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However, there are other raw materials which are crucial, and must be imported from foreign, South American and Caribbean countries.

Venezuela and Ecuador are planning to nationalize and have adopted the same policies and join with the Middle East Oil Producing Exporting Countries (OPEC). Copper, which at one time was plentiful in the United States, must be imported from Chile and Peru, which countries are forming a copper producing exporting agreement known as CIPEC. Chilean ports have been opened to Soviet war ships.

Bauxite comes from Jamaica, Surinam, and the Dominican Republic. Since Britain has withdrawn from Jamaica there are two communist parties competing for control of that island. The United States air base was terminated upon Jamaican independence. Jamaica and Cuba exchanged ambassadors, and Havana is now a Soviet port of call in the middle of the Caribbean approach to the Panama Canal. Jamaica threatens to nationalize bauxite and aluminum.

The policies of Argentina, one of our suppliers of beef and wheat, are uncertain. Colombia has been suspicious of the United States ever since we took its most important province, Panama, from its control. We are also in need of Bolivian tin and natural gas. United States today is none too popular at any point south of its borders, and democracy has taken a terrible beating throughout the Islands and Latin America.

Congress voted to boycott Rhodesia, leaving American industry no choice but to purchase chromite from the Soviet Union and South Africa. United States has contradictory policies with reference to Rhodesia and South Africa. It endorses United Nations sentiments respecting Rhodesia, but it ignores similar attacks on South Africa, notwithstanding our need of chromium, antimony, manganese, platinum, palladium, and other materials from those two countries.

The politics of the anti-capitalist labor governments of New Zealand and Australia are uncertain, which countries supply 65% of zinc, tungsten, titanium, thorium, manganese, lead and even iron ore to the United States. Australia and New Zealand are looking toward Japan as the coming foremost naval power in the Western Pacific, especially in view of the fact that Washington has failed miserably to maintain its naval superiority in the face of the challenge created by the Soviet Union's modern navy.

The weak link in American military and naval capability is a lack of strategic materials available domestically and therefore, there is continuous need to control adequate ocean transport for delivery of such materials from overseas.

Ninety-nine percent of the raw materials imported by the United States must be delivered by ship over the world's oceans in sufficient quantity to keep our American industries prosperous and functioning.

The growing naval strength of the Soviet Union throughout the Mediterranean and its seas, Northeast Pacific, Arctic and Indian Oceans must alert the administration and Congress that our lifelines must be protected and extended.

The lessons of the Spanish American War, World War I and World War II, Korea and Southeast Asia, illustrate that in this era of detente the casual attitude toward the lack or loss of air and sea bases and a modern navy by Washington forcibly indicates the need of renewed interest and hemispheric interdependence with Latin America.

The areas of communist pressure during the cold war era were the four bottlenecks of the oceanic world, the Strait of Malacca, the Suez Canal, Straits of Gibraltar, and the Panama Canal.

Ours is an oceanic world and the Soviet's have studied well their geography and history including Themistocles who said hun-

reds of years ago: "He who commands the sea has command of everything." It is for this reason that the Soviet Union, occupant of the world's largest single landmass is quietly building the world's largest merchant fleet, and at the same time it has become the world's leading undersea power with more commerce-destroying submarines in its fleet than any nation has ever had in war or peace.

In an article which I wrote, entitled "Sea-Level Canal Vital Defense Need", and which was published in a syndicated newspaper, Sunday supplement on December 26, 1948, I stated in part with reference to western hemispheric security as follows:

"This is evident by the fact that plans for the three-perimeter defense of the Panama Canal, outlined by the Army, Navy, and Air Force, cannot be put into effect at present. This defense calls for bases on three perimeters: the outer perimeter passing through the Galapagos Islands in the Pacific and Puerto Rico in the Caribbean; the perimeter of the middle ring passing through Nicaragua, Ecuador, Costa Rica, Republic of Panama, Colombia, and Venezuela. The third, inner circle is within the Canal Zone. With the international situation tense, there is no time to be lost in negotiations with our Latin-American neighbors for the defense sites so necessary for the security of the Americas."

The same issues about which I wrote in 1948, remain prevalent today.

