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the large gifts that frequently are the events that make a success of ambitious fund-raising programs;

(b) treating as taxable the appreciation (unrealized, at that) of charitable contributions of appreciated property;

(c) placing what appear to be severe limitations on the deduction available to donors in charitable remainder trusts, and charitable income trusts the remainder of which goes to a beneficiary other than a charity;

(d) requiring that in so-called bargain-sales to charitable organizations costs be allocated between the portion sold and the portion given, rather than allowed in full as a charitable contribution deduction;

(e) eliminating the rule that made possible the so-called two-year charitable trust;

(f) eliminating the presently unlimited set-aside deduction available to nonexempt trusts and estates; and

(g) disallowing charitable deductions for gifts less than the donor's full interest in the property involved.

CONCLUSION

Without attempting to evaluate all the possible effects of H.R. 13270, the conclusion must be that, as it stands, it would:

Impair the nation's capability for achieving economic growth and improvement;

Reduce in particular the incentive to invest in new construction, in all probability doing little if anything to promote investment in new low-income housing;

Raise rents;

Raise the price of gasoline and mineral products generally;

Raise local taxes;

Create the need for a new federal program to help state and local governments finance public facilities;

Create the need for new federal programs to aid gift-supported institutions; and

Hamper the fight against inflation.

THE TREASURY'S SEPTEMBER 4, 1969 PROPOSALS

The maleffects of H.R. 13270 would be ameliorated in part but not entirely by proposals made September 4, 1969, by the Secretary of the Treasury, in particular by his proposals for:

Cutting the estimated 1979 revenue shortfall from $2.4 to $1.3 billion;

Reducing the corporate tax rate by one percentage point in 1971 and an additional point in 1972;

Retaining the six-month holding period for capital gains and, with some exceptions, retaining the maximum 25% rate on such gains;

Excluding charitable donations of appreciated property from LTP and ADR;

Reducing the proposed tax on foundations from 7½ to 2% of income;

Excluding tax-exempt municipal bond interest from LTP;

Eliminating that section of H.R. 13270 that puts a limit on the deductibility of interest on indebtedness incurred to purchase or carry investment assets; and

Deleting that provision of the bill (Section 331) relating to deferred compensation.

However, the Secretary's proposals would leave unchanged or make even more severe certain sections of the proposed bill which, in the judgment of this writer, would have a counterproductive economic effect. Specifically, the Treasury's proposals would, among other things:

Leave the treatment of real estate investment as in the House bill, except for the suggestion that commercial banks, mutual savings banks and savings and loan associations be allowed a special tax deduction of 5% against gross income from loans to finance residential construction (also for guaranteed loans to college students and loans guaranteed by the Small Business Administration);

Accept the reduction of percentage depletion for the minerals industries (though not a part of the administration's initial recommendations) and the inclusion of both depletion and intangible drilling costs in ADR (as initially suggested to the House) but would go beyond H.R. 13270 by proposing (as the administration did initially, but as the House did not) that both depletion and intangible drilling costs be included in LTP, though the latter not for taxpayers deriving 60% or more of their income from oil and gas operations;

Continue the limitation (as originally proposed by the administration) on restricted stock plans;

Accept the House proposals regarding charitable contributions, except the inclusion of donations of appreciated property in LTP and ADR;

Include tax-exempt interest in ADR (as does the House bill) but—with potentially damaging effect—without the ten-year phase-in which the bill provides;

Apparently employ an arrangement (to be disclosed later) such as an urban development bank in lieu of interest subsidies to state and local governments that elect to issue taxable securities;

Retain the retroactivity of any change in the taxation of capital gains.

Clearly, there is a great deal still to be done to make H.R. 13270 consistent with *all* the goals of constructive tax reform.

* * * * *

Nothing said above is meant to disparage in the least the importance of efforts to check genuine abuses of the present tax code. No one can make a case for retreating from that task. The point is we must be sure that in the cleaning-up process it is bathwater and not babies that is thrown out, and that there is no exchange of new inequities for old ones. We need a tax code that is fair and equitable. But we also need a code that bolsters incentive to work, to save, to invest, to take risks (and heavy risks at that) and a code that will have the kind of effect on the institutional structure of our country—the place of private enterprise in the production process, the balance of state and local *v.* federal power, and the role of private nonprofit, gift-supported institutions—that will strengthen not weaken the democratic qualities in American life.

