

To be brigadier general

Col. William Hyde Meroney III, [redacted] Medical Corps, U.S. Army.

2. The following-named officers for appointment in the Regular Army of the United States, to the grade indicated, under the provisions of title 10, United States Code, sections 3284 and 3306:

To be brigadier general

Brig. Gen. Robert Morris Hardaway III, [redacted] Army of the United States (colonel, Medical Corps, U.S. Army).

Brig. Gen. Edward Henry Vogel, Jr., [redacted] Army of the United States (colonel, Medical Corps, U.S. Army).

Brig. Gen. William Henry Moncrief, Jr., [redacted] Army of the United States (colonel, Medical Corps, U.S. Army).

Maj. Gen. Spurgeon Hart Neel, Jr., [redacted] Army of the United States (colonel, Medical Corps, U.S. Army).

U.S. NAVY

Rear Adm. George E. Moore II, Supply Corps, U.S. Navy, having been designated, under the provisions of title 10, United States Code, section 5231, for commands and other duties determined by the President

to be within the contemplation of said section, for appointment to the grade of vice admiral while so serving.

U.S. COAST GUARD

The nominations beginning Newton L. Bennett, to be lieutenant (junior grade), and ending Robert A. Yuhas, to be lieutenant, which nominations were received by the Senate and appeared in the Congressional Record on October 8, 1970; and

The nominations beginning William C. Behan, to be captain, and ending Larry K. Carr, to be lieutenant, which nominations were received by the Senate and appeared in the Congressional Record on November 17, 1970.

DIPLOMATIC AND FOREIGN SERVICE

The nominations beginning Francis S. Ronalds, Jr., to be a Foreign Service information officer of class 2, a consular officer, and a secretary in the diplomatic service of the United States of America, and ending William C. Wagner, Jr., to be a consular officer of the United States of America, which nominations were received by the Senate and appeared in the Congressional Record on September 28, 1970.

U.S. ARMY

The nominations beginning Ralph D. Pinto, to be colonel, and ending David J. Walker, to be second lieutenant, which nominations were received by the Senate and appeared in the Congressional Record on October 8, 1970.

U.S. NAVY

The nominations beginning Marvin Roy Aardal, to be lieutenant, and ending Frances Elizabeth Zuber, to be lieutenant, which nominations were received by the Senate and appeared in the Congressional Record on October 8, 1970.

U.S. MARINE CORPS

The nominations beginning Hugh S. Aitken, to be colonel, and ending Kenneth W. Zitz, to be captain, which nominations were received by the Senate and appeared in the Congressional Record on October 8, 1970; and

The nominations beginning Margaret A. Brewer, to be colonel, and ending Ralph A. Zimmerman, to be major which nominations were received by the Senate and appeared in the Congressional Record on October 8, 1970.

EXTENSIONS OF REMARKS

CIGARETTE ADVERTISING

HON. FRANK E. MOSS

OF UTAH

IN THE SENATE OF THE UNITED STATES

Friday, November 20, 1970

Mr. MOSS. Mr. President, last week Warren Braren, formerly manager of the New York office of the National Association of Broadcasters Code, filed a petition relating to cigarette advertising. In his petition, Mr. Braren documents fairly, but unsparingly, the cigarette companies' excesses and abuses of the advertising media and calls upon the Federal Trade Commission to issue firm, restrictive rules eliminating such abuses. The merit and persuasiveness of his case appear to me to be beyond question.

Because the situation he describes must trouble the conscience of every American concerned with the public health, I ask unanimous consent that the text of Mr. Braren's letter to the Trade Commission be printed in the Extensions of Remarks.

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

New York, N.Y.,
November 12, 1970.

FEDERAL TRADE COMMISSION,
Washington, D.C.

GENTLEMEN: The enormity of the public health problem relating to cigarette smoking compels the undersigned to respectfully petition the Commission to set forth prior to January 2, 1971:

(1) Its enforcement policy with regard to all themes and representations in cigarette advertising, promotions and on packages, which have the capacity to deceive or mislead the public, and

(2) Its procedures with respect to carrying out this enforcement policy.

By way of identification, the petitioner is the former manager of the New York Office of the Code Authority, National Association of Broadcasters. He directed Code activities relating to the content of commercials and particularly was responsible for supervising the only broadcast industry study on cigarette advertising. The study culminated in a report critical of many themes employed in

promoting cigarettes. The report was publicly released by him in June 1969 prior to his testimony before Congress and this Commission on broadcast self-regulation and cigarette advertising.

NATURE OF PROBLEM

A look at cigarette advertising as it prepares to shift to non-broadcast media as of January 2 reveals that:

(1) Expenditures in print and other non-broadcast media will jump in some cases 300 or more per cent, possibly reaching \$150 million.

(2) The industry's Cigarette Advertising Code disbanded as of August 1, leaving not even that weak form of regulation overseeing the claims and appeals used in cigarette promotions.

(3) Themes and representations implying health benefits that were once prohibited under self-regulation are now being widely and extensively circulated.

(4) The public's concern over pollution of the environment is being exploited by some brands as a marketing tool.

(5) Previously unused promotional gimmicks have emerged, including direct tie-ins with clothing manufacturers and salons.

(6) Newly introduced pictorial and other representations on cigarette packages are diluting or negating the required health warning.

(7) The FTC has failed to act upon the many criticisms of cigarette advertising and promotion contained in its own Reports to Congress.

The petitioner's request for Commission action is necessitated by the wide range of deceptions or misrepresentations, direct or implied, that exists in cigarette advertising and labeling. Most of the themes involved are not unknown to the Commission. They are of the same nature or closely parallel those extensively criticized in the Commission's Reports to Congress which led in part to the passage of the Public Health Cigarette Smoking Act of 1969.

The action requested is required regardless of the status of the Commission's proposed trade regulation rule requiring tar and nicotine content disclosure in cigarette advertising.

PUBLIC HEALTH CIGARETTE SMOKING ACT
OF 1969

Under the old Cigarette Labeling and Advertising Act which expired in July, 1969, the Commission was in a delicate position

with regard to policing cigarette advertising. The tacit understanding was that the Commission should be patient while the tobacco industry and media were given the opportunity to self-regulate. That situation no longer exists under the new legislation.

The two most publicized features of the 1969 Act relate to the revised health warning on packages specifying that "... cigarette smoking is dangerous to your health" (emphasis supplied) and to the ban of all broadcast cigarette commercials effective January 2, 1971.

But the Act contains an equally important feature which, if given incomplete attention, has the capacity of substantially lessening the public health benefits that are intended to result from the first two provisions. Specifically the statute makes positively clear that the FTC has full authority to act with respect to unfair or deceptive practices in all remaining advertising of cigarettes. This includes the issuance of trade regulation rules and affirmative disclosure statements (except that a health warning in advertising is precluded at least until July 1973).

Quite clearly the success of this Public Health Act depends in no small measure on the Commission assuming its full responsibility in policing the themes and representations employed in the promotion of cigarettes. If these themes and representations enjoy unfettered license, they can readily negate and offset the new health warning and broadcast ban.

TIMING FOR ENFORCEMENT CRITICAL

It is essential that the Commission move at once to correct the many abuses which exist in cigarette advertising and labeling. January 2, 1971, represents a turning around period. Advertisers are gearing up for the change to non-broadcast media effective that date. These media, as discussed later, will experience large jumps in the amount of cigarette advertising. Now clearly is the time to set up warning flags so all parties concerned are fully aware of the Commission's enforcement policies.

REPORT TO CONGRESS

The Commission in its four Reports to Congress¹ on cigarette advertising and labeling was emphatic in its finding that cigarette advertising creates the impression that cigarette smoking is a healthy activity. The Re-

¹ 1964, 1967, 1968, 1969.

ports raise many serious questions with respect to the nature of individual themes and representations. These criticisms fall into three prime areas of concern:

- (1) Satisfaction theme—smoking and the kind of taste derived from it are satisfying,
- (2) Associative theme—smoking associated with that which is desirable or even good, and
- (3) Assuaging of anxiety—smoking is relatively free of hazard.