Since Great Britain granted independence to Jamaica, Barbados, Trinidad, and other islands in the Caribbean, we must rely on surveillance from the naval base at Guantanamo Bay and the Canal Zone for the protection of the Panama Canal which means in the event of an emergency, the Panama Canal can only be defended from the mainland of the United States.

DETENTE-DEFENSE-DEFEAT

Despite detente, the United States and the Soviet Union are in competition, if not in conflict for world supremacy. We have been laggard in defense of what once was the "status quo" and the building of a modern navy. The United States is now under the additional handicap of overcoming many shortages besides that of oil and petroleum. The Soviet Union backed the French stand in the energy crisis, endorsing an independent policy, which was in conflict with the Kissinger policy, and continues to use gunboat diplomacy in the Middle East and Indian Ocean.

Soviet military advisors and technicians have arrived in Peru with heavy Soviet armament purchased by Peru. The Soviet Union has been attempting for years to gain a foothold throughout South America. If we commit another Aswan Dam mistake, watch the Soviet's move throughout Ecuador, Colombia and Panama. What is there to prevent these countries from negotiating with the Soviet Union to build a sea-level canal?

France entered into a defense and economic agreement with Tripoli (Libya) directed against the United States. The countries of Mexico, Peru, Argentina, Barbados, Trinidad, Tobago and Guyana urge the raising of the economic blockade against Cuba, which will be on the agenda of the Organization of American States in March of 1975. Brazil, importing two-thirds of her oil from the Middle East, was not interested in becoming embroiled in Washington's dispute with the Arab oil producing countries.

The United States is being out-banked and under-priced throughout world markets, especially in Latin America and the Caribbean Islands by West Germany, Japan, Great Britain, Soviet Union, Canada and other European Common Market Countries.

A new and better diplomacy is required from our government to reconstruct and to

rebuild our worldwide trade, friendship, peace, and to modernize the treaty with the Republic of Panama to include the construction of the sea-level canal on the Isthmus to replace the outmoded, Japanese-made, electric driven mule-shiptowing under-sized sixty year old lock-canal.

It is vital for hemispheric cooperation that Congress support Secretary of State Henry A. Kissinger's negotiations with Panama, Latin America and Caribbean countries toward the rebuilding of a strong Western Hemispheric Pan-American Union in order to create a new era of harmony and solidarity.

I am convinced that the Foreign Relations Committee of the United States Senate will maintain close watch over current negotiations with the Republic of Panama and the new draft treaty when submitted to the Senate for ratification.

By turning away mistrust, suspicion, hatred and fear of the "Colossus of the North" at the conferences with the foreign ministers of South America and the Islands, we may yet realize that with mutual cooperation, an era of harmony shall prevail throughout the Western Hemisphere on domestic as well as foreign affairs; moral as well as material matters; political as well as economic and technological advancement.

Americans have recently learned, during the Arab oil embargo, that we cannot rely upon our NATO allies, except the Netherlands, for political, military or economic support. We are only useful to them when we fight their wars and rebuild their nations with our treasures.

Let us not repeat history, but rather let us make history move forward with progress.

CONGRESS MUST PROHIBIT COVERT CIA OPERATIONS

HON. JOHN CONYERS, JR.

OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES
Wednesday, September 25, 1974

Mr. CONYERS. Mr. Speaker, I was pleased to support the amendment introduced on Tuesday by our distinguished colleague, ELIZABETH HOLTZMAN of New York, which would have prohibited the use of Central Intelligence Agency funds for the purpose of undermining or otherwise "destabilizing" the government of any nation. More careful congressional oversight of CIA activities and methods is certainly long overdue. Recent revelations of CIA activity in Chile, a nation with which we claim to have friendly and peaceful relations, are merely the latest in a series of disclosures of CIA activities which violate the United Nations Charter and the principles of international law we so piously encourage other nations to adopt.

