

*Bill File*

demnation of any statute duly enacted by the legislature of Michigan or any other State. What they do is their business—not mine.

I do not wish to provoke Mr. FARNUM into attacking other State laws on this subject. However, for his enlightenment I invite his attention to a rule of law established by the courts of New Jersey in a decision involving that State's statutory requirements for nonresident tuition. In Mansfield Township Board of Education against State Board of Education, the court held:

Public policy forbids admission in public schools of pupils from other States, and whose parents reside there, to be educated at expense of local taxpayers, irrespective of length of time pupils have been living in State with friends or relatives or as pupils in private schools.

Even the Nation's Capital requires tuition of nonresidents. Congress passed such a law for the District of Columbia in 1960. Public Law 86-725 requires payment to the board of education of tuition for each child who attends a public school and does not have a parent or guardian who resides in the District of Columbia. Orphans are exempted.

Somehow, Mr. FARNUM neglected to direct his indignation toward the legislature of Michigan or the U.S. Congress for doing much earlier the same thing the Mississippi Legislature has done.

Mr. FARNUM failed to tell the House that a total of 23 States have laws on this subject. They are: Arizona, Connecticut, Florida, Iowa, Kentucky, Massachusetts, Michigan, Montana, Nebraska, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Utah, Vermont, Virginia, Wisconsin, and Mississippi.

Many States have wrestled with the problem of providing an education to children whose parents do not pay taxes in the State. Mississippi spends more of its income on education than any other State. Because Mississippi has the lowest per capita income of all the States, we have to stretch our tax dollar as far as possible. Every citizen must bear his share of the burden. Parents who prefer to live in another State without their children should have no misgivings over contributing to the education of their children. It is their responsibility.

The Mississippi Legislature needs no defense from me. The Michigan Legislature, in its wisdom has passed judgment on this matter and it should be subject to the same criticism as the other 22 States which have acted on this subject matter.

The people of Mississippi welcome honest and constructive criticism. However, we dislike being scorned in such a manner wherein it is made to appear that Mississippi alone requires tuition from nonresidents. Describing Mississippi's law a "extraordinary" is quite misleading, and is an injustice to a State of this Union.

In the future, I hope the gentleman from Michigan will disclose the full story before attempting arbitrarily to single out one State as a scapegoat for a political trade.

**LOAN OF NAVAL VESSELS TO FRIENDLY FOREIGN COUNTRIES**

Mr. RIVERS of South Carolina. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 7812) to authorize the loan of naval vessels to friendly foreign countries, and for other purposes, with a Senate amendment thereto, disagree to the amendment and ask for a conference with the Senate.

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

The Chair hears none, and appoints the following conferees: Messrs. RIVERS of South Carolina, PHILBIN, PRICE, FISHER, BATES, and ARENDS.

**HON. EUGENE M. ZUCKERT, SECRETARY OF THE AIR FORCE**

(Mr. ROGERS of Colorado asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROGERS of Colorado. Mr. Speaker, on September 17, the Air Force Association sponsored a banquet commemorating the 18th anniversary of the creation of the U.S. Air Force as a separate branch of our Armed Forces. The honored guest on that occasion was the Honorable Eugene M. Zuckert, who on September 30 will have completed 4 years, 8 months, and 8 days as Secretary of the Air Force. He will have served for a longer period of time in that post than has any Secretary before him. I believe also that within recent time, this will constitute a record of continuous service as the civilian leader of any of the military services.

On the occasion of the anniversary banquet to which I have referred, the Vice President of the United States paid the following tribute to Gene Zuckert:

It is fitting and proper that you are honoring a great man, a dedicated public servant—our departing Secretary of the Air Force—who has worked with such distinction—my friend, Gene Zuckert. He has served and led the Air Force with outstanding devotion and brilliance during times of stress, of change, and of challenge. This country is indebted to him for his leadership. We wish him well and Godspeed in the years ahead.

Mr. Speaker, I wish to identify myself with the Vice President in this tribute to my friend, Eugene Zuckert, and I am sure that my colleagues in this House join me in this tribute and in wishing him "Godspeed in the years ahead."

Eugene Zuckert has spent most of the years of his adult life in the public service. He was the strong right arm of the first Secretary of the Air Force and now the senior Senator from Missouri, Senator STUART SYMINGTON. As assistant Secretary, he helped formulate and mold the policies that have guided the Air Force in its formative years and in its maturity. As a member of the Atomic Energy Commission, he exemplified the highest type of devotion to his country in his performance of his duties as a member of that great Commission. As Secretary of the Air Force, he leaves us with a global Air Force whose high state of effi-

ciency is the strongest bulwark for the assurance of peace in the free world.