Thus the 1969 Report concludes in part that the "net effect (of cigarette advertising) is to portray smoking as socially desirable, healthful, youthful and contributing to, or reflecting, material success. The health hazards of smoking are ignored or denied, usually by means of indirect references . . . (the) risk, to the extent that it exists, can be reduced through the presence of a filter."²

These same types of themes and representations, with the possible exception of tar and nicotine claims, continue unchecked. In fact some have been elaborated upon, and new themes capitalizing on the public's interest in pollution and the environment have been introduced.

EFFORTS TO MOTIVATE SELF-REGULATION OF CIGARETTE ADVERTISING

The Commission, as well as members of Congress and health officials, made its criticisms known to self-regulatory authorities seeking to spur industry and media to take more meaningful actions.

In November 1965, the Commission wrote to cigarette and broadcast industry officials calling attention to the need to eliminate "advertising which tends to negate, contradict, obscure, undermine, or dilute the cautionary statement on cigarette packages." It went on to state that "the provisions of the Codes appear to be inadequately designed to achieve Congress' objectives that the public should in no way be misled, or lulled into a false sense of security, with respect to the health hazards of cigarette smoking." The request essentially went unheeded, the rationale being that both the cigarette industry and broadcast Codes were being responsive in dealing with this problem.

The Commission wrote the Code Authority again in March 1967 indicating that the "showing (of) handsome and attractive men and women smoking and enjoying cigarettes" appeared to violate the Television Code cigarette standard. The response was non-committal.

In both of these instances, the Commission indirectly affirmed the criticisms and conclusions contained in its Reports to Congress.

CIGARETTE ADVERTISING CODE AND PRINT MEDIA

Every informed person knows that cigarette advertising enjoyed considerable leeway under the self-regulatory programs. The Commission concluded that its Reports "amply demonstrate the futility in relying upon voluntary regulation of cigarette advertising to achieve any significant changes in the content and meaning of cigarette advertising."

Today there is no administrated self-regulation of cigarette advertising. The Cigarette Advertising Code (CAC) fumbled and finally closed its door on August 1 of this year. It exists now only on paper. The industry has discreetly avoided a public announcement.

As for print and other advertising media, outside broadcasting, they do not even pretend to standards affecting the content of cigarette promotions. The only restraint is found in the few publications that do not accept such advertising.

²The findings and conclusions in these Reports are remarkably similar to those contained in the aforementioned broadcast industry report on cigarette advertising conducted in 1966.

From another vantage point, the advertising column in the October 10, 1970 Sunday New York Times described the pressures on media from advertisers and agencies. Referring to "advertising standards that give a little" it implied that it is only human for media standards to become flexible when confronted with advertising budgets.

This is the situation which prevails as well over \$100 million in cigarette revenue lines up to be spent next year in non-broadcast media. Consequently, now more than ever, the public must look to the Commission to control cigarette advertising representations.

INEFFECTIVE SELF-REGULATION MORE EFFECTIVE THAN THE FTC

Paradoxically the collapse of the CAC has not resulted in more effective control of the themes and representations employed by cigarette manufacturers. Rather the situation has grown worse. Claims and depictions implying health benefits which had been precluded by the industry's own Code now run rampant.

Under section 3 of that Code, a cigarette's filter could not be high-lighted nor could there be emphasis placed on a filtration process. Descriptive names for the filter (e.g. micronite) were taboo. Diagrams, full shots of the filter and the like were minimized or eliminated altogether. Claims of innovation for a filter were unacceptable without proof of medical significance.

Under section 4, "mildness" claims had to be qualified to refer to "taste." Even that euphemism is often omitted today. "Activated charcoal" was ruled out. Discussion of gases in cigarette smoke was unacceptable. Mental cigarettes were unable to be displayed on ice or snow. References to "fresh air" would never have made the grade, not to mention the claim "stop smogging" and references to "modern science."

These sections of the tobacco Code were rescinded after the Commission policy statement of March 1966 allowing tar and nicotine representations in advertising.

FTC FAILS TO CONTROL HEALTH CLAIMS

At one point, it appeared that the FTC was going to exercise its statutory authority in cracking down on the whole range of health claims not directly related to a cigarette's tar and nicotine content. Two articles appeared in the Wall Street Journal issues of January 16 and March 18, 1969 disclosing an FTC investigation begun in December 1968—almost two years ago! The articles cited a two-page questionnaire which had been sent to tobacco companies requesting scripts and substantiation of health claims made in all ads.

Reference is made in these articles to the charcoal filters of Tareyton and Lark and the gas phase of cigarettes; to other filter descriptions and representations relating to a filter process; and to the complicated inner workings of filters—all in terms of implying "comparative safety." The latter article clearly indicates that the ensuing FTC staff report concluded that such implied health claims should be halted. The report apparently was before the Commission in March 1969. A year and a half later the Commission has failed to act to control such deceptive representations.

LARK'S GAS-TRAP FILTER CAMPAIGN

The Lark "gas-trap filter" campaign is an example of advertising running wild unchecked by any kind of reasonable public interest regulatory standards.

One current ad shows a road sign reaching out at you with the blue sky as background—the sign title reads "STOP SMOGGING." The copy reads "start smoking Lark. You see modern science uses a special type of charcoal to clean air" and so on. Another shows a city bus spewing exhaust blackening its backside and the surrounding air while

the bus prominently displays a billboard conveying the solution—"why don't they put Lark's gas trap filter on me?" The implication of health benefit could not be clearer.

In still another, four people are shown grimacing while the ad title reads—"Just what does gas in cigarette smoke taste like?" The solution, of course, is Lark. Finally, Lark's filter is named "The GAS MASK" and is directly equated with one—"it actually works just like a gas mask." The contention gains support through the aseptic display of an oversized Lark cigarette with dissected wrapper attractively showing the magic charcoal granules.

A gas mask cleans air and makes it safe for you to breathe! The gas-trap filter cleans smoke and makes it safe for you to inhale. As an added plus it stops "smoggy taste." Then for the crowning touch, some of these ads show the Lark package diagram of the filter which, in addition to the gas filter, points to tar and nicotine filters #1 and #2. According to the latest FTC test Lark 85 mm contains 17.2 mg. tar; 100 mm 17.6 mg. tar, ranking 31 and 38, respectively.

These representations constitute blatant deception, unabashedly taking advantage of the public's concern over pollution and the quality of air, while cynically disguising the real nature of the health hazards presented by smoking.

On February 13, 1969, the Code Authority wrote to the Commission seeking clarification of its enforcement policy relative to the effects of gases in cigarette smoke. Despite the statements in the Wall Street Journal, the Commission responded on April 17, 1969 advising that it had "decided to await the action of Congress before the Commission addresses itself to the subject." Now Congress has acted and the Commission has remained silent even though it criticized the gas phase advertising in its 1969 Report to Congress. As a result, the public—even under the new FTC provision in the Public Health Cigarette Smoking Act of 1969—is being subjected to the worst sort of confusion and abuse in this vital public health area.

ACTIVATED CHARCOAL AND THE GAS THEME

Tareyton likewise has been touting its "activated charcoal" ever since the CAC deleted its health claims sections. Typical copy now reads "Tareyton is better, charcoal is why . . . activated charcoal delivers a better taste. A taste no plain white filter can match." The taste qualification notwithstanding, the emphasis is on supplying protection and allaying the smoker's fears related to his health.

