

Proceedings
OF THE
NATIONAL
GOVERNORS'
CONFERENCE
1971

SIXTY-THIRD ANNUAL MEETING

EL SAN JUAN HOTEL, SAN JUAN, PUERTO RICO
SEPTEMBER 12-15, 1971

THE NATIONAL GOVERNORS' CONFERENCE
IRON WORKS PIKE
LEXINGTON, KENTUCKY 40505

Published by

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EXECUTIVE COMMITTEE

1970-71

Honorable Warren E. Hearnes
Governor of Missouri, Chairman

Honorable Forrest H. Anderson, Governor of Montana
Honorable William T. Cahill, Governor of New Jersey
Honorable Luis A. Ferré, Governor of Puerto Rico
Honorable Linwood Holton, Governor of Virginia
Honorable Marvin Mandel, Governor of Maryland
Honorable Robert D. Ray, Governor of Iowa
Honorable Robert W. Scott, Governor of North Carolina
Honorable Jack Williams, Governor of Arizona

EXECUTIVE COMMITTEE

1971-72

Honorable Arch A. Moore, Jr.
Governor of West Virginia, Chairman

Honorable Wendell R. Anderson, Governor of Minnesota
Honorable Cecil D. Andrus, Governor of Idaho
Honorable Winfield Dunn, Governor of Tennessee
Honorable J. James Exon, Governor of Nebraska
Honorable Frank Licht, Governor of Rhode Island
Honorable Thomas J. Meskill, Governor of Connecticut
Honorable Richard B. Ogilvie, Governor of Illinois
Honorable John C. West, Governor of South Carolina

OTHER COMMITTEES OF THE NATIONAL
GOVERNORS' CONFERENCE, 1971*

COMMITTEE ON EXECUTIVE MANAGEMENT
AND FISCAL AFFAIRS

Governor Calvin L. Rampton, Utah — Chairman
Governor Stanley K. Hathaway, Wyoming — Vice Chairman
Governor Wendell R. Anderson, Minnesota
Governor Reubin O'D. Askew, Florida
Governor Deane C. Davis, Vermont
Governor Winfield Dunn, Tennessee
Governor Patrick J. Lucey, Wisconsin
Governor Robert D. Ray, Iowa

COMMITTEE ON HUMAN RESOURCES

Governor Nelson A. Rockefeller, New York — Chairman
Governor Robert Dockett, Kansas — Vice Chairman
Governor Melvin H. Evans, Virgin Islands
Governor Luis A. Ferré, Puerto Rico
Governor William L. Guy, North Dakota
Governor John A. Love, Colorado
Governor John J. McKeithen, Louisiana
Governor Ronald Reagan, California
Governor Robert W. Scott, North Carolina
Governor John C. West, South Carolina

COMMITTEE ON CRIME REDUCTION
AND PUBLIC SAFETY

Governor Russell W. Peterson, Delaware — Chairman
Governor John A. Burns, Hawaii — Vice Chairman
Governor Forrest H. Anderson, Montana
Governor Carlos G. Camacho, Guam
Governor Bruce King, New Mexico
Governor Frank Licht, Rhode Island
Governor Walter Peterson, New Hampshire
Governor Jack Williams, Arizona

*As of September, 1971 — opening date of Conference.

COMMITTEE ON NATURAL RESOURCES
AND ENVIRONMENTAL MANAGEMENT

Governor Kenneth M. Curtis, Maine — Chairman
Governor Louie B. Nunn, Kentucky — Vice Chairman
Governor Cecil D. Andrus, Idaho
Governor Dale Bumpers, Arkansas
Governor Jimmy Carter, Georgia
Governor William A. Egan, Alaska
Governor John M. Haydon, American Samoa
Governor Linwood Holton, Virginia
Governor William G. Milliken, Michigan

COMMITTEE ON RURAL AND URBAN DEVELOPMENT

Governor Preston Smith, Texas — Chairman
Governor Tom McCall, Oregon — Vice Chairman
Governor William T. Cahill, New Jersey
Governor J. James Exon, Nebraska
Governor John J. Gilligan, Ohio
Governor David Hall, Oklahoma
Governor Richard F. Kneip, South Dakota
Governor Arch A. Moore, Jr., West Virginia
Governor Richard B. Ogilvie, Illinois

COMMITTEE ON TRANSPORTATION,
COMMERCE, AND TECHNOLOGY

Governor Daniel J. Evans, Washington — Chairman
Governor John Bell Williams, Mississippi — Vice Chairman
Governor Marvin Mandel, Maryland
Governor Thomas J. Meskill, Connecticut
Governor Mike O'Callaghan, Nevada
Governor Francis W. Sargent, Massachusetts
Governor Milton J. Shapp, Pennsylvania
Governor George C. Wallace, Alabama
Governor Edgar D. Whitcomb, Indiana

Governor Warren E. Hearnes, Missouri — Chairman of the
National Governors' Conference — is an ex officio member
of all Committees.

ATTENDANCE

George C. Wallace, Governor of Alabama
William A. Egan, Governor of Alaska
John M. Haydon, Governor of American Samoa
Jack Williams, Governor of Arizona
Dale Bumpers, Governor of Arkansas
Ronald Reagan, Governor of California
John A. Love, Governor of Colorado
Thomas J. Meskill, Governor of Connecticut
Russell W. Peterson, Governor of Delaware
Jimmy Carter, Governor of Georgia
Cecil D. Andrus, Governor of Idaho
Richard B. Ogilvie, Governor of Illinois
Edgar D. Whitcomb, Governor of Indiana
Robert D. Ray, Governor of Iowa
Robert Docking, Governor of Kansas
Louie B. Nunn, Governor of Kentucky
Kenneth M. Curtis, Governor of Maine
Marvin Mandel, Governor of Maryland
Francis W. Sargent, Governor of Massachusetts
William G. Milliken, Governor of Michigan
Wendell R. Anderson, Governor of Minnesota
John Bell Williams, Governor of Mississippi
Warren E. Hearnes, Governor of Missouri
Forrest H. Anderson, Governor of Montana
J. James Exon, Governor of Nebraska
Mike O'Callaghan, Governor of Nevada
Walter Peterson, Governor of New Hampshire
William T. Cahill, Governor of New Jersey
Bruce King, Governor of New Mexico
Robert W. Scott, Governor of North Carolina
William L. Guy, Governor of North Dakota
John J. Gilligan, Governor of Ohio
David Hall, Governor of Oklahoma
Tom McCall, Governor of Oregon
Milton J. Shapp, Governor of Pennsylvania
Luis A. Ferré, Governor of Puerto Rico
Frank Licht, Governor of Rhode Island
John C. West, Governor of South Carolina
Richard F. Kneip, Governor of South Dakota
Winfield Dunn, Governor of Tennessee
Preston Smith, Governor of Texas
Calvin L. Rampton, Governor of Utah

Deane C. Davis, Governor of Vermont
Linwood Holton, Governor of Virginia
Melvin H. Evans, Governor of the Virgin Islands
Daniel J. Evans, Governor of Washington
Arch A. Moore, Jr., Governor of West Virginia
Stanley K. Hathaway, Governor of Wyoming

GUEST SPEAKERS

Spiro T. Agnew, Vice President of the United States
Alvaro C. Alsogaray, Former Minister of Economic Affairs of Argentina
George J. Beto, Director, Texas Department of Corrections
Edward T. Breathitt, Co-Chairman of Coalition for Rural America and Former Governor of Kentucky
Roberto de Oliveira Campos, Former Minister of Economic Coordination of Brazil
Herbert S. Denenberg, Commissioner, Pennsylvania Department of Insurance
Antonio Carrillo Flores, Former Minister of Foreign Affairs of Mexico
Gerald R. Ford, United States Representative from Michigan
Frank W. Fournier, Executive Director, Puerto Rico Automobile Accident Compensation Administration
Russell B. Long, United States Senator from Louisiana
Edmund S. Muskie, United States Senator from Maine
Galo Plaza, Secretary General, Organization of American States and Former President of Ecuador
Carlos Lleras Restrepo, Former President of Colombia
Orville W. Richardson, Member, Law Firm of Hullverson, Richardson and Hullverson
Claudio Veliz, Director, Institute of International Affairs of Santiago de Chile
Fred T. Wilkinson, Director, Missouri Department of Corrections

PROGRAM

Saturday, September 11

8:00 p.m. Reception
El San Juan Hotel

Sunday, September 12

10:00 a.m. Meeting of Executive Committee

3:00 p.m. Briefing for Governors' Aides

6:30 p.m. Private Reception for Governors and Their Wives at San Juan City Hall, followed by Dinner at La Fortaleza

7:00 p.m. Reception for all other Conference Participants at El San Juan Hotel Gardens

Monday, September 13

9:00 a.m. Opening Session
Isla Verde Ballroom
Call to Order:
Governor Warren E. Hearnes
Invocation
Welcoming Address of the Host:
Governor Luis A. Ferré
Annual Address of the Chairman and
Report of the Executive Committee:
Governor Hearnes
Adoption of Rules of Procedure

10:00 a.m. "New Directions in Health and Welfare"
Guest Speakers:
Gerald R. Ford
United States Representative from Michigan
Russell B. Long
United States Senator from Louisiana
Discussion by the Governors

- 11:30 a.m. Address:
 The Vice President of the United States
- 12:00 noon Executive Luncheon Session
 Tropicoro Room
- 12:30 p.m. Luncheon and Discussion Session for
 Governors' Wives only
 Four Winds and Seven Seas
 Presiding:
 Mrs. Warren E. Hearnes
- 2:00 p.m. General Session
 Isla Verde Ballroom
 "Corrections"
 Guest Speakers:
 George J. Beto
 Director, Texas Department of Corrections
 Fred T. Wilkinson
 Director, Missouri Department of Corrections
- 8:00 p.m. Reception-Buffer for all Conference Participants
 El San Juan Hotel

Tuesday, September 14

- 9:00 a.m. General Session
 Isla Verde Ballroom
 "Inter-American Understanding"
 Presiding:
 Governor Ferré
 Guest Participants:
- H. E. Galo Plaza
Secretary General of the Organization
of American States and Former President
of Ecuador
- H. E. Antonio Carrillo Flores
Former Foreign Minister of Mexico

H. E. Alvaro C. Alsogaray
Former Minister of Economic Affairs
of Argentina

H. E. Carlos Lleras Restrepo
Former President of Colombia

H. E. Roberto de Oliveira Campos
Former Minister of Economic
Coordination of Brazil

Dr. Claudio Veliz
Director, Institute of International
Affairs of Santiago de Chile

10:45 a.m.

“No-Fault Insurance”

Presiding:

Governor Hearnest

Guest Speakers:

Herbert S. Denenberg

Commissioner, Pennsylvania Department
of Insurance

Orville W. Richardson

Member, Law Firm of Hullverson,
Richardson and Hullverson

Session Advisor:

Frank W. Fournier

Executive Director, Puerto Rico Automobile
Accident Compensation Administration

Discussion by the Governors

1:00 p.m.

Recess

Afternoon open for Optional Host Events,
Special Meetings

8:30 p.m.

State Dinner (Black Tie)

Isla Verde Ballroom

Guest Speaker:

Edmund S. Muskie

United States Senator from Maine

Wednesday, September 15

9:00 a.m. General Session
Isla Verde Ballroom
Presiding:
 Governor Hearnes
Remarks by Governor Daniel J. Evans, Washington
Remarks by Edward T. Breathitt, Co-Chairman
of Coalition for Rural America and Former
Governor of Kentucky
Summary Reports of Conference Committees
Adoption of Policy Statements
Election of Officers
Other Business
 Adjournment

Afternoon “Hasta Luego” Luncheon-Bufferet
El San Juan Hotel Gardens

MORNING SESSION

Monday, September 13

GOVERNOR WARREN E. HEARNES: The Sixty-third National Governors' Conference is now in session. In the absence of the Rt. Rev. Msgr. Tomas Maisonet, Rafael Carrion, Jr., will give the invocation.

MR. CARRION: Almighty God, we humbly ask your blessing for each and every one of the participants in this Sixty-third National Governors' Conference which is about to begin. We ask for indulgence, we ask for understanding, so that proper deliberation may be given to the great questions that will be discussed in this Conference and that the results may be the sum of the wisdom of each one of its contributors, and that this Conference may be truly fruitful. We thank you, Lord.

GOVERNOR HEARNES: At this time I would like to present to the National Governors' Conference and to the audience which is here with us this morning, a man I have had the privilege to know because of my being Governor of a State. This man has distinguished himself as the Governor of Puerto Rico. Also he is held in high esteem by all of his colleagues. I would like to present, at this time, for the address of welcome, the Honorable Luis A. Ferré, Governor of Puerto Rico.

GOVERNOR LUIS A. FERRÉ: Thank you, my dear friend. Let me first of all make an apology. I am sorry that there has been some discrimination here yesterday. You were all called Yankees and I understand that some of you object to that title. I am sorry for that.

Puerto Rico, of course, is happy and indeed fortunate to welcome to our island such a distinguished group of leaders as are assembled here today. We feel we have been discovered all over again, but this time from the new world. This is befitting Puerto Rico because we are a 450-year young, very vigorous area. The National Governors' Conference is not a total stranger to Puerto Rico. Compared with 1959, as my friends, Nelson Rockefeller and William Egan, can testify, Puerto Rico in 1971 demonstrates that we have moved forward with great determination — economically, politically, socially, and spiritually. What you witnessed in yesterday's demonstration must be seen as still another expression of the political maturity of the people of Puerto Rico, accentuated by tolerance, democratic belief in freedom of expression and in freedom of action of the individual.

Puerto Ricans are Spanish in culture, but distinctly American in outlook and in democratic behavior. As I have said before, we speak Spanish but we think American. The Latin spirit and culture here is intertwined with the democratic principles evolved over decades under the American flag. Modern Puerto Rico is constantly and eagerly engulfed in the mainstream of United States politics. We have been helping to nominate Presidents for years; now, once the people of

the island respond in a positive manner, and I hope they will do so, to the recommendations of the special committee appointed by the President and myself, we might even before long vote for the President and the Vice President of the United States. Our participation was further advanced last year when the Congress agreed to give our resident commissioner, our eyes and ears on Capitol Hill, the right to vote in Committee meetings. Despite this so far limited involvement within the broader framework of the United States political structure, we are grateful for the consideration given to the matters of interest and significance to Puerto Rico. At the same time, we aim to contribute to the welfare and advancement of the whole of the United States — privileges must go with responsibilities.

We have, of course, special problems that require special attention, but we are constantly aiming to resolve most of them with our own capabilities and our efforts. A typical example of this is the impact on this island of the executive branch's recent moves to freeze wages and prices. Of course we here in Puerto Rico, too, find inflationary pressures a persistent concern and feel that the current measures will assist in correcting the basic problems over the long run. However, within the growth pattern of an aspiring Puerto Rico — and the island's economy grew 10.7 percent last year, a real growth of 5.4 percent, second only to Japan and Israel — we do need for the time being special dispensation so that we can continue to increase wages which are under the federal minimum. Our per capita income reached \$1,556 annually by June of this year, the highest in Latin America, but yet it is way below the lowest of any State of the union. But since we are able to advance this average by 9 percent a year, the possibilities to outgrow this consideration before long are here so that we can also contribute in a fair measure with our taxes to the Federal Treasury.

Puerto Rico does not want special treatment. It merely seeks equal consideration, because we do not enjoy the equal treatment a State of the union receives under the federal system which includes Puerto Rico. Puerto Rico, I should like to emphasize, is not a stranger within the States of the union. Puerto Ricans, American citizens all by their free choice, have become an active part of many communities on the mainland, and have generally integrated themselves well in furthering the principles and objectives of the Nation.

The Sixty-third National Governors' Conference, for the very reason that it is held this year in Puerto Rico, is convened under the theme "Link of the Americas." The significance of this objective is underscored by the fact that in 1971 we are celebrating San Juan's 450th founding anniversary, an important event in the whole Hemisphere. In line with this approach of a "link" between the Hemispheres, the Puerto Rican government has established a north-south center for better understanding between Latin Americans and the United States. Too long have the principles of this Hemisphere drifted apart or reacted to one another with the feeling of a one-sided relationship. We must be ready to establish a new approach of reciprocity with mutual respect and understanding for the differences between us and a sincere desire to pool together the intellectual and material resources of our Hemisphere for their maximum development and a fair distribution. I hope that the Tuesday morning session on the theme "What Direction the Western Hemisphere?" may contribute to the furtherance of these goals.

It is important to remember that there are two islands in the Caribbean which are being watched by world public opinion rather closely, Cuba and Puerto Rico. The system represented by each will likely determine the future of Latin America and have a strong impact on the United States as well. Cuba, with its Communist emphasis and outlook; Puerto Rico, with its stress and conviction of American democracy. It is vital to the United States, let me make this quite clear, to all of the Americas, to enable the people of Puerto Rico to succeed. As in all democratic societies, we have in Puerto Rico different points of view and different approaches to their solutions. We have growing pains and economic, social, and environmental problems, as does any State of the union. But on one point the overwhelming majority of the people of Puerto Rico are in accord, we want permanent union with the United States of America and want to continue to enjoy our American citizenship.

Do have a good and pleasant stay in Puerto Rico. You will have noticed I have ordered very good weather for you. It was rather warm yesterday in many ways, but I am sure it will soon get cooler. Thank you very much and please enjoy your visit.

GOVERNOR HEARNES: Thank you, Governor Ferré, for your cordial welcome and for your remarks. I again would like to express at this time, on behalf of all members of the Conference, the great esteem in which we all hold our good friend, Luis Ferré. I also want to point out the tremendous debt of gratitude that we owe to him and the Puerto Rico Host Committee and the people of Puerto Rico for their cordial and unstinting hospitality, and, I might add, the best is still to come. Again, Luis, muchas gracias.

It is now my honor and pleasure to present the Annual Report of the Chairman and to speak on behalf of the Executive Committee and its stewardship during the past year. These men who have served with me, Governors Anderson of Montana, Cahill of New Jersey, Ferré of Puerto Rico, Holton of Virginia, Mandel of Maryland, Ray of Iowa, Scott of North Carolina and Williams of Arizona, all have been dedicated in their attention to duty. We have met five times to transact our business since the last annual meeting. It has been a busy year and this Executive Committee has done its level best to guide the Conference on a steady course. I now want to report to you on the progress we have made in 1970 and 1971 and I shall be candid about matters where more progress is needed if the Governors and their States are to play the role that they should.

Let me first describe the seminar held, under the auspices of the Executive Committee, for newly elected Governors. You may recall Governor Love's report last year about plans of the Executive Committee to conduct such a seminar as soon as possible after the November elections. I am sure you will also remember that the voters elected many new Governors. Thus, when the seminar convened at Southern Pines, the attendance was substantial indeed. The basic faculty consisted of Governors serving on the Executive Committee. We were fortunate in having Dick Hughes of New Jersey, a former member of the Conference, as the General Chairman. He was ably assisted by Jim Mitchell, a Senior Associate at the Brookings Institution, and by a number of seasoned state officials and

executive aides of Governors. I think a confession is good for the soul. I opposed this originally. I didn't think that it would be helpful, but after it was over and I talked to many of those who had just been elected and I talked to them after they took office, they said it was a great help to them, that every participant was better prepared for his present job by virtue of his attendance. As I understand it, in 1971 there will only be two gubernatorial elections, Kentucky and Mississippi, so that it will not be feasible to hold such a seminar next November, but I do commend to the newly elected Executive Committee the desirability of developing advance arrangements to conduct a training seminar shortly following the 1972 elections.

The Fourth Winter Meeting of the National Governors' Conference was held in Washington late in February. Fifty-two Governors were in attendance and I believe that this particular meeting on federal-state relations was of considerable value. We were honored at that meeting by the presence of both President Nixon and Vice President Agnew. Several other Administration leaders aided us by providing detailed explanations on new legislation initiated by the Nixon Administration. Equal time was devoted to meetings on Capitol Hill between the Conference's six standing committees and various Congressional committees. In addition, your Executive Committee and standing committee chairmen met in a separate luncheon session with the Congressional leadership. This was an especially fine discussion, and I certainly recommend that meetings of this nature — frank and thorough discussion of the key issues with the Congressional leadership — be repeated on a frequent basis. Indeed, I would hope that some plan can be developed whereby all Governors, not just the Executive Committee and committee chairmen, can have an opportunity to pursue the delicate problem of gubernatorial-congressional relations with the legislative leadership in Washington. Also at the February meeting we were privileged to be the guests of Secretary Rogers and to hear an up-to-the-minute foreign affairs report at the Department of State.

As we consider the activities of the National Governors' Conference and its continuing contribution to an improved federal system, it is appropriate that we recognize the highly important role which has been assumed by the Conference's six standing committees. I deeply appreciate the fine job performed this past year by our excellent committee chairmen: Governor Calvin Rampton, Chairman of the Committee on Executive Management and Fiscal Affairs; Governor Nelson Rockefeller, Chairman of the Committee on Human Resources; Governor Russell Peterson, Chairman of the Committee on Crime Reduction and Public Safety; Governor Kenneth Curtis, Chairman of the Committee on Natural Resources and Environmental Management; Governor Preston Smith, Chairman of the Committee on Rural and Urban Development; and Governor Daniel Evans, Chairman of the Committee on Transportation, Commerce and Technology. Outstanding committees, ably assisted by advisory task forces, have developed responsible positions which deal with almost every important facet of public policy. The National Governors' Conference has made good and proper use of its committee structure in arriving at highly sophisticated systems of policy development. Our greatest problem is to bridge that great gap between policy development and policy implementation.

Perhaps in no other area are we as Governors confronted with a greater chal-

ledge than in the area of state-federal relations. As your Chairman during the past year, I have had the opportunity to view from a new perspective the role of the Governors and their States in our evolving federal system. As a result of this experience, I consider it imperative that we put aside old myths and confront the realities of a changing pattern of state-federal relationships. Conceptually, President Nixon has set forth a bold new program to revitalize the American system of government. He has spoken eloquently about his concept of the "new federalism" and the need to strengthen the position and power of the States. President Johnson before him urged commitment to a "creative federalism" to achieve the same ends.

Unfortunately, some members of Congress and, to some extent, the federal bureaucracy, have shown an unwillingness to forge a new partnership between the federal government, the States, and their localities, as proposed by the President. Instead of a new federalism, we are witnessing an accelerating and adverse alteration of existing intergovernmental relationships in this country. Congress has shown itself to be insensitive to the role that must be played by the States in preserving a strong federal system of government. In program after program, Congress has acted so as to alter the vital balance between federal, state, and local governments.

We are confronted with proposals for revenue-sharing which would bypass States and establish a new system of city-states. Such a system would create an irreconcilable division between States and their local units of government and destroy the ability of the States to exercise a coordinating role in problem-solving. Legislation has been proposed which would ignore the necessary role of States in planning for the transportation needs of their urban centers, as well as their rural areas. Such laws cannot work in the best interest of all the people. States have not been given adequate, meaningful participation in helping to cope with the employment needs and problems addressed by the Emergency Employment Act of 1971. Yet those very problems arise in part from the lack of broad-range planning only States can do. States have been denied a proper role in planning and coordinating such undertakings of areawide significance as the Airport/Airways Development Act of 1970.

In the field of health and welfare services, legislation has been proposed which reduces States to the level of any public or nonprofit organization in their relation to the federal government. Currently proposed child development legislation is a case in point. There is a total lack of recognition of the necessary parts States must play if such programs are to get help to the individuals who need it. In the area of law enforcement, where the Crime Control Act offers the single example of a block grant — and this is an example of where it has worked — there is continuing resistance to allowing the States a reasonable opportunity to prove the benefits of their broad perspective and searching review of the total criminal justice system. Education legislation has been proposed to allocate funds directly to school districts. Housing and urban development programs divide large cities from the small with different relationships to each, thereby frustrating efforts of States to establish coherent patterns of development.

I would not want to leave the impression that we have been without success in our efforts before the Congress. We can point with satisfaction to a number of positive developments such as the "hold harmless" provision in the House-

passed welfare reform bill; the preservation of regional development organizations, such as the Appalachian Regional Commission; and the final eligibility of state housing agencies for federal housing funds. However, we cannot escape the fact that the over-all trend is toward further centralization of power in Washington. I am convinced that many of our elected representatives in Washington have become insulated from the problems of state and local government. There are powerful individuals in the Congress and in the federal bureaucracy whose vision of state government was formed decades ago. While constructive change has swept state government in recent years, the views of these individuals have remained the same. Congress has shown an increasing disposition to elevate subordinate levels of government created by the States to a position of power over them. Let me speak plainly, such an effort is destructive of our federal system of government.

To those who have already written state government out of our federal system, I say they have dangerously misjudged our determination to remain strong and viable in the best interests of our citizens. To those who advocate the need for more and more power and control flowing to Washington, I say they are badly out of step with the growing wave of citizen sentiment that government close to the people must be strengthened. To those who would join us in our efforts to hammer out a balanced federal system, I say that the time is now. We have a battle on our hands. Powerful forces are at work in our society to divert the attention of our citizens to Washington and to international problems and away from state capitals. At stake is a federal system of government which has allowed this country to grow and prosper.

It is time for the Governors to roll up their sleeves and set about restoring a balance to our federal system. I do not ask for this new commitment lightly. As a Governor, I know the myriad problems faced within our own States. But unless we direct our collective attention beyond our own borders to Congressional developments which affect the States, our jurisdiction will be eroded by default. Just as it is often necessary to bring about a mid-course correction in the flight of our space vehicles traveling to the moon, it is now imperative that the States bring about a mid-course correction in the direction of our federal system. Let us not forget that it was the sovereign States which created our union. It is time that the States once more take upon themselves the responsibility to reshape our governmental institutions so that they can serve the best interests of all of our citizens. Governors and other governmental leaders must strengthen the voice of state government, not only in Washington but also among the people of the Nation, to demonstrate what has been accomplished and what is to be achieved in the future.

We need a new beginning to the "new federalism." Governors, as the chief executives of the States, can best serve as the catalysts for such movement. The National Governors' Conference, as a collective voice of the States and Territories, must seek new ways to articulate their concerns, find answers to problems, and suggest alternatives for action. We must strengthen and, where appropriate, expand the activities of the National Governors' Conference. We must find ways to develop, promulgate, and implement policy positions on an ad hoc basis to address specific issues raised by current legislative proposals and, very importantly, administrative regulations. Governors, assisted by the Conference's Washington staff, must assume

individual responsibility for regular consultation with federal agencies and the Congress on all intergovernmental issues. By such individual efforts, the National Governors' Conference can become stronger and can make a measurable contribution to maintaining the critical position of the States within the federal system. Thank you very much.