NEED FOR REFORM IN DRUG TESTS

Mr. MONDALE. Mr. President, the time for reform has come in the field of drug testing.

Recent disclosures in the New York Times, the St. Louis Post Dispatch, and the Christian Science Monitor have made it clear that the present system of testing and approval for new prescription drugs leaves much to be desired.

Currently, tests on new drugs are made by medical researchers and laboratories hired by pharmaceutical manufacturers. Then, on the basis of this industry-sponsored research, the Food and Drug Administration makes its decision on whether or not drug should be marketed.

As the St. Louis Post Dispatch has pointed out:

> Both the purchaser and the performer of the tests have a financial interest in a favorable report—the latter to get further lucrative test contracts.

Dr. William O'Brien, associate professor of medicine at the University of Virginia, explored this situation in a recent article in the Bulletin of the Atomic Scientists:

> In case after case some (pharmaceutical) firms have been guilty of misrepresenting, distorting and even withholding information about the dangers of drugs, and injury and death have resulted.

He cited a 1960 report in the Canadian Medical Association Journal that only 5 percent of published tests "met even the crudest scientific standards" and added that "the trials I reviewed in 1967 were not any better."

The Senator from Wisconsin (Mr. NELSON) has introduced a bill that would establish a national center to contract research out to individuals, organizations, and institutions that have no relationship with the manufacturer of the drug at issue. It would remove the existing responsibility for drug testing from the manufacturer and entrust it to an independent testing and evaluation center.

This new drug-testing bill is one of the results of the more than 2 years of hearings that Senator NELSON has conducted on drug industry policies as chairman of the Senate Small Business Monopoly Subcommittee.

In two articles published recently in the Christian Science Monitor, Lucia Mouat explored many of the present policies in the drug industry ranging from pricing to promotion, with special emphasis on the issue of current testing and evaluation procedures.

I ask unanimous consent that the two articles be printed in the RECORD.

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

PRICING POLICY MAY BRING DRUG-INDUSTRY LEGISLATION

(By Lucia Mouat)

WASHINGTON.—The average United States drug manufacturer has dozens of paper rivals, but, as a specializer, very little real competition. For him business never has been better. The $5 billion drug-manufacturing industry currently is this nation's top profitmaker.

Evidence is strong, however, that the consumer has been paying more than his fair share of the bill. He is charged vastly different sums for the same quantity of the same drug under different brand names.

The 22 companies, for instance, which manufacture prednisone vary in their rates per 100 tablets to pharmacists by more than $10. The druggist may pay anywhere from 59 cents to $10.80 for an item companies admit costs only 50 cents to produce. Similarly, the price to druggists per 1,000 tablets of reserpine ranges from 72 cents to $39.50.

Often the same company will charge one price to the pharmacist and a dramatically lower one to the government if it is making a bid for its business.

MAJOR CHANGES EXPECTED

The dollar story reads much the same for hundreds of the 7,000 drugs on the U.S. market.

Such facts unearthed in 2 years and 12 volumes worth of hearings on drug pricing and advertising by the subcommittee on monopoly of the Senate Select Committee on Small Business are expected to lead to some major changes in drug-industry legislation.

Already as a result of the widely publicized price variations in prednisone, two major companies have slashed their prices for the drug. (The Schering Corporation cut its price per 100 tablets from $17.90 to $10.80. Parke-Davis Company cut its price to pharmacists by more than 80 percent.)

Sen. Gaylord Nelson (D) of Wisconsin, chairman of the monopoly subcommittee, has legislation pending which calls for label-

ing drugs by their generic or official name in addition to the usual brand name.

He also has a bill which would establish a drug blue book, available to all physicians, which would describe drugs by content, generic name, uses, side effects, brand names, prices, and sources of supply. Most drug listings available to date are missing one or more of these.