Multifilter, a comparatively new brand, pictorializes its charcoal filter in much the same aseptic way as Lark. The display of the filter has a medical, space-age technology feeling. It reassures as the copy reads "Activated Charcoal Granules; highly absorbent of selected gases to smooth out flavor." The brand also takes advantage of the fresh air problem, calling attention to its "Fresh Air System: acetate fibers reduce tar, while fresh air injection surrounds and freshens flavor." The implication of health benefit is overt. The name of the brand alone would not have been approved under the industry's own Code.

FRESH AIR BECOMES MARKETING TOOL

The public's concern with the quality of air it is being forced to breathe has become fair game for cigarette advertising. There can be no vestige of scruples when that which pollutes your lungs is tagged with a "fresh air" label. Cigarette advertising used to hint at fresh air through the display of open spaces and the feeling of freshness. Now it has become overt. Multifilter is a case in point. Then there is Belair, which lets you "start fresh" showing a couple in the beautiful, cool blue of a shoreline and open sky.

A new brand, Maryland 100's actually has been introduced around a fresh air theme. It claims "100% fresh air cured tobacco (for)

fresher menthol flavor" while its package is displayed in the open, fresh air countryside. Preparation is your safeguard. Tobacco is treated to "fresh air for up to eight long weeks." The removal of noxious substances is clearly implied.

Lucky Filters, a brand relatively high in tar, ranking in the upper 70's out of 118 brands last tested by the FTC, takes full advantage of this custom-made diversionary tactic. It speaks of "air-cured tobacco (giving) you a lighter taste . . . you'll like the fresh change." This kind of terminology clearly keeps the public off guard. It misleads by creating a false sense of security and by confusing the public as to the real meaning of tar and nicotine levels.

OTHER TYPE FILTER REPRESENTATIONS

Parliament claims "it works just like a cigarette holder works." Some ads show Parliament selected from a dozen cigarette holders. The health promise is plain—"the filter is recessed, tucked back away from your lips. So you only taste the good, clean Parliament flavor. The Parliament cigarette holder. It works." To do what?

New Kent Menthol 100's has "got it all together!", with a "Wow!" no less. And what does "all together" mean?—"a new kind of menthol refreshment. Brisk, breezy flavor . . . Kent's exclusive micronite filter . . . good rich taste." These are "all the good things of a Kent." The "good things" of a Kent consist of terminology and portrayals which substantially mask the health hazards attendant to smoking the product.

Another new brand, Mark VII, highlights its "puff-control filter" according to press reports. Still another, New Leaf, scheduled for an \$8 million campaign in November and December of this year alone, has as its principal theme the phrase "gives you a tingle." Without seeing the ads, it is hard to imagine how this promise of sensation will contribute to the smoker's awareness of the health hazards attendant to smoking.

MILDNESS

Raleigh Filter Longs let you "spend a milder moment" with its "quiet taste." A beautiful golden sunset and romance complete the milder moment with the reader assured that ". . . special treatment softens the tobacco for a smoother, milder taste." The words milder, quiet, smoother are as reassuring as the serene beauty of the moment depicted in the ads. The feeling is that the product is good for you.

Chesterfield 101 promises "gentle flavor for the mildest of taste." The deceptive nature of the words is brought home when you realize that the brand ranks an incredible 90th in the most recent tar listing.

Other brands take advantage of mildness and similar references. Advertisers simply use these reassuring words as part of their jargon without hindrance from the Commission.

BEAUTIFUL PEOPLE IN BEAUTIFUL PLACES DOING BEAUTIFUL THINGS

Cigarette smoking most often does not represent a rational choice on the part of the smoker. It is tied up with many emotional and peer group considerations. The themes in cigarette advertising take full advantage of these very human frailties and susceptibilities. These themes divert attention from considering the real consequences of smoking.

The three Chesterfield brands in a coupon campaign use the theme "Chesterfield the beautiful giver." Bold copy reads "beautiful taste, beautiful gifts, beautiful new packs. Everything is beautiful with Chesterfield." Not just the taste, not just the gifts, not just the packs—everything! Including one's health?

Current Viceroy ads show an attractive young lady in a modern boutique. Clad in a

mini dress, she is just the kind of girl that catches your eye. "Her clothes? Anything goes. In a smashing size 7. Her cigarette? Nothing short of Viceroy Longs. She won't settle for less." A young couple "famous" for their dinner parties is seen in a specialty foods shop "searching out the unusual. Their cigarette? Viceroy. They won't settle for less. It's a matter of taste." To be in good taste in all things includes smoking Viceroy!

The romance and sexual attractiveness themes continue in many ads. Kent's "good time" generally features a couple enjoying life. Meeting, getting together, doing things is made complete through smoking.

Salem carries the romance theme into "springtime." A youngish man and woman look at each other as if they have discovered true love for the first time. Purity of love, purity of springtime. New life. "You can take Salem out of the country, but . . ." It ranks 89th on the latest tar scale!

No one can contend that the man who "walks a mile for a Camel" is not a rugged individualist. The copy rightfully should go on to read "he likes his tar strong." Regular size non-filter Camel almost hits the jackpot at 105th. Old Gold Filter, also promoted for "independent people," stands in the same league at 101st on the scale. Marlboro individuality and rugged outdoor themes still leave you with a cigarette which, depending upon the size, ranks 71st to 91st in tar content.

The number of unfeminine or unattractive women who have appeared in cigarette commercials can be counted on both hands. But it took Virginia Slims to help make the American woman what she is today. Comparing today's woman with her drab counterpart of yesteryear, copy stresses "we made Virginia Slims especially for women because women are dainty and beautiful and sweet and generally different from men." Femininity, up-to-date appearance, become equated with smoking.

Beautiful people in the kinds of places people enjoy, doing the kinds of things that give people satisfaction. These themes and others related to them have been amply documented and criticized in the Commission's Reports to Congress. There has been no change for the better in 1970. What has proved successful in TV obviously will set the tone for promotions in print and other media. Clearly the Commission's repeated criticisms require action in the form of enforcement.

OTHER PROMOTIONAL AGENCIES

Both Lark and Pall Mall have found yet another way to enhance the attractiveness of cigarette smoking and to allay any fears smokers may have.

Elizabeth Arden has now introduced the "Lark Collection . . . fashions that are a lark to wear and a lift to live in." Chic fashion and the salon are interwoven with "today's distinctive taste in cigarettes." At Elizabeth Arden you can be massaged, bathed, exercised, etc. With the admonition to "surround yourself with beautiful things" and "be perfectly proportioned from head to toe," Lark becomes an integral part of the cultured up-to-date woman.

Pall Malls tie-in is with the latest fashions sold to stores by Anne Fogarty. The theme is "Pall Mall Gold . . . longer yet milder. Anne Fogarty . . . longer yet wilder." The clothes complement the cigarette. The cigarette complements the clothes.

These types of tie-in arrangements could prove to be a natural for print media. Directly associating cigarettes with products and services which do not involve health considerations might well comprise an unfair trade practice since the hazards of cigarette smoking through these tie-ins are rendered inconsequential or non-existent.

In still another media, a United States Lawn Tennis Association tournament took place in Houston this September. Its name—Virginia Slims. Women players were featured at the tournament. The identity of the cigarette with the sport seems implicit.

Point of purchase devices use terminology urging the shopper not to leave before purchasing a brand of cigarettes. These pleas can be of no help to persons looking for support to shake the smoking habit or not to begin. What better than impulse buying of cigarettes? These appeals contain no tar and nicotine information which might at least guide some purchasers in their choice of brand.

CIGARETTE LABELING

More than ever, the package is becoming a form of advertising. Colorful, pictorial representations wrap around the package itself creating an aura and image clearly in conflict with the warning on the side panel. The warning tends to become lost or at least insignificant.

The Chesterfield Menthol pack is covered by a picture of a babbling brook running through a beautiful green forest—a couple is seen relaxing and smoking. Chesterfield 101 shows a beautiful golden sunrise with a couple on a sailboat in calm waters enveloped by the sun. Chesterfield King Size Filters portrays a couple on horseback riding contentedly in reddish warmth of dusk passing a beautiful overhanging tree.