We know so little about the CIA that we cannot even be certain if the CIA has acted on its own initiative or only at the direction of the President and his chief national security advisors. Fortunately, however, the veil of secrecy surrounding the CIA is beginning to lift. A review by Richard J. Barnett of Victor Marchetti and John Marks' "The CIA and the Cult of Intelligence," notes in detail some of the covert operations undertaken by this agency and the damage such operations have caused. Mr. Barnett is codirector of the Institute for Policy Studies and the author of several books, including "The

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Roots of War," "The Economy of Death," and "Intervention and Revolution." Mr. Barnett's review, which appeared in the October 3 issue of the New York Review of Books, follows:

THE CIA AND THE CULT OF INTELLIGENCE
(Review by Richard J. Barnett)

In drafting impeachment articles the Judiciary Committee of the House of Representatives charged Nixon with "misuse of the CIA." The more fundamental question was outside the scope of their inquiry: What is the proper use of the CIA?

In the national security world Watergate has become a code word for official dismay that the wrong people were supplied with ill-fitting wigs and burglar tools at the wrong place and time. Nixon's defenders on the committee argued that if the president had reason to think that the CIA was involved in "proper" covert operations that would be jeopardized by a vigorous FBI investigation he was indeed obliged to mislead the chief investigating arm of the federal government. The president's accusers believed that he committed an impeachable offense by allowing members of the intelligence underworld like Hunt and Liddy to go after the wrong targets.

"National security" is the holy oil that converts felonious acts into patriotic exploits. It has been sprinkled liberally to justify break-ins at foreign embassies, but it is, fortunately, not yet available to bless burglaries on Beverly Hills psychiatrists. In the practise of covert intelligence the working tools are burglary, assassination, extortion, blackmail, and lying. It is hardly surprising that agents like E. Howard Hunt labor under some moral confusion. The following exchange between Hunt and Assistant U.S. Attorney Earl Silbert took place before a federal grand jury in April, 1973:

SILBERT. Now while you worked at the White House, were you ever a participant or did you ever have knowledge of any other so-called "bag job" or entry operations?

HUNT. No, sir.

SILBERT. Were you aware of or did you participate in any other what might commonly be referred to as illegal activities?

HUNT. Illegal?

SILBERT. Yes, sir.

HUNT. I have no recollection of any, no, sir.

SILBERT. What about clandestine activities?

HUNT. Yes, sir.

SILBERT. All right. What about that?

HUNT. I'm not quibbling, but there's quite a difference between something that's illegal and something that's clandestine.

SILBERT. Well, in your terminology, would the entry into Mr. Fielding's [Daniel Ellsberg's psychiatrist] office have been clandestine, illegal, neither, or both?

HUNT. I would simply call it an entry operation conducted under the auspices of competent authority.

Hunt's responses illustrate what Victor Marchetti and John Marks call the "clandestine mentality," the state of mind which sustains the entire covert intelligence effort. Richard Bissell, former head of clandestine operations, once put it that CIA men "feel a higher loyalty and . . . they are acting in obedience to that higher loyalty." That higher loyalty is a definition of "national security" developed and communicated in secret by higher-ranking bureaucrats hermetically sealed from public scrutiny. "The nation must to a degree take it on faith that we too are honorable men devoted to her service," CIA Director Richard Helms declared in 1971. There is indeed a code of honor operating in the intelligence underworld, which is made up of people who surpass most of us in dedication to a higher cause. The question still obscured in the

Watergate debate is this: What is that higher cause for which we must stand accepted norms of civilized conduct on their head?

Marchetti and Marks barely suggest an answer to that question in their heavily censored book *The CIA and the Cult of Intelligence*. The book mainly describes the life they observed when Marchetti was an assistant to the deputy director of the CIA and Marks worked for the Director of Intelligence in the State Department. They make no full analysis of the effects of the intelligence underworld on domestic politics and foreign policy. That book remains to be written. But when it is, the efforts of Marchetti and Marks to collect specific data on the structure, finances, and operations of the CIA will be an indispensable source. For the increasing numbers of concerned citizens who vaguely feel they are being conned by government this book will be clarifying and infuriating. It destroys the CIA official cover story that it has replaced its spies, adventures, and assassins with rows of Princeton graduates reading foreign newspapers. The following passage, which the CIA tried unsuccessfully to excise, makes it clear how important "dirty tricks" still are:

At present the agency uses about two-thirds of its funds and its manpower for covert operations and their support—proportions that have been held relatively constant for more than ten years. Thus, out of the agency's career work force of roughly 16,500 people and yearly budget of about \$750 million 11,000 personnel and roughly \$550 million are earmarked for the Clandestine Services and these activities of the Directorate of Management and Service (formerly the Directorate of Support), such as communications, logistics, and training, which contribute to covert activities. Only about 20 percent of the CIA's career employees (spending less than 10 percent of the budget) work on intelligence analysis and information processing.