Too often a devoted and dedicated public servant slips quietly out of the limelight and into the anonymity of private life without notice or recognition of his fine contribution to the public welfare. In the case of Eugene Zuckert we of the House of Representatives want him to know that we recognize and deeply appreciate the many contributions he has made in his public service. Likewise, we appreciate him as a friend who has shown patience and understanding of our problems as Members of Congress. It is indeed with heartfelt thanks that we say goodby to you, Gene.

**A WHIPPED PUP**

(Mr. HARSHA (at the request of Mr. HORTON) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HARSHA. Mr. Speaker, President Johnson's concession to Panama and abrogation of the 1903 treaty by granting Panama sovereignty over the Canal Zone is indeed a severe blow to the prestige of this Nation.

The U.S. Government has completely capitulated to the demands of Panama concerning the canal and we have come home from the so-called negotiations like a whipped pup with its tail between its legs.

The country of Panama owes its entire existence to the United States and we have continually given friendship and economic support to it.

The grant by Panama to the United States of exclusive sovereignty over the Canal Zone in perpetuity for construction of the canal and its perpetual maintenance, operation, and protection was an absolute, indispensable condition precedent to the great task undertaken by the United States, and the United States has fully performed its responsibilities under the treaty of 1903. Therefore, there was nothing to negotiate, and this country should have stood firm; instead the United States capitulated.

This Nation has paid Panama the full indemnity and annuities agreed upon by the two nations, has completely carried out the terms of the treaty, and stands on firm moral and legal footing in this dispute, and under no circumstances should it have conceded to the Communist-inspired demands of Panama.

How do we expect other nations to have any respect for the United States when we do not even have enough self-respect to stand firm when we are on solid, legal, and moral footing?

**HIGHER INTEREST RATES DO NOT DAMPEN BUSINESS EXPANSION**

(Mr. CURTIS (at the request of Mr. HORTON) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, the reason given by administration officials for failing to reflect the market demand to

September 27, 1965

tighten interest rates in the United States and so alleviate our international balance-of-payments problems—is that higher rates would inevitably curb business plans for investment and thus lead to a leveling off or even a recession in the U.S. economy. An article in the September 22, 1965, Journal of Commerce calls this theory into question.

The voluntary program for restraint of U.S. foreign lending and investing in context with the compulsory restraints in the interest equalization tax law calls upon American companies operating abroad to borrow overseas instead of in the United States. The cost of borrowing abroad is at least 20 percent more than in the United States, and maybe as much as 50 percent more. In spite of these higher rates major corporations are willing to pay the price. The fact that American corporations are borrowing abroad at these higher rates is an excellent demonstration that high money rates are not necessarily harmful and not much feared by larger companies. Under unanimous consent, I include the article from the Journal of Commerce in the RECORD at this point:

**CORPORATE FINANCE: MONEY ABROAD IS WORTH COST**

(By Ed Tyng)

Financing expansion abroad by borrowing overseas instead of in the United States, such as is encouraged by the voluntary program for restraint upon U.S. foreign lending and investing, costs considerably more, but most businesses will gladly pay.

This cost is at least 20 percent more, expressed in interest rates, may be as much as 50 percent more and in time may go still higher if there is any flooding of European capital markets, which have limited capacity, with American offerings.

Incidentally, the willingness of major corporations to pay as much as 50 percent more interest cost on debt created abroad is an excellent demonstration that high money rates are not necessarily harmful and are not much feared by larger companies.

**COMPARATIVE RATES**

A good example of what a high-credit U.S. company has to pay for foreign money is the coming issue of \$25 million of bonds due in 1985 by the Luxembourg subsidiary of the Standard Oil Co. of Indiana. This issue, by AMCO Oil Holdings, S.A., will bear a coupon rate of 5¼ percent. On the basis of recent yields in the U.S. corporate bond market it is probable that Standard Oil of Indiana could have easily obtained \$25 million here at, say, 4½ percent.

A recent Dun & Bradstreet survey of 300 top ranking corporation executives appearing in September Dun's Review showed no concern over the higher cost of foreign money, which would not be a barrier except for marginal operations where profits were narrow. Borrowing is much preferred to other ways of raising funds such as, for example, the sale of minority interests in stock in a foreign subsidiary.

A foreign minority interest in a subsidiary of an American company, some executives feel, can produce legal and pricing problems. Nor is there much enthusiasm, overall, for pulling back to this country, foreign subsidiaries' earnings in the form of dividends. This has been encouraged under the restraint program but it runs counter to the widespread feeling that most earnings of foreign subsidiaries should be reinvested in the foreign sphere if the foreign operation is to prosper and keep up with competitors.

For large amounts of money foreign corporations often find that it is cheaper to

borrow through the international facilities of U.S. investment bankers than it is to float new issues at home. An example was the \$55 million private placement that BP North American Finance Corp., subsidiary of British Petroleum, arranged here about the same time that Standard Oil of Indiana's subsidiary was arranging for \$25 million foreign money.