The appeal of bright red fall foliage is the setting for a couple walking arm and arm through the woods on the L & M Filter Kings pack. L & M Filter 100's takes advantage of rustic fall foliage reflecting in a crystal clear lake which bubbles over a waterfall as a couple looks on. The L & M Menthol pack shows the couple standing on a rock as beautiful, blue water swirls by with green trees overhanging in the foreground and as background.

The types of representations on the Chesterfield and L & M packs clearly suggest moods conducive to relaxing, unwinding, and enjoying. All tension, anxiety and frustration are absent. The cigarette is portrayed as one of the vital dimensions which exist between male and female.

Other cigarette labels, such as Lark and Doral, employ graphic filter diagrams; or, as True, portray the filter prominently conveying an aseptic, space age technology feeling. The Multifilter label uses two circular designs graphically symbolizing the protection features of its filter.

Failure of the Commission to make known its enforcement policy with respect to promotional representations on cigarette packages allows manufacturers to use these packages to deceive and mislead the public.

ONE HUNDRED AND FIFTY MILLION DOLLARS TO PROMOTE CIGARETTES IN 1971

Cigarette advertisers have been rushing to introduce new brands prior to the legislative ban on radio and television commercials for cigarettes commencing January 2, 1971. According to an article in the September 16, 1970 Wall Street Journal, plans have been made for next year to more than triple the advertising budget for newspapers to a new high of \$50 to \$75 million; magazine advertising revenue will rise more than \$10 million to a high of \$40 million; billboard advertisements will triple to an approximate \$6 million.

Later reports show even these figures to be too low. An October 16, 1970 Advertising Age article authoritatively projects outdoor ads in the \$30 to \$40 million range with Brown and Williamson alone spending \$7 million in this medium for 1971. The same article projects magazines "far above \$50 million."

Advertising Age the following week indicated that American Brands was seeking

guaranteed positions (52 week, 5 day per week schedules) in newspapers to the tune of "\$15 to \$30 million in small-space ads" with the deal hinging on "fixed position above the TV log." American clearly seeks to offset the loss of TV penetration.

These figures could well add up to \$150 million used to promote cigarettes in non-broadcast media during 1971. It is quite obvious that cigarette manufacturers are dramatically increasing their budgets in these other media. In so doing, they are ignoring the pleas of Senators Moss and Magnuson, and of other members of the Senate Commerce Committee who worked so diligently to pass the 1969 Public Health Cigarette Smoking Act. The nature and volume of this promotion makes the third provision of the act pertaining to the responsibilities of the FTC all the more important. According to the Wall Street Journal of November 5, 1970 cigarette sales are "looking stronger lately," so much so that "some analysts predict per capita consumption will show a gain for 1970."

TAR AND NICOTINE CONTENT DISCLOSURE IN ADVERTISING

The Commission's statement of March 25, 1966 opened the way for tar and nicotine claims in advertising. The Commission clarified its enforcement policy with respect to such claims in two additional letters on October 25, 1967 and October 8, 1969. These actions clearly establish precedent for the Commission to issue statements covering its enforcement policies pertaining to the full range of potential deceptions and misrepresentations in cigarette advertising.

The proposed trade regulation rule requiring disclosure of tar and nicotine contents in all cigarette advertising does not deal with what is being said and shown in the ads and on the packages. Such disclosure, prominently made, is necessary to inform the public. Unfortunately its utility risks being negated, diluted or rendered inconsequential in the absence of Commission action dealing with the themes and representations used to convey a positive, healthy image for cigarette smoking. Claims employing health benefits clearly must be delimited to those relating to tar and nicotine levels—at least until such time as medical science clearly recognizes other aspects of smoking as being important to the health of the smoker.

THEMES AND REPRESENTATIONS REQUIRING ISSUANCE OF ENFORCEMENT POLICIES

This petition is to request the Commission to set forth its enforcement policies with respect to all themes and representations employed in cigarette advertising promotions and on packages which have the capacity to deceive or mislead the public particularly in matters which bear on the smoker's health. These themes and representations include but are not necessarily limited to the following:

- (1) Effect of gases in cigarette smoke and attendant claims.
- (2) Use of terms and descriptions identified with the public's concern over pollution and the environment.
- (3) Promotion of filters including the use of descriptive devices, names and terms which state or imply unique or special benefits.
- (4) Claims for the subjective quality of the smoke, e.g. mild, cool, light, smooth.
- (5) Representations of satisfaction, including enjoyment, refreshment, quiet relaxation and uplift.
- (6) Association of smoking with the latest "in" styles of dress, demeanor and surroundings.
- (7) Relating the special qualities of femininity, rugged masculinity, individuality and overall physical attractiveness to smoking.
- (8) Implications that romance and sexual attraction go hand in hand with smoking.

(9) Equating smoking with the beauties and serenity of nature, e.g. springtime, bubbling brooks, sunsets.

(10) Employing symbols and copy identified with popular causes related to youth.

(11) Tie-ins of smoking with fashions, or other products and services, which do not involve health considerations.

(12) Promotion of athletic and other sports activities, including identifying the brand or company name with a sports event.

(13) Use of placards, counter cards, window decals and other devices directly urging people at point of purchase to buy a particular cigarette brand.

(14) Employing the package as promotion in a manner which distracts from or negates the impact of the required health warning, e.g. pictorial representations, cross-sectional and other filter depictions implying benefits other than those related to the level of tar and nicotine content.

MONITORING OF ANTI-CIGARETTE SMOKING MESSAGES

In its July 22, 1969, testimony before the Consumer Sub-Committee of the Senate Commerce Committee, the Commission committed itself to periodically reporting back to Congress on "the effectiveness of cigarette labeling, of anti-cigarette commercials, and of the voluntary discontinuance of television and radio advertising." The inclusion of anti-cigarette commercials is extremely pertinent in light of the Commission agreeing, and the 1969 Act stating, that it will take no action prior to July 1971 on its proposed trade regulation rule requiring a health warning in advertising.

Anti-smoking messages to be effective must receive extensive repeat exposure. A record as to the volume of this exposure must be accurate and readily available to facilitate determination of effectiveness. The responsibility for seeing that such a record exists falls with the Commission. This requires planning and setting up a monitoring program covering all media.

ALLOCATION OF RESOURCES AND STAFF INADEQUATE

For years now the Commission has failed to allocate sufficient resources and to assign adequate staff to handle cigarette advertising and promotions. In fact, not one attorney has been assigned to cigarettes full time throughout the year. Rather one or more staff members give part time attention to cigarettes with the number increasing at Report times.

The Commission cannot pretend to be effectively policing cigarette advertising and promotions until it assigns an adequate number of qualified staff members full time to the task; and until it establishes procedures which realistically are capable of carrying out meaningful and significant enforcement policies.

PROCEDURES SHOULD INCLUDE SUBMISSION OF ALL ADS AND PROMOTIONS

Copies of all ads, promotions and labeling should be submitted to the Commission staff simultaneously with the first publication or exposure date. They should be available for immediate public inspection. To facilitate such inspection, a copy of each item should be forwarded to the main FTC field offices throughout the country.

Documentation in support of any new product claims should accompany these ads and labels.

CONCLUSION

The Commission should promptly make public by January 2, 1971, its enforcement policies and implementing procedures. To serve the public interest, these should:

- (1) Prescribe the permissible limits for cigarette advertising and promotions.
- (2) Prescribe the permissible limits for representations on cigarette labeling.

(3) Establish procedures for the submission and review of all new cigarette advertising promotions and labels.

(4) Establish procedures for the submission and review of documentation for all claims in advertising, promotions and on labeling.

(5) Establish a monitoring program of anti-cigarette smoking messages covering all media.

The Commission must place cigarettes on a new level of priority commensurate with the awesome epidemic of death and overall public health problems attendant to cigarette smoking.

