

ceedings to prevent and restrain such violations. Upon the filing of a complaint under this section and the service thereof upon the defendants named therein, the court shall proceed as soon as may be possible to the hearing and determination of the action.

ACTIONS FOR DAMAGES

SEC. 9. (a) Any person who shall be injured in his business or property by reason of any violation of this Act may sue therefor in any district court of the United States for the judicial district in which any defendant resides or is found, without respect to the amount of controversy, and shall recover threefold the damages sustained by him, and the cost of suit, including a reasonable attorney's fee.

(b) Any action instituted under this section shall be forever barred unless commenced within three years after the date on which the cause of action arose.

EFFECTIVE DATE

SEC. 10. This Act shall take effect one year after the date of enactment.

By Mr. THURMOND:

S. 2751. A bill to amend section 704 of title 38, United States Code, to permit the conversion or exchange of national service life insurance policies to insurance on a modified life plan with reduction at age 70. Referred to the Committee on Veterans' Affairs.

Mr. THURMOND. Mr. President, I am today introducing legislation to permit the conversion of exchange of national service life insurance policies to insurance on a modified life plan.

Present regulations provide that the holder of national service life insurance has his policy face value reduced by 50 percent at age 65. This face value reduction is without any decrease in premium rates.

Mr. President, this bill would amend section 704 of title 38 of the United States Code to extend the age limitation to 70.

Insurance of this type was made available to encourage veterans to convert their term policies to a permanent life insurance policy with premium rates remaining the same.

Thus, this legislation would merely allow the policyholder to maintain the full face amount of his insurance policy for an additional 5 years.

Under present law, when a veteran obtains age 65, he is faced with the unhappy choice of either dropping his insurance or continuing to pay a very high premium. Thus, he may lose coverage by having his policy value reduced or may not be able to pay the high cost of permanent life insurance premiums. After paying premiums on term insurance for many years it is unconscionable to allow this veteran to be forced out of complete coverage at a time when the death rate of veterans is increasing.

Mr. President, I request that this bill be appropriately referred and ask unanimous consent that it be printed in the RECORD at the conclusion of my remarks.

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

S. 2751

A bill to amend section 704 of title 38, United States Code, to permit the conversion or exchange of national service life insurance policies to insurance on a modified life plan with reduction at age seventy

Be it enacted by the Senate and House of Representatives of the United States of Amer-

ica in Congress assembled, That section 704 of title 38, United States code, is amended effective the first day of the first calendar month which begins more than six months after the date of enactment of this Act by the addition of the following new subsection thereto:

"(e) On and after the effective date of this subsection and under such regulations as the Administrator may promulgate insurance may be converted to or exchanged for insurance on a modified life plan under the same terms and conditions as are set forth in subsections (b) and (c) of this section except that at the end of the day preceding the seventieth birthday of the insured the face value of the modified life insurance policy or the amount of extended insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium. Any insured whose modified life insurance policy issued under this subsection is in force by payment or waiver of premiums on the day before his seventieth birthday may be granted insurance on the ordinary life plan upon the same terms and conditions as are set forth in subsection (d) of this section except that in applying such provisions the seventieth birthday is to be substituted for the sixty-fifth birthday. Notwithstanding any other provisions of law or regulations the Administrator under such terms and conditions as he determines to be reasonable and practicable and upon written application and payment of the required premiums, reserves, or other necessary amounts made within one year from the effective date of this subsection by an insured having in force a modified life plan issued under subsections (b) or (c) of this section, including any replacement insurance issued under subsection (d) of this section or other provision of this title, can exchange such insurance without proof of good health for an amount of insurance issued under this subsection equal to the insurance then in force or which was in force on the day before such insured's sixty-fifth birthday, whichever is the greater."

By Mr. HATFIELD:

S. 2752. A bill to amend the Internal Revenue Code of 1954 to provide a tax credit for contributions to a neighborhood corporation and to provide other financial assistance to such corporations organized under State law to furnish their own neighborhood services. Referred to the Committee on Finance.

