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Allen-Scott Report

Financing The 'Great Society'

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Mr. Allen

The nearly \$66 billion in private pension funds are being eyed as a means of assisting in financing the costly health, welfare and other programs of President Johnson's much-touted "great society."

Another key aspect to this revolutionary financing concept is the establishment of a new government agency with extensive powers to supervise and regulate private pension funds — now accumulating at the rate of \$4 to \$5 billion annually.

In tapping private pension funds for "great society" projects, the government would pay the going interest rate and guarantee such investments against loss.

A leading exponent of this far-reaching plan is Walter Reuther, United Auto Workers president, who has discussed it with the President, Cabinet members and congressional leaders.

Various proposals for raising the huge sums that would be required for the projects contemplated under the "great society" are being deliberated by a backdoor task force set up by the President especially for this purpose. It includes government officials and private authorities.

No decisions have been reached, and there is no indication when a report will be sent to the White House.

Among his close assistants the President is described as "definitely interested" in the Reuther formula because of the possibilities it opens of nominally holding down the federal budget.

Reuther contends this could be done by channeling billions of private pension funds into a variety of costly welfare projects instead of drawing the money directly from the Treasury. Such a tapping of pension funds would avoid the necessity of appropriating tax funds and thus being included in the budget that must be submitted to and voted on by Congress.

Legislation would be required to put the Reuther plan into effect.

At present the government exercises little supervision and control over private pension funds.

Two federal agencies do have a degree of overseer authority. The Labor Department's Office of Welfare Pension Reports can investigate complaints of irregularities and other violations, such as embezzlement, fraud, etc. But beyond this the Department has no power to regulate or in any other way control the operation of these pension funds. All it can do is to report its findings to the Justice Department for possible prosecution.

The Internal Revenue Service has the function of examining private pension funds to ensure that they qualify for tax-free status. If they meet stipulated conditions, the IRS must grant tax exemption.

A Senate Labor Committee study disclosed that around 23 million Americans are covered by private pension funds with nearly \$66 billion in assets. More than 2.3 million individuals are receiving pensions from these funds.

Organized labor, chief beneficiary of these funds, is split on the Reuther plan.

The legislative representative of one major union has submitted a detailed study to its executive board charging the proposal would lead to a "socialistic government as it would inevitably extend federal control over vast private funds."

Other union officials favor it, principally as a protective measure against the looting of pension funds by management or labor leaders.

Partisans of Reuther's scheme are preparing to launch a drive to rally public support for government control of private pension funds. Newspaper and broadcasting media are to be used.

Those two State Department officials involved in the tapping of the telephone of veteran security officer Otto Otepka have new government jobs.

John Reilly, deputy assistant secretary for security who was permitted to resign, is now a trial attorney of the Federal Communications Commission. His salary is \$17,000 as against \$18,000 while on the State Department payroll.

David Belisle, Reilly's former lieutenant, is in West Germany — for the State Department. In other words, he was merely shifted out of sight.

That's what has been uncovered by the Senate Internal Security Subcommittee, investigating the long-sputtering Otepka case. The probers have asked both the State Department and FCC for a full report on why Reilly and Belisle were given their new jobs.

In testimony before the subcommittee early this year, Reilly and Belisle denied they had bugged Otepka's phone. Later, they admitted they had installed a tapping device.

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