Respectfully submitted.

WARREN BRAREN.

LOW-COST SPACE SCIENCE USING SOUNDING ROCKETS

HON. JAMES G. FULTON

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 19, 1970

Mr. FULTON of Pennsylvania. Mr. Speaker, it is a pleasure to place in the CONGRESSIONAL RECORD the following statement on sounding rockets and their use in space research. Sounding rockets have proved to be not only reliable, but economical and of great value in space research.

LOW-COST SPACE SCIENCE USING SOUNDING ROCKETS

The National Aeronautics & Space Act of 1958 had a major objective of establishing and maintaining world leadership for the United States in space science and technology. There is little question that the Nation has achieved this leadership. Indeed, the accomplishments have been so great that today we accept as normal, achievements that would have been considered fantasy by most in 1958. Today our citizens are directly benefiting in many ways from this investment and in the future can look forward to such benefits as saving agricultural crops from storms and fireproof homes.

The problem now is that of maintaining world leadership in space when there are so many other demands upon our national resources. Leadership in space science requires making new discoveries which expand our knowledge of the earth environment and space beyond, indeed the universe in which we live, for the future benefit of mankind. Not to do so places a mortgage on our future. Yet, a review of the record shows that the number of space experiments flown in quest of this new knowledge has been significantly reduced and is now at its lowest level in five years. One could take the position that we cannot afford to do everything and therefore must cut back some place. This normally valid argument is insufficient in this instance because the restoration of experimental activity in the basic space sciences requires less than \$10 million.

In this period of reduced budgets for space sciences research it is particularly important to utilize low cost means of maintaining a viable level of scientific discovery and exploratory development. Little publicized, but highly productive research using sounding rockets fit this situation very well because the cost of a sounding rocket experiment is approximately one-tenth that of an experiment flown on a satellite.

Sounding rockets like the Aerobee 350 fly essentially a vertical flight path, going up and down, as contrasted to satellites which orbit the earth. The various sounding rock-

ets in current use by NASA reach peak altitudes ranging from about 50 miles for the smallest to about 1500 miles for the largest vehicle. They can provide as much as 30 minutes above the earth's obscuring atmosphere. However, 6 minutes is a more typical value for most experiments.

The productive results of research using sounding rockets can best be illustrated by listing some of the major contributions to the space sciences credited to sounding rockets by the scientific community itself. The following excerpts from a 1969 report by the Space Sciences Board of the National Academy of Sciences are pertinent.

"The existence of three new branches of astronomy—ultraviolet, x-ray and gamma-ray astronomy—is also attributed to the ability of sounding rockets to place instruments above the obscuring atmosphere." "The main features of the structure of the Earth's atmosphere above balloon altitudes have been identified and partially mapped by rockets." "The geocorona . . . was also first recognized and described on the basis of rocket data." "Almost all our knowledge of ionospheric chemistry . . . stems from rocket sounding."

"The existence of electrical current systems in the ionosphere and the polar and equatorial electrojets was detected by rockets and the altitudes of the current systems were measured." "Almost all the important space astronomy results were obtained from rockets, and rocket-borne studies still contribute dominantly to space astronomy knowledge."

In addition to the above scientific research contribution, sounding rockets are used for: exploratory development of new instrument and research techniques; flight testing of instruments and experiments for subsequent satellite use; periodic flight calibration of satellite-in-orbit instruments to insure that they are functioning properly; training of young scientists and engineers to prepare them for future participation in larger, more complex space systems.

Because of the importance of sounding rockets to the space program, the Space Science Board, National Academy of Sciences has consistently recommended increases in the NASA sounding rocket program. In 1965 they recommended to NASA that "provision be made, both in direct budgetary support and in facility support, to accommodate an expansion of the nation's rocket research program by a factor between 2 and 3 over the coming 5-year period" and further recommended that "the indicated expansion of the rocket program be undertaken; even if this can be done only at the cost of a stretch-out of the satellite program." In their 1969 report they recommended that "NASA restore the previous rate of increase in rocket support, achieving roughly a 36% increase above the FY 1968 level by 1971, and a 12% increase each year thereafter until 1975."

In addition, the Space Science Board stated that "A substantial number of scientific questions bearing on the upper atmosphere and space are either accessible only to rocket experiments or can be answered more efficiently by sounding rockets than by other methods. Despite the modest cost of rockets relative to artificial satellites and space probes, these research opportunities have generally not been exploited as vigorously as those involving use of the latter techniques. In a period of sharply reduced budgets such as now exists, the relatively low cost of rockets and hence of the scientific results they obtain causes rockets to be a particularly attractive method of conducting space research."

The low cost of space research using sounding rockets provides a program having broad geographic participation. Scientists and en-

gineers from universities, government and industry in twenty-six states and the District of Columbia participated in the program in 1969. Several states also participate by furnishing equipment and services. Thus sounding rockets provide a low cost means of achieving a broad participation in the space program.

In spite of the strong recommendations by the scientific community, a review of the NASA Sounding Rocket budget (table 1) reveals that the budget has declined since FY 1968 and is now at its lowest level since FY 1966. However, the more pertinent measure in assessing the viability of the program would be the level of activity which is directly related to the rate of scientific discovery.

A review of the number of sounding rocket launches by fiscal year (table 2) shows that FY 1969 had the fewest launches in the previous five-year period. Although not complete, FY 1970 is expected to be approximately the same as FY 1969. A tabulation of the number of space science experiments launched on both satellites and sounding rockets, by fiscal year (table 3), shows a large reduction in activity in FY 1969, primarily due to the reduction in sounding rocket activity, which accounts for over two-thirds of the total.

The sounding rocket program relationship to the space sciences program is much like

the cornerstone of a large building. It is small in size relative to the whole building. How well it is laid determines the trueness of the whole structure and the soundness of the whole structure, in large part, depends upon the integrity of the small cornerstone.

Also like the cornerstone, the cost of insuring a viable sounding rocket program, and with it a renewed vigor in the whole space sciences program, is very small relative to the resources allocated to the NASA Space Sciences Program. It is therefore, recommended that increased emphasis be placed on the NASA sounding rocket program so that by Fiscal Year 1972 this little publicized but important method of conducting space research will be more in line with the consistent recommendations of the National Academy of Science, Space Sciences Board.

This increase in the sounding rocket program will insure that scientific discovery, or productivity, will be maintained at a satisfactory level at low cost to the taxpayer in this period of heavy demand on our national resources. Education and training opportunities can be made available at relatively low cost to the young, new space scientists and engineers to insure long term progress and leadership in space science.

A viable sounding rocket program will provide a low cost means of providing a broad-based geographic participation in the space sciences program.

TABLE 1.—NASA SOUNDING ROCKET BUDGET HISTORY

(Dollar amounts in millions)

	Fiscal year—					
	1965	1966	1967	1968	1969	1970
Firm Budgeted	\$16.9	\$18.5	\$20.0	\$20.0	\$19.2	\$18.5
Requested						\$18.5
Percent increment		+9.5	+8.1		-4.0	-3.6

TABLE 2.—SOUNDING ROCKET LAUNCH HISTORY

	Fiscal year—				
	1965	1966	1967	1968	1969
Space science	120	86	85	109	73
International	18	13	20	18	10
Total	138	99	105	127	83

TABLE 3.—SPACE SCIENCE EXPERIMENTS FLOWN

	Fiscal year—				
	1965	1966	1967	1968	1969
Sounding rockets	190	151	171	156	128
Satellite	80	50	54	69	62
Total	270	201	225	225	190

DR. SIDNEY WEINTRAUB'S ANTI-INFLATION INCOMES POLICY

HON. HENRY S. REUSS

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, November 19, 1970

Mr. REUSS. Mr. Speaker, Dr. Sidney Weintraub, professor and chairman, Department of Economics, University of Waterloo—on leave from University of Pennsylvania—has proposed an anti-inflation incomes policy that merits the attention of all Members:

A FEASIBLE ANTI-INFLATION INCOMES POLICY
(By Sidney Weintraub)

Inflation in the United States continues substantially unabated. Joblessness in the first 20 months of the Nixon administration has increased by some 1.2 million. Still, the ascent of wages has not been checked and prices mount at 5% rates per annum.