The British Petroleum subsidiary, on notes repayable from 1971-85, paid 5½ percent interest. Since U.S. investors were subject to the U.S. interest equalization tax, it is presumed that much of the issue was placed with foreign institutions or U.S. subsidiaries of foreign organizations. It appears that British Petroleum got its funds here cheaper than the U.S. oil company got funds abroad.

Up to now the capacity of foreign capital markets has been but a small fraction of that of the U.S. capital market. Foreign capital issues in Europe last year were about \$1 billion and are likely to be less this year.

**PORTENTS OF INFLATION**

(Mr. CURTIS (at the request of Mr. HORTON) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. CURTIS. Mr. Speaker, in an editorial on September 22, 1965, the Journal of Commerce suggested that within the very near future, signs of burgeoning inflation will be more obvious than they are now. The Journal noted that between July 1964, and July 1965, the wholesale price index rose by 2.5 percent. Since February 1965, the increase in the index has been more than 3 percent.

Other evidence of the rebirth of inflation that was cited included the sharp advance in bank credit, the Vietnam war, the tremendous rise in all kinds of debt, the growing liquidity of nonbank lenders and the persistent rise in personal income.

In the light of these inflationary tendencies in the economy, the Journal believes that it is increasingly difficult to see how there can be much more justification for keeping interest rates as easy as they are now through Government intervention. This is particularly true in view of the evidence that the U.S. balance of payments is worsening again after a brief improvement in the second quarter.

To illustrate how much our interest rates are out of line with those in Europe, the Journal cited the ability of an European oil company to borrow here, despite the interest equalization tax, at 5.5 percent, while at the same time an American oil company, loyally cooperating with the foreign loan restraint program, floated a loan in Europe at 5.75 percent.

Under unanimous consent, I insert the editorial referred to from the Journal of Commerce in the RECORD at this point:

**PORTENTS OF INFLATION**

Fundamental economic trends still are inconclusive enough to permit argument about whether inflation is here again or whether it isn't. We are almost willing to concede that within the very near future signs of burgeoning inflation will be more obvious than they now are and that they may even become sufficiently evident to convince a reluctant Federal Reserve Board that it better act.

For example, as leading commentators have observed, it now is no longer possible to cite the stability of the Bureau of Labor Statistics wholesale commodity index and ask where is in the inflation. This index broke out on the upside in July to rise to 102.9, against 100.4 12 months earlier, up some 2½ percent, after rocking along with only minor changes since 1964. Contributing to the overall rise of 2½ percent was a jump in farm products of some 6.3 percent. In the 5 months since last February the increase in the total index has not been 2½ percent but more than 3 percent.

If other evidence is needed of the rebirth of inflation, look at bank credit. While the advance in bank loans and investments in the second quarter was not quite as rapid as was the 12.4 percent increase in the first 3 months, it was well above the average of the past 4 years and for the 6 months averaged around 11 percent, against the 8 percent annual rate of recent years.

What is significant, economists have noted, is that what rise in bank credit has occurred has been in the face of a more restrictive Federal Reserve policy which has kept banks almost continually operating on reserves borrowed from the Reserve System.

The Federal Reserve particularly watches price trends and some argument can be made that the average price level is going to advance still further and more rapidly. It has been forecast that steel mills, in the wake of the wage contract settlement that the President has held to be noninflationary, will be slow and selective in increasing their prices. But users of steel whose wage rates are largely conditioned by the steelworker's contract, have indicated that they will increase prices.

Then there is the possible effects of the Vietnam war. One leading economist, Robert Van Cleave, has made the point that up to July Vietnam played no part in what signs of inflation have since become visible, for as recently as June worries about an economic letdown were rife and ex-Chairman Walter Heller of the President's Council of Economic Advisers was calling for expansionary Government policies for 1966.

But now the outlook has greatly changed: Vietnam seems likely to cost a minimum of \$3 billion and maybe much more by the time supplemental appropriations are asked for next January.

There will be strains in providing both guns and butter. And fighter planes which cost \$60,000 each in World War II, as Senator RUSSELL has noted, now cost \$3 million each. They are being lost quite regularly. In short, price levels must soon reflect war and any increased Government budget deficit will be, overall, inflationary.

What is ahead in the way of stability, which up to now has justified too easy money and expansionary Federal policies, promises to be only relative stability in the sense that our inflation may be kept less than that in other nations. But it will still be inflation.

So it is increasingly difficult to see how there can be much longer justification for keeping money rates as easy as they are, particularly now that there is ample evidence that the U.S. balance of payments is worsening again after brief improvement in the second quarter.

How much out of line are our short-term money rates has been shown, not only through comparisons with those in Europe—including the advance in Euro-dollar interest rates—but also in the persistent advance in some of our own short-term money rates to the highest in 5 years. Another illustration recently was afforded by the ability of a European oil company to borrow here despite the equalization tax at 5½ percent, while at the same time an American oil company, loyally cooperating with the foreign loan restraint program, floated a loan in Europe at 5¼ percent.