Nothing in the career of the agency's new director, William Colby, suggests that covert operations will now become less important. Colby was an alumnus of OSS parachute operations in France and Norway, director of the 30,000-man Meo Arme Clandestine in Laos, designer of the agency's "Counter Terror" program in Vietnam (described by a former U.S. Foreign Service adviser to South Vietnam internal security programs as the use of "Viet Cong techniques of terror—assassination, abuses, kidnappings, and intimidation—against the Viet Cong leadership"), and coordinator of the Phoenix program two years later (20,587 "executions" of suspected Viet Cong by two and a half years, according to Colby's own testimony). Probably more than any of his predecessors, he represents the clandestine mentality. Marchetti and Marks describe how his upside down view of the world is taught:

He learns that he must become expert at "living his cover," at pretending he is something he is not. Agency instructors grade the young operators on how well they can fool their colleagues. A standard exercise given to the student spies is for one to be assigned the task of finding out some piece of information about another. Since each trainee is expected to maintain a false identity and cover during the training period, a favorite way to coax out the desired information is to befriend the targeted trainee, to win his confidence and make him let down his guard. The trainee who gains the information receives a high mark; his exploited colleague fails the test. The "achievers" are those best suited, in the view of the agency, for convincing a foreign official he should become a traitor to his country; for manipulating that official, often against his will; and for "terminating" the agent when he has outlived his usefulness to the CIA. . . .

Most operators see no inconsistency between an upstanding private life and immoral or amoral work, and they would probably

say that anyone who couldn't abide the dichotomy is "soft." The double moral standard has been so completely absorbed at the CIA that Allen Dulles once stated, "In my ten years with the Agency I only recall one case of many hundreds where a man who had joined the Agency felt some scruples about the activities he was asked to carry on."

The authors describe some of these "activities." Colonel Lansdale's "psywar operation" would ambush suspected Huk rebels, puncture their necks "vampire-fashion with two holes," hang their bodies upside down "until the blood drained out" and put the drained corpses back on the trail to scare off their insurgents. (Enterprising agency anthropologists had discovered that even revolutionary Filipinos in the area would melt at the thought of encountering a vampire.) The CIA broke into a bonded warehouse in Puerto Rico in order to contaminate Cuban sugar stored there. Tibetan refugees trained in Colorado raided mainland China and stole mailbags. The Green Beret operation in Peru in the mid-1960s secretly provided helicopters and arms, as well as counter guerrilla training, in a "miniature Fort Bragg" deep in the jungle. Secret operations in Southeast Asia were carried on under the cover of Air America, Southern Air Transport, CAT, and Air Asia. Mountain Air Aviation "served as a conduit in the sale of B-26 bombers to Portugal for use in that country's colonial wars in Africa."

Since Marchetti and Marks did not take part in such covert operations, their account of them relies largely on inside gossip and outside resources rather than direct experience. Although they add a few new details to previously published accounts of CIA operations in Indonesia, Tibet, Bolivia, and elsewhere, they do not take us much beyond Thomas Ross and David Wise's *The Invisible Government*, a brilliant piece of investigative journalism published in 1962. They do give the best available description of what the agency looks like at the top, particularly its structure and mystique. No one has yet been able to give a full picture of what agents in the field do, although a book about to be published in England by Philip Agee, a secret agent in Latin America for many years, may begin to fill this gap.

The agency itself has confirmed the accuracy of *The CIA and the Cult of Intelligence* by its extraordinary efforts to censor it. So far their efforts have been largely successful and have cost the publisher over \$100,000 in legal fees, as the CIA is no doubt aware. One hundred and sixty-eight passages are still deleted pending the ruling of higher courts and almost 200 more passages were restored only after persistent negotiations. The latter appear in boldface type throughout the book. By examining the bold-faced passages and filling in some of the gaps one can, thanks to the diligence of Jack Anderson, gain some insight into the minds of the CIA officials who seem so worried about this book. They do not mind taking credit for the 1954 "coup" in Guatemala but don't want us to know about Indonesia capturing a CIA pilot who carried out secret bombing missions against the Sukarno regime, something that has been public knowledge for years. They are uneasy about references to CIA guerrilla raids against North Vietnam in 1964 at the time of the Tonkin Gulf affair even though the raids were revealed in the Pentagon Papers.