I would like to explain now that you have before you the Rules of Procedure, as proposed by the Executive Committee. These rules are identical to those adopted last year, and a motion to adopt or amend the rules is in order. Either motion requires a simple majority to prevail. However, after the adoption this morning, it would require a three-fourths vote to amend or suspend. Do I hear a motion pertaining to the Rules of Procedure? The Governor from North Carolina.

GOVERNOR ROBERT W. SCOTT: Mr. Chairman, I move that the rules adopted at the 1970 Conference be adopted as the rules for this Conference.

GOVERNOR HEARNES: You have heard the motion. Is there a second? The Governor from Iowa.

GOVERNOR ROBERT D. RAY: I'd like to second that motion, Mr. Chairman.

GOVERNOR HEARNES: Is there any discussion? Hearing no discussion, are you ready for the question?

GOVERNOR FERRÉ: Question.

GOVERNOR HEARNES: The ayes have it and the motion has carried. I would like to point out at this time that all reports and proposed policy statements from the standing committees will be offered on Wednesday morning in accordance with the practice we established last year. Any policy statement or resolution offered by an individual Governor through suspension of the rules should:

(a) Be reproduced for distribution to all Governors;

(b) Be announced and distributed either today, which is Monday, or tomorrow, Tuesday; and, lastly,

(c) Be called up for consideration at the final session on Wednesday morning.

I want to handle the introductions of our guest speakers today in a little different manner, especially those who are in the public light. To go through the biography, note all the clubs and organizations that each belongs to, would be an insult to the intelligence of all the Governors who are present here this morning. So my introductions will be short, but I hope they will be sufficient.

Our first speaker is a little more difficult for me to introduce in that he is a member of the Republican Party and I am a Democrat. He is a member of the House of Representatives and I have never been a member of that body, but suffice it to say that, if I were a member of that body and a member of his party, this would be my type of a leader. I would like to present to you at this time the Minority Floor Leader of the House of Representatives, the Congressman from the Fifth District of Michigan, the Honorable Gerald Ford.

CONGRESSMAN GERALD R. FORD: Governor Hearnès, Governor Ferré, distinguished Governors and guests: It is a great privilege and a very high honor to have the opportunity of participating in your deliberations here in San Juan. I am especially pleased to see four of my former colleagues in the House of Representatives among your distinguished group. Let me say that they were fine members

of the House of Representatives and they are missed in the Congress, but I believe that their presence in your midst will be beneficial to all of you. We welcome them back to the House as visitors or otherwise at any time.

First let me express my gratitude to your Chairman, Governor Hearnes, and to our host, Governor Ferré, for inviting me to be here with you this morning and for the warm hospitality I have received. I think there is something extra significant about this Conference, being chaired by the Governor of the "Show Me" State and held in this beautiful Commonwealth which has, indeed, shown all of us what government close to the people can do, I concede with some help from Washington, but also with enough freedom to tackle its own problems in its own way. This is the genius of our federal system and it is the element which the Nixon Administration seeks to restore and reinforce in its major reforms.

Governor Hearnes, I was particularly pleased to note your remarks about the luncheon that we in the leadership in the Congress had with a delegation of Governors last winter. This was the beginning, I hope, of an expanded relationship between the leadership in the Congress and representatives from the Governors' group. I think we can make significant progress in improving those relations and, as a result, in my judgment, we can come closer to solving some of the problems that plague us, as well as plague you. I trust that in the months and years ahead these relations, these meetings, can be expanded.

It is a pleasure to share the platform with my good friend, the Senator from Louisiana, Russell Long. As Chairman of the Senate Finance Committee he enjoys a well-earned reputation on Capitol Hill for his expertise on the legislation we are to discuss this morning. He, together with Chairman Wilbur Mills of the House Ways and Means Committee, holds one of the keys to its fate in this Congress. I am as anxious as you are to hear Senator Long's prognosis on the welfare reform bill we have sent to the Senate and on the various health insurance bills pending in his Committee, both the Administration package and the Kennedy plan to which, I am told, the distinguished Governor of California has given the inspired short title of "Teddy Care."

"New Directions in Health and Welfare" is rather a big order for a few minutes' summary, but we can all start from the premise that something new and different is desperately needed in both of these departments of domestic concern. The mere pumping of more and more tax dollars into welfare and health and the erecting of an ever-expanding federal bureaucracy has not solved either problem; it has complicated them. Clearly, it is time to take a brand new look. Let me begin with welfare reform. I don't need to waste time, talking to 50 Governors, on the dimensions of the welfare dilemma, which has divided Americans into three economic groups: The haves, the have nots, and the have some of yours. On the magnitude of this problem, I noticed an interesting item in the newspapers in Washington, D.C., over the past weekend. As you know, the one area where we in the Congress rather directly have a responsibility is in the District of Columbia, and according to these news reports, in the last 12 months the welfare load in the District of Columbia has gone up 52 percent. Today, approximately 12 percent of the residents of the District of Columbia are actually on welfare. This is an unbelievable figure and one, of course, that must be changed.

Nothing this Administration has proposed in the domestic field has stirred more controversy than welfare reform and the family assistance provisions that are at the very heart of it. Nor does this controversy break neatly along conventional party lines. I sometimes think that a program can't be all bad when the far right assails it as too much and the far left attacks it as too little. Evidently the House of Representatives agreed when, on June 22, we passed the bill, H.R. 1, by a vote of 288 to 132. Over a year ago we passed a reasonably similar bill by approximately the same margin. This bill is a combination of welfare reform, on the one hand, and Social Security amendments, on the other. Its welfare reform titles are, in my judgment, a considerable improvement over those the House passed in the previous Congress, which died in the Senate, as you know. The President hailed H.R. 1 as a classic example of cooperation and compromise between the executive and the legislative branches. Senator Long can tell us what lies in store for it in the Senate, but of one thing I am certain and positive, the President certainly has not lost interest in welfare reform. The vast majority of Americans feel the same way. There must be some drastic change in our national welfare program.

During his August 15th address to the Nation announcing the wage-price freeze and other emergency economic measures, President Nixon said he would ask the Congress to postpone the effective dates of his welfare and revenue-sharing proposals. Many listeners mistakenly concluded he was putting these reforms on the back burner, so to speak, for the duration of the economic crisis. But the fact is the President was merely recognizing legislative realities. Were the Congress to quickly approve his general revenue-sharing plan as now written, it would have started on October 1, 1971. Obviously this is impossible. He now asks that the date be deferred to January 1, 1972. Let me say this. Prior to the August recess, in my judgment, we were on the brink of achieving a reasonable compromise out of the Committee on Ways and Means for general revenue-sharing. Now let me add this, if I might. Once the President's tax reduction proposals are through the House and the Senate, I believe that all of us who genuinely believe in revenue-sharing should again mount the kind of cooperative effort that we made before to see if we can't achieve the kind of revenue-sharing that can pass the Congress. I believe it can be done and I believe it must be done if we are to maintain the strong state-federal government relationships that are so essential for the future.

Most of the welfare reform provisions of H.R. 1 as it passed the House would take effect next July 1, and the President now suggests this be postponed to July 1, 1973. Coming before the joint session of Congress when we reconvened last week after a four-week recess, the President reaffirmed his hope that prompt and affirmative action will be taken in this session. He stressed those words and repeated them three times, on the proposition of executive reorganization, revenue-sharing, and welfare reform. I hope the Congress will respond, and you, gentlemen, can help by continuing to urge your Representatives and your Senators in your respective state delegations to support these measures which offer the only visible hope of relief for hard-pressed state and local governments and particularly the overburdened payers of the property taxes.

I noticed in a New York newspaper which, parenthetically, is no longer permitted in the Pentagon, a survey showing that so far in 1971 at least 19 States

have made sharp reductions in their welfare programs, and almost all are considering changes. This reaction clearly is a reflection of public demand. This struck me as clear proof that welfare reform can no longer wait; it is not merely an idea whose time has come, but one whose time is long overdue, and if the federal government dawdles, the States will act individually. Then we still have 50 different welfare programs, as we tend to have at the present time. We will still have a monumental political headache that will haunt all elected office holders, Democrats and Republicans alike, in 1972 and beyond.

I say the present welfare system is beyond repair and must be replaced. We must have a system that helps those in need to the extent they can and will help themselves, which fosters independence rather than dependence and family responsibility rather than irresponsibility, that in the long run tends to make taxpayers out of taxeaters. There is really no choice between H.R. 1 and a variety of acceptable alternatives; for practical purposes there is only the choice between doing nothing and doing something. The House of Representatives has now done something twice and the rest is now up to the United States Senate.

Turning now to the question of health, in discussing the legislative picture with respect to new directions in health care for Americans, I am afraid we cannot escape politics this year or next. It is a highly emotional as well as a highly technical issue that touches the life-and-death concerns of every citizen. As we have learned from Medicare and Medicaid, there are definite limits to what can be done by legislation or by appropriation. Still, health care is high on the agenda in every State, and there are literally dozens of bills before Congress dealing in one way or another with new forms of national health insurance. Fundamentally, they fall into two patterns, those which would have the federal government take over virtually all responsibility for the provision of health services and paying for them, and those which would build upon the best of the present system of private insurance with expanded coverage and benefits financed through federal subsidies. Time prevents even a brief description of all the health plans so I will concentrate on the Administration's. It differs from all the others in that it is a comprehensive, long-range package addressed to the total problem.

So far, only one of the three component bills in the President's health program which was sent to Congress last year has passed the House. This was the least controversial one dealing with medical education and manpower and was, in effect, an extension and intensification of existing law to stimulate the training of more doctors, dentists, nurses, and other medical personnel. I would anticipate its final approval in this session, but the other parts of the package, the National Health Insurance Partnership and the Health Maintenance Organizations proposals, face a longer and rougher road and probably will not be resolved before 1972. Before discussing these proposals further, I would like to mention briefly two of the other leading proposals. One is the Health Security Act, known as the Kennedy bill. The other is Medcredit, a plan endorsed by the American Medical Association.

The Health Security Act would cover the health costs of all persons, poor as well as rich. It would be financed by additional Social Security taxes and federal revenues from the general fund. The costs of the program are staggering, increasing

the federal taxes for health for the average household threefold. Regardless of cost, we do not need a nationalized system. Private health insurance is providing some benefits to four out of five Americans. Those gaps that remain in coverage can be filled by limited expansion of federal programs and by mandating the extension of private coverage. The private health insurance industry has made impressive gains during the last 20 years. Let's not destroy the industry which has expertise as well as experience. You Governors well know that the needs and interests of Delaware are not identical with those of California; the problems of Michigan are different from those of Arkansas. Pluralism and diversity are characteristic of the Nation. Senator Kennedy's Health Security Act works in an opposite direction.

In contrast to the Health Security Act, which goes too far in changing our present health care system, Medigap does not do nearly enough. It would provide tax credits against individual income taxes to offset the premium cost of qualified private health insurance policies. The federal government under Medigap would provide vouchers to enable poor and near-poor persons to purchase insurance. This could be called a medical version of a food stamp program, and the abuses in that program, I think, would lead us to take a stop, look and listen attitude at this time. Besides the higher cost of Medigap in relation to the Administration's proposal, there are several weaknesses in the program. It is solely a financing mechanism for medical care. Thus, it would pump money into health care without reforming the organization and delivery of services. Our experience with Medicare has shown that increasing the demand for services while not improving the efficiency and economy of delivery only leads to higher and higher health costs. In addition, this proposal would encourage the growth of individual insurance policies. This is the most expensive and inefficient type of private health insurance with the highest administrative costs and retentions. Both from the point of view of risk-sharing and of compatibility with the current system, our incentives should be aimed at expanding group health insurance. There are also other difficulties with using the income tax as a basis for equitably determining a subsidy, since wage or salaried income and other forms of income are treated differently under certain tax provisions.

I believe that President Nixon's proposed National Health Insurance Partnership Act is a better health insurance plan than either of these proposals. Unlike Medigap, it would make necessary changes in the delivery system, would increase manpower and facilities, and would redistribute medical resources. Unlike the Health Security Act, it would maintain the best features of our present system. Two key provisions of this Partnership Act are the National Health Insurance Standards and the Family Health Insurance Plan. Together these two programs will best meet the health insurance needs of the American people. Under the National Health Insurance Standards Act, almost all employers would be required to provide a basic health insurance policy for all of their employees and their dependents. Special group plans developed by insurance carriers would be offered to small employers. For those persons who are self-employed or who are not covered by an employer plan, group plans would be developed through private insurance pools. Both hospital inpatient and outpatient care are included among

the required benefits. Physicians' services, both inside and outside of the hospital, laboratory and X-ray services, maternity care, family planning, vision care for children and preventive care would also be covered.

Benefits under the plan would be financed through premiums paid by employers and their employees. For the first two years the employee would have to pay up to 35 percent of the premium. After this, he would be required to pay no more than 25 percent of the total cost. One of the most attractive features of the bill is its protection against the cost of catastrophic illness. All of us know tragic stories of families who have been forced into poverty because of the medical expenses of a long, long illness. To help prevent such financial disaster, the insurance plans would be required to include catastrophic illness protection of at least \$50,000.

The President's plan recognizes that not all families would be eligible for coverage under the National Health Insurance Standards Act, where, for example, the head of a family is unemployed or intermittently employed. Such families, estimated to be about three million in number, would be eligible for protection under the Family Health Insurance Plan. Benefits under this program generally would include hospital care, emergency care, physicians' services, maternity care, family planning, and preventive services. It would be financed from federal revenues and premiums from the families which are scaled to income. Families with incomes under \$3,000 would not pay for premiums, deductibles, or coinsurance. This plan would cost less in federal funds than Medicaid or the National Health Insurance Standards Act. The Family Health Insurance Plan will cost the federal government about \$1.2 billion over the projected Medicaid expenditures for families with dependent children.

I will mention, because of the time problem, only one of the President's proposals for reforming the health care system. We are all aware of the advantages of health maintenance organizations (HMOs). These organized systems of health care provide comprehensive services to their enrolled members for a fixed prepaid fee. Studies have shown that enrollees in these organizations receive excellent care at lower cost than patients going to doctors using the traditional fee-for-service method of payment. In addition, the patient does not have to travel through a maze of separate services and practitioners; he can receive all of his needed services through one single organization. To support HMOs, as they are called, the President has asked for planning grants to help establish new health maintenance organizations in medically underdeveloped areas. The President has also proposed a program of federal loan guarantees to stimulate private financing during the first year of the program. Finally, the President has recommended an HMO option to be included in Medicare, the Family Health Insurance Plan, and in health insurance plans covered by the National Health Insurance Standards Act. In summary, new directions are definitely needed in health and welfare, and President Nixon has charted new courses in both areas.

GOVERNOR HEARNES: Ladies and Gentlemen, the Vice President of the United States. (The Vice President entered the hall and was seated.)

CONGRESSMAN FORD: Mr. Vice President. The President's proposals will be modified and, I hope, improved by the Congress, and this, of course, as those of us who serve in the legislative branch know, is both proper and responsible.

But the main message I want to leave with you is to urge Congress to act on these important measures. True, we have a Republican Administration and a Democratic-controlled Congress, just as many of you have Legislatures dominated by the other party, but there is no excuse in this situation for paralysis of the political process. There will be little comfort for any of us in next year's election if we have failed to come to grips with the most pressing problems of our people. Thank you very much.

GOVERNOR HEARNES: Before I present our next speaker, I would like to present the very gracious wife of the Vice President, Mrs. Agnew.

Gentlemen, the format calls for cooperation from you in that both Congressman Ford and our next speaker have agreed to receive your questions either on content of their speech or any other question which you may like to direct toward them. Congressman Ford, of course, has finished his speech and, therefore, on the questions that you have for him, if you will make some notes until our next speaker is finished, then both of them will be open for questions.

As I look back over my seven years as Governor, and I know it will be the same when I finish, one of the high points of that service has been in being able to know our next speaker, having the opportunity to meet with him, talking with him about problems, not only those over which his Committee has jurisdiction but any other problem for which we have a mutual concern. No other person either in the Senate or the House could be more gracious to the Governors when they testify before his Committee than our next speaker, but he is the same man whether you are having a cup of coffee with him in the Roosevelt Hotel in New Orleans or testifying before his Committee in Washington, D.C. I would like to present at this time the distinguished Senator from the State of Louisiana, Russell Long.

SENATOR RUSSELL B. LONG: Governor Warren Hearnes, thank you very much for those kind words. It has been a pleasure to work with you and members of your various committees that you have appointed to come to Washington to explain the problems of state government. I am pleased to be on your program and share this platform with Gerald Ford who is one of the great leaders of all time in the House of Representatives. I am also extremely happy that the Vice President of the United States, The Honorable Spiro Agnew, entered the room while this program was going on so he can hear what I would like to say with regard to him. I am one of his admirers in that he is one of those men who has had the courage to stand up for those things which made this Nation great, even in areas and at times when it wasn't popular. I am not a Republican and I don't have much influence with the Republicans in that convention; none, I suppose; but if I had a vote in that national convention, Mr. Vice President, I would be voting for you to continue where you are.

Gentlemen, this is something of a new role to me to be in the position of advocating what would appear to be a conservative, and by the likes of a similar eastern press, even a reactionary role with regard to the family assistance plan.

When I first came to Washington, even before I was a United States Senator, I was working on what at that time was the most liberal welfare plan in the United States, the Louisiana Plan. It had more recipients than anybody. We even tried in Louisiana to qualify 200 percent of our aged people for our old age assistance,

for example. I had those credentials when I ran for office. I think in many respects I still have them. Many times I have been the one leading the charge to pay more money for welfare all along the line.

So much has been the case, when John Kennedy was President, he used to refer to me in a friendly fashion as "Grandma Jones" because I was always offering an amendment to provide more money for the old age assistance, saying, "Well, you have done more for the federal employees, you have raised your own salary, what have you done for Grandma Jones? Now, if you vote for my amendment, you can say you put ten more dollars in her salary check."

It is a new role for me to be pictured as an arch reactionary opposing something that appears to be designed to help the needy and the poor. Frankly, I am proud of all we have done to help the aged, the disabled, and the blind, and I applaud everybody for his good intentions with regard to what we have done to try to help the families with dependent children.

I think that you ought to know that last year's bill, which we passed through the Senate by a vote of 81 to 0, would have set a minimum income of \$130 a month for the aged people on your welfare programs and for the disabled and the blind, with a \$200 minimum for a couple. With the fiscal relief provisions in the bill, all the State had to do was put up 90 percent of what you had put up in 1970 and the federal government would pay all the rest of it. I am sorry that that didn't become law. The House would not go to conference with us on that bill. The bill would have provided almost \$7 billion of additional Social Security benefits, welfare benefits and state fiscal relief—provisions which we were not able to persuade the House to even consider.

I think they wanted to hold the Social Security benefit increase hostage to vote through the Family Assistance Plan which, on the first occasion it was voted on in the Senate Finance Committee, didn't muster a single Republican vote out of the seven there, and only one Democrat, and he later said he would not have voted for it if he had to vote again. So, obviously, this is a highly controversial measure, one requiring time to be resolved.

Now, last year's bill also provided something that ought to interest you Governors because we are going to pass it through the Senate again, in my judgment. We have been trying to provide more adequately for family planning. We provide 75 percent federal matching today. The States did not do nearly as much as we hoped they would do there in that area, so we proposed that the federal government pay 100 percent of the cost. I believe we will have the votes to pass it that same way again through the Senate.

Dr. Beasley in New Orleans, Louisiana, is making tremendous headway in helping these mothers to take better care of their children and also to teach them about family planning. This has led to a substantial reduction in illegitimacy in the area he has worked in, which, of course, is one of the main aspects of the welfare problem. If you will take a look at what he is doing now, I think you will find it advantageous to take advantage of this 100 percent federal funds that we propose to provide for family planning. That, of course, would free some funds that you are presently putting into it.

Funds the Congress has made available for day care, unfortunately, have

gone unused. We provided, for example, \$58 million in 1970, and the States only used \$18 million. We provided \$38 million in 1971; of that the States only used \$26 million. So we are proposing this time, as we proposed in the bill that we passed 81 to 0, to provide 90 percent federal matching instead of 75 percent, which means that one state dollar would earn nine federal dollars instead of three federal dollars, and I hope that you will take full advantage of that because this is where one of the great prospects lies in providing an opportunity for working mothers to help provide additional income to their families by taking employment opportunities that are available to them.

I want to talk now a little bit about the welfare mess, because if we are going to have welfare reform it ought to do something about the welfare mess other than just put more people on the rolls and pay more money to them. I regret to say that the Family Assistance Plan that was proposed to us in the Senate last year, which on the first vote didn't muster a single Republican vote and only one Democratic vote, did not propose to take a single person off those welfare rolls. Now, if you want to go among the people who live right next door to those on welfare, you will find they are very dissatisfied with the present welfare program, in fact, outraged about it. That is where it is the most unpopular, among the people who live right next door, and I say that as one who knows what it is to live next door to welfare clients. I lived in a welfare area. At one time my next door neighbors were 100 percent welfare clients, so I think I understand something about why people complain about it.

Now, let's take a case of a family drawing high payments. New York has high payments. Let's say you had a mother with three children in New York drawing \$5,600 worth of benefits by the time you add public housing, food stamps, Medicaid and other increments to the cash welfare payment. You will have cases where that woman spends every night in the same bedroom with a man who is making \$7,000. Those three children will look just exactly like that father, although he is not married to that mother. That is a combined family income of \$12,600.

Now, let's assume for the sake of argument that right across the hall is another family where the father *is* married to the mother. The father here is making the same amount as the other man; he is making \$7,000 a year. His family on \$7,000 income has not available one penny of federal welfare or state welfare money; they aren't eligible. They are paying taxes to help provide the \$5,600 for the other family. Now, that \$5,600 for that family living next door here can be regarded as a subsidy for not getting married. It is a bonus for not having legitimate children. It is an incentive for that mother to teach those children to bend the rules to their advantage from the day they are old enough to learn, to teach them that that is your father but don't tell anybody, if you do we might lose our welfare payments.

About three million of the persons receiving welfare today are in families where the father is not married to the mother. Now, if you were the grandfather of that child, you would pay the expense of hiring the lawyer, suing that man, having him declared to be the father and then proceeding to garnishee his wages to pay something to support that family. That's what you or I would do. But there is very little hazard for *these* runaway fathers to be apprehended and forced to pay anything. It might even be more difficult to find them guilty in a court

nowadays because a jury would tend to feel that, if the father doesn't pay to support his family, welfare will. That is part of the welfare mess.

If H.R. 1 did something about that, I would feel more attracted to it. Unfortunately, it doesn't do anything about it, and until we start unraveling, untangling, and disposing of this welfare mess, I, for one, am not willing to pour more money into it.

Let us now look at how the situation got as bad as it is. In the first place, the government hired a bunch of poverty lawyers. I thought we were paying those lawyers to go sue the father to get some money for the children. Instead they set out suing the States to do things that we never intended to make the States do, and even suing the federal government itself to make the federal government do things that we didn't think the federal government should do. You talk about the height of idiocy; did you ever hear of hiring a lawyer to sue yourself? That's what we did.

And among the great victories of these lawyers was that they succeeded in striking down the man-in-the-house rule. I know what that meant in Louisiana. Our State said that if that man-in-the-house rule was stricken down, it would mean that we would almost double our welfare rolls with cases that the State's administrator didn't think belonged on those rolls, and when it was stricken down the only thing Louisiana could do would be to double the rolls, spread the money more thinly and say that we will only pay 50 percent of need hereafter because we don't have any money to pay any more than that. So what we did was just take the undeserving on the rolls with the deserving and spread the money twice as thin as it was before.

Let's look at some of the myths involved here. On the "Meet the Press" program yesterday you heard one of those reporters ask, "Is it not true that only 1 percent of these people on the aid to families with dependent children program can be regarded as available for work?" 1 percent. Obviously, we don't expect an infant child to go to work, but how about that mother? One-quarter of those families are one-child families. Why can't that mother put that child in a day-care center or find somebody to look after the child and go to work? Furthermore, 95 percent of those children have fathers somewhere. I don't know of any of them who got here by immaculate conception; and, if he did, he can take care of himself.

I don't doubt that most of those fathers are working at jobs. We ought to be trying to make those fathers provide support for those children.

One of the big oversights in the existing program must be corrected in any legislation I would call "welfare reform." While we have been providing for the taxpayers to pick up the tab every time a man walks off and leaves his family, we have provided precious little to help the State or anybody else sue that fellow, bring him back here, and make him contribute to the support of those children. If I had my say, the bill that we will pass is going to provide money for every district attorney in the entire United States to hire himself some additional lawyers in his firm or in his district office to start suing some of these people; and we are going to make the tax collector give us some help.

The tax collector would like to pretend that he works for the government to collect taxes only and at that point his responsibility ends. He would rather not

be bothered with telling us where these fathers are when those withholding taxes come in that report these Social Security numbers. We are going to vote a bill through the Senate Committee on Finance that says that the Internal Revenue Service will have to tell us every time they run across that Social Security number of this father we are looking for so we can go out and sue him, garnishee his check, and make him contribute something toward his own children.

Let's talk about Myth Number Two. They say in the Department of Health, Education, and Welfare that less than 1 percent of the AFDC caseload represents detectable fraud. Robert Byrd, the Senator from West Virginia, some years ago investigated welfare in the District of Columbia where they had a man-in-the-house rule. He found that 59 percent of the people on those rolls in Washington, D.C., were not eligible, and that half the rest of them were being overpaid. The Senate backed him up on that, even against the assault of a liberal press.

Recently you had an investigation that said 22 percent of the AFDC recipients in Nevada were not eligible and many others were being paid more than they were entitled to.

The logical thing to do is to bear down on these rolls, take these people off who don't belong there, find some of these fathers who can contribute and make them do so, and provide day care for those mothers so they can do more to help their families.

The reason that there is so little so-called detectable fraud is that the Department of Health, Education, and Welfare, the corps of poverty lawyers and the Supreme Court have so loaded the rolls with people who we never intended to be there that they have legalized fraud in the conventional sense with regard to about one-third or more of our welfare rolls. If a man is living right in the same house with the mother and yet they receive welfare as though he wasn't there, is that not fraud? Nobody knows who the father of those children is except the father and the mother and both of them are there to testify that he is not the father of those children even though they look exactly like him.

What does H.R. 1 do to improve that situation? It provides \$2,400 in cash for a family of four, plus Medicaid, which works out to about \$2,700 or more if that father earning \$7,000 does not admit that those are his children. If he admits it, the family gets nothing. There is the same advantage to the mother not to admit that those are the father's children, because if they admit it they have less family income than they have if they don't admit it, so you have the same built-in problems under H.R. 1 that you have with the existing program.