NEIGHBORHOOD GOVERNMENT

Mr. HATFIELD. Mr. President, I sent to the desk a bill which I ask unanimous consent be printed in the RECORD at the conclusion of my remarks.

Mr. President, it has been often stated that our past illuminates our present, and I think it appropriate that we should reflect on the ideals and actions during past segments of our history which have made this country great. The periods of greatness in our history, the sources of our natural creativity and strength, have been when the individual has been depended upon—when we have counted on ourselves.

Local and State governments were at one time the primary source of initiative and new ideas. Local experiments such as the income tax, workmen's compensation, and social security were all destined to become Federal programs and virtual institutions within our society. Local units of government lost their preeminence to big government and with it people came to depend primarily on the Federal Government, reversing the hierarchy of priorities. An indication of

this is the fact that since 1940, Federal taxes have increased more than twice the total State and local tax levies. While State and local taxes have varied between 7 and 11 percent of the total national income over the past 30 years, Federal taxes have increased 14 percent to take nearly one-quarter of the total national income.

Big government was thought to be able to handle big problems, but that has not been verified by the evidence. More importantly, however, sight was lost of the individual. Concern has been shown for the extremes in our society but this attention was at the cost of the middle American. It was also done at the cost of a system of government that had a better track record than any other in history.

Dr. Michael Young, a sociologist in Britain, has most poignantly commented on this matter as it related to his country. In a speech delivered in Britain, he said that for a long time we have believed that bigness brings efficiency in business and government. To gain economics of scale, he continued, we have accepted remoteness and impersonality of large organizations. Said Dr. Young:

Whenever anything goes wrong, growth is the stock answer. It is fine for computers and other machines. They thrive on size. But, for a large complex of people the whole has become less than the sum of its parts. . . . There is hardly a large organization in the country which has not gone downhill over the last quarter of a century. . . . Almost all large bodies.

He continued:

Have become afflicted by a new wasting disease, giantism.

And this giantism and this growth has brought inefficiency. To paraphrase Dr. Young, the cause of this problem is rather simple: The idea of individual freedom and integrity has grown stronger and people are not as willing to accept offers from the top without question as they used to be. And unquestioning acceptance of orders is the only way a large organization can function efficiently. Business in Britain became aware of the problem, says Dr. Young, but so much time was spent "passing information up and down and sideways that nothing much else is done beside just communicating."

Dr. Young's commentary on Britain is perhaps even more relevant to the United States. Our undying faith in giantism, big government, big business, and constant growth as the panacea for all of our problems is what I call New Deal liberalism. We have learned a great deal from it over the past three decades, but it is doomed to failure. The present administration is reaping the whirlwind of defeats that are rooted in the past 30 years of paternalism. And there is a great deal to be done to reorder our priorities and help change people's attitudes toward themselves and government. They will require a massive national effort involving each of us in his own way and within his own spheres of influence. The key to any change is power and the priorities of power as they are at present must be reversed.

For instance, most of us are generally aware of the deteriorating prospects of our Nation's cities. But this is contrary

to what one would expect by the following figures. During the past 15 years, the total annual expenditures, by city governments, have increased over 300 percent from \$28.3 to \$92.5 billion. This, in part, reflects a rise in population: Between 1956 and 1970, the population of our central cities has increased from roughly 55 million to approximately 63.8 million. When comparing these figures, furthermore, the per capita expenditure increased as well: 51 cents per capita in 1956 as compared to \$1.46 per capita in 1970. This would seem to indicate, consequently, that our cities would be improving when increasing per capita expenditures continue over an extended period of time. Yet in Chicago, during the month of March, there were three times more calls to the mayor's office complaining about building code violations than there were about police services. In Milwaukee, they received more complaints about inefficient snow removal from the streets than anything else. In almost every city, garbage, its costs and cutbacks in collection, is complained about. Cleveland laid off 1,500 of its 13,000 city employees between January and June of this year. Cities such as Cincinnati, Los Angeles, Kansas City, Indianapolis, and Detroit are laying off teachers, implementing hiring freezes—before the President's announcement, August 15—and cutting back in the school day and kindergartens.