BRAND NAMES SUCCESSFUL

Senator Nelson puts much of the blame for overpricing on drug-company use of catchy and highly promoted brand names. These drugs are usually the most expensive varieties. A full 90 percent of the prescriptions that come to the pharmacist call for brand-name products.

"This is the only business in the country which has been able to virtually eliminate competition by brand-name identification and advertising," Senator Nelson charged in an interview. "It's a very elaborate, very successful method of setting prices."

In all, the nation's 136 major drug manufacturers employ some 20,000 salesmen or detailmen whose job it is to call on physicians with free samples and free promotional advice. They have no compunctions about criticizing their opponents' products and are given bonuses in accord with their sales.

DEFENDERS CITE RESEARCH

Only an estimated 4 percent of the nation's physicians refuse to see the detailmen, and admit they rely heavily on them for drug information. In his "Handbook of Prescription Drugs," Dr. Richard Burack of the Harvard Medical School points out that pharmacology is not taught beyond the second year in most medical schools (and much of this information quickly becomes obsolete) and that the drug industry spends more than $600 million a year on advertising aimed directly at doctors.

In their defense, drug-industry spokesmen argue that prices are high because their business risks are high and that large sums are needed for research and development. They argue further that in general drug retail prices have been going down in recent years.

Senate committee spokesmen, however, say this is simply on drugs physicians are no longer prescribing. In their place new drugs are prescribed and the prices are high. A study by the Lilly Corporation, a drug firm, affirmed that the average cost of prescriptions went up 50 percent between 1954 and 1964.

IDENTICAL DRUGS ADMITTED

In testimony before the monopoly subcommittee, George S. Squibb, former vice-president and now a consultant to E. R. Squibb & Sons, called high drug prices the "Achilles heel of the pharmaceutical industry." He predicted government regulation for companies which refuse to settle for "ordinary profits" (he counts 12 percent adequate) rather than "windfalls." After taxes, drug companies now average 21.1 percent in net profits on invested capital.

Under intense questioning by Senator Nelson, drug-company spokesmen, while stalwartly defending the concept of a trade name and the company responsibility which must lie behind it, admitted they could point to no proven quality difference between their drug and others which would justify its much higher price.

Dr. James L. Goddard, former commissioner of the Food and Drug Administration, has labeled Senator Nelson the drug establishment's "lonely foe" and commented that one of his greatest problems is that he is "championing the cause of a public that doesn't really know how much it needs a champion."

The Senator from Wisconsin and his committee aides hope that a combination of publicity, education, and legislation will do the work of bringing drug prices down. They see it as crucial to melt some of the well-forged links between the physicians and the pharmaceutical industry.

In addition to the role of the detailman in the physician's choice of drugs, it is noteworthy that the American Medical Association's revenue from selling mailing lists of doctors' names is some $900,000 a year. Senator Nelson hopes that with a compendium available and a drug labeling change, doctors will have access to less-partial information and write prescriptions by drugs' general names, stipulating a "low cost" brand.

One weapon remaining, of course, is antitrust action where evidence of overcharging is clear. In a court case dating back to 1961, three large American firms (with two others named as coconspirators) were sued by 43 states on grounds of price-fixing on several widely used antibiotics. Plaintiffs charged that the price was about five times what it ought to "reasonably" be.

Preferring, as is often the case, to settle out of court, the companies in a unique move have set aside $120 million as refund money to states, hospitals, citizens, and pharmacists who purchased the drugs when the prices were high.

U.S. TESTING FACILITIES SOUGHT FOR STRICTER CHECK ON DRUGS

(By Lucia Mouat)

WASHINGTON.—Trying to keep the nation's drug industry honest is one of the many chores of the Food and Drug Administration (FDA).

The task is not an easy one for an agency with only six staff members assigned to police $800 million worth of industry advertising a year and only 1,600 workers to keep a wary eye on the 7,000 drugs already on the market, conduct all pertinent research, and review hundreds of applications for new drugs.

Testing facilities in this regulatory agency are extremely limited and the FDA relies almost wholly on evidence supplied by the drug company itself as to how safe and effective its product is.