The only thing about it that you can call reform is that it doubles the number of people on welfare and doubles the cost of welfare to the taxpayers.

What should be done about it?

As I see it, the first thing you do is to sue the father for support, provide day care, provide better family planning. Further than that, we ought to make work more attractive than welfare. Here is how I would suggest it could be done. If people are working at low-paying jobs, for example, suppose a man is only making \$1.20 an hour, I would suggest that we have something in the line of an earned income supplement to add about 40 cents an hour, so as to bring that earning to

about \$1.60. This would be in lieu of welfare — this family would not be eligible for federal welfare.

Furthermore, we ought to provide a deduction for domestic help. There are three and a half million families in this country today who can't hire domestic help. They want to hire them; they can't get them. For the most part, it is not that they can't afford them, they just can't get the people to come to work at those jobs. If we made the wages deductible, they could pay anywhere from 30 to 50 percent more to hire domestic help. I would suggest that we make it a condition if you already have domestic help that you have to pay at least 30 percent more and, perhaps, at least 40 percent more than you are presently paying in order to claim that deduction. If you don't have domestic help and you want to hire some, that would raise the level of what you would have to pay.

The purpose here is not to help the employer, nor even the three and a half million families who would like to hire help. The purpose is to raise the income of those who work at low-paying jobs. I think we are going to vote through a considerable part of what the President wants to provide new jobs, and we will be providing a lot of new jobs for people making \$20,000 to \$40,000 a year. I would like to provide new jobs, and more of them, for these low-income people who don't have the skills to take these \$20,000 jobs but who ought to be working at something to help pay their own way.

Having done these things, we ought to also provide at least 200,000 jobs, as the House bill provides, to put people to work in the public service areas, and I would hope that we would make additional employees available to the States, the counties, and the municipalities to help provide needed public services.

With all of this, we should greatly reduce the number of people on the welfare instead of doubling it. Then we ought to provide far more liberal benefits for those families who have disabled fathers, who have a father in prison or where the father is dead.

For the remainder, as I say, the program should be that of trying to make work more attractive and welfare somewhat less attractive. It is an easy answer for the expansionists in the Department of Health, Education, and Welfare to sit in that ivory tower there and say they are going to eliminate poverty. Let me tell you how they do it in their mind. They say, "How many people do we have who are poor and how much money do they have? Well, now, how much additional income would it take to take them out of poverty?" Well, they have raised their poverty definition to the point that a person is regarded as being in poverty virtually up to the point that he starts paying the federal government an income tax. So what do they do? They say, "Well, you have this many people, all you need is this much money, which would be about \$17 billion so if we spread \$17 billion evenly among the people, we will have taken everybody in the country out of poverty by spending more money." That would cost you billions of dollars more than we are paying out now.

It sounds like an easy answer. Senator Harris wants to take everybody out of poverty tomorrow. That is his amendment. Senator Ribicoff wants five years to take everybody out of poverty by his amendments. I have news for them. If they succeed in passing those amendments to pay billions of additional dollars

to put 35 million people on the welfare and take everybody out of poverty, five years from now we will have more people on poverty than we do now because they will redefine poverty so some other politician can take those same people out of poverty by raising the definition of poverty from \$3,900 to \$6,500.

That is what the National Welfare Rights Organization is clamoring for right now. That would place 112 million people on welfare, and it would cost \$72 billion a year. Don't think that is out of the question, because once you get the \$2,400 guarantee for not working, then it is easy enough to say that that is not enough, they are still in poverty. When the Administration proposed this program, they were apologizing for the \$2,400, saying that they would like to make it enough to take everybody out of poverty, but the government didn't have this much money for the time being.

So, when you get the \$2,400 how could anyone in conscience refuse to make it \$3,900, if you buy the argument that that takes them out of poverty? That then gives you 35 million people on welfare. When you have that many people asking but one question on election day, "How did this fellow vote on our welfare increase?" how over a period of time can you fail to vote for the \$6,500 or \$6,900, and then put the 112 million people on welfare, more than half of the population of the country.

If we pursue that path now, sooner or later we are going to have to turn around and head back the other way because eventually the government will find it can't afford the cost of all this. Eventually, we will have to say the answer is jobs, not more welfare.

My little wife heard, or at least read, the President's speech at Williamsburg, and she said, "What he says sounds exactly like what you are saying. He wants to put people to work, you want to put people to work. Why don't you two get together?" I have said ever since that time, if the President would join me in amending his bill so it does what he says it does, I will be its strongest supporter.

I am in favor of doing things that would help you Governors with your fiscal problem. I don't have time to go into health care right now, but I do want to say this: I am strongly for covering, under Social Security, the catastrophic illness cases. That would cost only 5 percent of what the Kennedy National Health Insurance bill would cost.

The House sent us a bill to put disabled people under Medicare. I think we ought to do that.

Medicaid will still cost the States a lot and I personally am in favor of greatly increasing federal matching in that program, so as to give you some fiscal relief.

I want to mention one other thing before I conclude. Governors like Warren Hearnes, sitting to my right, have complained bitterly that the federal government has imposed so many restraints and has put so many regulations on them, telling them things that were never intended by the Congress and forbidding them to do business the way they think it should be done, until some very fine men here have just thrown up their hands and said, just take it off our hands, take welfare over.

That is what the expansionists in the Department of Health, Education, and Welfare want. They want you to throw up your hands and walk out on all of this, health care, welfare, education, everything else. If they had their way, they would

have 100 percent of the people on their payroll for health purposes, and they would have 75 percent of the population on their payroll for welfare purposes. They would, in effect, be running this entire country and taking about 50 percent of the income of the American people away in order to bring that about. I don't think the people want their Nation run that way. They want their government to be as close to the people as they can keep it. The way to do it is to remove these unnecessary strings.

I fought last time to remove their strings that the poverty lawyers and the HEW and the Supreme Court put on you without the Congress meaning for it to be that way. So far as I can recall, I didn't have the help of a single Governor when I was out there fighting that battle for you on that Senate floor. It was my fault, not your fault. I should have called on you. Now we will have to fight that battle this year. I will be saying, "Let the Governors and the Legislatures and the people who are closest to this problem have some say about how they are going to administer it."

We can win that fight if we have your help, and you can count on it, when the time comes, I am going to be mailing you some propaganda along my side of the argument and telling you what I think about it and how you can help. I hope very much that you will be heard from. Give us your views as you have before. Beyond that, please see if you can send some of your fellows to Washington when the battle occurs out there on the Senate floor, because this is something that will have to be decided one way or the other. If we can get together on it, perhaps we can pass something that the President would support and that I can support as well. If we can't then I think we are going to have to just choose sides and go to "Fist City," to use a southern expression, to settle the matter that way. Thank you very much.

GOVERNOR HEARNES: I would like to present the other participant in that caucus before she leaves, the lovely wife of the Senator from Louisiana, Mrs. Russell Long. Now, gentlemen, your questions and to whom they are directed. Governor Mandel.

GOVERNOR MARVIN MANDEL: I would like to ask Senator Long a question, please. It is in reference to the child care program, Senator. It seems to me and the people in our State who have analyzed it that the program is moving away from what the purpose of the Administration was, again diluting the authority of the States. The vast amount of money in that program bypasses state government so that we don't have any real input. I don't see how it can succeed in a State unless a State has some input into the program.

SENATOR LONG: Governor, I think you are right and I personally am in favor of this money going through the States and the States having a say about how it is going to be administered. But now if the State is going to sit there and not take advantage of it, then I guess we will have to do business with whomever we can. If we will pay 90 percent and give you some revenue-sharing so you will have some money to match the 90 percent on your end, you should be able to do it. While on that subject, let me say this. There is a lot to be learned in this area. Private enterprises think they can do a job, and do it more efficiently. You have nonprofit organizations that think they ought to come into this picture. Some

state administrators think they can do a better job. I would hope that between the 50 States you would try all three ways and then find a way to put it on computers so we can see who is doing the best job and how we can get the best run for our money. The objective, of course, is for the benefit of the children and the families and if you can work that out to show us the best way to do it we'd like to be guided by your advice.

GOVERNOR HEARNES: I would like to make one remark, if I may. Senator, when you write any legislation that calls for perhaps 90 percent of federal matching, I wish that you would write into the bill that it is the sense of Congress that this just doesn't change from year to year, from 90 to 70 to 60 to 50 and on down the line. This has been our problem in so many pieces of legislation, especially in the welfare field, where they start at 90 but they end up with a different figure.

SENATOR LONG: Governor, not only will we do that, but we are going to have a try for the first time in giving you 100 percent federal matching. Please don't take too much advantage of us on that.

GOVERNOR HEARNES: Are there any other questions? Governor Williams of Arizona.

GOVERNOR JACK WILLIAMS: We discussed yesterday with Senator Long something that I think we must consider in this country as being a primary effort. The ones who are on welfare now may be doomed to the dole forever, but the kids themselves are the ones we must teach to work. If we can get some type of amelioration of the child care laws so that young people can go to work, they can get perhaps one-half of the minimum wage law, they can be allowed to get out and learn how to work when they are 15, 16, 17 years old, where you really learn your habits and where they can then help their families. I don't know the details of how this can be worked out, and I know that you run across great opposition. But if we can put young people into productive jobs, even if we have to do some bending of the laws in order to make it possible, we will have a much better Nation.

SENATOR LONG: Governor, if that young person you are speaking of is the only breadwinner for his family, we even ought to be willing to supplement what he is going to make, running a paper route or doing something to raise the family. As I told you when I met with your Committee yesterday, the big problem will be in persuading organized labor to go along with that and persuading them that it doesn't violate their concepts of child labor. That does not mean that they could beat it, but they are a powerful group and if they fight it very hard, I doubt that we will pass it.

CONGRESSMAN FORD: I might say, Governor Williams, in the proposed bill to increase the minimum wage, there is a provision that would make a differentiation between the able-bodied older person and the younger person, so that there can be the case of an employer hiring a younger person at a somewhat reduced rate. We find in many, many cases that an employer, particularly a small employer, cannot afford to hire an older person or a younger person for different reasons, and the net result is neither the younger person nor the older person nor anyone else is employed. In order to give the younger person an opportunity to work in the small retail establishment and learn something about earning, there has to be this differentiation in the minimum wage. I think the House of Representatives

will adopt some provision of this kind in the bill that we probably will pass this year or next year. I think it is an important ingredient, and if we want to supplement it, that is a matter that the House and the Senate can work on. But there ought to be a differentiation to provide the younger person an opportunity to work.

GOVERNOR HEARNES: Governor Love of Colorado.

GOVERNOR JOHN A. LOVE: I suppose that my comment and ultimately my question will be addressed to both Representative Ford and Senator Long. Senator Long has spoken about the growing frustration of people who do pay the taxes, who live next door to those who are on public assistance, and I am sure he would agree with me that it is much broader and deeper than just that sense of frustration. The whole credibility of the program—and it laps over, I think, into the credibility in support of government itself—is a great, growing thing in my State, and I think in most States of the union. One of the problems that offends people more than any other is the food stamp program. My question is, is there legislation contemplated or in process which would tighten the eligibility rules on the food stamp program?

CONGRESSMAN FORD: I think you have hit a very important problem that we in the Congress face. The phenomenal growth of the food stamp program is almost unbelievable. It is a program that has good intentions, but it is a program that administratively has really become a catastrophe. I could cite numerous examples of administrative abuse, and I think a good many people are actually extremely fearful that this program, as it is presently administered, could be a scandal of major proportions. I think we have to tighten up the administration to make sure that the money goes to those people who are really deserving.

I was home during the recess, and one after another individual would come in and say they couldn't qualify but their next door neighbor could, and they couldn't understand the reason for their being excluded and the other person being included. I would hope that if we could get bona fide welfare reform, as the President proposed it, or as the Congress will amend it, that we could phase out, except in the most deserving cases, a food stamp program. I think this is the aim and objective of what the President has proposed in the welfare reform area. This can be and should be one of the basic objectives of a real welfare reform program.

SENATOR LONG: Governor, let me just agree with Gerald Ford in what he said and add a word to it. It is just amazing how these programs, conceived with good intentions in Washington, work out at the grassroots without the poor fellow in Washington who sponsored it ever knowing about it. The President of the United States is confronted with as many as 20,000 threats on his life a year, so he is sitting, as he should be, behind a steel fence with a good police force trying to protect his life, and he is not privileged to get out with the people the way he would like to and see how these programs are working out among the people. I recall when Lyndon Johnson was explaining to me about some of the difficulties he was having with his programs. He said that no one could find fault with giving food to hungry little children. I said, "Mr. President, with all due deference, that's not what they are using those food stamps for in my home town. They are using it to buy wine and whiskey and stuff like that. They will trade the food stamps in, buy

the most expensive beef steak in the store, and then trade the beef steak and, in some cases, they can just trade it directly for whiskey."

He had the matter investigated and that resulted in a few indictments of some of my friends in Baton Rouge. I don't want to claim credit for that part of it, but that is how it worked out, as it should have. No President wants it to work that way, and I personally think this food stamp thing has gotten so badly out of hand that we definitely ought to cut out food stamps for anybody who qualifies as a part of welfare. We must get that part under control somehow. For example, it is a subsidy on strikes in my State. When the fellows have a strike they all go down and open the food stamp window. In Louisiana they usually have a separate window for the strikers on the food stamp line.

GOVERNOR HEARNES: Governor Reagan of California.

GOVERNOR RONALD REAGAN: I think this would be addressed to Senator Long. I want to commend him for telling it like it is, it isn't any secret. The Senator knows that California has been bleeding a little bit in getting some reforms in welfare through. We believe that there is a large part of H.R. 1 which deals with tightening eligibility requirements and making it possible to discover fraud and so forth. They are very similar to the things that we have already passed in California in our reforms. Those government-hired lawyers the Senator spoke of are already at work filing cases in California against the reforms that we have just instituted, and usually the decisions, when they go against us, are because they claim that we are contrary to Congressional intent or regulations in Washington.

I do know that H.R. 1 as it was passed this year contains provisions that are far better than the provisions of last year. We are concerned, as you have expressed a concern, about the doubling of the welfare rolls by the subsidy to the working poor and the manner in which it would work, and we don't believe those people will ever get off, and we hope that the bill will be amended in that feature. We also believe that the work requirement language in the bill, although it reads well, won't perform well when it is implemented by the technicians of HEW; there isn't really a realistic work requirement. The other thing that we find fault with in that bill is the fact that there is a premium for those States which will turn management of welfare over to the federal government. There is a penalty for those States that will try to run welfare themselves. We just don't believe the federal government in Washington can run welfare for 50 States, with all the diversity there is within each State, and make it work.

You spoke of the child care centers. Here, again, is a concern of ours having to do with language. We have had some discussions with HEW personnel about child care centers. They are absolutely essential if we are going to get the unemployed mother, on aid to dependent children, into employment or job training. But the language and the terms they are using about child care centers just won't provide care for the child while the mother is working. We know from experience that there will develop a whole new profession of people requiring postgraduate degrees in order to qualify for caring for those children. We don't think they should just be put in a sand box in the morning and picked out at night. We think there ought to be a little education which goes along with it, but we also believe there is a great

chance for employment, additional employment of dependent mothers as custodians and caretakers under proper supervision in those child care centers, and we are very hopeful, if the money is to be well used, that they don't set standards so high that we literally have university-level educational costs for child care centers in order to get these mothers working. Otherwise we will find that the bill for taking care of the children is bigger than the mothers' bill for not working.

SENATOR LONG: Governor Reagan, you know that some time ago you came with some other Governors to Washington and you sat there and explained how you were trying to reform welfare and you said that you needed HEW to give you some cooperation and let you do some things that you thought were right. You may recall at that time we had nine members of the Finance Committee sitting there, a full quorum, and I said if these nine men will go along we will agree right now that the Committee will back you on that, and we did. We sent a letter saying the Committee agrees with this. The ones you were talking to tended to be the more conservative members of that Committee.

That very principle of letting a State use its judgment in how to best administer the needs of its people is a difficult proposition. We are going to have a knock-down, drag-out fight on the floor of the Senate on measures where the State thinks that it shouldn't have to put certain people on the rolls because they ought to be working instead of drawing welfare money. We can win that fight if we have 50 Governors helping us. My guess is if you go to work and do everything in your power, you might get me one of those two California Senators. That is better than none. In these other States, in some cases the Governor can't swing a vote and in other cases he can. These things may be decided by a very close margin. There is no doubt at all that you have been imposed on by unwise decisions of the court in some cases, by unwise regulations in others.

Just to give you one example, Wilbur Cohen, and I like him, he is a fine fellow, his heart is certainly in the right place, his intentions are all good, but his deathbed bequest, you might say, to those of you in state government, was to sign a federal order just before he went out to say that you would put these people on the welfare rolls just on their own certification, don't ask any questions, just mail the thing in and no questions asked, and on the welfare they go. I have done a little investigating of that and my impression is that in every State where they have followed that method they have at least 10 percent of the people on welfare who don't belong there, an eligibility factor considerably more than the States that do ask a few simple questions to see whether the people should be on welfare. Furthermore, when a State has a liberal program like New York, you have all sorts of welfare people moving in on you to take advantage of your liberal program. You ought to have some kind of residence requirements. If the Supreme Court won't let you impose it, they might let us put one on for them, to say at least for the six months after a person leaves a State, the State from which he is departing would continue to make payment, and the State to which he moves wouldn't have to take him on the rolls until he had been there six months. The vote on this issue would be very close in the Senate. I don't know whether we could make it prevail, but we ought to try. To prevail on things like that, we will have to have your help. We can't

do it by ourselves. I notice you have had a little difficulty with that Legislature out there in California. You have difficulty doing it all by yourself, too.

CONGRESSMAN FORD: Let me talk for a minute, if I might, Governor, about the work requirement problem. Perhaps the delay we have from '70 to '71 and perhaps '72 shows that we were better off not concluding welfare reform in 1970. Secondly, perhaps the matters we have discussed here today indicate that it is good to have a bicameral rather than a unicameral legislative body. If my memory serves me correctly, in the bill we passed in 1970 the work requirement read something like this, that the individual must take suitable employment. In the bill we passed in 1971 in the House, we struck the word "suitable" from the provision, and this was a hard, tough fight in the Committee on Ways and Means, and there was a great deal of discussion on the floor of the House on trying to reinstate the word "suitable." If we put the word "suitable" in there, there will be, in effect, no bona fide work requirement, and I suggest to the Senator that he will need some help from 50 Governors to keep that word "suitable" out of the Senate version of the bill. If that goes into the bill on the Senate side, we will need a lot of help from 50 Governors to prevail in the conference and take that language out when the conferees from the House and the Senate get together. I plead with you, stand up for the House version on the work requirement and give Senator Long and the members of the Senate some real help on this particular point.

There is one other matter that has not been brought up here, namely that some of the laws we pass are abused very badly by administrative action. I ran into a situation last fall in some of our homes for the aged. In order for those homes to qualify for all the federal benefits for some of the people who were there, and for the homes themselves, we found there was a requirement which was strictly enforced by HEW that in homes for the aged there had to be a welfare worker employed or the home couldn't qualify. Now people 65 years of age and older who are retired, in my judgment, don't need consultation with welfare workers, but there was this specific requirement, and it was very hard, it cost money, and I don't think it did a lot of good. In the House version, as you will find, Russell, there is a deletion of that provision, and I think you will need some help from the Governors to keep that provision in the House version. Otherwise, there will be the same old law that requires every home for the aged to have an expensive welfare worker there to counsel people 65 years of age and older, and I don't think that is a necessary requirement for individuals in their older years.

SENATOR LONG: Could I add just one word to what Gerald said. I appreciate what he said about the suitability of work requirement. I favored the idea for years but let me just tell you one thing I am convinced of. In this free economy you can't force anybody to work. You just analyze it for a moment and see. Of course in the bill the House sent over to us it says that a mother with a child under age 6 need not register to begin with, and that is about half of your caseload right there. But even with regard to people who are supposed to register, just think about this for a moment. Let's say you are trying to make a person take a job and he doesn't want to take it. There is a job as a waiter. All this fellow has to do is drop a tray of dishes on a marble floor and if that doesn't get him out of the job he will get out the second time he drops a tray of dishes on the floor. Or he may

show up to take a job as a yard man, and nowadays you don't ask a person to push one of these little lawnmowers, you have a piece of equipment that might cost \$1,600 to mow the thing. All he has to do is take that \$1,600 piece of equipment and run that into a concrete curb and he's been relieved of the responsibility of working as a yard man any more. So you can't really make these people work if they don't want to work. That is why it seems to me that it is a better approach to supplement low-paid jobs and to pay them to work and then tell these people that they are just not eligible. If you must pay them something, keep the payments low for those people who need not be on welfare and who ought to be working instead. Then, for those who ought to be on because the father is disabled or because the father is in the penitentiary, the mother has a lot of children, perhaps we could be a lot more liberal because we would have a lot more money to work with.

GOVERNOR HEARNES: We have time for one more question. Governor Sargent of Massachusetts.

GOVERNOR FRANCIS W. SARGENT: Mr. Chairman, I am going to find it a little difficult to make this into a question, but I think I perhaps can make it a question to all of the members of the Conference. We look at this from perhaps a different viewpoint as Governors than the members of Congress do. I think we have received some very encouraging comments from Congressman Ford and Senator Long, but also some discouraging comments.

From where I sit, every one of the 50 Governors has a problem in this welfare field. We are trying to defend a program, we have to defend a program that nobody likes. The taxpayers are against it because they feel it is too much. The recipients are against it because they feel it isn't enough and they weren't being treated with dignity, and we are just in big trouble. It seems to me that we have to have this reform and we have to have it soon. I personally feel that H.R. 1 is an important step in the right direction, a start, and I think we should move on it. I would hope that the Governors together would support this basic concept, but, frankly, support it with the idea of getting the States out of the welfare business, because every one of us is trying to handle it in a different way.

Every single one of us has a problem, regardless of whether he is from a State that is rather generous in relation to welfare, as my State is, or some of the other States where they are less generous. We all have a problem. We are all fighting with the problem of fraud. We have heard, and I can't disagree with Senator Long when he refers to the man in the house and when he refers to residency requirements, but it seems to me that we have to have a national plan. I think the States have to get out of this business. I have distributed to all of the 50 Governors a way that we feel H.R. 1 can be improved upon, and get the States, over a three-year period, out of this business, with great emphasis, quite frankly, on the matter of work incentives. I think this is what we have to do. We have to try to make it so that people don't want to get on welfare and do want to go to work. But I think the route should be an expanded work incentive program. I won't make a great speech, but I just feel that we Governors are on the firing line, and it isn't just a matter of passing the hat to Uncle Sam. I just think that we have a problem that affects all of the people of this country, and I think it should be a federal program. I think we should then get back to the States' business. This is my personal view.

GOVERNOR HEARNES: Thank you, Governor. I will close with saying only this: What we need, in some manner or another, is to have a welfare reform measure that will not place so many more people on the rolls. I want to express my appreciation to the Congressman from Michigan and to the Senator from Louisiana for what they have given us in speech form and, I think even more important, for how they have responded in answers to the questions by the different Governors.

I ask that everyone in the room, after the speech of the Vice President, remain seated until the Vice President and Mrs. Agnew and their party have left the room. Then I ask the Governors if they would please go straight to lunch in the Tropicoro Room. My only other announcement now is to explain to many who do not understand that the chairmanship of this Conference alternates between parties, which means, of course, that next year the chairmanship will be chaired by a Republican. It is provided by our rules that the Nominating Committee, then, will be made up of three Democrats and two Republicans to select a Republican Chairman. I would like to at this time name the Nominating Committee: Carter of Georgia is Chairman; Wallace of Alabama; Smith of Texas; Whitcomb of Indiana; and Sargent of Massachusetts. That ought to take care of the Mason-Dixon line.

Ladies and Gentlemen, may I present the Vice President of the United States.

THE VICE PRESIDENT: The Governors of the 50 States come together at a moment that might well be a turning point in our Nation's recent history. I am not only referring to the American economy. The significance of this moment goes beyond even those highly important bread-and-butter matters. We may well be witnessing a reaffirmation of something basic to America — a renewal of our competitive spirit. Prosperity is a job for everyone. Prosperity is built on confidence. And in more than one sense, confidence is back in business.

Today, I want to talk to you about our national response to a call for sacrifice and cooperation, a response that has amazed those who have been running America down in recent years. And I want to talk to you about a danger that could erode and imperil that healthy response, the danger of blind negativism in a time that calls for intelligent, rational discussion.

The past month has been, to say the least, eventful. But just as important as what has happened in this Nation and around the world is something else — what has *not* happened.

There were important risks involved in the President's announcement last month. Nobody could know beforehand what the reaction of the American people would be to a sudden limitation of their economic freedom. Fears were expressed of massive resentment by wage earners, of widespread refusal to cooperate in the price freeze by businessmen, of the need for an elaborate enforcement apparatus that might slow down the strong economic rebound already under way. Nor could anybody predict with any certainty what the international reaction would be to bold, unilateral moves by the United States to make American goods more competitive and to protect the dollar. There were fears of great turmoil in the money markets of the world, of retaliation, of refusal to revalue other currencies. There were even fears of a trade war that would harm everyone.

It would have been foolhardy to minimize the great risks involved. But there were great stakes involved as well: the future of the American worker, the stability

of the American dollar, the protection of the American standard of living — indeed, the ability of this Nation to maintain its position of leadership in the world.

If Americans stopped taking risks, we would stop making progress. It is only because the American people have time and again been willing to take the necessary risks that we have been able to rise to great occasions and to become a great Nation.

In the month since the President's announcement of a new economic policy, let us see what has happened and, just as important, what has not happened at home and abroad.

Here at home, the people of this Nation — workers, homemakers, businessmen, Americans in all walks of life — have responded in a way that justifies our pride in our country and our faith in the American spirit.

By its nature, a wage-price freeze cannot be entirely fair. It calls for sacrifice; inescapably, it has caused inequities and in some cases even hardship. Yet the overwhelming reaction of Americans everywhere has been a patriotic determination to do their part toward making the freeze work voluntarily. Look at the evidence.

All across the Nation, whenever a question about what the freeze requires has been answered by the Cost of Living Council, that answer has been accepted and its directive obeyed voluntarily.

Corporations overwhelmingly throughout the Nation have complied with the President's request not to increase dividend payments, because there is an understanding of the need to share the sacrifice.

As of last week, the President had received over 15,000 pieces of personal mail regarding the New Economic Policy. Sixty-six percent of it was favorable, while only 14 percent was negative. Included in the letters and telegrams was correspondence from 21 Governors, and commitments of support from hundreds of mayors and local officials. Communications have been received from veterans' organizations, organizations of retired persons, and civic organizations such as the Lions Club and Knights of Columbus.