This trend is further indicated at the Federal level as well as with local tax receipts. Between 1961 and 1971, Federal outlays increased by \$16 billion—a 250-percent increase in 10 years. State and local taxes increased by an estimated \$48 billion during the same 10 years. On the local level, total tax receipts increased by \$33 billion, a 10-year increase of 576 percent. And there is every reason to believe they will continue to rise. In New York City, for example, it is anticipated that middle-income, homeowning families might expect an added tax bite of \$750 next year.

The implications of this are clear. Government has reached the point where in many cases, it has become overextended. It has become too large to cope with the needs of its citizens. Even local government has become counterproductive in many areas. In terms of real dollars, any government, local, State, or Federal, is going to take in more money in taxes than it can pay back in visible services, because it must pay for its own costs. However, the predominant philosophy has been to distribute these services to those who need them most, the government acting as the middleman for the rich to help the poor, the haves to help the have-nots. Yet this approach has not worked.

There is an increasing fiscal imbalance in the federal system with respect to the central cities and the suburbs. Central city residents pay taxes at a higher rate than suburban dwellers, and in absolute terms they pay a larger per capita tax bill. This is in spite of the fact that central city residents are poorer than suburban residents. Furthermore, local government spending is less in central city than it is in the suburb. The Advisory Commission on Intergovernmental Relations found in its study published in 1967

that over a 9-year period, the gap between the central city and the suburbs in per capita expenditures had grown by \$52, and the gap in per capita tax had worsened by \$11. In other words, the tax burden of the inner city was generally half again as much as in the suburbs, but the benefits of most value to families—education—is only two-thirds of that in the suburbs. And the disparity has been growing worse.

It might be argued that Federal aid to the cities would help alleviate this burden, but according to the Advisory Commission study, Federal expenditures benefited the inner cities by \$8 per capita, still leaving a \$44 gap between the inner city and the suburb.

An interesting study of the Shaw-Cardozo neighborhood in Washington, D.C., was published in 1969. The Shaw-Cardozo neighborhood is perhaps the most poverty-stricken area in Washington and has been the focal point of many anti-poverty programs of the Federal and city governments. Yet the residents of the neighborhood paid out at least \$5 million more in taxes than it received in visible services from all government sources. It is ironic, to say the least, that during an era of concern for the elimination of poverty, the Shaw neighborhood would be better off if its residents were allowed to keep their money and the aid programs discontinued. This and a soon to be published study indicate that the trend is continuing.

Another more general hypothesis has been presented by Prof. Jay W. Forrester of the Massachusetts Institute of Technology. Professor Forrester has applied systems analysis to urban problems in an attempt to clarify and better understand the dynamics of urban life. In his Urban Dynamics, he examines various techniques possible for alleviating many of the negative pressures within our cities concluding that the usual approaches are not only not productive but they are counterproductive. Among these approaches he includes public service and other artificially created job programs, outside induced job training programs, financial aid from outside sources, and low-cost housing. What should be stressed, claims Professor Forrester, is the equilibrium between new-enterprise construction, declining-industry demolition, slum-housing demolition, discouragement of housing construction, and encouragement of industry. There is a critical balance between these that must be maintained if a city is to flourish. The key is a proper balance between housing and business enterprise.

If these studies are correct, the policy implications are profound. In the overall perspective of Professor Forrester, it is essentially up to the cities to solve their own problems—outside stimulus is counterproductive in many cases. He suggests that at the local level, tax and zoning laws should be altered to attract more business, stressing the importance of reaching a point of self-sustenance and independence. This cannot be focused only at one area of a city, but in all, if a correct equilibrium is to be maintained. At the State and Federal levels, efforts to artificially stimulate various sectors of our cities should be eliminated, the re-

sponsibility being refocused on the cities themselves.