For the most part the deletions appear to be based on concern for public relations rather than for national security. The Russians are undoubtedly aware of the ridiculous incident in Tokyo when CIA and KGB operatives scuffled over a would-be Soviet defector and were carted off by the Japanese police for disturbing the peace; the American public is not. The Chinese know about the mountain-climbing crew that installed a nuclear listening device which collapsed and

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contaminated the Ganges river: most congressmen do not know about such extremely provocative operations.

The CIA also does not like references to its cavalier use of clandestine funds, such as Robert McNamara's secret transfer of CIA funds to Norway in 1967 when the Pentagon military assistance budget ran short, or Lyndon Johnson's use of "The Directors Contingency Fund" to supplement the State Department's entertainment allowance during an OAS meeting in Uruguay the same year. The CIA also cut references to its use of secret funds to play the stock market for the same reasons of "national security" that Richard Nixon used to protect private and public wrongdoing.

That Willy Brandt took money from the CIA when he was a young politician after the war might have been politically embarrassing to him, but to impose unconstitutional censorship in order to suppress that fact is more than we owe even the most cooperative foreign politician. That the so-called *Penkovsky Papers* were an agency forgery has been one of Washington's worst kept secrets. It was an elaborate but quite useless prank, fun for those in on the joke; nothing is damaged by revealing it except the reputation of the CIA. Bugging Kremlin limousines sounds like the ultimate in espionage coups, but in fact it produced only the gossip and trivia one would expect. Perhaps this information was useful in preparing the famous psychological profiles in which the agency specializes (unless, of course, it was too secret because of its source to entrust to psychiatrists); no one in the US was wiser or safer for it.

The CIA's spies, buggers, code-snatchers, crop contaminators, covert philantropists, and secret political manipulators live in an atmosphere of pretentious banality. Vast amounts of money, time, and energy are expended in designing signal transmitters that can fit in a false tooth, in amassing gossip on the eating, drinking, and sleeping habits of political figures around the world, and in caring for defectors, the agency's principal "assets" in communist countries. (Colonel Penkovsky was given a secret CIA medal and a US Army colonel's uniform as assurance that transfer of allegiance would involve no loss of rank.) Other secret activities such as overflights of the Soviet Union, China, and Albania, electronic surveillance by ships off North Korea and Israel, hidden bases in Pakistan and elsewhere involve much higher costs than an occasional stage prop. We know of too many CIA missions that not only failed—e.g. the U-2 and RB-70 overflights in the Soviet Union and the unhappy voyages of the *Pueblo* and the *Liberty*—but ran serious risks of provoking war.

Secret bases and secret armies which are intended to "open up the options" for US foreign policy have a way of doing precisely the opposite. Once the secret base is established, its "cover" must be protected. Considerable concessions have been made to Pakistan, Ethiopia, and other countries to protect such "assets." (One of the reasons why President Kennedy decided to go through with the Bay of Pigs adventure, in spite of misgivings, was the fear the Cuban exiles in the training camps would talk if they were not staked to an invasion.)

What is it all for? Although there is rampant silliness in the intelligence underworld, it is also a necessary institution for managing a modern empire. While the failures are spectacular, it is the successes that raise the most important issues. No one can quarrel with the need for intelligence, which is merely another name for information on which to base decisions. But the CIA is spending a major share of its budget on covert action, which is not information-gathering at all, but secret warfare. Bissell

has catalogued some of the activities of covert action specialists:

- (1) political advice and counsel;
- (2) subsidies to an individual;
- (3) financial support and "technical assistance" to political parties;
- (4) support of private organizations, including labor unions, business firms, cooperatives, etc.;
- (5) covert propaganda; (6) "private" training of individuals and exchange of persons; (7) economic operations; and (8) paramilitary [or] political action operations designed to overthrow or support a regime.