Many practical, and some professional, voices are calling for some form of wage-price control or incomes policy in disillusionment with the Nixon monetary "game plan". Given the facts, there is no great clamor for tighter money, or renewed fiscal policy to reinforce the Johnson surtax of 1968. On the contrary, the current recommendations run to easier money and lower taxes, to ease the unemployment plight. Tight money and fiscal policy seem to have run their course.

Whether monetary policy has "failed", or whether it must fail, or whether it has not "really" been tried, is not in issue here. Likewise, whether fiscal policy, by way of

MAN'S INHUMANITY TO MAN—HOW LONG?

HON. WILLIAM J. SCHERLE

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Friday, November 20, 1970

Mr. SCHERLE. Mr. Speaker, a child asks: "Where is daddy?" A mother asks: "How is my son?" A wife asks: "Is my husband alive or dead?"

Communist North Vietnam is sadistically practicing spiritual and mental genocide on over 1,500 American prisoners of war and their families.

How long?

expenditure cuts and tax increases, can prevent inflation will likewise go undiscussed. A growing and abundant literature on these questions exists for these are the legitimate subjects of economic inquiry.¹

Instead, what is presented is an Incomes Policy proposal, properly a policy for wages and salaries, in the thought that if a program is adopted it should meet the criteria of: (1) feasibility; (2) low cost; (3) effectiveness. Finally, (4) the plan should not lead the economy onto new paths of interventionism: the market economy should not be substantially transformed.

It is believed that the program recommended meets these tests. So far as the author is aware the approach is novel though the essential idea is simple in that it builds on the existing tax mechanism.

SOME PROMINENT RECOMMENDATIONS

We review briefly some of the more frequently recommended Incomes Policy proposals before outlining an alternative plan that has the virtue of simplicity while averting the major shortcomings of the other programs.

One plan has called for a simple wage-price freeze, to endure for six months to a year. As a crash program, fired with initial enthusiasm, it may work. Yet, after the lapse of time, what then? Past experience (in England) has been one of an anxiety to renew the preceding wage-price momentum that originally invited the "freeze". What is essential, therefore, is a durable program to assure price level stability over the long term. It is a long-run policy that we seek, rather than one for a year.

Besides the freeze being too brief, and being a temporary palliative, its demerit is that it also requires some policing mechanism to enforce it. This may immediately detract from support by some potential adherents sympathetic to a wages and prices program but disenchanted with the prospect of a pervasive bureaucracy.

Establishing a control agency to supervise prices and all major wage contracts is the most direct solution; it is the stuff of wartime regulation even by democracies. But this involves a new bureaucracy that may alter the economic system in ways that may turn out to be imprudent, inefficient, and interventionist. Its failures are likely to give other needed and potentially effective government programs a black eye.

Some have advised government to sit in as a participant on key collective bargaining negotiations in order to limit pay hikes to norms that can be sustained by typical productivity improvements.

The drawback here is that the approach is likely to lead to acrimony as being one-sided; employers could, in effect, relax and let the government hammer out settlement terms substantially below those of recent years. Inserting government as a bargaining agent is likely to thrust it into prominence as being hostile to labor. The policy would disintegrate under an administration eager to woo labor in an election year.

The Guidepost plan under President Kennedy invoked the presidential office to dissuade unions from seeking undue advances and to deter business from making heedless price increases.² The most dramatic incident was the President's confrontation with The Steel Industry, which then had to perform a

humiliating retreat under threat of coercive investigation.

A "jawbone" policy, involving persuasion and reproach, derives its strength from an appeal to public morality. It obliges the President to "lay his prestige on the line" in numerous public controversies. As it dissipates his power it is likely to be cautiously employed and sparingly used, before lapsing into feebleness. More than name-calling must be invoked for situations that arise persistently, rather than sporadically.

Suggestions for labor courts can be brushed aside. We are dealing with an economic issue; what is not needed is a place for lawyers to perform, but a proper resolution of the public interest on specific principle. A cumbersome bureaucracy may be a lesser evil than an undiscerning and dilatory judiciary.

INGREDIENTS OF A SOLUTION

These are the main approaches to an Incomes Policy recommended so far. All are found wanting. Let us consider the ingredients of a new and feasible approach.

Some are convinced that the problem will not abate unless unions are either destroyed, or so fragmented as to sap them of their bargaining vitality. This is an extreme attitude certain to generate heated and irrelevant debate. Unions, on current evidence, are here to stay. There is no way of eliminating them in the present climate of democracy. A policy which begins with this premise is alone likely to be relevant.

Instituting countervailing power

It is primarily with the unhampered power of unions to carve out excessive wage settlements that we must deal. Industrialists are too often too impotent to neutralize the ability of unions to impose inflationary settlements, which occur to the detriment of other wage earners, leading them to seek to protect their own position by counter-claims for wage increases; the upshot is that by running faster, all come to stay nearly where they were before while inflation advances.

The solution must consist of measures to stiffen the backbone of industrialists. Currently, industrialists are prone to yield rather than to endure costly strikes; the ritual involves token resistance before a submission to union pressure and thereafter passing the bill on in the form of higher prices.

Individual industrialists will be encouraged to flout unreasonable demands only when they are convinced that there will be resistance in other industries. Also, when each labor union apprehends that employers are no longer easy targets capable of transmitting price increases to consumers, to rescue them from promiscuous settlements, unions can be expected to act more moderately at the bargaining table. The hapless sitting-duck image of management officials must be erased for any plan to succeed as a defense against inflation.

Hence we must change matters so that it is in their self-interest, indeed, for their self-preservation, that industrialists will reject extravagant wage settlements. Penalties must be attached to abject surrender in order to deter the prospect. Also, if defeat does come, it will only be partial; the terms of surrender must not be too onerous. Partial cave-ins and prudent compromise must contain some safety valve to avert a chain reaction and a business demise through bankruptcy. But the price of submission must be high enough to dissuade management from frequent surrender.

A reasonable wage program

As a further preliminary matter, to allay any fears that the program is designed to eliminate unions or to thwart the legitimate aspirations of the working man, let us appraise the policy goal.

Intended is a program devised toward achieving increases in money wages at least equal, on the average, to the gains in productivity in the economy. In the past, these have tended to approximate 3 percent per annum. With little inflationary cost, an average increase of this level, or even of 4 to 5 percent per annum, can be granted without inviting an erosive inflation. Even a target figure of 5% would be more rational than the 8% to 10% figures of recent years that have exacerbated our inflationary problem, and topped the price level in sapping the value of our money.

An average increase of 4% would mean that in ten years the typical wage income would mount by about 50%. All wage incomes would, on average double in about 18 years. New-born infants could smile benignly at their father in the conviction that their starting wage would be about double that which the parent currently earns.

This is scarcely a program designed to grind labor to poverty or to confine workers to Marxian immiseration. The goals are reasonable and realistic, attainable with only modest inflationary pressures: prices might mount gently, at about a 1% pace per annum. With slightly greater risk an average annual gain of 5% in wages could be promised. This would mean about 60% per decade with wages doubling every 14 years. Inflation, however, would build up to about a 2% rate per annum.

A further gain of much significance to labor would be realized as a by-product. With the price level nearly steady, monetary and fiscal policy could drop their anti-inflation stance. The economy could work closer to full employment.

These are no small advantages of an average wage increase of 4% to 5% per annum—with price level stability.