The Shaw-Cardozo study also implies policies closely related to those coming from Professor Forrester. If even the poorest neighborhoods would be better off financially if allowed to keep their tax revenues, so would higher income neighborhoods. Taxes should be drastically reduced, particularly in the poorer neighborhoods, so that they might provide for themselves better than various governments have to date. What is needed are neighborhood governments within our cities, neighborhoods controlling their own revenues and their own programs. There is not, however, under present law any provision which would allow neighborhoods to incorporate to provide their own services, nor are the specific economic incentives as clearly drawn as they might be to accomplish this end. The two proposals I am introducing today would eliminate these problems to the extent that the Federal Government is responsible.

The bill I am introducing today would, if passed, entail the following: Division of cities into neighborhoods, defined by their annexation boundaries; allowing tax credits up to 80 percent of the respective Federal tax liabilities for individuals within these neighborhoods; returning to the neighborhood corporations 80 percent of the non-Federal taxes paid out by individuals within the respective neighborhoods; allowing a tax credit to individuals who wish to give money to a neighborhood corporation; and requiring that a large majority of the eligible voters within the prospective neighborhood corporation favored incorporation before they are allowed a refund. The intent of the proposal is to allow our citizens to have a broader choice as to how their lives are to be directed and controlled. The legislation would not require the formation of a neighborhood if the members of that neighborhood did not want to incorporate. It would allow for the takeover of many governmental function—Federal, State, and local.

Obviously, a great deal must be done at the State and local levels before corporations of this sort could be formed. Federal legislation alone could not accomplish the end I envision. The proposals I am introducing today would be a first step.

The concept I have outlined is not new. It has been used successfully over hundreds of years. Most recently, a low-income neighborhood of Columbus, Ohio, incorporated itself as a nonprofit organization called ECCO and has for over 6 years carried on governmental functions in a highly laudatory manner. And there are other examples.

If the studies I have noted here are correct, the only way to solve a great number of the problems facing our Nation and our cities is to make the neighborhoods within them much more self-sustaining and independent than they are at present. Large Federal and State programs may only frustrate and create further problems, particularly for the poorer areas.

There are many problems that need to be considered and overcome, even if the proposition of neighborhood govern-

ment is accepted as a desirable goal by the various sectors of our society and among the numerous levels of government. One of the first considerations that must be given is organization. The neighborhoods under my proposal would be allowed to form whatever governmental structure its members desired. Yet, the initial organizing is critical if the neighborhood corporations are to be successful on a long-term basis.

A second area which must be given further study is promoting economic self-sufficiency within the neighborhood corporations. It is obvious that if these corporations cannot maintain an effective tax base they will not be able to function well—this is particularly true in the lower-income areas. Professor Forrester, whom I mentioned earlier, has some suggestions in this matter, and they should be fully explored and tested. His proposals require a great deal of initiative and have some questionable aspects. However, his counterintuitive method and general conclusions are generally consistent and supply answers to questions which have long plagued us. They deserve a thorough trial and analysis. Whether his or other approaches are successful remains to be seen, but basic diversification of neighborhood corporations with the consequent need for creativity and innovation, cooperation and self-awareness, will supply the necessary solutions. This has been the basis of our strength in the past.

A third possible problem area to which attention should be focused is the question of boundary definition for the neighborhood corporations. As I presently envisage it, the boundaries should be determined by the annexation and consolidation lines within our cities. Virtually every city that my staff has been able to study has developed by one of these two processes. Yet, there may be cities which have not developed in this manner. If this is the case, greater flexibility will be needed to make provision for these exceptions. Most importantly, however, is that the process of boundary determination be as geographic in nature as possible, for two reasons: First, the influence of politics would be significantly diminished; second, differing economic, cultural and ethnic groups would be thrown together and work toward common goals within their neighborhood.

From the philosophical side of the question, we must return to a greater individualism and a greater sense of family and community. These are values which have made our country great, but they are values which have been diminishing for more than 30 years. It is my firm conviction that every member of our society should have greater control over his or her future, and that means greater control over their money.