To manage political and social change around the world and to oppose national revolutions, as in Chile, is a "responsibility" that requires covert action. As long as the US maintains its extravagant policy of trying to make the world safe for established political and economic power, there will always be men like Colby, Bissell, and Hunt ready to lie, steal, and kill in that higher cause. Indeed there are many reasons why the CIA now seems a more political instrument than ever including the improved techniques for "low profile" interventions, the growing desire to control resource-producing Third World countries, the increasing difficulties in mounting conventional military operations abroad. If we do not wish to use the state to legitimize criminal activity at home and abroad, then we must stop trying to set the conditions for the internal development of other nations.

In 1963 Harry Truman said that he was "disturbed by the way CIA has been diverted from its original assignment. It has become an operational arm and at times a policy-making arm of the Government." But fifteen years earlier he began the process by establishing the Office of Policy Coordination, the first postwar "dirty tricks" operation. Classified National Security Intelligence Directives broadened its scope, giving it, among other powers, the authority to question Americans about their foreign travels and to enter into contracts with American universities. Once the cold war defined the American national purpose, lethal pranksterism became a growing industry. The CIA's legitimacy, once accepted, cannot be effectively controlled, as the sorry record of the Senate "watchdog" committee attests.

It is hard to find public defenders of "dirty tricks" these days. Despite the evidence now coming to light about the agency's role in the Greek coup of 1967 and its generous payments to high Mexican officials, the only clandestine activity to which the CIA admits is covert intelligence collection. How else, Colby asked recently in a speech to the Los Angeles World Affairs Council, can we get "information on the intentions of other powers"? The revolution in technical intelligence-gathering of the past twenty years, he points out, has "not removed the need to identify at an early stage research abroad into some new weapon system which might threaten the safety of our nation."

Richard Bissell has provided us enough of a glimpse into the "intelligence community" to expose the disingenuousness of this statement. Clandestine intelligence collection is primarily directed against those societies least able to hurt us because these also happen to be the societies least able to protect themselves from penetration. The Soviet Union makes such a large investment in counterespionage that, except for an occasional defector like Penkovsky, most of the information about their intentions has to be pieced together from open sources. Powerful countries, the only plausible security threats, can develop sophisticated codes that are, as cryptologist David Kahn puts it, "unbreakable in practice." In 1970 Admiral Gayler of the National Security Agency admitted privately according to Marchetti and Marks, "that a good part of the NSA's suc-

cess came from breaks" into embassies and other places where code books can be stolen. Thus it is possible to break the codes of poor Third World countries such as Chile. "One surreptitious entry can do the job successful at no dollar cost," the authors of the 1970 Huston Plan reported to President Nixon. But such cheap petty thievery produces information the US government does not need or should not have.

The reason the underdeveloped world "presents greater opportunities for covert intelligence collection," as Richard Bissell explained to a Council on Foreign Relations study group in January, 1968, is that governments "are much less highly oriented; there is less security consciousness; and there is apt to be more actual or potential diffusion of power among parties, localities, organizations, and individuals outside the central governments." Thus, the same internal suspicions, rivalries, and bribery that keep poor nations from effectively organizing themselves to overcome mass poverty make them attractive targets of the intelligence underworld. Real and exaggerated fears of being infiltrated help to keep such societies in a continual state of political disorganization. As Bissell points out, the less totalitarian the society, the easier it is to find out and to influence what goes on there. Salvador Allende's tolerance of forces opposing him made it easy for the CIA and other intelligence agencies to work with them to hasten his downfall.

Bissell argues that espionage in the poorer countries is needed to produce "timely knowledge" of "tactical significance." In fact most clandestine collection of information serves no purpose other than to support covert activities that subvert foreign regimes. Bissell himself concedes that sometimes "the task of intelligence collection and political action overlap to the point of being almost indistinguishable." For what legitimate purpose does the United States need to immerse itself in the internal political developments of Third World and other countries which pose no threat to the security of the United States other than the assertion of their own independence?

The usual argument for a large secret warfare department is that other nations have them too. The "clandestine mentality" pervades the Soviet Union, and the record of the KGB for murder, theft, torture, and forgery is probably unmatched. But do criminal activities of other countries require us to maintain our own? Certainly it is necessary to carry on counterintelligence work against penetration and manipulation of our government and theft of military secrets. But there is a difference between such defensive counterespionage operations and secret warfare against other nations, although there is always the risk that the one can be disguised as the other. The "gap" in dirty tricks (if indeed there is one) is no more justification for the United States to corrupt our own society and distort our foreign relations than the "missile gap" or the "bomb shelter gap" of the 1960s.