Often reams of material are submitted—one FDA official has seen notebooks of evidence for one drug stacked six feet high—in hopes that quantity may make up for lack of quality. The process of approval of a new drug for the market may take anywhere from seven months to five years.

Winton B. Rankin, FDA deputy commissioner, admits such testing practices could stand improvement.

CLINICAL TESTS PROPOSED

"The situation has improved but it's really not satisfactory at all," he commended in an interview. "Companies have done the kind of testing they think will get their product on the market the fastest. Often they submit volumes of material but a limited number of valid experiments."

Mr. Rankin says the FDA needs a clinical testing facility of its own but as a supplement rather than as a full substitute for company efforts.

He counts as one answer to the problem a decision on the part of companies to limit their efforts to "sound testing" and to draw up and discuss their plans of action with FDA personnel.

But many argue that the burden of proof of a drug's acceptability for the market should be shifted completely to the government for a more objective evaluation.

Sen. Gaylord Nelson (D) of Wisconsin, whose Senate subcommittee on monopoly has been delving into drug pricing and advertising, recently proposed the establishment of an FDA drug-testing center either in the agency or by contract to university or hospital researchers with no financial link to the drug industry.

Another proposal gathering momentum would require that copies of any reports sent by an investigator to a drug company be sent also the FDA. In the past, most of the unfavorable findings have been quietly squelched by the companies.

CURBS ENACTED RECENTLY

Such federal restrictions as there are on the drug industry have come largely in recent years. Before 1938 anything could be marketed. After passage of the Food, Drug, and Cosmetic Act, safety was put as an essential criterion.

In 1962, former Sen. Estes Kefauver (D) of Tennessee put a further clamp on drug manufacturers (after extensive hearings by his Senate committee begun in 1959) by sponsoring legislation which required companies to prove that their drugs were effective for their claims as well as safe.

Unhappy, with that development, the drug industry unsuccessfully tried to get Congress to limit the regulations to new drugs.

Since its manpower was limited for the job of checking on the close to 4,000 drugs introduced on the market between 1938 and 1962, the FDA contracted with the National Academy of Sciences' National Research Council to do the review. Thirty panels of medical authorities were put on the job. Once again, the burden of proof of drug acceptability lay with the companies.

Last December and again in April the study group announced its intention to remove close to 100 antibiotic compounds from the market. So far, however, only three drugs have ben removed from pharmacists' shelves.

The group classified its results in terms of priorities and gave some companies as long as a year to come up with fresh substantiating evidence.

In others, such as the now famous Panalba case, the FDA has been involved in lengthy court proceedings in which the manufacturer has demanded a hearing before the drug is removed from the market It is regarded as an important test case of company vs. FDA power.

In the view of Rep. L. H. Fountain (D) of North Carolina, chairman of the House subcommittee on intergovernmental relations which keeps a close watch on FDA activities, the net effect of the Academy of Sciences study was to invite a fresh flood of information and put off the final judgment indefinitely.

Fraudulent advertising is a persistent problem. Professional and semiprofessional journals are filled with full-page color drug ads and the FDA is expected to keep an eye on all of them.

In fiscal 1968 staff members found 15 instances of violation of federal standards. Companies which have made sweeping claims for the effectiveness of their particular drug or perhaps not accurately warned the public of possibly dangerous side effects, are required to correct their advertisements and to send a letter to all the physicians who might prescribe it.

As an indication of how important regulation is—that company ethics are not always sufficient to do the job—consider an instance during the hearings of Senator Nelson's subcommittee in February, 1967:

INDUSTRY VIEWS CITED

A leading manufacturer of the drug chloromycetin was shown two ads, one in an American medical journal and another in a British medical journal. He was asked why only the American ad carried a 1,300 word warning about possible dangerous side effects of the drug. His answer: British law did not require the printed warning.

"I was shocked," Senator Nelson later related, "and I told them I didn't know how they could sleep nights taking that kind of an attitude."

Calling the drug establishment "a close

knit, self-perpetuating power structure" which "functions with all the smoothness of an intricate Swiss watch," Dr. James L. Goddard, former FDA commissioner, said in a March article in Esquire magazine that "advertising is the establishment's shop window to the physician, and any attempt at 'tampering' is met with massive resistance."