We have received mail and telegrams from many union members and from union locals adding their cooperation to all the rest. Many of the Nation's leading merchandisers, department stores and grocery chains have taken full-page newspaper ads and aired television notices of their support for the President's program. Cooperation has been pledged by many of your Attorneys General and consumer affairs people to assist in our effort to make the wage-price freeze work.

Since the freeze went into effect, the Georgia railroads have rolled back their intrastate rates. American Motors, through its dealer system, has rolled back its retail prices to customers. And as of last week, 132 cases of workers returning to work have been reported, involving a total of 110,193 workers. That organized labor is cooperating with the President is beyond question.

The Office of Emergency Preparedness, which has been charged with administering the freeze, reports that complaints by tenants against landlords about rents have been encouragingly few. They have been running at around 40 per day for the entire country. When you consider how many millions of people live in apartments or are otherwise renting property, the figure of 40 complaints a day is astoundingly low.

Of course, there has been criticism, and there has been jockeying for position for the time when the freeze is over. But future historians, looking back at this period, will remember the "freeze of '71" as a time when the American people willingly pitched in together to do all that they were called upon to do.

Let us look at the reaction to our new policy abroad.

At first, the world was stunned. Money markets were closed while the economic and political leaders of many nations met to consider the consequences of our action. But, as the President pointed out to the Congress last week, instead of continued talk about the weakness of the American dollar, there was a new understanding of the strength of the American economy. Instead of a continuation of unfair rates of exchange, there was a recognition of the need to face up to reality — and the process of removing the unfair disadvantages that have been harming American trade is well under way. As this sensible reaction continues, we can look forward to the removal of the temporary import tax imposed last month. Instead of destructive talk of retaliation, there has been constructive reaction to the President's call for a long-overdue overhaul of the international monetary system, with every trading partner cooperating to move toward a new stability.

All in all, at home and abroad, we have seen what *does* happen when we rely on our faith and what *does not* happen when we turn away from our fears.

In these past few days and in the weeks ahead, the President has been and will continue to meet with responsible American leaders representing different groups and often divergent points of view. He is appealing to their sense of patriotism, and to their common sense as well — for what is in the long run in the best interest of this country is in the interest of worker and businessman, farmer and consumer.

I can report to the Governors that the President is strongly encouraged by the reaction of these leaders in their meetings so far, and looks forward to working closely with them in the future.

This comes as no surprise to me. Two weeks ago, when there was some doubt expressed as to the likelihood of cooperation from some of these leaders, I said that in the final analysis they would rise to the occasion as patriotic Americans. And that is exactly what they are doing today.

What I have to say next is not directed against any individuals; it is directed against a tendency that runs counter to the interests of all Americans. Everyone in this room would agree that in the area of economic policies, it would be impossible to secure a unanimous opinion on any single approach. There are, however, several very prominent arguments which are being used against the President's policy which I feel would be helpful to discuss.

The first: "American industry today is operating at only 73 percent of capacity!" Nobody can argue with that, the figure is accurate. The logical question then is, "Why do we need more plant capacity, the kind that the President's job development tax credit would create, when nearly 30 percent of our plant capacity lies unused today?"

That appears to most listeners to make sense. If we are operating well below capacity today, who needs more capacity?

However, the problem is that the unused capacity is unused for a good reason — for the most part, it is outmoded, old and inefficient. Much of this unused equip-

ment, if put into operation, would lose money; it usually consists of plants that are wartime reserve capacity, to be used only in severe emergencies justifying Uncle Sam's footing the bill for expensive, uncompetitive operations. Yes, it's still on the books as "capacity," but in practical terms the majority of it has nothing to do with capacity to produce at a profit, and certainly nothing to do with our capacity to maintain our share of world markets.

A sophisticated audience, such as this one, will quickly understand this fact. But, let's face it, the explanation is a little dull. It will never make the 7 o'clock television news, and the laborious answer will never catch up with the catchy question: "Who needs more capacity when we're only operating at 73 percent of capacity now?"

Obviously, what American industry and American labor needs now is more modern, productive capacity. New plants and equipment that will enable our products to compete at home and abroad, and the kind of new plants and equipment that will be built, given the added incentive of the job development credit.

Another argument denounces any plan that might be of benefit to business as the "trickle-down theory!," which goes something like this: "There are those who believe that, if you will only legislate to make the well-to-do prosperous, their prosperity will leak through on those below." Those words were intoned in 1896 by William Jennings Bryan, in his famous "Cross of Gold" speech. To be fair to Mr. Bryan, he was not so far off base in his feelings about an undue reliance on gold, as recent events have shown.

The facts are that the President has proposed a balanced tax package: it reduces taxes paid by individuals by \$3.3 billion and offers a tax credit of \$2.7 billion to industry to invest in job-producing equipment and machinery. And it relieves consumers from some \$2 billion in excise taxes.

Let us look at tax reform in context. In his testimony to Congress last week, Secretary Connally very succinctly pointed out:

"To be complete, the record must include the impact of the Tax Reform Act, plus the Administration's change in depreciation regulations and the tax proposals of the New Economic Policy. If the impact of these measures is spread over the five years, 1969 through 1973, the result is startling:

"Federal income tax payments of individuals will have been reduced by almost \$34 billion. Tax payments on corporate profits will have declined by slightly more than \$1 billion.

"The record is clear. Enactment of the President's recommendations, given the perspective of the three years of the Nixon Administration, will *not* be a bonanza for business."

I do not see how, under any circumstances, the "trickle-down" appellation applies.

Still another argument states: "You can't freeze wages and prices without freezing profits." Let's face it, that sounds reasonable to most people.

Of course, the facts paint a different picture. While wages and prices have been going up, profits have been going down. The average profit before taxes over the past two decades has been about 20 percent; today, it is down at 13.4 percent. You cannot substantiate a claim that high prices are the result of fat profits.

Secondly, the profit motive is what makes the wheels go round in the free enterprise system. Profit potential is what attracts capital and capital is what creates jobs.

And third, every single one of us is in partnership with every profit-making corporation. Government at all levels gets over half of all corporate profits in taxes. Let me say the unsayable: rising corporate profits are good for the average man and are needed more than ever by the poor.

If corporate profits were to rise next year to the level of the average of the past 20 years, as part of a full employment economy, the federal government tax receipts would increase by more than \$8 billion.

Put it another way: if corporate profits now were as high relative to the average Gross National Product as they were in the sixties, our federal tax receipts would be \$11 billion more. That's the kind of money that could go toward helping a great many people who could use the help.

That's why we don't want to freeze profits; we want to increase profits that generate jobs, profits that generate tax revenues, profits that help to raise the average American's standard of living.

Put the shoe on the other foot for a moment. It would be the height of folly to suggest an "excess savings tax" on the individual worker. Not only would it penalize the thrifty, it would cause people to stop saving at all; why give your savings to the Government? In the same way, an excess profits tax penalizes the efficient company and would trigger senseless corporate spending. That would result in lower productivity at a time when only rising productivity can conquer inflation.

With respect to the job development tax credit, let us not forget that in 1965, when an investment tax credit was in effect, it was utilized by 350,000 corporations, which means mainly small businesses; not only that but it was also used by 1,700,000 individual taxpayers, three quarters of whom had incomes of less than \$20,000 per annum. Of these, 700,000 were farmers buying tractors and other equipment to make their farms more productive. More productive farms mean a better life for the small farmer and a better deal for the consumer.

Therefore, in this period of a freeze on wages, prices and rents, and indeed in the stage that follows the freeze, let us work together in the public interest through a rational discussion and a spirit of cooperation.

As you all know, I am a believer in honest partisanship, and I have always been convinced that a free society gains strength through the spirited discussion of great issues. Disagreement is healthy in a democracy; rational debate serves our great national purposes.

The President's New Economic Policy was not handed down from Mount Olympus; it should be subject to the most searching analysis, and where it can be improved, it should and will be improved. We're open to ideas, because the only way the fight against inflation can succeed is if every group and every individual has a stake in its success.

Let us, then, agree to raise the exchange rate of our ideas. Let us set aside the kind of petty bickering that interferes with healthy debate, and put away the

partisan jockeying for position that clouds the issues and saps the cooperative spirit so urgently needed today.

Let us discipline our discourse with a rising regard for the facts of the matter and with an ever greater sense of the need to put the national interest ahead of special interest or personal interest.

This is a time for seriousness, not a time for stereotyping. This is a time for new approaches, not a time for old slogans.

We all want the new prosperity, without inflation and without war. No party and no political leader has a monopoly on wisdom or an exclusive on the common goals of all Americans.

In that spirit, we can discuss our differences in approach to those goals fully and freely. In that cooperative spirit, we can revitalize America's competitive spirit and prove ourselves worthy of the renewed faith and the surging confidence of a people who are ready to rise to the challenges of peace.

As hopeful as the President is for the new economic policy, he in no way feels that it is a substitute for the rest of his domestic program. In particular, it does not alleviate the need for revenue-sharing and welfare reform. I stress these two programs, in view of the announced delay in their implementation. The delays in no way reflect any lesser degree of presidential support; rather, they recognize the legislative and administrative realities that confront us.

We now plan to have revenue-sharing start January 1, 1972, less than four months from this date, rather than October 1, 1971, the date originally proposed. The bill has yet to pass either the House or the Senate, and the Senate Finance Committee has yet to hold hearings. We have our work cut out for us. However, with the continued united support of state and local governments, it can be done.

Early this summer, HEW organized a task force which was instructed to find ways in which to implement welfare reform by the effective dates contained in H.R. 1 as it passed the House in March of this year. This group reported its findings prior to the President's recent economic message, and it stated that additional time would be needed in light of congressional delays and the unprecedented nature of this administrative challenge. It is clear from this report that welfare reform legislation must pass this year so that we will be able to begin the administrative work that is required to put the President's historic workfare and welfare reform concepts into effect by the new deadlines.

From the point of view of Governors facing exploding welfare costs and from the point of view of aged and disabled adults and children in poor families, it is absolutely imperative that the enactment and implementation of both revenue-sharing and welfare reform be as rapid as possible. This is exactly what the President wants. It is only possible with your continued help.

We do not have an easy task confronting us. The President has asked for your support and understanding of the initiatives he has made. On the other hand, it is equally important that he appreciate and understand your views and recommendations in these matters. Accordingly, he has asked that I invite your Executive Committee to meet with him this coming Thursday, September 16th, at the White

House in order that you may fully participate in helping plan the phase of the system of wage and price stabilization that will follow the present phase.

It is my intention, as the President's liaison with the Governors, to assure that your views on this and other matters are continually brought to the attention of the appropriate policy-making officials in this Administration. I look forward to being with the Executive Committee in Washington this Thursday, and to working with them and with each of you in the development of programs which will be to the benefit of all Americans.

GOVERNOR HEARNES: This Conference is now in recess until 1:30 this afternoon.

AFTERNOON SESSION

Monday, September 13

GOVERNOR HEARNES: The afternoon session will now come to order. The Governor from the State of Alabama has asked recognition for the purpose of making an announcement.

GOVERNOR GEORGE C. WALLACE: Mr. Chairman and members of the Conference: Under the table of organization I have given notice that I will present a resolution in regard to involuntary bussing of school children and in regard to the neighborhood concept of public schools, possibly in the direction of asking the Governors to endorse a constitutional amendment in this field, and I wanted to put the Conference on notice that such resolution will be in front of you during this afternoon's session.

GOVERNOR HEARNES: Thank you. Let the record show the notice given by the Governor from Alabama. The Governor from Tennessee.

GOVERNOR WINFIELD DUNN: I'd also like to announce at this time that Governor Carter and I are collaborating to the degree that we might be able to present such a resolution along the same basic lines, relative to the neighborhood school concept, and this will be available for consideration of the Governors, hopefully by this afternoon or early in the morning.

GOVERNOR HEARNES: Let the record so show. This afternoon's session deals with the topic "Corrections," and if you do not think that this can come home to a Governor, I would like to read this report from New York. "One thousand National Guardsmen, state troopers and sheriffs' deputies stormed Attica State Prison in New York to put down a 5-day-old prison uprising. Nine of the 38 men held hostage by the rebel convicts were found dead with their throats slit. The other 29 hostages were freed, but 4 of them were seriously injured. One unconfirmed report said 20 prisoners died in the gunfire."

Our first speaker this afternoon, Dr. George J. Beto of Texas, has experience which I think more than justifies his presence here to speak to us this afternoon. I start with his correctional experience, a member of the Texas Board of Corrections from 1953 to 1959; a member of the Illinois Parole Board, 1961-1962; Director of Texas Department of Corrections since March 1962; Consultant to the President's Commission on Law Enforcement and Administration of Justice; a member of the National Advisory Council on Correctional Manpower and Training; Past President, American Correctional Association; and a member of the American Bar Association Commission on Correctional Facilities and Services. It is my pleasure now to present Dr. George J. Beto.

DR. GEORGE J. BETO: Thank you, Governor Hearnes. I know of no honor

that has come to me during my professional career greater than the privilege of addressing the Governors of the 50 States within the United States. I am deeply grateful. It has been my privilege to serve under four Governors, Allen Shivers, Price Daniel, John Connally, and Preston Smith. I shall always be grateful to them for the intelligent leadership which they gave corrections in Texas. As a result of the leadership which they have afforded, our Legislature through the years has been highly responsible and reasonably generous with corrections.

In my presentation this afternoon there will be a comixture of fact and opinion. I am confident that the members of this Conference can distinguish between fact and opinion.

In recent months, corrections generally, and prisons particularly, have been subjected to considerable criticism. The late Senator Dodd, for instance, devoted the services of his committee to the castigation of adult and juvenile correctional institutions. Last year the prestigious National Council on Crime and Delinquency ran a Madison Avenue-contrived ad in national publications which pictured a young boy holding a gun. The legend under the picture stated "Prisons do teach a trade." In his famous landmark speech in Dallas before the American Bar Association, Chief Justice Burger was highly critical of the whole spectrum of criminal justice generally and of prisons particularly. He concluded his analysis of the failure of prisons by saying, "There must be a better way." The Young Lawyers Section of the American Bar Association recently concluded a survey of several score of jails and prisons throughout the United States. Their final report indicated a complete unhappiness with the state of American corrections.

Unfortunately, many of these criticisms are not without foundation. For instance, idleness is the bane of American prisons; most prisons and jails are convict-run. We witnessed a tragic and horrible example of a convict-run operation at Attica this past week. Usually the convict running of institutions is more subtle.

The county jails of the United States are a cancer on the body of American corrections; the political orientation of most state correctional systems prevents any long-range planning; also, the leadership of American corrections through the years has not been as daring and as imaginative as it should have been. The highly articulate Norval Morris was correct when he stated before the Centennial Congress of the American Correctional Association, "Corrections have attracted too many second-class minds who have provided timorous and vacillating leadership." Professor Morris is correct in his observations. Governmental service generally serves as a haven, an asylum, for mediocrity. Corrections, as an arm of that service, suffer from that same malady.

However, in evaluating our failures, we would make two observations. In the first place, society must fully and permanently decide what it wants correctional agencies and institutions to do. Do they exist for restraint, for revenge, for rehabilitation, for reintegration into society? Negley Teeters was perceptive when he wrote in 1967, "The dilemma of modern corrections is that society is confused. Many want rehabilitation, but they want it by clinging to the concept of punishment. These persons still clamor for retribution and represent a strident voice from the out-moded past." Not only society but also governmental leaders need to remember the character of those who come to the doors of America's prisons. Normally they

are not the intelligent, the cunning and the glamorous offenders portrayed on television and pictured in the cinema. Rather, they are the poor, the stupid, the inept, the flotsam and jetsam of society. Fifteen percent are illiterate; 90 percent are school dropouts; 65 percent come from broken homes; 40 percent had no sustained work experience prior to their incarceration; 20 percent are mentally retarded. In spite of the fact that they have been exposed to the presumably beneficent influences of the home, the church, and the school, they stumble from one mud puddle of life to another.

Nevertheless, progress has been made and continues to be made. In 1870, under the leadership of Governor Rutherford B. Hayes of Ohio, Governor Daniel Haines of New Jersey, and Governor Conrad Baker of Indiana, the American Prison Association was organized in Cincinnati. Later its name was changed to the American Correctional Association. The years following 1870, largely as a result of the leadership furnished by members of the American Correctional Association, witnessed progress in American corrections.

Probably the most significant phenomenon in American corrections today is the involvement of the federal government in state and local correctional programs. Various federal agencies, more particularly the Department of Health, Education, and Welfare, the Department of Labor, and the Department of Justice, are spending large sums of money for the improvement of corrections on the state and local levels. The Omnibus Crime Control and Safe Streets Act has made available block grants to the States for law enforcement. The Omnibus Crime Bill definition of law enforcement includes every activity beginning with prevention, continuing through arrest, detention, adjudication, probation, incarceration, and parole. Subsidies for riot control were included in the legislation. Probably the most enlightened aspect of the Safe Streets Act is the loan and scholarship money for correctional workers. Probably its most unintelligent aspect is the provision which allows disproportionately large amounts of money to be spent for hardware.

There is a complete lack of coordination among the agencies of the federal government as far as corrections are concerned. For instance, today five large federal agencies — HEW, HUD, the Department of Justice, the Department of Labor, and the Office of Economic Opportunity — are all involved in subsidizing programs in the area of the prevention of crime and the treatment of the offender. Within HEW alone, there are no less than 15 agencies concerned with some aspect of corrections. Unfortunately, the federal left hand is ignorant of the activities of the federal right hand. It seems to me that the concern of all of us for efficient government, as well as our interest in intelligent subsidy of corrections, should force us to exercise leadership in the development of some coordination among federal agencies. We also have an obligation to give some counsel to the Congress in the framing of federal legislation so that the emphasis would rest on the underwriting of bold, imaginative, and yet realistic programs, rather than the furnishing of subsidy for maintenance of the status quo. I am appalled when I reflect on the manner in which Omnibus Crime Bill money is dissipated on projects of dubious merit. I also tremble when I anticipate the judgment our children and our children's children will pass on us for prostituting our opportunity to furnish leadership in the expenditure of these massive grants.

A second phenomenon which now characterizes American corrections is the development of a program of accreditation for correctional institutions and practices. I know of no endeavor in which the American Correctional Association has engaged which is more significant than the development of a set of criteria for the measurement of corrections. Application of these standards in over 100 pilot institutions in the United States and in Canada, the built-in provision for continued revision of the standards, the mode of selecting the examiners, the adequate funding of the project, all result in the application of fairly objective standards by which the worth and effectiveness of correctional institutions and correctional practices may be evaluated.

We would hasten to point out, however, that correctional leaders frequently do the profession a disservice by blaming Governors and legislators for failure to subsidize adequately corrections. Money is not the sole solution to the problems of American prisons; creative leadership can accomplish more than money. For instance, it does not require money to operate clean institutions; money is not required in order that food may be attractively served; it does not require money to curb rampant sex perversion in penal institutions; money is not needed to inaugurate a campaign to hire a defensible proportion of employees from America's minority groups.

Now a word about the future. The future in American corrections will bring more research. I know of no institution, unless it be organized Christianity, which has shown a greater reluctance to measure the effectiveness of its varied programs than has corrections. We engage in many allegedly rehabilitative practices, but we have little evidence to show that they are successful in achieving the objectives which we have set for ourselves, namely, redirecting and restructuring the life of the offender. Many of our programs may be good, they may be effective, but they are based on an unvalidated assumption; we have no assurance, without the measurement found in research, that these programs are effective and successful.

The future will bring an expanded use of pre-release programs. It is sheer folly to keep a man in prison two or three or four or five years and at the termination of his sentence or upon parole release him with a few dollars, a cheap suit, and the perfunctory ministrations of the dismissing officer. To an even greater degree, the future will witness programs which devote themselves to easing the inmate's transition from the most unnatural society known to man, prison society, to the free world. The future will bring an increased use of supervised probation and parole. One day society will become truly aware of the comparatively low cost of putting a man on probation or on parole and will demand that such approaches be used rather than senseless and expensive incarceration.

If we are honest with ourselves, we will admit that our massive prison buildings, the expensive jail paraphernalia with which they are equipped, the time-honored, elaborate, and almost ritualistic security measures which we practice, are actually designed for a small percentage of our prisoners, 25 percent at the most. The best interests of the majority of our inmates, as well as those of society, would be better served by intelligently supervised probation and parole rather than by the artificially contrived rehabilitation programs found in the stultifying atmosphere of most prisons. The day will come when state judges, as federal judges now do, will be required to pass sentence only after having the benefit of a comprehensive pre-

sentence investigation which embraces every aspect of the convicted felon's experience.

Today, in too many instances, there come to our gates the psychotics, the mentally retarded, the emotionally disturbed, sent there largely by our large and impersonal cities, where citizens, juries, prosecutors, and judges labor under the wholly false impression that they have rid themselves of a problem by sending these people to the penitentiary. Competent pre-sentence investigation will indicate whether confinement in an inherently punitive penal institution is required, and make no mistake, it frequently is, or whether society and the individual would be better benefited by some other disposition of the case.

I also believe that our prisons will become more productive. If inmates of prisons are to become more productive, there must be an expansion of prison industry. The tax-conscious constituent will demand it; enlightened organized labor and free-world industry will allow it.

Moreover, in efficiency, in equipment, in adequacy of supervision, and in quality of products, prison industry will compare favorably with its counterpart in the free world.

Dr. William Glasser, in his significant work, indicated on the basis of research that the most important rehabilitative agent in the correctional setting is not the professional, the psychologist, the sociologist, the teacher, the chaplain, but rather, the man exerting the greatest influence for good or for evil is the correctional officer or the guard. In commenting and commenting critically on the report of the Joint Commission on Correctional Manpower, Sanford Bates, a grand old man in American corrections, the first director of federal prisons, made a profound observation. He stated, "The importance of character, resourcefulness, courage, and reliability is hardly mentioned in the report." I believe that in the future the critically important rehabilitative role of the correctional officer will be recognized. Instead of recruiting convict guards, we shall employ men and women of character, resourcefulness, courage, and reliability, who by precept and example will affect significantly the motivation and behavior of the imprisoned offender. To attain this end, however, the restrictions imposed by civil service regulation, political patronage, and union rules, all of which make a contribution to mediocrity and inferiority in personnel, must yield.

Finally, higher education will become more involved in corrections. The creative involvement of the university in the day-to-day operation of the criminal justice system as it has evidenced itself at Southern Illinois University, at Florida State University, and at Sam Houston State University will become widespread in nature. More important, both corrections and higher education will benefit from the involvement.

In 1783, the Legislature was meeting in Connecticut. The sky, which had been clear, became dark and finally black. Many of the legislators fell on their knees and began to pray, believing that the end of the world was at hand. A member moved for adjournment. The speaker of the house, a redoubtable soul, announced, "The world is either coming to an end or it is not. If it is not, we have nothing to fear; if it is, I choose to be found working. Therefore, let the candles be brought

forth." In this turbulent period in American correctional history, let our slogan, our watchword, be "I choose to be found working, let the candles be brought forth."

GOVERNOR HEARNES: Our next speaker I have had some experience with. I would like to share some of his background with you. He served seven years in the United States Marines, three during World War II, was seriously wounded and hospitalized for 13 months. He entered federal service as a correctional officer in 1938. In 1956 he was selected by the National Civil Service League as one of the 10 outstanding employees in U.S. government service. He was a warden of many federal prisons, finally moving into Washington as Deputy Director of the Bureau of Prisons.

One special assignment which I think you will find interesting, in 1962 he was selected by the United States government to plan and effect the secret removal from the Atlanta Penitentiary of Rudolph Abel, convicted Russian spy. He escorted him to Germany, made the physical exchange of Abel for Francis Powers, the U-2 pilot, between Berlin and Potsdam. He countersigned President Kennedy's conditional commutation and released Abel to the Russian officials. In 1963 he planned and directed the closing of the Alcatraz Prison. He interviewed and reassigned all prisoners to other federal institutions and closed the prison on March 21, 1963. On April 1, 1965, he undertook the more important assignment of his life when he was appointed the Director of Corrections for the State of Missouri. I now present to you Fred Wilkinson.

MR. FRED WILKINSON: Thank you, Mr. Chairman. I'm not sure about the importance of that assignment. I have had some interesting experiences since coming to Missouri, but hopefully we have a reasonably good system now and I have been very happy during my assignment there. My comments would attempt to cover what I call the Five C's that are involved in the correctional field: crime, community, courts, corrections and citizens. I had the same topic once speaking to a civic club and a doctor said he had a little speech he made that he called the Four C's that he thought was more scientific, and I think it was. He calls it calories, cigarettes, cholesterol, and coronary. That is probably more certain than the field we are in, because we find it quite unscientific in dealing with these troubled people.

Looking at our current crime situation first, and equating it with modern-day prison problems, there is little wonder that we are going through another of these periodic crime waves. I am amazed it is not even worse. The dispossessed have come to cities looking for streets of gold, looking for high-paying jobs in abundance, and find neither of these things. Utopia hasn't arrived, and here they are in the cities with no skills and unable to meet the demands of modern-day requirements for employment. They have to go into marginal areas, and I suppose we should expect to have even more disorder, crime and problems with them. The cities, too, were not prepared to cope with these people, nor their parents, nor anyone in the environment. The whole social structure is at odds with them.

Also, we have been faced in the last 10 years with another segment of population, a totally different type of people. If we start with about 70 percent of the people who come to us because of inability to make it on the outside, the other 30 percent would have to come from what I call the hippie, yippie group. These are the people who are totally hostile. They are hostile to government, hostile to their

keepers once they enter the institutions, they want disorder, and they don't want cleanliness. These people are creating many problems for us. Obviously it includes the militants and those who simply want to disarrange and disrupt everything that we have looked forward to and built up in our society.

If we look at the corrections picture, at its make-up, we are dealing with the unpredictable, uneducated, unskilled individuals who are unable or unwilling to help themselves. We grope about with continuous research, analyses and programs devised by experts, and the problem continues to worsen. We don't need more statistics, generalities or reports from study groups. I think we know the things that are wrong, we know the situation we are facing. Our so-called experts in sociology, curbstone penologists and criminologists have produced many learned essays, pedantic articles and double talk. But to find actual checks and controls in crime, the same experts are still threshing around in a milieu of confusion and bewilderment. Up to now, no Salk or Pasteur has found a magical solution. We haven't found a Moses to lead us out of this wilderness of crime. Casting about for a defense against criticism flowing from every direction, including the Chief Justice, I might add, becomes a major preoccupation for those in law enforcement. There is unfortunately a divisiveness brought about by harried police commissioners, penologists and social workers who tend to blame "some other group" for the situation in which we find ourselves. We have those who feel that individuals who transgress against our laws are not at all to blame, but should be excused because of the pressure of the social forces and the inevitable conflicts that develop in congested, unmanageable urban areas and uncontrollable cities. An opposing group believes the solution lies in locking these people up and throwing away the keys.