THE KEY TO COUNTERVAILING POWER

It is time now to get down to specifics and to outline the details of a program that satisfies the criteria described. It is designed not for the purpose of destroying unions but to foster what Galbraith has perceptively termed *Countervailing Power*, to be localized within business firms so that they stand fast against the inflationary exactions of unions. Management must be made to resist excessive wage demands or be penalized for its retreat. Above all, management must not be sustained in efforts to escape onerous settlements through higher prices to protect their profit position.

An excess wage settlement tax

Government has a ready lever to perform the task with nominal administrative cost.

Put simply, what can be done is to impose an extra corporate (or business) income tax on all firms that agree to settlements exceeding 5% on the average, as compared to their typical figure for employee compensation in the previous year.

An illustration can clarify the proposal. Suppose that in 1970 the average wage (and salary) figure for the firm reporting its corporate tax was \$6,000. If the average wage and salary payment for the firm in 1971 exceeds \$6,300 (= 1.05 x \$6,000), the firm would be subject to an anti-inflation tax which would be superimposed on the normal tax base. If the standard corporate tax rate is 50%, and the average wage increment exceeds 5%, but is less than 6% higher than the previous year, then a 6% added tax levy might be imposed. For a wage increase between 6% and 7% over the previous year, an 8% penalty rate would be applied, etc.

The governing principle, therefore, involves placing the full burden of policing anti-inflation wage hikes upon the business firm. Where they are supine in bargaining the tax penalty will mount: they would have to be more adamant in coping with union pressures. Unions would become cognizant of

¹ For whatever it is worth, my own opinion is that monetary and fiscal policy will continue to fail to curb inflation in an era of union strength where the money wage is essentially "exogenous".

² A policy similar to the Guidepost program was recommended by the present author in 1959, and referred to as a "watch tower" policy. See *A General Theory of the Price Level*, etc. (1959), pp. 89-92.

this; they would quickly perceive that they were no longer firing at ducks in a shooting gallery, knocking off firms that have paid in the past only to transfer the burden on through higher prices.

It is unnecessary at this time to specify the exact details of the progression in the tax scale for firms who emerge as the worst offenders in ignoring the public interest in arresting inflation. Some will advocate lesser penalties, others may justify sterner imposts. The main point remains, namely, that if the union structure is not to be altered, then the remedy consists of pressuring employers to act in the public good in defending their private advantage. Employers must become the inflation fighters; they must no longer be a transmission belt for passing the price burden forward with profit impunity.

WHY THE PLAN WOULD WORK

Let us consider reasons why the plan would work, as well as anticipate some potential objections.

Unions would immediately realize that they can no longer toss onto the bargaining table a take-it or leave-it package, and hold out a strike threat which employers can currently avoid with small loss through price increases. Unions would apprehend that because of the tax aspect employers would be bound to resist. Long drawn-out strikes for nominal gains are not consciously sought by unions. This unwelcome prospect would pull them down from the heights of unreason.

There would be an obvious reason for management to stand firm: the costs of excessive settlements would be lodged with stockholders. No management that was derelict in protecting the stockholder interest could survive for very long; its submissiveness would be publicized. Currently stockholders accept inordinate settlements so long as (most of) the cost is passed on via prices. Why suffer needlessly? This attitude would change.

Anti-inflation fiscal aspects

The proposal should also commend itself to the devotees of monetary and fiscal measures to curb inflation. For in an atmosphere of excess wage gains the proposal would accomplish an automatic increase in the corporate tax rate, thereby alleviating inflationary pressure through absorbing purchasing power. Thus the recommendation entails a built-in anti-inflation fiscal policy, from the tax side. The federal budget would thus benefit.

This adds another cutting edge to the proposal. On the monetary side, the lower net profits resulting from injudicious settlements would tend to restrain borrowing and investment decisions, reducing the demand for bank credit and capital market funds.

The automatic policing

It is in the policing of the program that the virtues of the plan outweigh alternative proposals.

At present, for social security programs and the like, firms report the number of their full-time employees. They have the necessary information on "full-time employees or equivalents". For tax purposes, in computing total operating costs, they report their wage and salary bill. Dividing the latter total by the former will yield the average employee compensation. The final step involves comparing this figure to that of the previous year. If it is excessive, then the penalty rates take effect.

No new form of government intervention is involved. It is only the tax structure that is affected. No new bureaucracy need be created to police the program. Everything would be accomplished through the well-established tax procedures for filing returns, and checking their veracity. There is no harassment of business by yet another new arm of government.

The safety valve aspect

The plan would not foreclose higher wage hikes entirely. But where granted, the burden would be borne entirely by the acquiescing firm which would then touch off the anti-inflation fiscal policy aspect. Unions would have to become more realistic, for firms would not be as vulnerable as in the past. If firms did yield to exorbitant demands the penalties would involve only money. There would be no criminal charges, no bureaucratic harassment, none of the condemnation and moral disapprobation accompanying the other price-wage programs.

The safety valve feature of penalty taxes has even more in its favor. Where firms require especially skilled personnel they could still pay out above market wage or salary scales to obtain their work complement. While the practice would be somewhat more costly on the tax side, the firm's operations would not be unduly obstructed. Although the plan would benefit firms that contribute less fuel to the inflationary environment, the tax impediment erected for minor offenders would not be insurmountable.³

The plan thus has the necessary flexibility.

The inclusion of salaries

Common equity requires that salaries and executive compensation be included in calculating the average employee compensation. It would be distinctly unfair to limit ordinary workmen while executives are free to raise their own incomes freely on the pretext that their earnings are noninflationary. If wage incomes are to be restrained, it must be all incomes, including executives. The system will not be handicapped by this; considering that it is only the corporate average that is computed, larger individual merit increases would still be possible.

Legitimate issues arise with respect to stock options, retirement plans, or other fringe benefits that executives have arrogated to themselves. But this is a separate theme that invites more detailed study. The point remains, that there is nothing in the present proposal that should in any way dilute the incentives of the managerial class; there is enough variety in opportunity, status, interest of work, or the incontrovertible power aspect of being "boss", to assure a continuing flow of aspirants for executive posts.

The arena of bargaining

As another virtue of the proposal, collective bargaining is not precluded by it although the more fantastic agreements of the past will probably be foreclosed. From the union standpoint the inclusion of executive salaries in the average compensation figure provides a little more margin for bargaining; wages could rise by a bit more than 5% if executive salaries rise by less, without tax penalty to the firm.

This could also serve a healthy purpose in preventing indiscriminate pay hikes to the managerial class while the firm was pleading poverty to the unions. A more wary eye would be placed on all business incomes, with the not unlaudable result of curbing rates of compensation to corporate executives vastly in excess of the President of the United States, or Cabinet officers, or public officials, for tasks that are generally far less exacting.

³ It will occur to some that through new technology an up-grading of staff would be penalized. The issue here, in part, is practical, on whether there are many cases in which the average wage of the firm would have to rise by more than 5% per annum to adapt to a new technology. Evidence on the point would be useful. In any event, the proposal would penalize the firm only in the first year; thereafter tax rates would follow the normal pattern. Alternatively, some exemptions for such cases could be worked out. But the importance of the situation would have to be demonstrated.

To repeat, the corporation could continue to assert its largesse, to employees or executives. But it would have to answer to the tax collector and to the stockholder.

In a small way, then, the corporation would be returned closer to its stockholders. This is an advantage; it may inculcate a greater sense of executive responsibility.

Union attitudes

Unions cannot really protest the program. Their membership can be promised a doubling of pay almost every 15 years, and upwards of 50% per decade. Unions currently, in the *Affluent Society* chronicled by Galbraith, do not generally represent impoverished, undernourished, economically deprived citizens. There is no intention of exploiting their membership. But they would no longer be as free as before to injure other segments of society, including other wage earners and their former members, the retired workers.

