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was reversed about the first of 1969, however, and should, therefore, no longer deter the effectiveness of the surcharge if it is continued until next June.

In part, the slowness of the effect of the surcharge has been attributable to the extent of the growth of inflationary pressures during the long period before it was possible to obtain sufficient expenditure restraint. These pressures increased the length of the time which otherwise would have elapsed before the effects of fiscal action are generally felt. In the case of the surcharge, the time lag in consumer response has been substantially longer than the one which followed the 1964 tax reduction. The impact of the surcharge was delayed because consumers did not initially reduce their spending as their disposable incomes decreased; instead their first response was to reduce their rate of saving.

Overall, I believe that a large part of these price increases may be due to what has been called an "inflation psychology."

I concur with the statement made by the distinguished chairman of the House Ways and Means Committee (Mr. MILLS) in the House debate on the bill, when he expressed his view that there is an "inflation psychology" prevalent in the country today.

So the American businessman buys today what he thinks he may need tomorrow, but that he will have to pay more for it. That is true of the individual in many respects in supplying all of his own individual needs. That is inflation psychology. I think that has been part of our trouble during the last year—the last half of 1968 and through the first part of 1969. \* \* \* Yes, a lot of it is psychological, but if we do not pass this bill today—say what you want about continuing withholding for 31 days—you will have added oil to the flames of this inflationary psychology. Unfortunately this is a serious part of the total ingredients of our present situation. How serious it is none of us is certain but certainly it is a most important part.

In its report, the Senate Finance Committee makes this same observation:

It may also take time for the public to become convinced that it will work. It appears that we are at the point now where part of the public is convinced that there will be a lessening of price increases in the future and part of the public remains skeptical. If the surcharge is extended and the investment credit repealed, this should not only directly reduce inflationary pressures, but also gradually remove the inflationary psychology, as more and more people become convinced that inflation will be controlled. If workers and businesses do not believe that inflation will be controlled, they can be expected to act in ways that will make inflation far more difficult to control. In the absence of the surcharge extension, their expectations could become a self-fulfilling prophecy. But with extension of the surcharge, the committee is thoroughly convinced that there will be no basis for this inflationary psychology.

One provision of the bill that is designed to check inflation is the repeal of the investment credit tax, which is estimated to produce \$1.35 billion in revenue for fiscal 1970, and \$2.6 billion in later years.

In 1962, when we passed the investment tax credit, annual expenditures for new plant and equipment were \$37.31 billion. In 1968, these expenditures totaled \$64.08 billion and are estimated to reach \$72.17 billion in 1969. The 1969 estimate indicates an increase over the prior year of 12.6 percent, a tremendous increase.

One consequence has been an excessive demand by the business community for bank funds to finance this expansion in plant and facilities. Since the demand for loans has been far greater than the supply of bank funds available banks have increased the prime interest rate as a mechanism for rationing funds among their customers. On December 2, 1968, the prime interest rate rose from 6 to 6½ percent. By June 10, 1969, the prime rate had risen to 8½ percent, the highest since the Civil War. And there is talk today of further increases. We are all aware of the consequences on all segments of the economy and in particular, on the supply of mortgage money to the housing industry.

With respect to the repeal of the investment credit tax, the House has added an amendment—which was not recommended by the administration—to cushion the economic impact that the repeal would have on the investment by industry in air and water pollution facilities.

In the past, I have supported and introduced bills similar to the House amendment. It would allow the cost of new pollution control facilities to be amortized over a 5-year period. Because these facilities often have a useful life of as much as 20 years or more, the usual depreciation deduction per year is inadequate.

Hearings held by the Public Works Committee, of which I am a member, over the past 6 years have established clearly the need for a financial incentive to industry to acquire and install air and water pollution control equipment if the Nation is to make headway in meeting the ever-mounting problems of water and air pollution. I would like to see this particular amendment retained but, at this time, it is more important that the Congress make a decision with respect to the surtax.

I now turn to the present procedural situation in the Senate concerning the scheduling for Senate consideration of H.R. 12290 and a tax reform bill.

The distinguished majority leader (Mr. MANSFIELD) proposed on the floor of the Senate last Friday that the Senate extend the surtax for a 5-month period to November 30, 1969, by attaching this proposal as a Senate amendment to a House passed bill. The administration bill, H.R. 12290, would remain on the Senate Calendar until a tax reform bill is reported by the Senate Finance Committee. The chairman of the Finance Committee (Mr. LONG) has given assurances that a tax reform bill will be reported by the committee to the Senate on or before October 31, 1969. In addition, the proposal would retain April 18, 1969—the date specified in H.R. 12290—as the cutoff date for the repeal of the investment tax credit.