There is also another problem that enters into our operations, and this is the courts. There is no doubt that our structured justice system including the courts must share some of this blame. A system which allocates a disproportionate amount of judicial time to the techniques of trials, appeals and post-conviction remedies, and that rewards attorneys with prestige and financial success for achieving interminable delays in the justice system should be held accountable. There is continuous maneuvering to expand the courts and their staffs and to concentrate on the letter of the law to delay the hard task of justice. Today, we in corrections spend much of our time as defendants against harassing lawsuits under the guise of civil rights. We spend about 30 percent of our time in federal courts these days. This has been discovered as a convenient way to bypass the state courts and go directly into federal courts. Naturally, court dockets are overcrowded when such cases are accepted by the courts. There really seems to be no finality in disposition of criminal cases.

I recall the story of the two attorneys in partnership who had an interesting case coming up in a nearby city. At the last moment one of the attorneys couldn't go, and so he told his partner: "You go on over and try this case, and whatever you do, keep in touch with me, let me know the minute it's decided." The second night the partner sent back a wire stating, "Justice has won out." The partner at home responded, "Appeal at once." At times I think that this story applies to some of the federally supported lawyers who enter into our cases so much.

Taking a look at crime in general, our communities must be aware that change

is a mood of our time. Among these changes are the massive increases in the number of people; the crowded conditions in which they live; the greater mobility of offenders, which is one of our real problems because of the mobility of people now in criminal pursuits; and the resultant hostility toward government and toward those charged with law enforcement and maintenance of good order. The beleaguered citizens demand new laws to solve the problems of crime. Well, the legislators respond and take action. They grind out new laws by the hundreds at every session of the Legislature. It has been said that we have passed 35 million laws to enforce the Ten Commandments, and sometimes I think they are just about right. But at the same time many existing laws have been vitiated, either by edict of the court or through nonuse. I doubt that we need very many new laws to cope with the crime picture. We need more action of a different kind. It is just a little bit late to sit on the lid and pray for someone to lead us out of the wilderness.

If we take a look at the inside of correctional institutions, where I have spent most of my life, I can think of no greater paradox than the physical situation found in a prison. Compressed into these small cities, we find a heterogeneous mass of people who form a fallow field for doctoral dissertations on anthropology. Included are those branded as informers, gangsters, escapists, sex predators, violence-oriented drug users, pseudo-Muslims, and those serving interminably long sentences. Tell me, if you can, how you would gain receptivity for rehabilitation from these long-term prisoners? I recall a prisoner who was serving 199 years in Alcatraz. I went by and was chatting with him, and he was very much like all prisoners, they check off every day on the calendar, and so knowing his sentence, I said, "Jim, you've got 199 years to serve and you are scoring every day off on the calendar." "Well," he said, "Warden, I may not be able to do it all but I am going to do as much as I can for you one day at a time." Really, these long sentences present a very serious problem. In many cases the persons simply are not receptive to what is offered. And so we have to deal with them rather carefully, hoping that by one means or another, by influence of certain members of the staff, they can be brought around to adjust, as we call it in the institution.

What is a matter of great concern to those of us who run these institutions is that almost any time you are walking down a long corridor you will meet one that you wish you could turn loose today. This is the day he should go home because he is ready now, but if he is retained interminably, then you see him reach a peak in whatever trade or activity he has participated. And then you see him sliding down on the other side, when he has 5, 10, or 15 years remaining to serve. It is my personal view that 5 years should be a maximum sentence for all but about 10 percent of the people who come into institutions. If we can't do something in 5 years, then we either don't have an effective program, or he is hopeless to deal with in the beginning.

In spite of the problems that we face, correctional operations have come a long way since the stocks and pillories, the striped suits and balls and chains. The fact that there is only 35 percent recidivism in most state prisons, I think speaks well for progress that has been made against long odds. With the present day, more relaxed atmosphere in our institutions, it is readily apparent that progress has been made against the forces of disinterested citizens and critical media. Looking at some

new horizons in corrections, and sometimes they look pretty distant to me, gains have been made in the treatment of offenders that any objective analyst must admit. I think we are our own best critics, if there is such a thing. As my colleague mentioned, we are going through a period of self-evaluation and self-accreditation in most States today. For example, the exploitation of prisoners for political purposes or individual gain is nearly nonexistent today. Only two or three States continue to require that their institutions be self-supporting. Coercive restraints are at a minimum with those confined being encouraged to develop self-initiative. Extraordinary emphasis has been given to the physical, mental, academic and vocational improvement of prisons. Nearly all States today have fully accredited elementary and high school curricula that enable their inmates to attain at least a high school diploma, and college courses are fairly commonplace in most progressive systems. Vocational rehabilitation in correctional institutions is far superior to the commercially oriented or federally funded projects on the outside. Availability of medical treatment is superior to any community that I know of. For example, where could you make a dental appointment on an hour's notice? Prisoners can. Thus, many things are far superior to what can be found on the outside.

Briefly, let us look at current and future programs. Some States have induced reluctant legislators to provide incentive programs such as work release in the community during the day, furlough periods to reward the better-adjusted inmates, and to provide opportunities to seek employment on their own. Such programs, incidentally, provide an excellent method to maintain family ties, and I think I'd be amiss if I didn't advocate at this time an expansion of conjugal visiting. I happen to favor the matter of furloughs to maintain the family ties, although there are many operational problems in some of the countries that do have it. Many discouragements have occurred during the pioneering of such programs, but forward progress continues and will lead to the goal of all correctional administrators to establish systems in their States that in the Utopian future provide for the elimination of large institutions, substituting smaller units handling two to three hundred people.

There will be greater expansion of work release community treatment centers, so-called halfway houses, and even greater use of community and citizen resources. However, if I had to dispense with all these relatively successful programs except one, I would say the greatest need is productive work for the hordes of young adults who come to us, who are totally unmotivated, who do not have a sense of responsibility, don't know the value of a dollar, and when they want something go out and steal it, and an alarm clock frightens them to death. They simply just wouldn't know what to do if you told them to set an alarm clock and come to work on Monday morning. I'm not really too concerned that we teach them a specific trade vocationally that they can carry out and gain employment from on the outside. What I think is more important, is that we motivate them and habituate them to daily work and to assuming these responsibilities. I think this is the greatest achievement we can make before we return them to the community.

Our problem in corrections is dealing with people. In spite of the critics' complaints that correctional institutions are schools of crime, one thing I always bear in mind is that we start with 100 percent of failures. Every person who comes through this so-called dead end of the prison has been tried by every resource, the schools, the

community, society itself, probation and parole, and they all have failed. Finally he arrives at the institution gate. To the charge that these reformatories and institutions are schools of crime, I take exception. I take exception to Chief Justice Burger's statements along that line and to many others, and I would like to see them come in and demonstrate to me that we have armed robberies in the institutions. I have never seen a supermarket robbed in a penal institution. I have never seen a car stolen there. I simply have not seen a bank robbed inside. So I take exception to those who brazenly state that crime is invented inside the institutions. Crime is invented outside, my friends, and let's keep this in mind. The seeds of hostility and criminality are planted somewhere along on the outside, not inside. Hopefully, the future will see these things corrected more frequently on the outside, rather than relying on the dead end of the prison. For too long our institutions have been sitting ducks for critics. At least we are moving targets now. We must measure our success by those who are prepared to accept the responsibility upon release. It is our responsibility to give you a report of our stewardship. This I have attempted to do.

Very briefly I'd like to set out several almost mandatory minimum requirements, I think, for state systems: (1) adequate compensation with incentive pay at least equal to other law enforcement agencies, such as police and investigative services; (2) enactment of interstate compacts on detainers to insure speedy disposition of detainers filed against inmates already in confinement; (3) replacement of antiquated, monolithic prisons by smaller specialized institutions to accommodate and train youthful offenders; (4) higher release pay for releasees; and (5) full-time legal counsel on the staff of the Department of Corrections.

There are several things in types of buildings I would enumerate. (1) A diagnostic center for classification and assignment of all inmates when received. (2) A maximum security facility for 15 percent of prisoners who are incorrigible to progressive programs. This means we can do more for the others when these people are plucked out. Then we can put our funds, our staff skills and emphasis on the other more deserving people. (3) Small institutions located near urban centers to take advantage of university and community resources for inmates who can profit by these specialized community resources. (4) Specialized treatment centers for juveniles with emphasis on separating the older, aggressive juveniles from the younger and weaker delinquents. (5) Special treatment facilities for narcotic addicts and chronic alcoholics who are not otherwise serious offenders.

Thank you very much.

GOVERNOR HEARNES: Are there questions or comments from the Conference? Governor Peterson of Delaware.

GOVERNOR RUSSELL PETERSON: First of all, as Chairman of our Conference Crime Reduction and Public Safety Committee, I want to commend you two gentlemen for a fine presentation. I have been looking at our policy statement which we have prepared for the Governors' Conference, and I find that it is pretty much in tune with the general philosophy which you have been presenting. I would like to ask your advice on this question of how we should cope with the uprisings that occur in our prison systems. We have just had this very serious problem in New York which was mentioned at the start of our meeting. In our little State of

Delaware we moved 440 men from an ancient bastille to a modern institution with a number of buildings where we could classify the inmates quite effectively, and 10 days ago, on September 2, we had a riot in the maximum security unit where the men took three of the correctional officers and threatened to kill them. The director of corrections and the warden met with them and they refused to release the correctional officers. I went to the prison and met with the officers there, and they said that the longer they waited to move in the more danger there was to the correctional officers, and so they moved in in force immediately. The three correctional officers were released, the inmates got a few bruises from the correctional officers as they put down the riot, but I was wondering what generalizations you might be willing to make about how to cope with a problem like this.

DR. BETO: Governor, these riots and disturbances usually have a background. I think the philosophy with which the institutions are run plays a role. If the inmates know that the administration is running the institutions, there is less likelihood of having these disturbances. One of my great teachers was Joe Reagan of Illinois. In my opinion, he was one of the great prison administrators of this Nation, and Joe Reagan used to tell me there are two kinds of prisons. Either you run them or the convicts run them. There is no in-between. I think if the administration is running them and exercises swift and sure discipline that's consistently fair, you can control these institutions.

Then, too, I don't think that these disturbances should get out of hand. I was in Austin Friday for a meeting and I happened to see this telecast from Attica on television. It disturbed me no end to see someone parleying with inmates. I am opposed to any kind of parley with inmates. I think swiftness in approaching these problems minimizes them.

You have to have communication with inmates. They have to be able to get to the top people, not the chaplain or these vocational rehabilitation counsellors, people who are without authority. They've got to be able to get to the top people and get an answer yes or no. I think some of my colleagues make a mistake laboring under the impression you can run prisons or run departments from an office. I don't think that's possible. You have to have a lot of contact with inmates.

MR. WILKINSON: If I may just add to that, I certainly agree very much with George, except that I would go even a little further and say that there should be no bargaining at the point of a gun, and you do not deal with committees, usually self-appointed, in stressful situations in institutions. We have seen the results of that in several places during recent years. There simply is no basis whatsoever for sitting down and talking with the committee at that time. A man is sent to prison to do his own time and not to represent others, and I simply won't deal with them under those conditions.

GOVERNOR HEARNES: Governor Ogilvie from Illinois.

GOVERNOR RICHARD B. OGILVIE: Mr. Chairman, I'd like to address this question to Dr. Beto. I was very interested in some of the comments that Dr. Beto made about the problems of municipal jails and county jails. I'd be interested in you or the other gentleman addressing yourself to what I think is one of the great deficiencies in corrections, and that is that we overlook an opportunity with the

individual who progresses from a city jail or a county jail in types of crimes to where he becomes the problem on which we have been spending the major portion of this discussion today, in a state penitentiary. I am talking about programs in county jails, working with the prisoners there. I think there is a tendency to take those things much too lightly, and then what we end up with is the extreme case that we are confronted with when they get to the penitentiary.

DR. BETO: Governor Ogilvie, I would like to take this opportunity to mention that former Governor Hughes of New Jersey called me shortly before I came down here. My speech had already been written and sent so I couldn't change it, but he asked me to point out to his former colleagues that the American Bar Association, of which I happen to be a member, is going to attempt to secure your cooperation in developing national standards for county jails, but that won't be the answer of and by itself.

I think one of the great contributions of the Johnson Administration was the President's Crime Commission Report. Unfortunately, it is gathering dust. But one of the recommendations was the creation of regional jails, which the Omnibus Crime Bill now is in a position to implement. I believe that the creation of these regional jails will enable the individual sheriff to have the type of treatment programs to which you referred in small jails. In our State we have over 250. It is impossible, in most of them, to have any kind of treatment program. It is just a custody situation. But with these regional facilities, I think we can do two things. We can do something for the man who is a misdemeanor or is being held in the county jail for one reason or another. Then, too, it should obviate the necessity for the building of any more large state prisons, because many of the people who are now in your large state prisons could be kept in these regional facilities.

GOVERNOR HEARNES: Governor Gilligan.

GOVERNOR JOHN J. GILLIGAN: Mr. Chairman, I am sure the other Governors enjoyed and profited from the comments of Dr. Beto and Mr. Wilkinson. With all their comments about the curbstone penologists and psychologists who offer aid and assistance, whether or not it is requested, I have taken the liberty of putting before each of the members of the Conference today an interim report of a Citizens Task Force that was put in the field in Ohio, which included not only psychologists and penologists but also judges, sheriffs, police chiefs, even a guard and a matron from our state institutions, as well as others interested in the field. I am struck by the fact that the preliminary findings and recommendations of that report, which you now have before you, correspond almost exactly with the recommendations made by the two experienced experts in the field who spoke here today. So I think that the combined wisdom of the psychologists, attorneys and others brought to bear on this may develop the kind of community of understanding of the problem which is really a necessary precedent to any forthright and successful action which we as administrators of state machinery may hope to bring about in the field of criminal reform and corrections.

GOVERNOR HEARNES: Thank you, Governor Gilligan. Governor Bumpers from Arkansas.

GOVERNOR DALE BUMPERS: I would like to address this question to

Dr. Beto. We have an awfully high recidivism rate in Arkansas, and we have just tripled the number of parole officers this year. We did this perhaps under the mistaken delusion that this is what Texas has done in order to reduce its recidivism rate. Do you attribute your very low recidivism rate in Texas to the programs of the penitentiary, or more to the close supervision of the parolee once he is released?

DR. BETO: Programs of the penitentiary, Governor, rather than parole supervision, and I am not critical of parole supervision. I don't have anything to do with it in our State but it is excellent. I am amazed at the quality and caliber of parole supervisors. I think that our three-pronged program in our prisons contributes to rehabilitation. First, discipline. Admittedly our discipline is strict and it is swift and it is sure and it is severe. But these people come from permissive environments. The homes exercise no discipline today, it is difficult for schools to exercise discipline, but we do exercise discipline and habituate them to it.

Secondly, there is a heavy emphasis on work. Everybody who is able-bodied works and works hard. I agree with Mr. Wilkinson that the type of work is not important as long as it is constructive work, and everybody works, and he is taught good working habits.

Finally, there is a heavy emphasis on education. I pointed out that the bulk of these people are school dropouts, and in this structured prison environment where the alternative to not going to school is less desirable than going to school, you can accomplish more in education than you can in the free world. We have run some studies, and we have found that disproportionately few convicts come back who have secured a high school diploma in prison. Another study indicated that rarely does a man come back who has a minimum of 12 semester hours of college work while he is in prison. And we have 1,400 prisoners in junior college this semester. I am just as high on academic education, college level, as I am on vocation.

I share some of Mr. Wilkinson's misgivings. I know that today vocational education in most States ranks with God, motherhood and the flag, and I'm for it. We have some sophisticated programs that are run by one of the best junior colleges in the State, but I think that there is as much rehabilitative value in some of these academic courses as there is in vocational education. I am disturbed by the fact that we will train a man as a certified welder or we will spend \$1,000 to train him as a heavy equipment operator at A & M University. And when we turn him loose we ask him where he wants to work, and the employment commission gets him a job in that community. He has this skill but he doesn't show up for the job, which indicates to me we failed to touch his motivation, and I think that the discipline is a contributing factor toward changing motivation.

GOVERNOR HEARNES: Governor Reagan from California.

GOVERNOR RONALD REAGAN: I don't have a question, but this is an observation on something that wasn't touched on much here today. Like Governor Gilligan, I have to say we in California are in much agreement with what has been said here today, and we think we have an enviable record now. Our rehabilitation includes education. Once they have completed the educational work in prison, it bears the name of the institution, but they actually get a certificate that says they have met the educational requirements of the school district, with no mention of the institution. We have work furlough, we have the marital visit now for prisoners on

the basis of good behavior and so forth. We have a probation system in which we are subsidizing the county probation officers for both juveniles and adult prisoners or convicted men on a 90 percent financing basis, and this is cheaper than keeping them. The result is we have fewer prisoners in our state prisons than we have had at any time since 1962. We have cut the recidivism rate in half.

We do have such things as the massacre recently at San Quentin. We know that we have a higher percentage in the prisons now of the unregenerate violent type criminal. They aren't surrounded by that other type of prisoner, he is on probation or parole. In addition there is a new factor. It isn't just the violent criminal who is causing trouble, such as at San Quentin. Some of the same leaders who stimulated and advocated the violence on campuses of a few years ago have stated now that they have moved on from the campus and the prison is their new target, and that they are going to break down the system by attacking from within the prison. This is actually a revolution, and their contention now is that prisoners are all political prisoners, not criminals. This has caused us in California to start a study, a whole review of our entire security procedures to meet this new threat.

DR. BETO: And it is a threat, Governor. I am going to make a statement that my oldest boy tells me never to make publicly, because people say you are paranoid. But I am persuaded that there is a massive conspiracy in this country against authority—in prisons, in the armed forces, and you referred to higher education where it has pretty well been won. But they haven't won it yet in prisons although they are trying to. The Ford Foundation has funded a program through the NAACP legal fund, which is separate from the NAACP, to test prison regulations by means of litigation, and I get the impression they are going into the best prisons, where the best control is exercised, and harassing us. Mr. Wilkinson talked about his experiences in federal court. Our Attorney General spends a large part of his staff's time in defending us on simple harassment suits that are a part, in my opinion, of this massive conspiracy, and it grieves me when I see people that are on the federal payroll participating in this harassment, like VISTA lawyers.

GOVERNOR HEARNES: Governor Smith from Texas.

GOVERNOR PRESTON SMITH: I suppose this question would be directed to Mr. Wilkinson. Of course, he and Dr. Beto have had many years' experience in this field. But in your talk, Mr. Wilkinson, did you mention a minimum number or a maximum number of inmates whereby a prison could best and most efficiently be operated?

MR. WILKINSON: One has to be practical, and especially a Governor, and so you pretty much have to utilize the facilities available to you, consistent with tax funds that are available. I think if we were setting out to design a modern correctional system today in this country we would have no institution that exceeds 600 people, Governor. Desirably they would be smaller. The Scandinavian countries have facilities for about 100 to 200 and, of course, they have a high degree of success. As a practical matter, if you had limited funds and you needed to do something now to replace antiquated facilities, one could go about as high as 900, I would say, and have a degree of success, sir.

GOVERNOR HEARNES: Are there any other questions? Governor McCall from Oregon.

GOVERNOR TOM McCALL: Do either of the speakers have any comment regarding the Ombudsman system which we have initiated in our maximum security institution in the Oregon State Penitentiary?

DR. BETO: As I told one of these harassing do-good lawyers one day, Governor, when she recommended to me that we have an Ombudsman in Texas, I told her I'm the Ombudsman in the prison. If any prisoner has a complaint, he can write an uncensored letter to me and I will investigate it. I am against it.

GOVERNOR McCALL: Fred, do you have a word on that one, any different word?

MR. WILKINSON: Well, Tom, you are an old friend, but I am against them, too. I think you certainly have made great strides in Oregon in certain areas, particularly I think you have moved into the educational field very productively. You still have an old penitentiary, which is difficult to operate and has some problems, but by and large your system certainly has improved since the days when I was very close to it.

GOVERNOR HEARNES: Are there any other questions? The Governor from Idaho.

GOVERNOR CECIL D. ANDRUS: Mr. Chairman, this is probably directed at Dr. Beto. In Idaho we have a factory which was constructed in 1963, where we have taught the inmates how to make license plates. When they are released the only place that they can really find work is back in the Idaho State Penitentiary because it is the only place where we make license plates. So we are in this situation of training rehabilitation that everyone is in agreement on, but it is my opinion that you haven't helped the man at all unless he can find employment when he comes out. My question, doctor, can you tell us in this time of high unemployment, even with our legitimate citizens, what is the most productive method of finding employment for this man once he has allegedly been rehabilitated?

DR. BETO: We don't have any problem in securing employment in our State for ex-convicts, Governor. I don't think that our unemployment rate is as high as it is in some States, but I say publicly, and I have never been controverted, there is no excuse for the convict leaving the penitentiary saying he can't get a job. The vocational rehabilitation and the employment commission of our State keep large staffs in our various prisons who do nothing but secure employment or develop programs for these men when they get out.

I don't agree with you that the making of license plates is necessarily a make-do type of work. If a man can operate one of those presses or do many of the skills that are required to manufacture a license plate, he should be able to get a job in a shop. Again I emphasize it is not the type of work or the skill, it is the work habit that the man gets. I get a little disenchanted in our own State when some citizen talks about, "Well, all they do at the penitentiary is make license plates." Actually, of our 15,400 inmates, on any given day there are only about 180 engaged in the manufacture of license plates. We have about 3,000 engaged in what a do-gooder one day called stoop labor. We engage in some agriculture, and he was critical of our operation. He had been down from Washington and evaluated it. I pointed out to him that a lot of citizens in Texas occupied in stoop labor helped finance that operation. It is not the type of work, it is the fact that the man works.

GOVERNOR JACK WILLIAMS: I have one question to direct to each of the two experts, because this is a very crucial decision this country is going to go through before long. In the opinion of either of the experts, is it wise to remove capital punishment in all cases?

MR. WILKINSON: Some States, notably North Dakota is one, and perhaps some others, have retained capital punishment for killing a prison officer or a policeman, in cases like that. I happen to value the life of a confectionary or liquor store operator as much as I do a prison officer, and so I don't care much for that solution to it. It happens to be my personal opinion that capital punishment has become such a farce that it has lost its usefulness, and one can go on interminably to point out that the New England States have practically never had it, Michigan doesn't have it, and the incidence of crime certainly is no higher there than it would be in Chicago. I have talked to many, many prisoners and had to inflict capital punishment in several cases, but I have never heard one say that he gave any thought whatsoever to going to a State that had abolished capital punishment. I think the swiftness and certainty of justice at the bar would be far more important, and I think if we concentrated our efforts on that it would be more effective for us.

DR. BETO: Governor, I don't wholly agree with Fred. Philosophically I am committed to a belief in the death penalty. I am disturbed by the inequities involved in its administration. That doesn't void the philosophic concept that I have. I believe that if you didn't have it you'd have more killing of guards, and, equally important, you'd have more killing of inmates within prisons. If they are going to abolish it in this country, I think it should be maintained for crimes that are committed against fellow inmates and against correctional officers. I think the number of killings within the institutions would increase.

GOVERNOR HEARNES: The Chair would like to inject into this discussion and say I disagree with you, Dr. Beto, about the special provision when an inmate or officer is killed. My life is just as precious to me as it is to one who is sworn to uphold the law or an inmate who is in the penitentiary. On the other hand, I agree with your first point and disagree with Mr. Wilkinson, my own director, I do believe in capital punishment, but maybe not as a deterrent as an eye for an eye or a tooth for a tooth. If they do away with it, then I want them to do away with it all and not just a part of it. Are there any other questions or comments? Is there any other business to come before the meeting?

GOVERNOR JOHN BELL WILLIAMS: I move we adjourn until tomorrow morning.

GOVERNOR HEARNES: Governor Williams of Mississippi moves that this Conference be adjourned until 9 o'clock tomorrow morning.

GOVERNOR DUNN: I second it.

GOVERNOR HEARNES: The Governor of Tennessee seconds the motion. Without objection, this meeting is adjourned until 9 o'clock tomorrow morning.

MORNING SESSION

Tuesday, September 14

GOVERNOR HEARNES: The Tuesday morning session of the Sixty-third National Governors' Conference is now in order. Ladies and gentlemen, our good friend and host will chair the first part of this Tuesday morning session. May I present Governor Luis A. Ferré.

GOVERNOR FERRÉ: Thank you, Governor Hearnès. I shall take the privilege of quoting myself today. Yesterday, I referred to the fact that the nations and the people of the Western Hemisphere have drifted and are continuing to drift apart, reacting to one another with the feeling that our relationships are distinctly one-sided. Every time a nation of the Americas is hit by economic, political, or social crises, we seem either ready to push a panic button, move further away from an involvement, or commission another fact-finding report. Looking back over the post-World War II period, the United States has moved from the Good Neighbor Policy to the promises of the Alliance for Progress, and reached presently an apparent state of disinterest in Latin American affairs.

It is my conviction that we must be ready at this very moment to establish a new approach of reciprocity with our friends in the Americas, here represented by the gentlemen you will meet, emphasizing mutual respect and understanding for the differences between us and a sincere desire to pool together the intellectual and material resources of our Hemisphere for maximum development and fair distribution.

The gulf separating the United States from Latin America is widening. It is an urgent matter deserving solution, because it disorients and endangers relations between the United States and its neighbors that should be and must be friendly. The image of the United States in Latin America, about this there is no doubt, keeps deteriorating. This is the only conclusion that can be formed when, more than 10 years after the establishment of the noble experiment, which is the Alliance for Progress, and after expenditure of nearly \$9 billion implementing that program, our relations with Latin America are worse than ever before.

It was stated by Washington officials at the time that a primary objective of the Alliance was to promote the growth of democratic government, apparently based on the belief that this was at least as important to the people as economic growth and prosperity. Yet, as the Chairman of the Senate Inter-American Subcommittee, Frank Church, has pointed out, when the Alliance was formed, 180,000,000 people in Latin America were living under civilian government termed "constitutionally legitimate." Today, and I quote, "One hundred forty million of these people are living under some form of military dictatorship," according to him. This indicated trend toward militarism in Latin America is said to underscore the failure of the

political objective of the Alliance for Progress. The faith that the Kennedy Administration placed in the Alliance for Progress as an effective instrument for bringing about fundamental change appears to be still another indication of American foreign policy innocence.