For years, we have heard of man's alienation from his technology and his growing estrangement from his society. Now many of most important institutions—government, family, and business—are becoming most distant, separate, and abstract. If democracy and our republican form of government do not

flourish, the hope of mankind to control his own future will die. A reordering of the power alignments and individual relationships within our country are needed if we are to succeed. Neighborhood government is a step in that direction.

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

S. 2752

A bill to amend the Internal Revenue Code of 1954 to provide a tax credit for contributions to a neighborhood corporation and to provide other financial assistance to such corporations organized under State law to furnish their own neighborhood services

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Neighborhood Corporation Assistance Act."

DECLARATION OF PURPOSE

SEC. 2. It is the purpose of this Act to encourage communities and neighborhoods to incorporate for the purpose of providing their own neighborhood services, to provide additional operating funds for such corporations, to increase the sense of neighborhood participation by individuals in such neighborhoods by providing a tax credit for contributions thereto, and to provide additional Federal revenue to such corporations.

TAX CREDIT FOR CONTRIBUTIONS

SEC. 2. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

"SEC. 40. CONTRIBUTIONS TO NEIGHBORHOOD CORPORATIONS

"(a) General Rule.—There shall be allowed as a credit against the tax imposed by this chapter for any taxable year any amount contributed to a certified neighborhood corporation and paid during that year, subject to the limitations of subsection (b).

"(b) Limitations.—

"(1) Amount.—Except as provided in paragraph (2), the amount of the credit under subsection (a) shall not exceed—

"(A) 80 percent of the amount of the contribution if the contributor's taxable income for the taxable year is \$10,000 or less;

"(B) 60 percent of such amount if his taxable income for the taxable year is more than \$10,000 but not more than \$15,000;

"(C) 40 percent of such amount if his taxable income for the taxable year is more than \$15,000 but not more than \$20,000;

"(D) 20 percent of such amount if his taxable income for the taxable year is more than \$20,000 but not more than \$25,000; and

"(E) 10 percent of such amount if his taxable income for the taxable year is more than \$25,000.

"(2) Nonresidents.—In the case of an individual who does not reside in the neighborhood served by the neighborhood corporation to or for the use of which he makes a contribution, or a corporation which does not have an office or other establishment in the neighborhood served by the neighborhood corporation to or for the use of which it makes a contribution,

"(A) the amount of the credit under subsection (a) shall not exceed one-half of the amount of the credit under such subsection as determined under paragraph (1) of this subsection; and

"(B) credit shall be allowed during any taxable year for contributions to only one neighborhood corporation.

"(3) Application with other credits.—The credit allowed by subsection (a) shall not

exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 38 (relating to investment in certain depreciable property).

"(c) CERTIFICATION OF NEIGHBORHOOD CORPORATIONS.—A corporation may be certified by the Secretary or his delegate for purposes of this section upon application by the corporation for certification if it—

"(1) is organized under the laws of the State in which it is located as a corporation not for profit and restricts its operations to the single neighborhood it was designed to serve;

"(2) is organized for the purpose of supplying services to its members, and other persons residing within the neighborhood it is designed to serve, which were supplied by a municipal or other government prior to the establishment of the corporation, or similar services; and

"(3) demonstrates a capacity to supply such services and to perform the activities for which it was established in an adequate and satisfactory manner.

No corporation may be certified for purposes of this section which is formed for the purpose, or with the effect, of preventing the implementation, within the neighborhood it is designed to serve or within the larger neighborhood within which it is located, of any plan or program designed to carry out the laws of the United States, or for any purpose which is contrary to public policy, or which would have a substantial adverse effect upon adjacent neighborhoods. No corporation may be certified for purposes of this subsection unless it is so organized as to permit a high degree of participation by members of the neighborhood it is designed to serve in making major policy decisions.

"(d) NONDEDUCTIBILITY OF CONTRIBUTIONS.—No deduction shall be allowed under section 170 for any contribution to or for the use of a neighborhood corporation to the extent that a credit is allowed (after the application of subsection (b)) for such contribution under subsection (a).