I find myself in agreement with the conclusions reached by the distinguished minority leader (Mr. DIRKSEN), minority members of the Senate Finance Committee, and the Secretary of the Treasury, Mr. Kennedy, when they say that a 5-month extension would not meet our country's fiscal problems and, at the same time, would not dispel the uncer-

tainty among businessmen and all individuals and could create an unmanageable situation with respect to the fiscal 1970 budget. However, because the resolution continuing the withholding of the surtax will expire on Thursday midnight of this week, it may be that we will have no other alternative than to pass a 5-month extension.

I wholeheartedly support tax reform proposals that would provide a more equitable distribution of the tax burden among various categories of taxpayers. In this regard I would like to add that I would hope the committee would also consider ways and methods to simplify the present tax forms so that they may be more readily understood by the taxpayers. I think this one area deserves the committee's attention, and the committee could perform a great service to the American taxpayer by making recommendations for more simplified and more readily understood forms.

The President in a major tax message to Congress on April 21 has made tax reform recommendations and, in addition, the Treasury Department has added further recommendations. The distinguished chairman of the House Ways and Means Committee (Mr. MILLS) and the next ranking majority member of the committee and majority whip (Mr. BOGGS) and the ranking minority member of the committee (Mr. BYRNES) have given their assurances that a tax reform bill would be before the House before the August recess. The committee has taken testimony from over 600 witnesses to date on tax reform proposals. It has been meeting almost daily in executive session and has reached tentative agreement on many difficult and far-reaching amendments to present tax laws. I note that the Ways and Means Committee plans to have its tax reform bill completed by Friday of this week and to bring the bill before the House the following Wednesday, August 6.

I know from mail and from talks with constituents that there is a strong opinion in my State and in the country that our tax laws should be reformed and made more equitable and that Congress must act this year to do so. I have no doubt that Congress will act and act responsibly.

#### EXTENSION OF AUTHORITY OF THE COMMITTEE ON LABOR AND PUBLIC WELFARE TO INVESTIGATE PROBLEMS OF EDUCATION OF AMERICAN INDIANS

Mr. MONDALE. Mr. President, I am sending to the desk an original Senate resolution unanimously reported from the Committee on Labor and Public Welfare this morning which would extend the authority of the Committee on Labor and Public Welfare to investigate problems of education of American Indians, and ask unanimous consent for its immediate consideration.

I have cleared this matter with the majority and minority leaders and with the distinguished chairman of the Committee on Interior and Insular Affairs (Mr. JACKSON) and the Committee on

Rules and Administration (Mr. JORDAN of North Carolina).

The PRESIDING OFFICER. The resolution will be stated.

Mr. MONDALE. Mr. President, I ask unanimous consent that the reading of the resolution be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. MONDALE. Mr. President, this resolution will allow the Indian Education Subcommittee an additional 3 months within which to file its final report, and will allow the continued expenditure of the funds for the work of this subcommittee which have been previously authorized. This time is needed so that the Senators on the committee may themselves have the opportunity to fully consider and evaluate the record of hearings which have been held by the subcommittee and to arrive at such recommendations as may be appropriate to bring before the Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 226) was agreed to, as follows:

S. RES. 226

Resolved, That Senate Resolution 80, Ninety-first Congress, approved February 17, 1969, is amended as follows:

(1) In section 2, strike "July 31, 1969" and insert in lieu thereof "November 1, 1969".

(2) In section 3, strike "July 31, 1969" and insert in lieu thereof "November 1, 1969".

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I had expected to be engaged in a colloquy at this time, but events over which I have no control have intervened; so I yield to the distinguished Senator from Colorado, and express the hope that when he completes his remarks, we can get underway.

**AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 1970 FOR MILITARY PROCUREMENT, RESEARCH AND DEVELOPMENT, AND FOR THE CONSTRUCTION OF MISSILE TEST FACILITIES AT KWAJALEIN MISSILE RANGE, AND RESERVE COMPONENT STRENGTH**

The Senate resumed the consideration of the bill (S. 2546) to authorize appropriations during the fiscal year 1970 for procurement of aircraft, missiles, naval vessels, and tracked combat vehicles, and research, development, test, and evaluation for the Armed Forces, and to authorize the construction of test facilities at Kwajalein Missile Range, and to prescribe the authorized personnel strength of the Selected Reserve of each Reserve component of the Armed Forces, and for other purposes.

Mr. ALLOTT. Mr. President, there will be one virtue in my remarks. They will be on the subject which is the matter of debate on the Senate floor, the Safeguard anti-ballistic-missile system.