What bothers me more than anything else is that, despite the unselfish foreign aid contributions made by the United States, the impression is rampant that this country is the enemy of change in Latin America. Nothing seems to be further from the truth, even though we tend, from time to time, to go overboard in maintaining a rigid course that frequently involves us too much and too extensively in the internal affairs of these other Hemisphere countries.

To this must be added the fact that the United States Congress has often been unable to resist the temptation to use the aid program, especially in its operations in Latin America, both as a carrot and stick to reward or punish recipient governments, depending on how unilaterally we judge their behavior. There has been a whole series of amendments to legislation restricting aid which, because of their inflexibility, interfered with the execution of United States diplomacy in the Americas. The Hickenlooper Amendment was a typical example of this obstinacy of the Congress. Experience has shown that we gain more friends and better understanding if we permit the full impact of free exchange and moderation to take the place of this much too direct pressure.

The Latin nations in many instances have extensively contributed to the current uneasiness in our relationships. What is coming to dominate the thinking of Latin Americans about their position in the world, over and above most everything else, is their conviction of an unequal relationship with the rich and powerful country of the Northern Hemisphere. During recent months it has been coffee and the 200-mile limit that raised their troublesome heads just at a time when the Congress appeared to be adopting a more conciliatory attitude toward sugar quotas for Latin America. The international freight conferences have become one of the last redoubts of colonialism. Venezuela has struck a massive, if curious, blow at the oil companies, and Chile continues on the path of expropriation, supposedly without proper compensation. In the meantime, such countries as Argentina and Uruguay are experiencing economic instability accompanied ultimately by political confusion.

I am a strong believer in the concept that foreign investment must assume a more prominent local participation. Only in this manner can a full adjustment and assimilation take place, counteracting uncontrolled nationalism and removing the obstacles that could impede the so much necessary closer integration and coordination of the Americas. We must take seriously the rising hostility towards the United States which is spreading throughout Latin America. It does not make sense that we should be portrayed as holding a whole Hemisphere in a kind of economic captivity, exploiting its raw materials to feed United States industry while sending back our finished products at prices not so much affected by international commodity prices.

Finally, I am concerned that many young people in the Hemisphere seem to envision the United States as a nation intoxicated by power, addicted to warfare, controlled by a military-industrial complex, and determined to preserve the status quo, that we are against rapid economic and social growth, and even we in Puerto

Rico, as you saw last Sunday, have part of that. Not overlooked should be the fact that the United States has become the convenient scapegoat for failure and frustration in Latin America for which we bear little or no responsibility. This country remains committed to a relationship with Latin America that will be mutually beneficial. We hope to hear from our visitors what has gone wrong so far, where we can improve on current programs and policies, and where we may be going in the future. The fact that the National Governors' Conference is devoting an examination of Inter-American relationships appears to underscore the concern that we have as a nation to move forward with a growing, viable, and prospering Hemisphere for all of the inhabitants of the Americas.

We now will have the pleasure of having our distinguished visitors express themselves on these various points that I have very briefly mentioned in my introductory remarks. I am very grateful to the Conference of Governors and to the Chairman for having given this opportunity to the people of Latin America to come to us, the Governors, and to express in this more intimate group of leaders of America what their great concerns are and how they suggest we can improve our relations with the Latin American people. In the first place, we are going to have the pleasure of hearing from a man who most of you, of course, know very well. He is Mr. Galo Plaza, who was President of Ecuador. Mr. Galo Plaza has moved from high places to higher places for some time. Ecuador's distinguished chief executive has also been an international servant. Now his involvement is truly Hemisphere-wide as Secretary General of the Organization of American States. It is a pleasure for me now to give the floor to Ex-President Galo Plaza.

MR. GALO PLAZA: Thank you, Governor Ferré, for this opportunity to participate in your discussions of contemporary Inter-American relations. Puerto Rico is an ideal setting for this dialogue because it has conserved its Hispanic tradition and Latin lifestyle, while maintaining a close association with the United States. It is appropriate that in meeting outside the continental United States the Governors are discussing an area of growing significance on the world scene, and one with which United States relations must, of necessity, become increasingly important. I might mention that more than half the Governors issued official proclamations on Pan-American Day this year, thereby demonstrating their special concern with Inter-American relations.

Latin America has demonstrated faster growth and greater economic progress than any other area of the developing world. Its distinguishing features are growth and change, at an unprecedented rate.

A generation ago, the population of Latin America was about equal to that of the United States. Today Latin America has 285 million people. It will have more than 600 million by the end of the century. The people are predominantly young, and are better educated, have a higher life expectancy, and nurture more ambitious aspirations than their parents. It is true that the region's per capita economic growth rate is now better than 2.5 percent per year, but the great masses of Latin America's people — perhaps 60 percent of the total population — account for less than one fourth of all consumption in the area. What is worse, the gap between the haves and have nots continues to widen, despite the emergence of the new middle class and the growing national and regional awareness of the pressing need for a

more equitable distribution of income. These are clearly the ingredients of a continent in ferment.

It should surprise no one — least of all foreign business interests — that this continent in ferment is experiencing an upsurge of economic nationalism. The Latin American countries need and want foreign capital, but they want to determine for themselves how it will best serve their development needs. This is simply a reflection of the countries' increasing political and economic maturity and their understandable desire to chart their own course without foreign intervention. It is not an anti-American policy; simply a pro-Latin American policy.

What has been the effect in the United States of recent nationalizations of U.S. firms in Latin America? Contrary to earlier fears, there has been no mass exodus of U.S. capital from the region. Most businessmen realize that the nationalizations are affecting only those investments in areas of vital interest to the countries, and that foreign investments in other sectors are still being encouraged.

One negative response in the United States has been Congressional enactment of retaliatory measures, such as the Hickenlooper Amendment, which calls for withholding U.S. economic assistance from countries that expropriate U.S. firms without making what the United States considers prompt and adequate compensation. The Hickenlooper Amendment has been criticized in the United States and abroad as counterproductive and as an inflexible constraint on the conduct of foreign affairs of the United States.

The Senate version of the Sugar Act now pending in Congress contains a provision similar to the Hickenlooper Amendment which would reduce sugar quotas of countries nationalizing U.S. businesses.

Provisions of this type are particularly offensive to Latin America. In fact, it was a similar provision in the Sugar Act of 1948 that led to the drafting of Article 19 of the Charter of the Organization of American States, which provides that "No State may use or encourage the use of coercive measures of an economic or political character in order to force the sovereign will of another State and obtain from it advantages of any kind."

Counteracting to some extent these negative reactions to economic nationalism, we see a positive tendency toward greater use of multilateral channels for economic cooperation. The Latin American countries themselves have come to adopt a much more unified posture on development issues, through their consultations in the Special Committee for Latin American Coordination. The United States is granting an increasing share of its foreign economic assistance through multilateral financial agencies such as the World Bank and the Inter-American Development Bank.

Within the Organization of American States, the Inter-American Committee on the Alliance for Progress has been conducting multilateral reviews of the economic progress and external financing needs of the Latin American countries for eight years. Last year the Committee made its first review of the United States, looking at that country's economic policies affecting Latin America.

New consultation machinery on trade matters within the framework of the Organization of American States has led to broadening of the proposed U.S. tariff preference system to include more products of special interest to Latin America. The consultation machinery has been somewhat less effective in its treatment of

non-tariff restrictions affecting Latin American exports to the United States, especially sanitary, labelling, and administrative obstacles. OAS meetings to discuss quotas on sugar and shoes have given Latin American spokesmen an opportunity to state their case, but unfortunately have thus far had no perceptible impact on United States policy.

The multilateral approach of the Organization of American States is by no means confined to economic matters. Through regional development programs in education, science and technology, and culture, the Organization is currently providing opportunities for advanced study and research at more than 200 multinational centers throughout Latin America. The programs are only three years old, but they have already had an appreciable impact on the Latin American intellectual community.

With similar multilateral financial support, the OAS has reorganized its extensive technical cooperation programs so that they are directly responsive to the national development plans of the individual Latin American countries. These programs draw upon experts from throughout the Hemisphere to train professionals and provide advisory services in accordance with the particular priorities of each country.

International cooperation for development within the OAS is a relatively new approach in the 81-year-old Organization, but multilateral cooperation to maintain the peace and security of the Hemisphere and to resolve international disputes has been a way of Inter-American life for some time. The principal legal instrument upon which that solidarity rests is the Rio Treaty, which was invoked most recently to settle the 1969 conflict between El Salvador and Honduras. Meetings of Foreign Ministers are also held under the terms of the OAS Charter to consider problems of an urgent nature and of common interest to the American states. It was under this provision that earlier this year the OAS considered the dispute between Ecuador and the United States over territorial waters.

The collective trade embargo against Cuba and the suspension of the present Cuban government's participation in the OAS were also multilateral decisions. Any modification of those decisions will require similar multilateral action.

The new economic policy announced by the United States government last month has, understandably, not been well received in Latin America. The surcharge on imports seems to undercut both the general U.S. commitment toward freer trade and the specific U.S. commitment to help Latin America expand and diversify its exports. Simultaneously with the new trade barrier, the United States announced that it would reduce the already dwindling level of foreign economic assistance by 10 percent.

We must remember that it is not Latin American exports that are causing problems for the United States. On the contrary, the United States has a trade surplus with Latin America, which last year amounted to \$790 million.

The Latin American countries are in a good position to understand the United States' current economic problems because they have been trying to solve more serious economic problems of their own for a long, long time. Nevertheless, it is to be hoped that the impact of these actions on the region can be minimized or offset by other forms of cooperation. United States officials are seeking to respond to

Latin American doubts on this score at a high-level meeting of the OAS Inter-American Economic and Social Council in Panama this week.

Latin America hopes that the present problems will not cause the United States to forget that its long-term interest lies in cooperating more fully in the development of the nations to the south.

Latin America is the only area of the developing world that is linked to the United States by a development-oriented treaty — the Charter of the Organization of American States. That treaty commits all the Organization's members to a policy of cooperation for development.

What kind of neighbors does the United States want and need in this shrinking world? Doesn't it make sense to help narrow the international poverty gap so those neighbors can become better customers and stronger partners? The multilateral tools for cooperation are at hand. All we have to do is use them.

GOVERNOR FERRÉ: We will next be hearing from Dr. Antonio Carrillo Flores, who, like the previous speaker, also traveled as his country's envoy to Washington and then became a cabinet officer. His presence was constantly felt in Inter-American deliberation, and he continues to advance the cause of Hemisphere solidarity through active involvement in the key issues facing the Americas. It is a pleasure to introduce my good friend and fellow Honorary Harvard Alumnus, Dr. Carrillo Flores.

DR. ANTONIO CARRILLO FLORES: Thank you, Governor Ferre. Honorable and distinguished Governors: I have been asked to talk for no more than 15 minutes about the political aspects of Inter-American relations. I am happy because, as I am no longer an official of my government, I can express myself without the possibility that any mistake that I may commit will reflect on my country or my government. On the other hand, as a man who for more than 25 years was closely connected with the handling of Mexican international relations and especially relations with the United States, I can bear witness to the fact that, after a long history of conflicts and difficulties (because, undoubtedly, Mexico had problems with the United States that no other Latin American country has ever had), in 1941 we started an era of increasing understanding and friendship.

It is an interesting historical question to ask why we were able to settle matters as difficult as those having to do with the nationalization of oil, precisely on November 19, 1941, two weeks before the attack on Pearl Harbor. There are some scholars and historians that even believe that the fact of the imminence of this terrible conflict between the United States and Japan had something to do with the attitude of the U.S. government in making possible an agreement with its neighbor from the south, because until a few days before, an understanding between Mexico and the United States looked impossible. I don't know. But the fact is that, beginning in 1941, we have been able to settle through negotiations all the problems we have had with the United States.

If this meeting had taken place just a month ago, I would have told you "I am a happy citizen of a country that has no major problem with the United States." Since August 15, I am not able to say that. As you know, and I don't think that I have to go very deeply into the subject of the surtax on imports, a decision was taken that

day that created a serious problem between the United States and Mexico, and with all the Latin American countries.

The first reflection that I present to you, on the basis of this recent event, is that sometimes the image of the United States toward Latin America suffers, not because the United States intentionally wants to do certain things in a certain manner, but because it simply forgets about us.

I don't think that the distinguished men who gathered in Camp David on the weekend of the 14th and 15th of August had in mind the idea to jeopardize either Mexico or Latin America. They were considering measures to protect the balance of payments of the United States and they simply forgot us. They were thinking of Japan and Europe.

Why put on a surtax affecting a country that was exporting to the United States about two-thirds or perhaps half of what the United States is exporting to her? We have been carrying a great deficit in our trade with the United States. Seventy percent of our commerce is with you. Why — our people ask — punish the imports of Mexico only because Japan and Western Europe were too stubborn to deal with? That is one of the points. It is psychological — it is also economic — but it is an emotional and psychological point in talking about the relations between the United States and Latin America.

I belong to a generation that has practically finished its task. Now a new generation has taken over in my country. The former generation, the generation that was born at the beginning of the revolution, the generation that didn't suffer some of the very trying and difficult days of 1914 or 1916 believes, because it has had the experience, that it is possible to deal with the United States and to reach honorable and fair understandings on any problem, difficult as it may be.

I was very fortunate as Foreign Minister of Mexico to sign, three days before I left office on November 27 of last year, a treaty in which the United States accepted the last territorial claim that we had against her on the Ojinaga tract. And I hope that my friend, the Governor of Texas, won't object to it when this treaty comes before the United States Senate. It is a perfectly fair treaty. It concluded this last old controversy and established a system by which, in the future, neither country will lose an inch of territory because of the movements of the river that you call Rio Grande and we still call Rio Bravo.

I mention this because Mexico, as a country that has had more problems in the past, had to develop a technique and a way to deal with the United States. We learned that there was no other way but to learn to negotiate, to be stubborn wherever we had to be stubborn, to maintain our principles whenever we thought that we had to maintain our principles, but at the same time to be flexible whenever it was absolutely necessary to be flexible in negotiating with the most powerful Nation in the world.

Now Latin America is living through a period of perhaps the greatest political, economic, and social diversity in its 150 years of history. As a Mexican, as I said before, I can bear witness that after the turmoils of the past we were able to reach a situation that in many ways is an exemplary one. Based on that experience, I hope that the United States will, if necessary, reshape its policies toward Latin America, taking into consideration the fact of political diversity, which I think is an irreversible

process. In other words, I think that it is absolutely indispensable not to link, not to associate, friendship between the United States and Latin America with any peculiar system or capital formation with any peculiar economic or social structure. Don't be afraid.

I remember I was a youngster in 1925 and 1926 when a very distinguished Secretary of State of the United States, Mr. Kellogg, said, "Mexico is on trial before the world." Why? Just because our Congress had passed a law limiting the rights of the oil companies from being perpetual rights to being rights that lasted 50 years, half a century. And that was considered a very dangerous confiscation! That was considered as putting Mexico on the verge of becoming a Bolshevik country (because in those days the word Bolshevik was more used than the word Communist).

We nationalized the oil companies in 1938, but we reached, I repeat, an agreement with the United States in 1941. But that does not mean that after that problem we have only passed through happy days.

I will mention one sad episode that occurred when I was Secretary of the Treasury of Mexico. One day in September of 1956, I discovered that some kind of economic blockade had been established on us. In the beginning nobody in Washington could tell me what was happening. Many thought we were facing the ordinary bureaucratic delays, until a friend of mine told me, "Look, the reason why all the loans to Mexico have been stopped is because Mexico has been resisting the signature on a bilateral air agreement with the United States, and very powerful airline companies are interested in getting Mexico to signing this agreement."

At first I couldn't believe it, but I had a friend, who has since passed away, who was very important in American politics for more than 20 years and was a nominee of a major party for the Presidency of the United States. He called me and told me, "Tony, unfortunately it is true and I am amazed. Unless Mexico signs this air agreement, you won't get any loan from any official source." The curious fact was that this air agreement was a fair agreement to both sides. But the fact that this economic blockade was established just to make us sign it made the President of Mexico, Adolfo Ruiz Cortines, furious. And with reason.

Fortunately, the episode had a happy ending. I talked with my friends in the State Department and with the Secretary of the Treasury George Humphrey and told them: "Mexico will never sign under duress whatever may be the consequences." So the loans were granted and six months later the air agreement was signed. And, as they say, everything is well that ends well.

But I think that putting this kind of economic pressure on our countries is not a good way to deal with the sensibility of our nations. That is why I am against the Hickenlooper Amendment. I say again, fortunately, we don't have any problems of this kind any more. In Mexico we have convinced our people that, as I used to say when I was ambassador in Washington, it is important for us to be on good terms with the social and political groups that support the revolutionary tradition of Mexico and, at the same time, with the capital markets of the world, because we need sometimes to go to those capital markets seeking resources for our development. We finance our progress mainly with our own savings (90 percent), but we still have to find the other 10 percent abroad.

I just want to say in concluding that I believe it is time that some pronounce-

ments, some political patterns, like the so-called Monroe Doctrine, be declared definitely dead in the Hemisphere. I don't think that the world of today, of 1971, has anything to do with the world of 1823. I think that the United States should simply declare that there is no Monroe Doctrine any more, as there is not one regarding Europe.

As you remember, because you know it better than myself, the Monroe Doctrine spoke of the relationship with the Hemisphere. The other was continuing the advice of President Washington never to interfere in the struggles of Europe.

In 1914 Washington's Monroe-Doctrine-type advice died definitely regarding Europe. Why is the Monroe Doctrine maintained and still alive in Latin America? I have no time to develop this idea, I have very discretely been advised that I should leave this rostrum. Thank you, Mr. Governors. I am very happy to be with you, and I believe that, as Mexico and the United States have been able, by building under difficulties of the past, to reach a fruitful and good friendship, the same thing will be true between the United States and the whole continent. Thank you very much.

GOVERNOR FERRÉ: It was a pleasure to hear the fine remarks by Dr. Flores, and I am sure we are all very happy to have had him here. We now have the pleasure of having another distinguished gentleman who has been very prominent in Latin American affairs. Dr. Alvaro Alsogaray is known all over the world as a man of principle, who stands solidly behind his beliefs, even if it means to sacrifice long-set goals and deep-seated desires. As ambassador to Washington, he set a bridge between Argentina and the United States that advanced the cause of understanding within the entire Hemisphere. It is a pleasure to bring to this discussion Argentina's former Minister of Economic Affairs, Alvaro Alsogaray.

DR. ALVARO C. ALSOGARAY: Mr. Chairman, Honorable Governors, Honored Guests, Ladies and Gentlemen: Because of my very poor English, let me read the comments I would like to make.

There are three points which, in my opinion, are of particular interest regarding the relations between the United States and the Latin American countries. The first and most important one is the one concerning the economic measures recently adopted by President Nixon, which require making a decision in a matter of a few weeks about fundamental matters relative to the international monetary system and the exchange between the various countries. To that effect, it is of extraordinary importance not to make any mistake about the diagnosis and it requires having the courage to face the reality which that diagnosis represents. I am not going to examine them from the Latin American point of view. It would be irrelevant with respect to the importance of the problem for the whole world. I am going to make only a few remarks with respect to the nature of the problem.

The recent difficulties which occurred have forced President Nixon to take those measures and have launched the world to the verge of a real crisis. These are the result of failures within the international monetary system, which has been in effect since 1945, and to the neo-Keynesian policies applied by different governments that encourage or accept deficit financing as a means to promote development and attend to certain social aspirations and political necessities. These elements have caused inflation. This is the real problem. Most of the other problems are re-

lated to this. If the West does not face the inflation, they will not be able to prevent the violent precipitation of that crisis, which already exists but which is being disguised skillfully.

The measures announced by President Nixon don't solve the problem, but they are worthy in that they force the consideration of the same. During these years the international community has postponed and evaded the necessity of taking care of that problem and that delay has worsened it in such a manner that we are now on the verge of collapse and faced with the undelayable demand to take very grave decisions. I have noticed a tendency among businessmen, and even statesmen from North America, to keep thinking like in past years, and they believe that with minor changes the present problems will soon be solved. I regret not being able to share that opinion. As soon as the freeze period is over, the United States and the Western World will be facing very serious problems which are exactly the same as those which have forced President Nixon to act.

For 25 years I have dealt, by necessity, with the problem of inflation and I know, through my own experience, how tremendously difficult it is to solve it within the political and social circumstances of our times. I also know that that problem is never solved by attacking the consequences, which is what the present measures are aimed to accomplish. I was required to dig into the causes, and this is what the United States and the Western countries will have to do under the pressure of recent events and within a dramatically short period of time.

The second point is that of the political relations between the United States and Latin America. I believe that the United States can no longer exert its political influence upon the countries of the Hemisphere in the same traditional manner in which they used to. I can almost say that they cannot influence them in any manner. There is a deeply rooted sentiment among the Latin American countries which makes the people and their governments reject any external interference in their national problems, particularly if this interference comes from the United States. Therefore, in order to solve the common problems of these countries we cannot look any longer for political influence on the part of the United States for any determined solution. If, instead, it deals with a special problem, such as Communist takeover within one of these countries, that problem cannot be considered any more within the frame of bilateral relations, but it falls within the sphere of influence of permanent confrontation between the world's powers.

This statement permits us to conclude that there exists in Latin America a new political situation. The silent withdrawal of the United States from that area leaves a political vacuum which can only be filled by the Latin Americans themselves. In the final view, I believe this is positive, but it should lead the United States to revise some of its attitudes with respect to the Southern Hemisphere countries. Mainly, the problem of economic aid in relation to the political objective should be reframed. The United States has made considerable efforts during the past few years to cooperate economically with the other Hemisphere countries, seeking among other things—and I don't mean this as criticism—to obtain certain political results. Their experience has been negative. The failure lies in that, in seeking this political result, the United States has aided, on many occasions, Latin American governments, generally demagogue, that fostered inflationary policies that are socialist in

nature. I use the expression "socialist in nature" to describe those economic policies which means to follow the road to communism.

Finally, those governments turned against the United States and through their aforementioned policies they caused grave damage to their own peoples. For example, no other country received more aid than the Christian Democratic Party in Chile when the United States decided to support the example of "Revolution in Freedom" which that party advocated. They did not foresee that that so-called "Revolution in Freedom" was nothing but socialistic demagoguery with inflation. The result was that the country was carried to the brim of communism and confrontation with the United States. We Latin Americans must take care of our problems and we have in each one of our countries capable groups ready to face the responsibilities. But we cannot do this efficiently if the United States continues to encourage sociological policies in the belief that they are inevitable in the Hemisphere.

Personally, I have never understood why they have proceeded in this manner, much less have I understood why the United States has accepted on some occasions a truly "blackmail" policy. The threat of certain Latin American governments of, "We either get the aid we want or we shall get it from the Communist Bloc" should never have been accepted, and really there is no reason to accept it in the future. If the socialist and paralyzing demagogues want to carry out their plans, let them do it with their own resources and not with those of the United States. Without these they would fail, and then new and healthy forces would come into being that would guide our countries toward true economic and social progress. In Argentina I belong to one of those groups. We are engaged in a head-on struggle against those tendencies which for years have defeated the best possibilities of the country. We are not asking for help, but we do ask that you don't help our adversaries. The best rule for this should be that economic cooperation from the United States to the Latin American countries in the future should be based on an economic criterion and not on political objectives or a social paternalistic attitude. It is senseless to waste resources precisely to create enemies.

The third and last point on which I want to comment is closely related to the one I just mentioned. It deals with Latin American nationalism. This nationalism, as in the United States, represents deeply rooted ideals capable of producing great accomplishments. And in that sense this is positive. But in the majority of the Latin American countries this sentiment of nationalism has been twisted and torn by the Marxist preachings in its various forms, from the open revolutionary practices in accordance with the recommendations of the Second Communist Congress of 1920, to the more subtle, such as statism and bureaucratic socialism. Demagogues, technocrats, and "useful fools" have been the instruments used to captivate the nationalist sentiments. Thus, nationalism became associated with the current socialistic and anti-foreign sentiments. But this is not the only possibility of nationalism. On the contrary, the true nationalist currents can and must be liberal in the economic sense, that is to say, they should advocate the market economy and the free enterprise system.

In Argentina we have started to call this new plan "liberal nationalism," using the word "liberal" in the European sense and in relation to economic matters.

Therefore, it is necessary, from the point of view of the United States, to be able to distinguish in Latin America between socialistic nationalism, on the one part, and the liberal nationalism, on the other. The first one is xenophobic and anti-American. The second one looks toward international cooperation based on sound attitudes and is ready to befriend other countries and particularly the United States. This difference opens new roads for the United States in its relations with Latin America, and I am sure that through them we shall find new and positive solutions. You must not appear as anti-nationalists. On the contrary, you must appear to be encouraging all the nationalistic efforts directed to liberalize the economies and its exchanges. Instead of helping men and groups follow the road to serfdom, you can do very, very much to support those following the road to freedom.

GOVERNOR FERRÉ: We have had the pleasure of hearing a very illuminating talk by Dr. Alsogaray. We now will have the response period, and we are very fortunate, indeed, to have the recent President of Columbia to join in this program, Mr. Carlos Lleras Restrepo. He has just returned from a two-month F.A.O. assignment in Rome. Mr. President, you have the first opportunity to respond to our discussion so far.

MR. CARLOS LLERAS RESTREPO: Mr. Governor, distinguished members of this meeting, Ladies and Gentlemen: I have just learned of the subject on which it is proposed that I talk this morning, namely, "Does Latin America Feel Neglected by Lack of United States Interest?" The subject, of course, is rather big, and my difficulty is compounded by a very poor command of the English language. Nevertheless, I will try to express clearly and frankly my opinion on this particular subject, and also to say for the information of this meeting some things about my own experience in relations with the United States over a 12-year period.

Does Latin America feel neglected by the United States? The answer to this question depends, of course, very much on the position of the people. The group of people in Latin America who are really interested in strong cooperation in the Hemisphere feel that, in certain areas, there has been a great lack of interest, both in the official sphere and in the public opinion of the United States.

Other sectors, other people, who are very much influenced by this feeling of so-called anti-imperialism, perhaps don't think in the same manner. Perhaps they think that there is no lack of interest but, on the contrary, an excess of interest. But, if we leave aside this distinction between the different positions of the political groups in Latin America, we have to examine more deeply this problem that will have a great influence on the future.