"(e) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section."

(b) The table of sections for such subpart A is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Contributions to neighborhood corporations.

"Sec. 41. Overpayments of tax."

(c) The amendments made by this section shall apply to taxable years ending after the date of enactment of this Act, but only with respect to contributions payment of which is made after such date.

COMPENSATION FOR STATE AND LOCAL TAXES

SEC. 3. (a) Upon application from a neighborhood corporation certified under section 40 of the Internal Revenue Code of 1954, the Secretary of the Treasury is authorized to pay to such corporation for general corporate use an amount equal to a part (determined under subsection (b)) of the amount of non-Federal taxes paid by members of that corporation to State and local governments. Such payments may be made annually or as otherwise determined by the Secretary.

(b) The amount of the payment which the Secretary may make under subsection (a) to a neighborhood corporation is an amount equal to a percentage of the total amount of non-Federal taxes paid by members of that corporation to State and local governments. That percentage shall be determined in accordance with the following table:

Per capita annual income of individuals residing in the neighborhood served by the corporation:	Percentage
\$10,000 or less.....	80
\$10,001 to \$15,000.....	60
\$15,001 to \$20,000.....	40
\$20,001 to \$25,000.....	20
more than \$25,000.....	10

(c) The amount payable under subsection (a) may be reduced by the Secretary whenever he determines that such reduction is necessary in consideration of the total amount of funds available to him for such payments and the total amount of payments for which application has been or may be expected to be made. Before making any payment under subsection (a), the Secretary shall require that any applicant provide for such fiscal control and fund accounting procedures as he deems necessary to assure proper accounting for Federal funds so paid. The Secretary may require such reasonable reports as to the use of funds paid under subsection (a) as he deems necessary, and he shall make an annual report to the Congress with respect to payments made and reports received under this section.

AUTHORIZATION OF APPROPRIATIONS

SEC. 4. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

By Mr. MAGNUSON (for himself and Mr. INOUYE):

S. 2754. A bill to authorize the Secretary of Commerce to engage in certain export expansion activities, and for related purposes. Referred to the Committee on Commerce.

EXPORT EXPANSION ACT OF 1971

Mr. MAGNUSON. Mr. President, I introduce for appropriate reference, for myself and the Senator from Hawaii (Mr. INOUYE), a bill to authorize the Secretary of Commerce to engage in certain export expansion activities, and for related purposes. The bill I am introducing, entitled the Export Expansion Act of 1971, is broad legislation intended to make a start at filling an urgent need.

All Senators are familiar with the grave situation confronting our Nation in its foreign trade. Since 1964, when the United States enjoyed a trade surplus of some \$7 billion, our position as a competitor in the world marketplace has rapidly deteriorated. This year, for the first time since 1893, it is probable that we shall face a deficit in our balance of trade. Those are alarming facts; both because of the magnitude and rapidity of the decline and because of the far-reaching implications for our balance of payments, our peoples' economic well-being and our Nation's role as a world leader.

But alarming as these trade balance figures are, they do not reflect the full gravity of the situation. For one thing, our official trade figures chronically overstate exports by including "sales" under charity programs such as Public Law 480, and understate imports by not including the cost of insurance and freight as do virtually all other nations. If one makes adjustments to reflect these distortions and arrive at a more realistic trade balance, it becomes clear that our Nation has for the last 5 years been experiencing severe trade deficits.

The United States is rapidly losing its export competitiveness. For example, in

the crucial area of manufactured goods, the United States slipped from 25 percent of the world market in 1960 to 21 percent in 1970. In dollar terms that share loss meant \$6 billion in lost exports. In human terms, it meant over 400,000 lost job opportunities that were and are desperately needed. Last year also saw the United States lose its position as the world's largest exporter of manufactured goods—a position that is now held by Germany.