Mr. President, as with most Senators

who are charged with the responsibility of making the final decision regarding the wisdom of deploying an ABM system at this time, I try to follow the debate as closely as I can here on the floor. When other responsibilities have kept me from the floor I read the RECORD of each day's debate with the closest of attention in order to fully inform myself with regard to the progress of the information which is being imparted for the benefit of the Senate, indeed, of the country.

Thus, it was with a great deal of interest that I read the statements contained in the colloquy between the Senator from Arkansas (Mr. FULBRIGHT) and the distinguished chairman of the Armed Services Committee on Friday, July 25, beginning at page 20826 and continuing over to 20827 in the CONGRESSIONAL RECORD. I noticed that the subject was mentioned again in yesterday's RECORD. They alluded to the possible effects of radiation upon radars, electrical communication systems, computers, and their mutual interaction in fulfilling the command and control function for Safe-guard.

I believe that the distinguished Senator from Arkansas was referring to the effects of the electromagnetic pulse or, EMP. EMP is created when gamma rays and X-rays from an exploding thermonuclear warhead strike electrons in the air, causing them to rapidly move away from the burst. The overall effect is somewhat like that caused by a flow of electrons accelerating in only one direction.

I should like to point out that this phenomenon is not unique to the ABM. It is, in fact, probably much more relevant to offensive ICBM's and it relies on the same basic mechanism by which the Spartan missile neutralizes incoming warheads.

For many years the effects of radiation on missile systems have been openly discussed in the technical and nontechnical literature. For instance, the January 2, 1967 issue of Technology Week states:

Growing concern over the vulnerability of U.S. missiles to X-rays from nuclear warheads of anti-missile missiles is leading to new specifications for ICBM guidance systems.

The May 26, 1967 issue of Time magazine stated:

Nearly 80% of the energy released by the explosion of the new warheads, believed to be in the one-megaton range, is in the form of high-energy X-rays.

This article continues:

Even if the shock wave fails to set off the warhead's conventional explosive, it can damage electronic components or cause sufficient changes in the critical shape of internal cavities within the warhead to prevent a nuclear explosion.

In addition to these radiation effects which are now well known, weapons designers recognized some time ago that they had to contend with the EMP phenomenon. Although EMP has not received the notoriety that has been accorded to X-rays, neutrons, and some other effects of thermonuclear explosions, it is extremely important. In its issue dated November 29, 1968, Time magazine stated further:

EMP produces powerful currents in any electrical conductor it crosses . . . these induced currents are strong enough to blow fuses or melt wiring and other metallic components in ground installations and aircraft. They would probably have the same effect on the missile and guidance firing systems.

This article goes on to point out that electronic defenses and offensive missiles are susceptible to EMP.

Mr. President, I believe the Senator from Arkansas referred to the fact that under the Nuclear Test Ban Treaty, "it is not easy to conduct a nuclear explosion in the air to test its effect upon communications."

This is manifestly apparent, of course. As Senators will recall prior to the ratification of the nuclear Test Ban Treaty the Russians detonated their so-called superbomb with a yield in the neighborhood of 100 megatons. The argument was made then, not without a great deal of merit, I believe, that the United States should postpone ratification of the Test Ban Treaty until this country has had a chance to detonate a similar high-yield nuclear device. Such a detonation was suggested merely for the purpose of studying the myriad phenomena of such a high-yield nuclear explosion, including, of course, the EMP phenomenon.

Those Senators who argued against such a postponement carried the day, the treaty was ratified, and the United States has since been precluded from studying the radiation and EMP effects in an atmospheric environment.

Thus, Mr. President, it is not inconceivable to this Senator that the Russians may have learned a great deal more than we now know with regard to this EMP problem. It must be pointed out, of course, that our Minuteman sites and ICBM forces in their present silos depend on communications systems which were developed and tested 10 years ago, long before the EMP phenomenon was clearly understood. Perhaps this is not the case, but if it is a matter which is of an unclassified nature, I would like to have the Senate informed on this question. But, clearly the EMP problem raises some serious questions with regard to our assured second-strike capability.

Recognizing this danger to our missiles, the United States has developed large machines in order to realistically simulate the phenomena induced by electromagnetic radiation. It is well known from unclassified sources that the Defense Atomic Support Agency—DASA—views this as a critical problem about which more information is needed.

In summary, EMP is undoubtedly an important problem. It is not a new one; it is not one which has suddenly appeared with the ABM. It is probably most important, however, in its potential to degrade the second-strike capability of our offensive, land-based ICBM's. This is because many of our offensive missiles were deployed before the full importance of EMP was recognized and because there are many more offensive missiles than planned defensive ABM's. Last year Senator HENRY JACKSON stated that despite 5 years of research, EMP still poses a serious problem to the Nation's communications, radar, and the missile systems. I believe this, rather than mitigating