One must remember that the countries of this continent created more than 70 years ago the first regional organization in the world, a regional organization that has been considered a model of other international bodies. This organization started as a political body, then underwent a good change, and has since experienced an evolution. It has become a system, not only political, but a system that has economic and social ends. That is very fine. The fact that we have created and maintained a regional organization for more than 70 years gives to the people of the Latin American countries what I consider a right to believe that the United States must devote more attention to the continent than to other areas of the world; and that the relations between Latin America and the United States must be of a different

nature from those that the United States, as a world power, must maintain with other areas of the world.

In fact, it has happened. During the last 30 years — and I have had the chance to take a part in this process and in this evolution — the Inter-American systems have created a number of institutions in order to reach certain ideals that were considered as proper ways for the advancement of the continent. It has not been reached without effort, without discussions. I often remember, for instance, the difficulty that existed in the creation of the Inter-American Bank, but the real fact is that the Inter-American Bank *was* created, and is a clear demonstration that the Inter-American system must be considered as a particular organization among all the international bodies, a particular organization that has, in the first place, a geographical base. It is the geographical influences that have determined the creation of this Inter-American system, but also certain community opinion, certain political ideas.

Latin America, like the United States, has in effect a democratic system, sometimes broken by the action of men, but the forms of the democratic system have existed from the very beginning of our independent life. It was not only the geographical aspect but also the political aspect which has caused all of these countries and the United States to consider that a regional organization was possible in order to work cooperatively in the creation of a New World, with its particular characteristics. Of course there are great differences between the United States and the Latin American countries, differences in origin, differences in the degree of development, differences in certain institutions, but there are more things in common between the Latin American countries and the United States than between other areas of the world and the United States, and it is that fact that we have to emphasize in a meeting like this.

During the long life of the Inter-American system we have seen certain times when the basis of the system was almost destroyed by lack of understanding, by certain actions, by intervention in the political life of our countries, or by the lack of interest. My friend, Dr. Carrillo Flores, has remembered here the interrelations between the United States and Mexico. There are other countries in Latin America that have certain bad memories also, like my own country in the past. Of course this has been forgotten and our relationship has assumed a clear character of friendship for decades already. But, as I told you, this development of the Inter-American system, this transformation of the Inter-American system to a judicial and political body, a body that includes the cooperative effort of all countries of the continent for reaching certain social and economic ends, has suffered many different alternatives and changes.

There have indeed been certain times when the government of the United States has understood clearly this social and economic aspect of the Inter-American system, that we have to work together for developing our countries, from the economic point of view, and to create in the continent a different kind of society, a society more equal, more equitable. The Alliance for Progress has had this particular end. The real explanation of the Alliance for Progress was to transform — by the cooperative effort of all our countries — our society, at the same time increasing the production and the economic power of Latin America, and creating a more equitable

society. In this way we have worked, but this spirit has not endured, unfortunately, for different reasons.

It is these reasons that I want to discuss at this moment, because they originated in the problems and in the position of the United States, and also in the position of the Latin American countries. For instance, if we have, as I have told you, an Inter-American system, why does one group of the Latin American countries meet without the presence of the United States, instead of examining together with the United States the problems that can affect the economy of our countries? This leaves public opinion in the United States with the impression that we are creating a united front against a certain policy of the United States. It is not and it has not been the idea of the governments of the Latin American countries to create this kind of front against the United States. I personally believe that it will be most useful to discuss all the problems as members of the same organization without polarizing on one side the United States, on the other side the Latin American countries.

We have in common many things, many interests. We have, of course, also great differences, but we can discuss and analyze how we can coordinate our actions in order that measures each country has to adopt at certain times will not adversely affect the interests of the other countries.

At this time I should like to add a few comments on subjects that have been discussed and considered by other members of this group today. The first is that of the private investments in Latin America; the second, that of the trade relations in the continent. I have, unfortunately, only very few minutes to deal with this matter, and I feel bound to complete in very few sentences my own ideas on these two important subjects.

I consider that the evolution represented by the Inter-American Bank is a good way and that we have to support the financial cooperation of the United States through the Inter-American Bank. Without excluding private investments, the Inter-American Bank must play in the future a very positive role. With respect to the trade problem, I have to say that I cannot understand, and I have not understood in the past, how Inter-American trade can follow the same lines as the relationship between the United States and other areas of the world. I am convinced that, from many aspects, our economic position depends on the United States, the market of the United States, and I am taking into account the fact that the value of our foreign trade is a main factor in the development of our countries. All the measures taken in the field of trade have to be discussed on a friendly basis between the Latin American countries and the United States.

I want to finish with these words: Congratulations to the Governor of Puerto Rico for the opportunity he has given to us for expressing certain ideas in very general terms. This can be the beginning of closer relations and understanding in the Western Hemisphere.

GOVERNOR FERRÉ: Now we will have the pleasure of hearing a man who is an old acquaintance of mine from Brazil, Mr. Roberto Campos. He is head of Brazil's Development Bank, ambassador to Washington and Minister of Economic Coordination. Brazil's current economic muscle and stability are vivid examples of Roberto Campos' creativity and conceptual theories that have challenged many. I give you a truly international economist, Roberto Campos.

MR. ROBERTO DE OLIVEIRA CAMPOS: Governor Ferré, distinguished Governors, Ladies and Gentlemen: One of your most famous news columnists, James Reston, said once, if I recall correctly, that there is nothing that the North Americans will not do for Latin America except read about it. The fact that we have here present so many Governors, and that you allotted a substantial portion of your time to listen about Latin America, demonstrates that, if they are not quite prepared to read about it, at least they are willing to listen about it. The topic that has been proposed to me is a very ambitious one, economic and financial growth and the stability requirements. From my economic experience in Latin America, the prerequisites for economic and financial stability and growth do not really lie in the economic sphere; they are more in the political and social fields. The two prerequisites seem to be: First, the building of motivation for saving and for accepting with patience the sacrifices of growth; second, a decent level of political stability.

Latin America is, in fact, now embarked on an ambitious and anguishing search for motivations. Nationalism is being resorted to as one mode of motivation. Another is Marxism. Still a third is Populist, and finally there is Democratic Developmentalism, which hinges on democratic planning. The prerequisite of political stability is a difficult one to determine, and even more difficult to achieve. Clearly the economic development process, in and of itself, promotes instability by unleashing social changes and transformations, but clearly, again, a minimum level of political stability, sufficient to assure administrative continuity and to provide enough horizon for investment planning, is indispensable. When the countries reach economic maturity and modernity, they are likely to be politically stable, but the process of modernization is likely to produce instability. These are the horns of the dilemma.

Let us now review the difficulties of Latin America in accomplishing stability, which is, in fact, the essence of the art of government. It is the management of conflict. There is no great difference between development and developing societies in the nature of the conflicts they have to solve. First is the political problem, how to reconcile political stability with personal freedom. Stability requires discipline; freedom presupposes dissent. Second is the social problem, how to reconcile welfare and accumulation. Accumulation requires savings; welfare demands consumption. Investment is needed for development. Distribution is needed for social justice. Third is the institutional and organizational problem; how to balance state implementation by the executive, rule-making by the Legislature, and social arbitration by the judiciary; and how to organize the mass participation of people in politics.

Those challenges are, indeed, old and can be very simply stated. The solutions and responses are difficult, complex, and constantly changing. No country has yet found either an adequate or stable formula for conflict management. All countries have to be ranked according to the degree of imperfection in this respect. Many of the developing countries in Africa and Asia are in the very primitive stage of nation-building. Latin America, most of the Latin American countries, which have been independent for over 150 years, have transcended this stage, but its problems are no simpler. There are two difficulties that today's developing countries, and particularly the Latin American countries, which are very closely integrated with Western culture, have to face, and which were less intense before.

The first difficulty comes from the fact that the level of aspirations has increased through the psychological contamination of Western culture, and the level of tolerance and patience has declined. The second difficulty is that demands for popular participation in political life rise faster than the capacity to organize political institutions to handle those demands. In most of today's developed societies, including the United States, the growth of popular participation in politics was gradual, so that there was time to create and experiment with political institutions. This was before the age of mass communication and accelerated urbanization. These two difficulties go a long way to explain the instability of Latin America, but they are, of course, compounded by more familiar factors — cultural; heterogeneity, which is most acute in the dual society of Indians versus Europeans, and lack of traditions in Portugal and Spain.

It is not that those countries do not know or have never practiced democracy. Several of them in fact, in the past, practiced formal democracy of an elitist type, democracy for the elite. This was when those elite were more or less homogenous, but most of the countries in Latin America were not quite successful in absorbing and organizing mass participation in politics. So there is a constant theoretical commitment to democracy, and great intermittences in its application. Instead of classifying those countries south of the border according to the degree of democracy or levels of development, as it is customary, I shall try to classify them according to responses to challenges and choice of priorities.

There are clearly three categories of countries. There are, first, those that are giving priority to fast development and accumulation: Brazil, Mexico, Venezuela, and Colombia could perhaps be classified in that category. There are, secondly, those that give priority to income redistribution: Chile, Argentina, and Uruguay might fit this pattern. There are, finally, those that give priority to a structure of reform and reorganization of the society: Peru and perhaps Bolivia could be classified in that category.

It is curious that this selection of priorities cuts across organizational forms. Within the countries that are concentrating on income redistribution, Argentina is authoritarian, and now intends to restore full democratic procedures. Chile is democratic, threatened by radicalization. Uruguay is a democracy challenged by radicalism of the left and division of the center.

There are those three main approaches: developmentalism, distributivism, and structuralism. It does not mean that any of those categories concentrate on a single role. It is simply the fact that development is, at best, an unbalanced process, and that one of the goals must be emphasized at a time. One of the most anguishing questions is the compatibility between democracy and development. This relationship is now unique. It varies in the course of time and it varies according to the nature of the problem. Reconciliation is easier when we have a situation of development without inflation. The accommodation is easier because the basic problem is to increase the size of the pie. If we have the situation of development with inflation, the problem becomes more difficult. We have to redistribute the pie and, at the same time, try to increase its size.

The most difficult situation, and where there is a practical incompatibility between political stability and democracy, is when inflation is associated with

stagnation. Then you have to redistribute the pie and the pie is static, so that the society becomes very brittle. Brazil faced this problem in 1964 at the occasion of the revolution; Argentina in 1966; and now Uruguay is going through the same anguish. Curiously enough, the United States, for the first time in its existence, is perhaps experimenting with stopping inflation. It can now perhaps better understand authoritarian relapses in Latin America, since, for instance, the new Presidential package is an authoritarian one, interfering with the price mechanism and curbing wage demands. The political system is suffering strains, despite the fact that inflation is still mild in the United States as compared to Latin America, and the standards of living are quite high.

If we look at the confused scene in Latin America, we might be tempted to believe that the Latin American countries are in some ways following Murphy's law: everything takes longer than expected, nothing is as easy as it looks and a lot can go wrong, and will go wrong. But let's not be discouraged. I hope in this talk to contribute somewhat to a better understanding by the United States of Latin America, of the Latin American travail in this century. Exposed to the cross-currents of nationalism, Marxism, developmentalists, in a case of love-hate relationship, some countries relish too much, transferring the guilt to the United States; as a big and powerful neighbor, the West bears the burden of guilt. Lest Americans be discouraged by the loneliness of wealth and power, let me console you by saying that by growing rapidly in the last few years, Brazil, despite being still a poor country and much less powerful than the United States, is gradually assuming the position of an ambivalent Big Brother in relation to smaller countries at its boundaries. Despite our social and cultural affinities with them, Brazil maintains a future share with the United States, the disadvantages and perhaps some advantages of the Big Brothers, to be loved and hated, admired and incriminated, wanted and rejected.

A new maturity is clearly needed in the relations between the United States and Latin America. On the part of the United States, a better understanding of the cross-currents of nationalism. On the part of Latin America, abandonment of the comfortable habit of explaining its evils by simply transferring the guilt to the United States. The West perhaps should abandon some of its clichés that lead to policy ambiguities. One policy ambiguity is the idea that you should at the same time pursue social reform and democratic purity. It happens that more often than not quick reforms can only be made through authoritarian methods. A second ambiguity is the exhortation that Latin American countries should get resources for financing development more through trade than through aid. This is a perfectly valid and acceptable tenet, but it is contradicted by such measures as, for instance, the recent 10 percent surtax on imported products.

Given the fact, firstly, that the United States does not have a balance of payments problem with Latin America; second, that the United States has officially sponsored the granting of general trade preferences to manufacturers of developing countries; and, third, that the United States proclaims a special relationship with Latin America, it would stand to reason that Latin America should be exempt from the surtax. Another valid criticism that can be leveled relates to the recent debate and discussion on the 200-mile sea limit. There is sometimes a propensity in the United States to accept general political attrition. One example of that has been

broached already, the Hickenlooper Amendment, which in practice has not been applied.

Second, perhaps, is the controversy over sea limits. This controversy seems to have delayed the approval of the coffee agreement, which is a totally unrelated issue. I happen to believe that Latin Americans have exaggerated their claims to a larger sea limit, and at times have failed to differentiate between protection of resources, which is legitimate, and claims of full sovereignty which could interfere with shipping and their freedom. But, if our claims were somewhat exaggerated, the United States' reaction was also exaggerated. The action was impulsive and the reactions inappropriate, particularly in view of the following facts.

First, it was the United States that started the custom of unilateral claims over the seas by proclaiming in September of 1945, under President Truman, the exclusive right of the country of exploitation of the Continental Shelf; secondly, that some countries, particularly those in the Pacific, not having Continental Shelves of any extension, do need a special statute to guarantee the exploitation of sea resources. Those problems, I am sure, can be reconciled and at this moment we need more rational negotiation than emotional concentration.

Let me finish now by saying that in the cross-currents of diverse motivations, the Latin Americans are traversing a difficult travail. There are some who feel the lure of Marxism, while most adhere to democratic types of development. Marxists promise a blend of cynicism towards the past and Utopianist ideas about the future. Democracy doesn't promise miracles, but it usually outperforms Marxist welfare dreams. What we need from the United States is a combination of understanding about the present and realism about the future. Thank you, sir.

GOVERNOR FERRÉ: Thank you very much, Mr. Campos.

Now we have about 10 minutes for the last one of our friends, Dr. Claudio Veliz, who comes, of course, from Chile. You know Chile now is right in the very middle of a lot of news, so we will be very happy to hear from Dr. Veliz who is, by the way, Founder and Director of the Institute of International Studies of Santiago de Chile.

DR. CLAUDIO VELIZ: Thank you very much, Governor. I feel extremely grateful to have been invited to address such an important Conference, and I would like to stress from the very beginning that I am here only representing myself, certainly not the Chilean government nor even the Institute of International Studies which I direct. I hope to make it clear that the reason is because, for the past five months, it has been in the hands of a small group of extremists who seized it, supposedly to transform it into a front-line trench in the struggle against imperialism. So, as you can see, we also have our troubles in the University of Chile.

With this very clearly in mind, I must say that I feel very free, indeed, to deal specifically with the Chilean problem within the general subject that you have kindly suggested for me, which is nationalism.

Chile, Mr. Chairman, shares with Latin America a centralist tradition of government. It is a tradition which does not include the concept of an equilibrium between central power and peripheral power. Let me make myself clear. Yesterday, for instance, we had two explanations, one from Senator Russell Long and one from Governor Reagan of California, both related to the use of funds, whether by

the federal government or by the state government. This type of problem is almost inconceivable generally in the Latin American setting, but especially in Chile. We do not have this dispersal of power between a center and a periphery.

This phenomenon of a centralist political tradition goes back deep into the fifteenth, sixteenth, seventeenth centuries, and it is distinctly different from the type of historical and political traditions which formed the North Atlantic nations. The reasons for this are complex but, do believe me, they weigh very heavily today in the contemporary political developments of our region, and especially in the case of Chile.

Let me give you another example to make this point even clearer. The Vice President of the United States yesterday was explaining the peculiar economic situation of this country. He told us that five out of six jobs in the United States are within the private sector. Well, in Chile, three years ago, during the last year of the Christian Democratic administration, out of the total investment in the country, 73 percent was public investment, and in 1969 Chile was not a socialist country.

So the point I would like to make is that an extension of the public sector in the Latin American case generally, with exceptions, and in the case of Chile in particular, is not a departure, but rather has the mark of a continuity. This extension of the public sector could be socialist, it could be statist, as some of my colleagues have suggested, but in itself is not enough to brand a country or an administration this way or that way.

Moreover, if we look at the history of Latin American countries during this century, we will see that in every instance when a nation had the opportunity to rebuild its institutional structure in a revolutionary manner, like in Mexico or Cuba, one could perhaps add Bolivia with qualifications and Peru; some people would say Chile, but certainly in the case of Cuba and Mexico once the revolutionary schemes were implemented — and this is neither good nor bad, by the way, Mr. Chairman, I am just trying to state a fact — once the revolutionary schemes proceeded to build anew, without exception the results were single-party systems, highly centralized.

In the case of Mexico, the Partido Revolucionario Institucional is a very amiable, very pluralistic, a very democratic party, indeed, and nobody could complain or nobody could describe the Mexican situation as one of dictatorship. I think that would be very unfair. Yet it bears the mark of a single-party system which almost has to invent its own loyal opposition.

The case of Cuba hardly bears any comment in this respect, yet I would put it to you that Cuba has a single-party system not so much because it is Communist but because it is Latin American.

To return now to Chile, this extension of the public sector in Chile is not as haphazard or as improvised as it would appear perhaps to some people at first sight. Before the present regime took over late last year, in fact, during the past decade or so, the peaks of the Chilean economy, the most efficient entities in the Chilean economic structure, were state-autonomous corporations which handled the key sectors of the economy — energy, petroleum, transportation, copper mining, state banking. For instance, the extension of the public sector into banking has caused quite a bit of comment of late. Three years ago just one bank, the state bank, not the central bank but the state bank, controlled over 50 percent of all banking movements.

This trend, this very powerful momentum of an historical nature which, I think, is important in Latin America; the centralist political, bureaucratic, administrative efficient centralist trend, is something with which we have to live and which in the present contemporary situation goes with the universal trend.

You may have noticed, Mr. Chairman, that a similar trend toward centralism is noticeable elsewhere. In this country, for instance, and in Australia, Sweden, and France. But the countries of the North Atlantic region share a political tradition which includes an equilibrium between a center and a periphery; it includes a political experience of dispersion of power. The contemporary centralist trend, which is dynamized by administrative and technological developments, goes counter to that tradition. It clashes with that tradition. You need a lot of adjustment. You actually have friction between all of the Governors around this table and the federal government. It is an amiable friction, indeed, but there it is.

In our case the centralist trend goes with our political tradition. It helps it, it makes it more dynamic, and, one would hope, more efficient.

So the first point I would like to make this morning, Mr. Chairman, is that an extension of the public sector generally in Latin America, specifically in the case of Chile, does not represent a departure, it is not a novelty, rather it is a continuity, it has roots which go back into Ferdinand of Aragon and Queen Isabella of Spain and Charles III, rather than to Marx or Lenin. It is not a new thing; it is a continuity.

The second point I would like to propose has to do with the nature of our nationalism and nationalism generally. I think that all of us who have grown into political or academic or institutional awareness during the years of the postwar have been specifically conditioned to think of internationalism as being related, in fact, to the marginal results of a cold war situation. Whatever the merits or demerits of a confrontation between the Soviet Union and the United States, the fact is that during the 1950s at least, there were two great powers facing each other, and the nature of the threat which they faced and which they transmitted to their respective spheres of influence was such that many nations were willing or resigned to postpone national aspirations for the sake of a common policy.

Again, Mr. Chairman, I am not going into whether this is good or bad; I think it is a matter of fact that most of the international or supranational arrangements associated with the cold war situation — NATO, SEATO, CENTO, the Warsaw Pact, and the OAS — were conditioned by that very special situation, so the feeling that we were leaving nationalism behind and, once and for all, we were moving on to another period, a higher, more complex, more desirable period than the stable, international anarchy which so many analysts had predicted, was fairly general. Many people believed in this and thought it a good thing.

If you wish, the tide of the cold war was rising, and as it went up, it covered the peaks of the national interest of many nations.

Now, Mr. Chairman, the tide of the cold war is receding. It is going down and has been going down for some years. There are even histories of the cold war; it is an historical subject. The fact is that, as this high tide recedes, the peaks of national interest are surfacing because they were not eliminated; they were merely postponed. So nationalism is not a Latin American and certainly not a Chilean invention. It affects everybody all over the world.

There is more nationalism today in the world, in Africa, in Asia, in Europe, in the United States, Mr. Chairman, than there has been in this century. The large empires of the beginning of the century have dissolved into hundreds of nations. So nationalism is a general trend, a general climate in which, of course, we participate.

According at least to Dr. Arnold Toynbee, the balance of power usually moves from center to periphery. It flows from a central power to its periphery. Every central power generates its own challengers in the periphery. So I am certain that you will not be surprised if you find, in the United States, that your staunch allies of yesterday are less staunch today, perhaps not rivals, but there is no general support for the position of the United States as there was during the heyday of the cold war. So I think that this proliferation of centralism into international affairs affects us all, but it especially affects smaller, medium-sized nations which find much more room for maneuvering today than they did before.

The Machiavellian axiom that you cannot go into international politics unless you have economic power or military power has been considerably attenuated. Rumania challenges mildly, with decorum, the Soviet Union, but Rumania has no economic power to back up that challenge, and certainly the Rumanian army is no match for the Red army. Peru, in a way, has challenged the United States, but not on the strength of its military power or economic power.

There are other considerations you know very well, Mr. Chairman, which are responsible for this restoration of fluidity, and the resurgence of nationalism in which Chile participates.

Lastly, Mr. Chairman, I would like to refer to a word which has been used very often, indeed, in this Hemisphere and which has almost lost its meaning. I would like in the case of my country to say that it does have a meaning and it is an important word to bear in mind, and that is democracy. Chile has a strong, resilient, flexible, democratic institutional structure, which is not the result of an improvisation, which is not the result of expediency, but has grown after many, many years, many decades, of very patient—and I am weighing my words—sophisticated, intelligent practice.

Now, it would be invidious to start comparing countries, but let me make a comparison which, because of its extreme nature, perhaps will bear some significance. Professor Hugh Thomas, in his massive *History of Contemporary Cuba*, suggests that the revolution in Cuba had little to overthrow. The institutional structure in Cuba was little else but a facade. There was no solidity there. I would put it to you, Mr. Chairman, that this is not at all the case in Chile. Our institutional structure is extremely strong, and it is very resilient, very flexible, and it will not be overthrown just like that.

Democratic practice in Chile is not a superficial phenomenon. It is very deeply ingrained in the nature and the idiosyncrasy of the people, and it is reflected in the institutions.

Vice President Agnew said yesterday that this country, the United States, had in the past faced grave risks and had risen, thereby, to great heights; that it was through overcoming these risks that you have become a great nation.

May I use exactly the same concept and apply it to Chile. We do not have a bucolic, pastoral, idyllic political history. I have read newspaper accounts in which

we are described as a sort of never, never land where there is never political friction, no civil war, no nothing. This is not true. We have had our share. We had civil wars in 1829, 1851, 1859, and, the worst of all, 1891, which was a civil war which touches me almost directly because my wife's great-uncle, President Balmaceda, lost his life there. So our democratic institutions were not built overnight, and they have not been improvised. They have been built over a long period of time, and I put it to you that they are quite ready to withstand the challenge of change, because change is coming to Chile now.

Let me make this point, Mr. Chairman. I have read some very interesting articles in the United States press recently in which, for instance, take one example, the nationalization of the American copper interests in Chile is described as a confiscation or as an arbitrary act. This is not correct. The nationalization of the 49 remaining percentage interest in the copper mines in Chile was carried through with the unanimous support of all parties represented in Congress, which most certainly includes the old conservative and liberal parties now united in the National Party. The question of change in Chile is not a partisan question. We are all agreed — and I am an independent citizen, by the way — we are all agreed that change must come.

The differences are how you do it within the law. Legality is a most important thing in Chile, and the present government has not gone over the letter of the law once. They have perhaps stretched some definitions, this would be a moot point, but they have not, and I have the feeling or the hope, as you wish, that they are not going to go over the bounds of what is legally acceptable.

The last consideration, Mr. Chairman — my time is running out — that I would like to leave with you is that with this background of an extension of the public sector which is within the centralist historical tradition, with this background of resurgent nationalism and, in the case of Chile, with this patient, functional attachment to democratic institutions, I think that we are, among other things, moving away from what I would describe, for want of a better way of doing it, as a vertical relationship with the United States. Whatever the wishes of this very great nation, until very recently, it was often the case that every time the President of the United States, or for that matter perhaps even a Governor of the United States, cleared its throat, Mr. Chairman, in Latin America everybody started to wonder you know, what have we done? Every time we did something important, the first reaction was, what does the *Washington Post* say? What does the *New York Times* say? What will be the reaction of the United States?

This went together with an almost feverish anti-Americanism which, let me remind you, was born in the right and not in the left. It became a left-wing phenomenon very recently, during the cold war, possibly. Now this has changed very much. We are moving away from verticality. We are opening towards the Pacific, we are opening towards Africa, we want to redefine our relationships with Europe and certainly with the socialist world.

Believe me, Mr. Chairman, at least in my life I have never seen anti-Americanism in Chile at such a very low level of importance. It is a non-issue. It is a non-issue, now, not so much because our nationalism has this or that character, but because everybody feels committed to a process of change which can only be carried forward from within.

The mendicant attitude of having an extended hand, saying, "Help me be what I would like to be," is over. I am not forgetting our application before Eximbank to buy a few Boeing planes, which was rejected a few weeks ago. This is part of normal intercourse between nations and, of course, Eximbank is justified in rejecting it if they wish, but to complain about this is not to be confused with the mendicant philosophy which left a stamp of decades of non-development in Latin America.

This is not an apologia for what is happening in Chile, it is just a very frank attempt to put before you three factors—centralism, nationalism, democracy—with a rider, this move away from verticality, which, I hope, will help you, Mr. Chairman, to understand our present situation in Chile. Thank you very much.

GOVERNOR FERRÉ: Mr. Chairman and fellow Governors, I think we have heard a very challenging report that shows that South America is not what many think, a very uniform area; that there are many differences in Latin America, and that we have to learn a great deal. One important thing that has been shown to us is that they can all speak very good English and it may be a good thing if in our country we started to learn more Spanish.

In the second place, I think it is important that South America and Latin America in general have begun to have a great deal of hope, and hope is what is important today in the world. When you have hope there is a chance to really progress. That hope to have better relations with North America on an equal footing, on the basis of equal to equal, has certainly been shown by the different propositions that have been brought here before us. The last thing that I wish to mention, and please forgive me for having taken a little longer but we started a little late, is that we might start making visits to South America like we do to Japan and to other places, and that might be a good way to learn more about South America. Mr. Chairman, I will give the Conference back to you, after thanking, of course, these visitors for their very fine talks and presentations today.