Public attention on the decline in our trade has largely been focused on a few industries: Textiles, shoes, steel, automobiles, radios and the like, and on the loss of markets to imports. It is in these areas, of course, where the decline has been most dramatic. Also, for some reason, domestic sales lost to imports generally result in more public concern than the equally damaging loss of potential export sales. However, the legislation I have introduced today is aimed at exports. It is intended to be a start on what I believe must be a major priority of our Nation in the decade ahead: The acceleration of export growth.

The reasons we must expand our exports are clear and compelling. It is necessary if we are to maintain our role of world leadership and to finance the payments drains that result from that role. It is necessary if we are to be free of balance-of-payments constraints in using fiscal and monetary policy to produce a dynamic and healthy domestic economy. It is necessary if we are to participate in and assist the growth of developing nations thereby creating a better and more stable world. It is necessary if we are to reap the benefits of free international trade and resist the pressures of import restrictions and protectionism. It is necessary if we are to assure our people decent jobs and a reasonable standard of living.

History makes abundantly clear that a nation either trades or fades. At this point in time, it is also clear that the continuation of our Nation as a trading nation requires a great effort to become more competitive and to increase exports.

Granting the importance of increasing exports, there are those who say that all that is required is a readjustment of exchange rates and a slowing of the inflationary spiral in the United States. While those steps are certainly necessary, it is incorrect to believe that they are sufficient. No one would argue that repeated and steep devaluations of the dollar are the road toward economic well-being for the American people or toward economic strength for our country. Similarly, while the control of inflation is necessary, it cannot do the job of itself. This is evident since, even during the recent dramatic decline in our trade posture, the overall rate of inflation in the United States has been generally less than that of most of our trading partners. While inflation has been an obstacle to, and has even eliminated the exports of some American industries, there is little real evidence that U.S. exports as a whole have been significantly disadvantaged by inflation. Consequently, even an easing of inflation will not by itself correct our trade deficit.

The reasons for our decline in export competitiveness are undoubtedly many and complex. However, I believe that among the most important is the lack of emphasis and priority historically attached to exports both by our Government and business community. The immense size of the U.S. market has itself made us less export conscious than our trading partners and competitors. Until relatively recent years, only a few enterprises were large enough to find the size of the U.S. market an undue constraint. The market was ample to permit economies of scale in production and sales, and was geographically isolated from most other markets. Similarly, since we enjoyed consistent balance of trade surpluses, there was no compelling reason for a public policy emphasizing exports as a means of paying for needed imports.

Exports are approximately 4 percent of the U.S. gross national product. They are a substantially larger portion of GNP for all our major industrialized trading competitors. The average proportion of gross national product exported by all other nations is 15 percent and for some major nations it is over 30 percent. As might be expected, these nations have accorded a far greater priority to their export trade than has the United States. Unlike our country, they have taken cognizance of their export needs and objectives in formulating virtually all aspects of public policy. Their governmental efforts in direct export promotion are merely one example. The United States would have to triple its budget for export promotion to have one proportional to that of Japan, Italy, or the United Kingdom. Even more important, the laws and policies of these nations have been carefully tailored to favor exports and to provide a distinct and favorable export environment.

As I indicated at the outset, the legislation I have introduced today, although broad-ranging and touching upon many different aspects, is intended to be a beginning in increasing our Nation's emphasis on exports and creating an environment favorable to exporting. As important as any of the specific provisions in the bill, is the new mood and attitude which I hope it will engender.

The bill consists of a very brief statement of purpose and 13 titles.

Title I creates a new international commercial service in the Department of Commerce and is intended to lead to a substantial strengthening of our foreign commercial services. At present, the United States has less than half as many commercial officers as the United Kingdom or Japan, and these officers are required to service a far greater volume of exports. In proportion to exports, the United Kingdom and Japan have five times as many commercial officers as the United States. The title would also transfer this mission from the Department of State to the Department of Commerce and the Service would be staffed by personnel trained in commercial matters rather than Foreign Service officers who may have little interest or experience in this area.

Title II establishes a trade development corps in the Department of Commerce of not more than 500 people. The