raise income taxes above the levels otherwise politically acceptable. Dollar for dollar, revenue sharing will be more effective in channeling financial resources to states, cities, and counties. Clearly, a Federal credit for state and local income taxes will do little to help local governments who derive the bulk of their revenues from the property tax. At best the benefits would be distributed in an uneven, hit-and-miss fashion.

The revenue sharing proposal was very painstakingly developed. Many man-months of time and effort went into its design. The details were carefully worked out with knowledgeable representatives of Federal, state and local governments, with private citizens, and with Democrats, Republicans, and Independents. In both concept and detail, it is a thoughtful and nonpartisan plan offered in good faith.

Hence, the overall favorable response has been heartening. Yet, I confess a sense of dismay at the nature of some of the specific reactions. I am concerned over the kind of intellectual environment in which there is a ready desire to believe the worst and a strong reluctance to accept facts demonstrating the contrary. The case in point is the role of the central cities in revenue sharing.

It has repeatedly been shown that the central city tends to get a larger share—not just a larger total share but a larger per capita share—than suburban communities. That is true in each of the 25 largest metropolitan areas in this Nation. Yet, we still see or hear the inaccurate charge that the Administration's revenue sharing proposal funnels the bulk of the money away from the central cities. There seems almost to be a Gresham's law operating here—bad information drives out good.

The factor determining the allocation of general revenue sharing among the cities and counties of a state is the respective jurisdiction's share of the revenues raised by all cities and counties in the state. As it turns out, time and again, the larger the city, the larger the per capita revenues it raises, and hence, the larger the per capita share of revenue sharing that it will receive.

Some have suggested that they would like to respond favorably to revenue sharing but are reluctant to breach the alleged principle of avoiding the separation of the taxing power from the spending power. Certainly, the \$30 billion of Federal grants-in-aid this year represent a massive breach of that principle.

Of course, the significant distinction between revenue sharing and the current aid

system is the delegation of decision making. Given the gravity of the situation, we do not hesitate to approach what is certainly the most powerful legislative body in the world and suggest that \$5 billion out of a \$229 billion Federal budget be allocated for state and local decision making. Perhaps that earlier principle is more pertinent—noblesse oblige.

There are three basic points to revenue sharing that need to be emphasized.

1. A modest portion of the annual growth in Federal revenues is earmarked for general aid to state and local governments. These funds will come from the automatic expansion in budget receipts as the economy grows. Contrary to many inaccurate reports, general revenue sharing will neither require a rise in tax rates nor a reduction in any existing government programs.

2. The revenue sharing money is distributed to each state, city and county in a fair and equitable manner. The allocation is made according to the precise formulas contained in the Federal statute rather than subject to the discretion of any Executive Branch official. As the money is in addition to existing programs, each state, city and county benefits directly; each receives revenue sharing in addition to any benefits, services or money it is now obtaining from the Federal Government.

3. The states, cities, and counties receiving the money will make the decisions as to which purposes the funds should be directed. The Federal Government will not second-guess the local determination of local priorities. Financial reporting to the Treasury will be required simply to assure that the money is spent for a lawful governmental purpose and in a non-discriminatory manner. The local voters, rather than any Federal official, will review the wisdom and effectiveness of the expenditures.

Revenue sharing is a constructive, highly desirable method for strengthening our hard-pressed state and local governments while decentralizing the public sector; it is the most appropriate mechanism available.

REGULATION OF NARCOTIC DRUG IMPORTS

Mr. MONDALE, Mr. President, last Thursday, the distinguished Senator from Idaho (Mr. CHURCH) introduced a bill to amend the Foreign Assistance Act to prohibit foreign aid to countries which do not act to prevent narcotic drugs from entering the United States. I am proud to join Senator CHURCH in cosponsoring this legislation. In addition to cosponsoring Senator CHURCH's bill, I have also introduced the International Opium Control Act to cut off economic and military aid to countries which fail to eliminate illegal opium production and processing.