In a broader indictment, the former medical director of a major drug company testified before the Nelson subcommittee this spring that one who works for the drug industry must learn "that anything that helps to sell a drug is valid, even if it is supported by the crudest testimonial, while anything that decreases sales must be suppressed, and rejected, because it is not absolutely conclusive proof."

Dr. A. Dale Console, who left his post at E. R. Squibb & Sons in 1957, added that the good employee must learn to word a warning statement so it will appear "an inducement" rather than a warning.

A stricter legislative crackdown on drugs may be coming. Much depends on how much influence such lone fighters as Senator Nelson, Representative Fountain, and Dr. Goddard have on Congress. In any event, there is little question but that the drug-manufacturing industry is undergoing the most thorough investigation it has been put through.

The Senate subcommittee hearings, for instance, are expected to last three or four more years, as congressional investigators probe the problems of government patent policy, government drug procurement, antitrust practices, and over-the-counter drugs.

ENVIRONMENTAL QUALITY: ECOLOGY AND ECOLOGISTS

Mr. TYDINGS. Mr. President, the deterioration of the quality of our environment is one of the major issues confronting this country and this Congress. Unless we are able to halt this deterioration, unless we put an end to the senseless pollution of our air, land, and water resources, the continued existence of our way of life and the survival of man on earth itself is called into question.

The science which gives us the information to insure that we remain is ecology. Ecology can be defined as the study of the relationship between living things and their environment. Men who seek this knowledge are termed ecologists and one of the finest is Dr. David M. Gates, director of the Missouri Botanical Garden in St. Louis.

Dr. Gates has spoken out forcefully in order to reverse the decline in environmental quality. He has warned that we need more information about man's ecological impact on earth and that we need it soon before it is too late.

Ask Dr. Gates,

We have to learn about what kind of environment we're going to live in. The question is, will we learn in time?

In the lead article of the New York Times magazine for October 5, Robert W. Stock writes of Dr. Gates and his efforts to reverse the deterioration of our environment. Mr. Stock emphasizes the sensitivity of our environment to change, the need for additional ecologists and for more scientific knowledge, the Gates energy-exchange theory, and the serious threat to life from overall oxygen depletion.

It is an enlightening article, one that is well worth reading. I ask unanimous consent that it be printed in the RECORD.

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

[From the New York Times Magazine, Oct. 5, 1969]

SAVING THE WORLD THE ECOLOGIST'S WAY

(By Robert W. Stock)

ST. LOUIS.—For two hours, David M. Gates, the director of the Missouri Botanical Garden here, had led me past lily ponds, among lush plantings of greenhouse orchids, along paths crimson with roses. "There's one thing more you should see," he said, and he strode through a grove of verdant trees to the foot of a pine. It was startling in its grotesque ugliness, its trunk rising to a tangle of charred and stunted branches. "This is our lone survivor of the days when they burned soft coal in St. Louis," he said. "Every other pine and evergreen was killed. We have others in the garden now, but they're all new."

Gates is an ecologist, a student of the relationship between life forms and their environment. He is also a leader among the band of scientific Cassandras who seek to alert the nation to impending doom. Our continuing rape of the natural environment, he has warned, can produce an earth populated by "half-starved, depressed billions gasping in air depleted of oxygen and laden with pollutants, thirsting for thickened, blighted water." I wondered whether Gates considered the blackened, long-lived pine a symbol of hope or despair. "You can take your pick," he said. "We can have it either way."

There is a tendency, today, to think of ecology as a new science, and its practitioners as men called into being by the environmental crisis, but the facts are otherwise. Ecology ("eco" derives from the Greek word for "home" or "habitat") had its beginnings around the turn of the century. It is a branch of biology, cutting across a multitude of disciplines, from zoology to botany. In Gates's words, "Ecology is the very epitome of science itself."

Wind and sun, carbon cycle and photosynthesis, strontium 90 and pesticides; every force and element that interacts with plant or animal is grist for the ecologist's mill. By studying this interaction, and its effects upon living things, he can help a farmer to improve his crop yield, or a city to clear its polluted air.