Undoubtedly, unions would utter the usual noises in opposing the proposal. But this will place them in the anomalous position of opposing a corporate income tax. Traditionally, unions have argued for higher corporate taxes in objecting to income taxes on lower bracket incomes.

Union members have a stake in the battle against inflation. The proposal recommended permits them to carry on in protecting their membership against unsatisfactory work practices and the otherwise undiluted power of management.

Business complaints can be but a feeble echo of union complaints. Business could persist in past practices. But there would be a cost, a tax bite.

Strikes?

Unions would, of course, still retain their ultimate coercive weapon, the strike. Yet strike threats are carried out only if the projected gains are expected (over time) to outweigh their losses. While it may be a while before unions realize that the opportunities for success are not as rife as in the past, the understanding will come as businessmen become more adamant in their stand because of the unfavorable tax aspects. Union demands are thus likely to be tempered.

Temporarily, union leaders may continue their former tactics. But as the present Nixon administration has expressed it, in viewing the current GM-UAW strike, business must be "prepared to take it" to cut the settlement terms. "Taking it" on a few occasions, and then settling near the 6%-5% average annual increase level, is likely to dissuade unions from frequent resort to the tactical strike weapon.

Profits?

Some might fasten on the theme that the proposal attempts to restrain wages but not profits.

This would be to misconstrue it entirely, perhaps intentionally. What we are concerned with is not a plan to remodel the capitalistic system but to render it effective by dimming its inflationary features. If prices can be contained, then profits cannot skyrocket. One look at the stock market should be enough to reveal that profits have not been swollen in recent years. If experience is such that profits become unduly large the remedy is the obvious one, namely, to use the tax mechanism. But to discuss this aspect in the present context is to lay a smoke-screen around the central issue of inflation.

The self-employed

Incomes of the self-employed, as physicians, dentists, lawyers, farmers, small businessmen, government employees, etc., have gone unmentioned.

Briefly, we can expect that if the mass of wage and salary incomes are contained then it would not be possible for the self-

employed group to report incomes growing beyond the general trend. There would be two strong reasons for this: (1) in some cases the forces of competition would operate; the margins of substitution between employment and self-employment are often close in the small business sector, and (2) if incomes for the mass of employees fall to rise unduly, it will not be as easy for physicians, dentists, etc., to raise their prices (and incomes) at the same pace as in the recent past. Government employees likewise, can simply be limited to the general wage rise to maintain competitive standards.

Thus if we cast out a sturdy anchor and stabilize the vast number of business incomes, of employees and executives, the income adjustments in the rest of the economy are likely to be lashed to this strong base to bar the noxious drift of inflation.

We can proceed on this assumption. If it is misguided with respect to some omitted sectors of the economy, this can later be cor-

rected. But we cannot shrink from taking the big step merely because it may be less than complete. A "do-nothing" program entails more serious omissions.

A philosophic objection

Another objection that may be put down at this place is the pejorative oration that "the power to tax is the power to destroy". Accepting the merit of the phrase it remains regrettably incomplete: the power to tax is also a vehicle for making social, political, and economic life more tolerable. Ultimately, this is what taxation should be about, to accomplish worthwhile ends that would not otherwise materialize in the enterprise sector without government policy. As the intended tax proposal aims to alleviate inflation, it is compatible with the greater freedom; it is destined to expand it, not inhibit it.

Whenever a stage is reached that warrants lower general taxes, there is nothing in the plan to impede this outcome. The basic business tax rates can be lowered so long as the

anti-inflation penalty rate is retained. When a stage is reached at which business and union conduct is more responsible with respect to inflation, even this feature can be dropped. But at that time the tax is likely to be a dead-letter anyway.

CONCLUSION

There can thus be few serious objections to the anti-inflation proposal outlined in the preceding pages. It has undiluted virtues. It may work, to take the most pessimistic assessment. On the basis of economic analysis, it should work. There are no serious costs involved; it does not shelter a new bureaucracy. It does not entail new data and new business controls. Neither the scope nor the organizational structure of trade unions will be affected, although their ceiling in collective bargaining is likely to become more clearly defined. It does not embark on any radical paths in economic control and it is not incompatible with the traditions and freedoms of a market economy.

HOUSE OF REPRESENTATIVES—Monday, November 23, 1970

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

The hand of our God is upon all them for good that seek Him.—Ezra 8: 22.

O God, our Heavenly Father, whose power is infinite and whose love is eternal, we pray for the leading of Thy spirit as we work for the well-being of our country and endeavor to secure peace in our world. May Thy wisdom so move our minds and Thy love so motivate our hearts that in the crises we face daily we may think clearly, speak calmly, and act courageously. Unite us and our people in the principles of democracy upon which our fathers founded this Nation that as responsible citizens we may do our full part in seeking the good of all.

Direct and prosper the deliberations of this body that truth and justice and good will may be established here and among all people.

In the Master's name we pray. Amen.

THE JOURNAL

The Journal of the proceedings of Thursday, November 19, 1970, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Arrington, one of its clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 18515. An act making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1971, and for other purposes.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 18515) entitled "An act making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1971, and for other purposes," requests a conference with the House on the disagreeing

votes of the two Houses thereon, and appoints Mr. MAGNUSON, Mr. RUSSELL, Mr. STENNIS, Mr. BIBLE, Mr. BYRD of West Virginia, Mr. HOLLAND, Mr. COTTON, Mr. CASE, Mr. FONG, Mr. BOGGS, and Mr. YOUNG of North Dakota, to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendment of the House to a bill of the Senate of the following title:

S. 3630. An act to amend the joint resolution establishing the American Revolution Bicentennial Commission.

ADJOURNMENT FROM WEDNESDAY, NOVEMBER 25, TO MONDAY, NOVEMBER 30, 1970

Mr. ALBERT. Mr. Speaker, I offer a privileged concurrent resolution and ask for its immediate consideration.

The Clerk read the concurrent resolution as follows:

H. CON. RES. 786

Resolved by the House of Representatives (the Senate concurring). That when the House adjourns on Wednesday, November 25, 1970, it stand adjourned until 12 o'clock meridian, Monday, November 30, 1970.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

TWO HUNDRED BOMBERS TO KILL—FOUR HELICOPTERS TO SAVE LIVES

(Mr. EDWARDS of California asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. EDWARDS of California. Mr. Speaker, the events of the past week in Pakistan and in Vietnam provide an example, in shocking contrast, of the way this Nation's priorities have gone astray.

Ten days ago the worst hurricane in history smashed into the Ganges Delta, killing perhaps as many as half a million people.

There is ample food available in Dacca

for all those who survived the storm. But 10 days after the disaster, there is no transportation. Conventional aircraft cannot operate. All small boats were destroyed. The United States has sent only four helicopters.

Consider the contrast between this situation, the near indifference with which the United States has responded to this catastrophe, and the events in Vietnam.

According to Secretary Laird, 200 multimillion-dollar aircraft were sent into North Vietnam to "remind Hanoi what the rules of the game are." For such deadly war games we can deploy any amount of force, but for the disaster-stricken East Pakistanis, we can send only four helicopters.

PERMISSION TO FILE CONFERENCE REPORT ON H.R. 17970, MILITARY CONSTRUCTION, DEPARTMENT OF DEFENSE

Mr. SIKES. Mr. Speaker, I ask unanimous consent that the conferees may have until midnight tomorrow to file a conference report on H.R. 17970, making appropriations for military construction for the Department of Defense for the fiscal year ending June 30, 1971, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

PERMISSION FOR SUBCOMMITTEE ON RIVERS AND HARBORS, COMMITTEE ON PUBLIC WORKS, TO SIT DURING GENERAL DEBATE TODAY

Mr. HOWARD. Mr. Speaker, I ask unanimous consent that the Subcommittee on Rivers and Harbors of the Committee on Public Works be permitted to sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

Mr. GROSS. Mr. Speaker, reserving the right to object, has this been cleared by the minority?