The need for this type of legislation is clear. One barometer of the urgency of this issue is the increasing amount of editorial comment by newspapers in Minnesota and throughout the Nation, calling attention to both the seriousness of the drug crisis in America and the need for forceful action by the Congress.

Public concern about the spread of dangerous drugs is rapidly mounting. People rich and poor, black and white, are making clear their unwillingness to tolerate the senseless deaths and crime attributable to narcotics. I am hopeful that this awareness will lead to the tough approach to narcotics traffic we desperately need.

It is no wonder people are alarmed when we look at what we know heroin

is doing to this country. We know that it is killing thousands of people annually, many of them teenagers. We know that heroin leads its users to commit crimes, enlarging the circle of victimization and costing our society as much as \$8 billion every year. We know that use of this deadly narcotic is moving outward from our cities and inward from our coasts to infect all parts of the country. Finally, and most importantly, we know that there is more heroin in the United States now than ever before. Our failure to stop the plaguelike spread of addiction is inexcusable and Americans are no longer willing to accept excuses.

On February 1, 1971, I introduced a bill to stop heroin addiction at its source, in the poppy fields and processing laboratories of our Nation's friends and allies. My bill, the International Opium Control Act, would cut off all U.S. economic and military aid to countries which continue to produce or process heroin. It would offer economic and technical assistance over a limited period of the cost of replacing opium with other time to help cooperating nations cushion crops.

The choice we must make is plain—continued equivocation or commitment to treat heroin traffic as a priority matter in foreign policy. If we equivocate, our allies may pledge cooperation, as in the past, while they allow greater and greater quantities of heroin to be exported to the United States. If we act firmly, we may benefit not only Americans, but the millions of addicts in other countries as well.

Minnesota does not yet have a serious heroin problem. But Minnesotans know that unless this wave of addiction is brought under control, they will soon share directly in the deadly consequences of the drug menace.

Mr. President, I commend to my colleagues in Congress a few examples of the warnings being sounded throughout my State—warnings to recognize the grave implications of spreading addiction and to take decisive action before it is too late.

Mr. President, I ask unanimous consent that several editorials be printed in the RECORD:

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

MONDALE'S TOUGH BILL AGAINST DRUG TRAFFIC MERITS QUICK ACTION

Without minimizing the drug problem, in the Rochester area in any way, it can be said, fortunately, that it is mainly a problem involving marijuana, amphetamines and occasionally hallucinogens.

Virtually unknown here are the kinds of tragedies and drug-caused crime which are rampant in many of this nation's large cities, especially New York City. The main cause of the big city drug problem is heroin, made from opium.

The magnitude of this heroin problem is difficult to imagine in a relatively small Midwest city, but it is, in fact, killing thousands of Americans every year, ruining a half million more lives, stripping as much as \$8 billion—yes, 8 BILLION DOLLARS—from our economy each year, and is enmeshing our great cities in a holocaust of crime and degradation.

"It is dreadful enough that all this is

happening to us. The unbelievable, disgusting irony is that we are letting it happen."

With those words, Sen. Walter Mondale, D-Minn., this week introduced tough legislation aimed at curbing the international drug traffic which is so adversely affecting this nation. What he proposes, in brief, is an amendment to foreign aid that would cut off all U.S. aid to countries that do not cooperate in an effort to stop growing or processing illegal opium—mainly Turkey (growing) and France (processing.)

The amendment would provide aid, however, to help countries cushion the economic impact of turning from opium to other crops. But where suspension of U.S. aid fails to induce compliance, the President would be empowered to institute action in the United Nations asking the imposition of international sanctions against an opium-growing or processing nation.

Sen. Mondale recognizes that his proposed legislation carries harsh measures, and that it could affect U.S. relations with Turkey, France, Mexico and other long-term friends. But he points out, correctly we think, that the terrible damage being done to this country each year by heroin demands that the international drug traffic be stopped. It hasn't been stopped by methods used to date, and if it isn't stopped the drug dangers to the U.S. will far outweigh any imaginable defense contribution by Turkey or France or any other ally to our national security.