Like all other arms races we have been running mostly against ourselves, the "back-alley-war," as Dean Rusk calls it, could be drastically cut down on our side with a net gain in security for the American people. This is so because most of the information so expensively and dangerously procured by clandestine means often turns out to be politically worthless. The work done by spies is inherently suspect because specialists in espionage are in the business of producing disinformation as well as information. Indeed the more esoteric and elaborate the deception required to produce a given bit of data, the less likely are the spy's political superiors to believe it. Thus some of the great intelligence coups of history—the advance warning to Stalin of the impending

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German attack, for example—were never translated into effective policy (as more recently the warnings of the Defense Intelligence Agency that the Egyptians and Syrians were about to attack in October, 1973, were ignored by policy-makers). Meanwhile the bribery, blackmail, and theft that produces piles of tape recordings of foreign politicians, photographs of documents, and dossiers on friends and enemies breeds fear and distrust of the United States around the world. The blunders and petty triumphs of US agents abroad have done more to damage the reputation of the United States for trustworthiness and decency than all the machinations of the KGB.

For the protection of our own society the "dirty tricks" department must be recognized for what it is, a criminal enterprise. Dismantling it and preventing its reappearance in newer and slicker disguises would be one of the first acts of a new administration genuinely concerned to preserve constitutional liberty and to stop the wreckage our paid pranksters are causing around the world.

WHAT THE FEDERAL GOVERNMENT CAN DO ABOUT INFLATION

HON. BILL FRENZEL

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES
Wednesday, September 25, 1974

Mr. FRENZEL. Mr. Speaker, no problem is more important to all Americans than stopping inflation. Constructive ideas are badly needed—especially for action by the Federal Government which has the responsibility to take the lead in the fight against inflation. On September 25 President Ford received just such a list of proposals which I would like to insert in the Record for the consideration of all Members of Congress. This statement was prepared by Willis D. Gradison, Jr., former mayor of Cincinnati, and now a candidate for Congress in Ohio's First Congressional District. After earning his doctorate at the Harvard Business School, Mr. Gradison served in Washington as Assistant to the Under Secretary of the Treasury and later as Assistant to the Secretary of Health, Education and Welfare.

The list of proposals follow:

SEPTEMBER 25, 1974.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I appreciate this opportunity to convey to you and your advisors the attached recommendations on what the Federal government can do about the inflationary crisis which grips our Nation and the world. These ideas are my own, but do take into account the suggestions which have come to me from citizens from all walks of life in Ohio's First Congressional District.

As I see it all Americans—all parts of our economy—are looking to Washington for a signal that halting inflation will be our Nation's top priority and that first steps in this direction will be taken now. The clearest sign that could be given would be for you to call on the Congress to remain in session until it cuts the spending rate (not appropriations, not authorizations, but spending) to an annual rate of \$300 billion or less for the current fiscal year. I would further suggest that you indicate that if the Congress is not able or willing to prescribe the needed

spending cuts, you would be willing to have Congress grant authority to you to make the needed reductions.

If I can be of further assistance, I stand ready to assist you and your advisors at any time.

Respectfully yours,
WILLIS D. GRADISON, JR.

WHAT THE FEDERAL GOVERNMENT CAN DO ABOUT INFLATION

World-wide inflation has resulted from excess demand coupled with an inadequate supply of goods and services. Rising living standards are pressing against finite resources. Life-time savings are being confiscated, thrift discouraged, and the specter of unemployment caused by inflation haunts the working men and women of our Nation.

Price competition has been restrained by monopolistic practices and shortages of productive capacity. And government actions have intensified the inflationary tendencies by counter-productive fiscal policies and by a pattern of political promises with costs far in excess of available revenues. This buy now, pay later attitude must end. In performing on its promises for more spending (validating the voters' expectations and stimulating even larger pressures for future spending) the government has levied a tax in the form of inflation to pay for its inability to balance its income and outgo or to resist political pressures.