Traditionally, however, the ecologist has operated far from the urban scene. He has most often been a very private person, attuned to field and forest and the grooves of Academe, devoting his life to the careful observation and description of a handful of individual plants. But in the last decade or so, new ideas and technologies have transformed the discipline. The manifest threat to the earth environment has turned dozens of ecologists into social critics and has placed a premium on their abilities to devise and effect new programs. In many ways David Gates perfectly reflects these changes.

My visit with Gates began in his office on the grounds of the botanical garden, a 70-acre oasis in the center of St. Louis. A chandelier dripped crystals from the ceiling; rare orchids brightened his desk and the mantel above an ornate fireplace. More than a century ago, the room had been occupied by a transplanted Englishman named Henry Shaw, who had made a fortune in cutlery and real estate. It was he who established Shaw's Garden, as it is known locally, on the site.

Gates is 48 years old. His appearance is pleasant and undistinguished—5 feet 9 inches; a crewcut over a faint brush mustache; tweedy sports coats and baggy trousers. His voice is monotone, relieved by an occasional chuckle.

"I'll tell you what we worry about most," he began. "An irreversible catastrophe. A number of pesticide spills, for example, in those areas of the ocean where large colonies of marine organisms produce much of the world's oxygen. If you plot out the frequency of this kind of event, they're getting closer and closer."

The ecological state-of-the-art frightens him. "We're still in the Stone Age. This is pure speculation, but think about it: Influenza epidemics have followed very closely periods of great volcanic activity. Maybe the dust in the atmoshpere from that activity reduces the sunlight and triggers a virus or our susceptibility to it. So what happens if man loads the atmosphere with dust from combustion and construction projects and *then* there is major volcanic action. The worst flu epidemic in history? As I say, that's all speculative—but it's the kind of thing we should know, and we don't."

For a David Gates, the isolated incidents of man's inhumanity to nature—and hence to man—are part of a complex ecological pattern. The earth is a single vast system of interrelationships among plants and animals and climatic forces—an ecosystem.

Thus: If there were not enough oxygen in the atmosphere to filter out ultraviolet rays, the seeming benevolent sun would destroy life on earth. Plants produce that oxygen through photosynthesis; they also help keep the atmospheric balance by absorbing carbon dioxide from the air. Enter man. He burns ever-increasing quantities of oil and coal, filling the air with carbon dioxide. He cuts down and paves over huge tracts of forests and poisons ocean life with chemicals. Question: How long will it be before the earth's plants are unable to produce enough oxygen—or absorb enough carbon dioxide—to hold back the ultraviolet rays?

Or: If a stream is to be healthy, the algae must have nutrients in the form of nitrates and phosphates. Algae are consumed by fish, fish by animals, and the food web, as this ladder is known, thrives. Enter man. He spreads his farmlands with fertilizers, mainly nitrates and phosphates, which are washed off into the streams. The excess of nutrients spurs a sudden increase in algae growth. Some of the new algae are not part of the food web; their growth is not controlled by hungry fish. New, inedible algae displace the old, the fish gradually disappear from the stream, the food web is destroyed. Question: How long will it be before all of the streams of our farmlands are sick?

Spurred by his fear for the environment, and its human dependents, Gates has been crying havoc—in appearances before Congressional committees, in lectures to scientific and lay audiences, in magazine articles by the dozen. He is a confirmed egalitarian who wants to educate and arouse the public, but he concentrates his greatest effort on the nation's leadership so that action can be taken "almost by fiat."

First and foremost, he wants Federal support for a revolution in the ecological discipline itself. Speaking before a subcommittee of the House Committee on Science and Astronautics, he charged the ecology, as now constituted, is unable to answer the questions that must be answered: How will a particular kind of air pollution affect the population? What effects will a highway or a jetport have on a wildlife area? The traditional descriptive ecological data are often available, the details on specific plants and animals gathered by classical ecologists, but they don't suffice. The effects are too complex, too subtle. The data must be "pulled altogether into coherent models"—general laws and theories that can be applied to the particular case. Gates has asked Congress to establish a National Institute of Ecology to begin the task, and for Federal