Tough measures are needed, and needed now, to halt this drug crisis before it is too late. Sen. Mondale's proposals is just such a tough proposition, and should receive prompt and serious consideration by the Congress.

BLOW AT HEROIN TRAFFIC

If the Nixon Administration and members of Congress are serious about fighting the drug menace on every front, they should give support to legislation urged by Sen. Walter Mondale of Minnesota and Rep. Peter Rodino of New Jersey.

Their proposal is to cut off American foreign aid funds from Turkey and other countries which fail to control their production of opium for export. Mondale estimates that 80 percent of the heroin coming into the United States is made from opium grown in Turkey. And Turkey has received more than \$5 billion of American aid funds since 1946, and still gets large allowances. It is a NATO ally. "We should not tolerate this horrible absurdity," Mondale said.

Recognizing that opium production is important in the Turkish economy, the Mondale-Rodino bill offers aid money to be used in diverting commercial opium poppy acreages to other crops. What they desire is that Turkey and other countries strictly limit their opium production to what is required for medical purposes.

This might not be easy to do, but at least the governments receiving American aid funds should be willing to cooperate effectively in policing the opium trade. Turkey has an opium control policy, but it has not been successful.

The U.S. State Department is partly responsible for failure of Congress to act against foreign opium sources in the past. It views such proposals as Mondale's as unjustifiable interference in domestic affairs of other nations.

Noninterference as a general principle of course is sound, but if 80 percent of the American heroin supply comes from Turkey, the situation calls for special action.

Some time ago the Nixon Administration declared that international drug control would be one goal of its foreign policy program. Last July Attorney General Mitchell said he would support any method of achieving international controls, particularly those involving Turkey. Some Turkish officials expressed resentment. The State Department backed them. Then the Administration attitude softened, and little has been said since.

The Mondale bill to help Turkey replace excess opium production with other crops, combined with the threat of reduced American aid if that is not done, seems fair both to Turkey and to the United States. Illicit drug traffic in America has become far too serious a matter to justify State Department quibbling, over polite niceties of diplomatic protocol where heroin supplies are concerned.

DRUGS: KNOWN AND UNKNOWN

Developments are coming apace in the national campaign to curb drug usage. One of the most significant actions came Monday with the announcement by Sen. Mondale that he is introducing major legislation to stamp out international heroin traffic. A second development came the same day when the National Institute of Mental Health announced that it had questioned 10,000 college students on 50 campuses and had found that nearly a third had tried marijuana. The report was nevertheless less startling than a study at Stanford by the Public Policy Analysis which found that 69 per cent of the undergraduates had used marijuana in the preceding school year. The study further revealed that the figure is expected to rise to 80 or 90 per cent for the class of 1971.

A third development was the recent conclusion of the U.S. Surgeon General that virtually all forms of smoking carry significant health risks and that previously "safe" forms of smoking, cigars and pipes, hold their own special perils.

Putting all these things together, we discover that smoking, once thought harmless, is now the subject of intensive "reform" efforts, but only after habits have become ingrained and only after the problem became visibly acute. Much the same can be said of heroin. Only recently have we come to appreciate the full impact on the nation. For example, Sen. Mondale estimated in his speech to the Senate that drug addiction, of which heroin addiction is probably the most deadly, is costing the nation an incredible toll of thousands of lives and perhaps as much as \$8 billion each year. In New York City alone in the last decade there have been 4,254 deaths from narcotics. During the same period, the toll of lives in the Vietnam war from all of New York State was 3,665. Similarly startling figures can be compiled for death and disease caused by smoking.

Meantime, nobody is very excited about marijuana. Usage has become so widespread that there is considerable social, if not yet political, pressure to lift all barriers and make the drug legal for use in the same manner as alcohol. Aside from all the obvious arguments about introducing another drug to our society, the fact is rather universally ignored that our knowledge about marijuana remains in the dark ages. The mental health institute report said about the same thing as all previous reports have said: There is little that can be proven good or bad about the drug; more study is needed. Especially unclear is the impact of long-term use.