While this analysis is based on what the Federal Government can do about inflation, we must recognize that it cannot deal with all aspects of the problem. The price increases exacted by the major oil producing nations, crop shortages in the Soviet Union or the Peoples Republic of China, monetary instability—these and other events are beyond the power of our government to cope with (at least in the short run). Obviously industry and labor have major roles to play in successfully containing inflation, but right now the question is who should take the first step. And it clearly must be the government itself which must recognize its leadership role, and that it cannot expect others to act until it acts.

What then can the Federal Government do?

1. Fiscal policy and the budget

The cumulative effects of huge Federal deficits have required large Federal borrowings and these in turn have absorbed savings which otherwise would have been available for job-creating capital investment and for housing. Sound management of Federal financing in recent years would have required surpluses, not deficits. The rapid increase in spending coupled with the expansion of credit-guarantee programs has played a major role in the present inflation. The current situation calls for a cut in spending rather than an increase in taxes, since the latter would likely be used as a justification for even higher outlays. Spending cuts should begin in the Federal Government's own programs, not only to restrain demands on credit but also to increase the productivity of Federal spending. Examples abound where cuts should be made:

The postal deficit with its hidden subsidy for newspapers and magazines.

Other business subsidies such as shipbuilding, Penn Central, Lockheed, private airlines.

Space projects which could be spread out over a longer period of years.

Agriculture where acreage restrictions and price supports should be ended for all crops.

Livestock loans which keep meat prices from falling as dictated by supply and demand.

Overlapping welfare programs where too much of the Federal dollar is absorbed in administration at the Washington and regional levels.

Poor administration such as ADC in Ohio with 28.7% of all cases ineligible or receiving overpayments.

Coupled with a pruning of existing programs all new expenditure programs should be deferred until revenues are available to pay for them, or cuts in older programs free funds for more urgent activities. A good place to start would be the construction projects of the U.S. Corps of Army Engineers such as the Red River gorge in Kentucky.

2. Monetary policy and interest rates

For years monetary policy has carried the laboring oar in the fight against inflation, with fiscal policy usually pulling in the opposite direction. As effective fiscal policy moves from speeches and promises into action steps towards monetary ease will follow. Without stern action by the Federal Reserve the inflationary situation would have been far worse; but as we have seen such action cannot do the job alone. We are at a critical stage where even higher interest rates could cause a massive flow of funds from thrift institutions, an even more severe drop in housing than has already taken place, and require rescue operations by the Federal Reserve and the Treasury which would all but doom to defeat further efforts to stop inflation.

3. Taxation

The time for tax reform is always with us, and changes are obviously needed in the interest of equity and to assure that everyone carries his fair share of the tax burden. With reference to inflation, however, tax reform takes on a new dimension, namely the need to stimulate expansion of productive capacity, research, and development. This need not result in favoritism to anyone; merely a removal of present restraints on savings and investment would help. For example, utilities, which have huge needs for capital and expansion, receive an investment credit of only 4% while the credit in other industries is 7%. Depreciation allowances are based on historic cost rather than present (and higher) replacement cost. Individuals can exclude from income a portion of dividends received but not of interest on thrift accounts (which are the main source of funds for housing). And while the tax rate on investment gains has increased, the opportunity to writeoff losses against other income continues to be severely limited. In this regard leadership is needed from the Federal level in educating the general public to the need for savings, thrift, and investment, and to the way in which prices, job opportunities, and consumption in the future are related to capital creation today.

4. Energy

Until the Federal Government establishes the ground rules, expansion of energy output is likely to lag. Taxation, price regulations, rules with respect to coal mining on public lands, environmental standards and other aspects of public policy all bear upon the ability and the willingness of energy companies to commit the resources needed for expansion. Such policies should be developed with the objective of stimulating output and fostering research, not with a spirit of vindictiveness or hostility. The need for capital is so great and the opportunities for investment of capital outside the energy field so large that unduly harsh government policies would discourage investment and intensify both energy shortages and our dependence on foreign sources. A Presidential veto of the Energy Transport Security Act would be a signal that energy prices will not be permitted to rise unnecessarily.

5. Federal regulation

Over the years Federally sanctioned rules have inhibited competition and indeed led to price-fixing in many industries. All such limits on competitive prices should end. Examples abound ranging from freight rates