How very, very reminiscent that sounds of our early experience with tobacco. And even after the handwriting began to appear on the wall—seven years ago in the first Surgeon General's report—our society was less than dynamic about moving forward with a serious program. Must we, in the case of marijuana, go through the same trial and error motions? Or will Congress step forward with sufficient funds to effectively speed up the additional marijuana research efforts being carried on by the mental health institute? Hopefully, the latter will be the case because, as Sen. Mondale has outlined, the costs of drug control tend to increase in geometric proportions.

Merely the cost of treatment facilities for heroin addicts in the last three years has mounted to a half billion dollars. The cost to keep heroin from being available will en-

tail not only additional expenditures for law enforcement, but also manipulations of our foreign aid to halt the production of the drug in foreign lands—principally France and Turkey.

Mondale is precisely correct in saying that hard terms need to be laid down for these "allies" of ours. He points out that Turkey has received \$5½ billion in U.S. aid since 1946, but that it has responded by allowing opium production that ultimately makes up 80 per cent of the U.S. heroin supply. He proposes to hold foreign governments responsible for allowing heroin to be exported to the U.S. in the same vein that we would attack a nation which was allowing the export of a "fatal bacillus."

Mondale's program places him in a position of leadership; it deserves the support of the administration and the state department. We don't allow foreign armies to attack us, and neither should we allow foreign drugs.

ACTION ON DRUGS

(By O. B. Auguston)

The very atmosphere is full of the dread talk about drugs—heroin, marijuana and other dangerous intakes which it is said is growing and growing in our nation and society. Reports that 31% of students in college try marijuana. Also that among our junior colleges a similar condition exists. Alarming news of course. Distressing news. That a generation which in comparison with any previous ones has had life on a platter and at least silver spoons in their mouths—have to resort to drugs to get some kick out of life. How tragic, how impoverished in the midst of affluence. Just like the person to be friendly has to have a few shots of booze in his system. How poor again.

Perhaps you read Jack Anderson's column on Wednesday and how such a large number of the GI's in Vietnam are indulging in drugs. Another baneful aspect of war—another casualty—boys who left their homes clean of anything like that and may come home an addict. Wonder if the warlords think of that phase of war besides the dead, the maimed for life.

Fortunately here and there we find thinking youth taking action against the use of drugs like the ones in Florida recently when they formed "The March Against Drugs." A march far more needful than the war march of ours over in Southeast Asia.

But the heading of these comments speaks of action. Yes, the most important of all—more important than words and the lot of talk about plain educating, good and needful as it is. Seems the time has come for action and plenty of it.

A good example of such action is the one which Senator Mondale is pushing in Congress—hitting the source of the drugs. He would cut off all U.S. aid to foreign countries which do not cooperate in an effort to stop growing and processing illegal opium. One of the largest exporters of such drugs, like heroin to our country is Turkey and guess Mondale is in favor of cracking the whip in full force upon that nation. This is real action—stopping the traffic where it starts. This will mean more than just lecturing the kids or slapping the poor victim on the wrist. For those who engage in this traffic should be shown no quarter—no mercy—they are public enemies No. 1. If there ever was such a breed of hyenas. Incidentally we note that over in Iran they executed two persons as peddlers of the stuff. This is extreme of course but on the other hand of extremes we have the pussy footing in cracking down on the traffic.

Get the pushers, the growers, the importers and spare no effort to stamp them out, cost what it may.

COMMON MARKET DISCRIMINATION AGAINST AMERICAN CITRUS IMPORTS

Mr. GURNEY. Mr. President, I think it is important that the Senate realize that today, and for some time into the past, U.S. oranges and lemons have been unable to compete effectively in the countries of the European Common Market since September 1969 as a result of the discriminatory European Economic Community preferences accorded Morocco and Tunisia—80 percent—and Spain and Israel—40 percent—and written into their respective trade agreements. U.S. grapefruit has faced a discriminatory tariff reduction of 40 percent since October 1970.

These preferences constitute a clear violation of the most favored nation principle of General Agreement on Tariffs and Trade and, moreover, the trade agreements fall short of the GATT "plan and schedule" and "substantially all trade" requirements for the establishment of a customs union or free trade area. They also impair a GATT concession on summer oranges and grapefruit.

The direct loss to U.S. exporters of oranges in the EEC market in 1970 amounted to \$2¼ million. The value of U.S. exports in the 12-month period, October 1969—September 1970, dropped \$4.7 million or 32 percent.

Mr. President, the California-Arizona citrus producers initiated proceedings under Section 252(d) of the Trade Expansion Act in August 1970 during which they documented the illegality of the EEC's action and the damage sustained. The United States held formal GATT XXII consultations with the community on January 19 in order to redress impairment and loss of its most favored nation position: the U.S. requested an extension of the tariff preferences on a nondiscriminatory basis. The United States urged the Common Market Organization to take prompt action since the U.S. shipping season begins in February. The EEC reserved its GATT rights) saying that the agreements were legal under GATT in their opinion, but, indicated that they hoped to find an equitable solution by February 15. This they failed to do.

Mr. President, in fact of discrimination of this sort, I think it is essential that our Government act, and act quickly, to protect our domestic producers and packers. Too often in the past, GATT, which was intended to accomplish a mutual diminution of tariffs and other trade barriers, has been a one-way street: foreign importers and exporters have prospered while their American counterparts have gotten the short end of the stick. This, I think, is another example of how GATT has been allowed to operate to our disadvantage. I note that the distinguished junior Senator from Florida (Mr. CHILES) announced on March 2 that the Subcommittee on Agricultural Exports of the Committee on Agriculture and Forestry will be studying the question of the difficulties the domestic citrus

industry is experiencing in attempting to penetrate foreign markets. My hope is that the distinguished members of that subcommittee will hear all pertinent facts and come up with legislative proposals and suggest diplomatic initiatives which will correct this discrimination and allow American exports of citrus to go into the world market and compete on a fair basis.

SALUTE TO YOUNG AMERICA

Mr. TUNNEY. Mr. President, tonight, at the Shoreham Hotel Regency Ballroom, seven of my constituents will present "the Salute to Young America" at the finale evening of the 1971 Secondary High School Program of a Presidential Classroom for Young Americans. My constituents are the world famous group "Chicago," and are a favorite among this generation of youth.

Individually the men of "Chicago" are Daniel Seraphine, drummer; James Pankow, trombonist; Terry Kath, guitarist; Lee Loughnane, trumpeter; Walt Parazaid, flute and reeds; Bob Lamm, pianist-organist; and Peter Cetera, bass.

The alumni of Presidential Classroom for Young Americans—currently on 312 American college campuses—were polled and asked who they felt was the musical group most popular among today's young people. The results came out, overwhelming Chicago, and subsequently they were invited to present "The Salute to Young America" at the finale evening of the 1971 Secondary High School Program.

The group became known first in 1967 as the Chicago Transit Authority. They were joined by Mr. James William Guercio, the record producer who was to bring them out West and eventually change their name to "Chicago."

As the men were inspired by other musicians, they began to inspire each other. Rehearsing every day, Chicago began making increasing frequent visits to small clubs, Chicago became a local phenomenon that has gained them an international prominence on all levels of music and performance. Chicago is now the biggest American act on the international market, "Chicago has made this commitment—the best vocabulary between cultures is music."

Most important, Chicago is an idea that continues to work. Serving as an umbrella for seven highly accomplished musicians with different musical tastes, Chicago as a unit, an entity, has brought these resources together within the contextual framework of growth through freedom, Chicago, in all its forms, works not only for the musicians, but for its audiences. Between the two stands a mutual mirror, reflecting the band and its listeners.

INVOLVEMENT IN ENVIRONMENTAL IMPROVEMENT

Mr. MATHIAS. Mr. President, as it has become apparent to all of us how grievously man has pillaged his environment in past years, we have realized