GOVERNOR HEARNES: I would like to, Governor Ferré, also on behalf of the Governors, add my appreciation to the distinguished panel which you have presented to the National Governors' Conference. I don't presume to speak for all of the Governors on the matters which have been presented by our distinguished panel. I would say that I wish that we had had some more time so that the Governors could have responded with the feelings that they may have on some of the issues which were raised, but again to the panel, I want to say thank you very much for coming and we enjoyed it. Now I would like to go on to the . . .

GOVERNOR MANDEL: Mr. Chairman, there have been two resolutions placed on every Governor's desk. Tomorrow when we take up the policy statements, we intend to ask that the rules be suspended to allow the introduction of these resolutions as statements of policy.

GOVERNOR HEARNES: Let the record so show.

GOVERNOR JACK WILLIAMS: What are the subjects of these so that we are sure we have them on our desk?

GOVERNOR MANDEL: One resolution is on agricultural policy, and the other is a resolution on national economic policy.

GOVERNOR HEARNES: Are there any other announcements? We are going to go right into a subject which I think is of great interest to all of the Governors,

and that is no-fault insurance. In order to save time, I will refrain from any elaborate introductions of the two speakers because I hope that we will have some time available for questions by the Governors. I'd like to present first Dr. Herbert Denenberg, the Commissioner of Insurance of the State of Pennsylvania.

DR. HERBERT DENENBERG: Distinguished Governors, Ladies and Gentlemen: I, of course, realize that no-fault insurance is a controversial subject, but I will nevertheless be blunt and tell it as it is or, at least as I see it. I think the facts should be put on the table.

No-fault is a politician's dream, because it can make virtually everyone in our society better off, while economically injuring only a small group of trial lawyers, a small group of insurance companies not prepared for competitive change, and a small group of ambulance chasers. These groups, even if temporarily unemployed, are not likely to aggravate your welfare problems, and if these groups become whipping boys, any cynic can assure you that they are the deserving ones. No-fault is a politician's dream because it is a so-called complex issue that can be explained to the public in 30 seconds. The public understands the choice is between lawsuit and aggravation of the present system, and no-fault with prompt and fair payment of benefits to all victims of auto accidents, regardless of how the accident happened or who was at fault.

Senator Long yesterday said that it is the height of idiocy to hire a lawyer to sue yourself. It is also the height of idiocy to continue a system that requires lawyers and litigation and legal fees at every turn when there is a good alternative that does not require lawsuits, litigation and legal fees. What would happen if life insurance and health insurance and homeowner's insurance were modeled after our present automobile insurance system? No-fault changes auto insurance from a lawsuit system to one that does not require lawsuits, one in which claims are generally paid without litigation, as is now the case with life insurance and health insurance.

No-fault is also a politician's dream because for once there is a clear-cut solution to a major problem. After facing a whole series of problems that cannot be solved, at last one problem comes down the pike that can be easily solved to almost everyone's satisfaction. No-fault is also a politician's dream because it can provide larger, more liberal benefits, more promptly, more adequately, and more equitably and, at the same time, lower auto insurance premiums. It can give the public more and better benefits at lower prices. It raises benefits and also improves their quality by paying them promptly, automatically, and without regard to how the accident happened, or who was at fault. It gives the accident victim the certainty of knowing he will be paid, instead of the uncertainty of our present system. It gives the public what it wants, compensation and fair treatment, instead of what it gets now, aggravation and a lawsuit.

Today the accident victim gets a lottery ticket. He doesn't know if he'll collect, how much he'll collect, or when he'll collect. No-fault cuts premiums by eliminating the incredible waste, inefficiency, and expense and complexity that characterize our present automobile liability insurance system. For every dollar fed into our system today, only 42 cents in benefits is paid to the injured victim. This means 58 cents of every dollar gets burned up in expenses and never reaches the victim. First, 40 cents gets burned up by insurance overhead, including 14 cents in loss adjustment expenses.

Much of this expense can be eliminated by no-fault. Then another 18 cents gets burned up by claimants' lawyers and by litigation expense. This expense can also be drastically cut by no-fault. This leaves only 42 cents, about half of which goes for pain and suffering loss, leaving only about 21 cents of every dollar for actual out-of-pocket expenses, such as lost wages and cost of medical care.

No-fault brings about conversion from a complex system, requiring a fight with someone else's insurance company to a more friendly and efficient system, similar to our present life and health insurance operations, in which you deal with your own insurance company. Blue Cross, so often criticized, which has been under the gun in Pennsylvania to do more to control hospital costs, can deliver 95 cents in benefits for every dollar of premium collected. Group life and health insurance can deliver 80 cents or more in benefits for every dollar collected. Workmen's compensation can deliver 67 cents in benefits. Thus, these systems are up to eight times as efficient as our automobile bodily injury liability insurance system. Consider the fate of the money actually recovered as the U.S. Department of Transportation showed in its study of 220,000 lawsuits. These cases produced \$700 million in fees and expense payments for lawyers, and a like amount for accident victims. Lawyers, in other words, took exactly half the pot.

Viewed from any angle, it is easy to see how no-fault performs its seeming miracle. There is so much waste and fat in the system that if it can be eliminated, even in part, benefits can be increased and premiums cut at the same time. It is no wonder trial attorneys view no-fault as a hoax. It seems too good to be true. It is not that no-fault is too good to be true but that the present system is too bad to be true. The present system is not only fantastically expensive and inefficient, but its benefits, when and if delivered, are too little and too late. Most of the seriously injured victims, 55 percent to be exact, recover nothing at all from auto liability insurance. Those lucky enough to recover get inadequate awards. The totally and permanently disabled, who are lucky enough to collect from auto liability insurance, suffer losses of about \$78,000 but collect, on the average, only \$12,556. Thus they get nothing for pain and suffering and almost a negligible fraction of their medical expenses and wage loss, and then they have to wait on the average of 16 months for final payment, and even longer in those cases involving the most serious injury cases.

The least seriously injured do the best. Their claims are paid most promptly and most adequately. Successful claimants who have less than \$500 in economic loss are likely to recover five times their economic loss from all sources. In addition, the system discriminates against the least educated and those least able to protect their legal rights by giving them the smallest recovery in proportion to their losses.

For this virtually worthless protection, we all have to pay sometimes astronomical premiums, sometimes more than we pay for the car we drive, if we are lucky enough to be able to get, and keep, our insurance. It would be hard to design a worse system. It's easy to design a better system. Plans are, in fact, widely available.

We have a solution, and a proven solution, to the automobile insurance fiasco. No-fault is not a theory, it is a fact, and a highly successful fact at that. No-fault is working fine right here in Puerto Rico and has been performing to everyone's

satisfaction since January 1, 1970. The *Wall Street Journal*, after an on-the-spot investigation, concluded: "No-fault insurance is working fine in Puerto Rico. After nearly 17 months of experience, this crowded island finds the controversial coverage really does deliver as promised: better values for the insurance dollar, better care for accident victims, faster payment of claims and sharply reduced legal and administrative costs. But lawyers are grumbling about lost business and some insurance men are fearing for their jobs." CBS network news only this month concluded a study of the Puerto Rico plan and reporter Barry Lando reached basically the same conclusion as the *Wall Street Journal*. Juan Apantay, Dean of the Business School of the University of Puerto Rico, and I wrote the Puerto Rico no-fault plan and we heard all the arguments against no-fault from 1964 to 1970 right here in Puerto Rico when this law was discussed and debated. Where have all these arguments gone? They have been refuted and disproven, every one.

The Massachusetts bill, which is a great pioneering effort, is working fine. Governor Sargent recently said, "No-fault is succeeding." After six months of statistics were received he said, "The figures are better than we dared hope." Claims and losses are down over 50 percent, and further premium reductions are being planned for next year. Both the Massachusetts and Florida no-fault laws built in 15 percent premium reductions. This guarantee was conservative in the case of Massachusetts and may prove to be so in Florida as well. State government has little choice on no-fault. Here is a ripe and ready issue that is well understood by Congress. If the States don't act and create a reasonably uniform and adequate network of no-fault laws, the federal government will act. We have waited over a half a century for adequate state workmen's compensation laws. We are not likely to see much watchful waiting on such an explosive issue as auto insurance reform. And federal no-fault may mean the end of state insurance regulation and loss of state premium revenue. The States now collect over a billion dollars in premium taxes each year. Many favor no-fault at the state level because effective decisions of government should be made as close to the people as possible. Are the state legislators close to the people or close to the trial lawyers and other special interest groups? This is the decision which state government must make.

The politics of no-fault makes no-fault inevitable. Politics deals with the art of the possible. No-fault is a branch of the inevitable. No army of trial lawyers or lawyer-legislators can withstand the strength of an idea whose time has come. And no-fault is a classic example of such an idea. The only issue is whether it will be based on state law or whether it will be mandated by federal law. The only issue is who will get credit for enacting no-fault. The only issue is who among you will lead the way with the best no-fault plans. The States must not only enact no-fault laws promptly, but also enact reasonably adequate and uniform no-fault laws. Without no-fault, the drain of the present auto insurance system is likely to be viewed as a dangerous threat to interstate commerce. Even with a checkered, complex and conflicting pattern of no-fault laws, the way will still be open to federal preemption and federal takeover. Without some degree of uniformity, a state pattern of no-fault will prove to be unworkable.

Congress will not be fooled by no-fault bills that do not deliver what the public

needs and requires. Some States have enacted so-called no-fault plans. Some have laws which practically bring no change at all to the present system. Others have watered-down versions of no-fault, but none have gone far enough to realize the full potential of the no-fault solution. All who have acted have been the pioneers. They have made important contributions to solving the auto problem. We have all learned a lot from what they have done, and we have tried to build better plans on their pioneering work. The no-fault bill must do more than merely provide no-fault benefits on an optional basis. Minnesota in 1969 and South Dakota in 1971 passed laws requiring that medical expense coverage, disability coverage and accidental death benefits be offered to everyone who purchases an auto liability policy. These laws merely tack on modest no-fault benefits to the present system. They apply a thin coat of paint and leave all the problems intact. They were step one but so early on the evolutionary scale to be almost worthless. Step two was taken by Delaware and Oregon. These two States require each motorist to carry about \$10,000 in no-fault benefits for medical expenses, loss of earnings and the like. Delaware also includes no-fault coverage for property damage and requires liability insurance to be carried as well. What these States have is no-fault with legal fees, as advocated by trial attorneys. They add benefits without reforming the now discredited fault system. These two States apply a thick coat of paint to the present system but leave the essential problems intact. We need a new building, not a coat of paint on a house that is about to collapse.

If no-fault is to get to the heart of our problems, it must treat the twin cancers of the present system. One cancer is the need to prove fault. The other cancer is the right to claim damages for pain and suffering as a result of any injury, trivial or catastrophic. This is the item that provides the profit motive in personal injury litigation and nurtures the ambulance-chasing racket, a \$10 million business in Philadelphia alone and a \$400 million business nationally. These two questions, who was at fault and the valuation of pain and suffering, have been cited as the leading causes for disagreement in auto accident cases that go to court, according to a leading study by a University of Michigan research team. No-fault automobile insurance is efficient because it largely eliminates the need to determine who was at fault and the need to evaluate pain and suffering. These are the two items which create the complex issues lawyers love to fight over and to be paid to determine. These are the items which make it easy and essential to exaggerate and inflate claims, and which sometimes encourage phony and fraudulent claims. Pain and suffering recoveries today merely encourage phony claims and inflate small claims. Pain and suffering recoveries provide attorneys' fees, but almost nothing to take care of the accident victim who really needs help. By eliminating the main basis for disagreement we can move to a true no-lawsuit, no-fault plan to compensation rather than to legal battle.

As the New York Insurance Department concluded, "In general, the highly abstract standard of liability called 'fault' and the indeterminate measure of damages called . . . 'pain and suffering' offer rich rewards to the claimant who will lie, the attorney who will chisel and the insurance company who will stall or intimidate." These are the items which generate the expenses and delays that, in the words of Daniel Patrick Moynihan, have turned auto accident litigation into the "Twentieth

Century equivalent of Dickens' Court of Chancery, eating up the pittance of widows and orphans, a vale from which few return with their respect for justice undiminished."

So we need substantial no-fault benefits and some limitation on the right to sue for pain and suffering. This brings us to step three, Massachusetts and Florida. Massachusetts did not provide substantial no-fault benefits, it grants only \$2,000 in such benefits. But it did limit the right to sue for pain and suffering to cases in which medical expenses exceed \$500 and in which there is a defined category of injury such as a fracture or permanent disfigurement. Florida followed suit but granted more substantial no-fault benefits than Massachusetts, \$5,000 rather than \$2,000. It also increased the amount of medical expenses necessary before a claimant can sue for pain and suffering from \$500 to \$1,000. Florida also added property damage, a change that Massachusetts is now considering. Both of these solutions will work despite their deficiencies. Neither grant adequate benefits and both encourage padding bills and unnecessary medical expenses by their monetary threshold which permits recovery for pain and suffering if medical expenses exceed \$500 and \$1,000, respectively. Like these two States, Illinois provides inadequate no-fault benefits. Total benefits may not exceed \$14,180. Illinois also uses a formula to determine pain and suffering recovery, a multiple of medical expenses. It makes pain and suffering recovery a more objective measure, but encourages unnecessary medical expenses even more directly than the Massachusetts-Florida threshold approach.

There is another step which should be considered. This is step four, which fully attacks the twin cancers of fault and of pain and suffering. This is the approach that Governor Shapp has proposed in Pennsylvania, that Governor Rockefeller has proposed in New York, that Senators Hart and Magnuson and Representative Moss and others have proposed in Congress, that Senator Stevenson has proposed for the District of Columbia, and that has been proposed in some of the other 25 States now considering no-fault bills. I think this is also the approach the National Conference of Commissioners on Uniform State Laws will follow. First, adequate benefits are granted. In Pennsylvania, we propose unlimited medical expense benefits and cover every victim from \$1 to \$1 million or more. We grant wage loss and loss of earning power benefits up to \$36,000. We grant benefits for other economic loss, such as expenses incurred in obtaining services for those that the injured person would have performed for the benefit of himself or his family. Second, pain and suffering recoveries, under the Pennsylvania bill, are limited to cases involving death, loss of an eye or bodily member, permanent and total disability or permanent and partial disability of 70 percent or more, or disfigurement that is permanent and severe. Similar provisions on pain and suffering are found in the New York and Minnesota bills, and in the bills now before Congress.

Both the Shapp bill in Pennsylvania and the federal bills cover property damage. In Pennsylvania, the motorist can elect to insure or self-insure. Under the federal bill, he has a third option, to insure under a cheaper form of liability insurance that pays only when he can prove someone else was at fault. We guarantee a 10 percent premium reduction on auto insurance in Pennsylvania. This is a conservative estimate. Florida and Massachusetts guaranteed a 15 percent reduction

by law. The Massachusetts reduction was a conservative one, too. Why not be conservative initially and look good when the results come in? The premium savings on no-fault may run from 10 to 40 percent, but they will be insignificant compared to the human savings made by eliminating the hardship, uncertainty and abuses of the present system. One thing seems clear at this juncture, and that is that anticipated savings will vary depending on how far you are willing to go to reform the present system; or to put it another way, the savings will depend on how much you compromise to appease the special interest groups, most notably the trial lawyers.

We have looked at all of the no-fault bills around, like city planners. We have special constitutional problems, but we feel that our basic approach represents the best of all possible worlds in Pennsylvania. Perhaps you can look at our bill and improve it. I would be happy to let you have a go at it. So, you see, there is plenty of room to maneuver in the no-fault area. New names and faces may quickly appear. Some, no doubt, will fade, but even those who make initial mistakes may correct them before others steal the show. The time has come for no-fault, the time has come for no-fault laws that don't compromise with trial lawyers at the expense of the auto accident victim. Some trial lawyers will be bitterly opposed to any good no-fault law, but perhaps their opposition can be explained by a quotation from H. L. Mencken who said, "Injustice is relatively easy to bear; what stings is justice." The time has come for justice to the accident victim and the motoring public. The time has come for reasonably uniform no-fault laws. The time has come for state government to demonstrate that good, honest competition between the States in legislating will produce results that will lead the federal government rather than drag behind it, and at the same time show that state government, which is close to the people, can also protect their interests.

GOVERNOR HEARNES: Thank you, Dr. Denenberg. When we conclude with the program and after the next speaker, the floor will be open for questions of either one of them. I guess it has been said many times, there are two sides to every question. I have some feelings that the next speaker may present a different version of no-fault insurance, the past president of the Missouri Bar Association, the past president of the American Trial Lawyers Association, a greatly admired and greatly respected member of the bar in the State of Missouri, Mr. Orville W. Richardson.

MR. ORVILLE W. RICHARDSON: Governor Hearnese, Your Excellencies, Governor Ferré: I understood that the topic for discussion was no-fault insurance, the pros and the cons, and not the politics of no-fault insurance, the American public against the American trial lawyers. On my assumption of the topic assigned, I came here prepared to discuss the serious political and philosophical aspects of these no-fault plans, with all their extensive and complex social and economic consequences. By political, I mean politics in the highest Aristotelian sense in what is the best form of government for the people, and not what would evoke the loudest roar at a Roman circus. By philosophical, I mean what human values are worth preserving and nurturing, and not what should be sacrificed in order that wrongdoers can be paid for economic losses which they refuse voluntarily to insure and protect.

Yesterday afternoon for the first time I obtained and read a copy of Dr. Denenberg's paper "The Politics of No-fault Automobile Insurance." He is on record

against no-fault insurance as long as a year ago. I note, however, that he has not changed his opinion since yesterday. He has not talked to the topic assigned to us, but since I propose to do so we will be talking past one another, and not communicating or sharpening the issue for discussion at this Conference. I do not propose, however entertaining it might be, to enter into a cock fight with the gentleman to test who has the longest spurs and the sharpest beak. Besides, he has more feathers to lose than I have. In forensic debate, it is a transparent maneuver to pick some unpopular minority and make it appear that it is on trial and not the basic issue. I do not intend to fall for that maneuver by defending the trial bar and then be told that I ought to be discredited, because I am one of the defendants on trial. I am reminded that half of the Governors at this Conference are lawyers. Our prosecutor may wish to disqualify them on the ground that they too are defendants under his indictment. The essence of what I have to say to this, in answer to his politician's dream, is that I am one of those who still believes that the dream of politicians at the level of governorship of these 50 States is a great American dream of freedom, the brotherhood of man and equal justice for all.

If no-fault plans are contrived and thrust upon the people on impossible promises of premium reductions, for the sake of gaining votes, and that is the fitful slumber that Dr. Denenberg's hypothesis would induce, then I say that the politician's dream will become a politician's nightmare, a bad trip. Our time is limited. You will all be given copies of my paper, and summaries of it. I will try to condense it and stay within my time since, as our preacher has said, there are no souls saved after 20 minutes anyway. There are threats at the federal level. There are sticks, and big ones, being shaken at the States. It is doubtful that these no-fault bills introduced in Congress were intended for any other purpose than to frighten the States and insurance companies into action they really do not want to take. One of the papers published by the Department of Transportation as a part of its study was written by Professor John Day, formerly special counsel and later a consultant to the DOT study. On the last page of his paper he bluntly states in one sentence, "By threatening to assume the regulatory function the federal authority may accomplish more than by actually assuming it." In a sense, in responding to a threat, the States have already abandoned the idea of state regulation and have, in fact, made a federal matter of it, so that the burning issue presented today in every State is whether it will be coerced by threat of federal action into the enactment of legislation which some congressmen want enacted, but which may be detrimental to the public interest.

Addressing myself directly to the subject at hand, I suggest that no-fault insurance is entirely different from no-fault insurance plans. No one opposes voluntary no-fault insurance. It is available today in the form of accident and health insurance, life insurance, Blue Cross, Blue Shield, in the form of medical pay reimbursement clauses in all automobile insurance policies. Voluntary no-fault insurance is an entirely different thing than the no-fault insurance plan. Now, these plans are innumerable because of the large number of variable factors involved. Each plan must be considered as an integrated whole, but all of them have two basic ingredients to which I am opposed.

The first ingredient is that they are compulsory, as opposed to voluntary action.

Secondly, no-fault plans bar innocent victims from recovering all or a substantial part of their damages for permanent injury, disfigurement, pain and suffering. I suggest to you that it is not necessary to make no-fault coverages compulsory. There are other ways within the existing system to take care of those who need this insurance but who either fail or refuse to carry it, and, besides, if a social problem exists, then it should be handled through social insurance such as state or federal health insurance and temporary disability laws.

Compulsory no-fault insurance is defended on the ground that it is needed by a small class of people who either are not willing voluntarily to protect themselves with no-fault insurance, or who are unable to obtain it. This is indeed an extremely small class of people. Included in this class are the drunken driver, the hot rodders and traffic violators unable to recover under the fault system, and so thoughtless of themselves and others as to fail to carry insurance to meet their needs. The vast majority of people injured in automobile accidents recover under the fault system either some or all of their economic losses. Those not entitled to damages have access to private and public insurance of all kinds. Eighty percent of the population today is covered by one or more forms of private or public no-fault insurance, paying all or a substantial part of their medical expenses and lost wages or support resulting from bodily injury or death, and the number of these persons insured and the types and amounts of coverage are growing by leaps and bounds. In the not too distant future, I hope, there will be some form of state or national or combined health insurance, and States other than the six who now have temporary disability laws will extend that field.

There are indeed, however, a few people who still are not entitled to recover under the existing fault system. Some of these cases are made up of the 20 percent of automobiles that are not covered by liability insurance. Only three States have compulsory liability insurance. The insurance companies have blocked every movement to attempt to put compulsory liability insurance in the other States. Compulsory liability insurance with a minimum of \$25,000 would take care of a large number of these people who are not paid, the innocent ones who are not paid under the present system. No-fault catastrophe insurance purchased on a voluntary basis covering excess losses can be purchased at a cost per family of less than five cents a day. In short, compulsory first-party insurance is not needed.

Canada and every country in Europe have comprehensive social insurance plans which supplement no-fault systems. This is the only country, and we have taken them all in, Canada and Europe, this is the only country in which it has been proposed that in extended no-fault insurance the innocent victim be deprived of other rights that he is entitled to receive. Then I say that it would be grossly unjust and unfair, in any event, to deprive innocent victims of a part of their very real damages, their noneconomic losses, solely to hold down insurance costs for the sake of making the payment of no-fault benefits to wrongdoers accountable to the motoring public. Dr. Denenberg has said that the people want no-fault insurance. Every public attitude survey, and I include those made by the Department of Transportation, every one of them has produced a result that most people are satisfied with the present system and wish to retain pain and suffering as items of damage. In 1968, the State Farm Insurance Company submitted a questionnaire to more than

11 million policyholders to test their preference as between the fault system, which compensates for noneconomic losses, pain and suffering, permanent disability, disfigurement, and no-fault plans which do not. Over three million responses were tabulated. Ninety-four percent favored retention of the fault system, and this finding has been substantiated by other polls and surveys.

Let there be no mistake about the real reason that no-fault planners propose to eliminate or cut down damages for noneconomic losses. They do so solely because they feel it is necessary to withdraw benefits from innocent injured people in order that no-fault benefits can be paid to the guilty as well as to the innocent traffic victim who has not voluntarily protected himself with private insurance. They say it cuts premiums. Let's take the Puerto Rican plan. They had \$28 million in premiums in the first year and a half, I am given to understand, and \$8 million paid out, \$1.4 million of which went for administrative expenses. Why? Because they paid nothing. The best plan, the plan of all plans that Dr. Denenberg proposed to an actuarial society about a year ago, is to pay nothing and thereby reduce the premiums to zero. Certainly you ought to be able to reduce the premium if you withdraw benefits, and that is an integral part of all no-fault plans. Shakespeare said that he scoffs at scholars who never felt a wound. There is no question of the reality and substantiality of these damages suffered from permanent injury, permanent disfigurement, pain and suffering. They represent the dignitary interests of individuals. Those interests may be all that a poor man has, and though enjoyed by rich and poor alike, if they go uncompensated for the poor man, you have deprived him of everything that he has.

I do not stand for the status quo. There isn't any such thing as a status quo, anyway. We are always in a process of fluctuation and change. So what do I stand for? I'd like to give you my own proposals very, very quickly. Prevention of accidents, taking the drunken driver off the road. He kills half of the 50,000 people killed every year. Prevention, and not compensation, should be the primary point of interest. Twenty percent of those who are injured on the highway and who die, die for lack of emergency medical care. Better automobiles can be made. The no-fault planners do not tell you that two-thirds of the premium, the automobile premium, goes to pay for losses other than bodily injury; two-thirds goes for damages in the comprehensive and the theft; and only one-third of the premium goes for the bodily injuries which their plans effect. Nine out of every ten claims made to insurance companies are for property damages and not for bodily injury. The thing that we need is a less fragile car. We need better bumpers. We need to work on this problem of reducing the enormous property damage loss that occurs.

Physical and occupational rehabilitation can save damages and lives. These ought to be preeminent. We ought not to give it away and merely make a handout for those who are in need because they have not taken care of themselves. The form of the fault system badly needs reform in many respects. I was on the committee of the American Bar Association that studied the project and issued a long report. Compulsory liability insurance, with minimal limit of \$25,000, is essential. What should be done about the incorporation of no-fault insurance into a liability insurance policy? Should it be mandatorily offered, as in Minnesota and South Dakota? Should it be compulsorily included if it is included? Is it necessary, and I say it is not,

if you include it compulsorily to then withdraw and limit the general damages that victims suffer? Here's what has happened in Canada and in European countries. There are social insurance benefits that are extended to everyone, and these provide a second layer on the fault system without any alteration whatsoever of the fault system. It is the solution that has been offered, not on a public basis, but a solution that has been offered, in part, by Minnesota and South Dakota, and by Oregon which has now mandated or compulsorily included the no-fault benefit.

So this is the critical issue. Are you going to make insurance companies offer it to everyone, are you going to compel the inclusion of it? If you compel the inclusion of it, is it necessary, and I say it is not, to go forward and alter the rest of the system?

I'd like to conclude my address by saying this. No-fault insurance planners ignore the primary problems of accident prevention, emergency care and rehabilitation. Their plans remove the deterrent effect of the fault system which would make people aware of their carelessness. Under the fault system, a feeling and a sense of individual responsibility remains even if the insurance company foots the bill. For each driver knows if he is careless his rate may go up and that produces some care on his part. Maryland's Governor has suggested that if this thing goes too far, that what every State should consider is a proposal that government enter into the business, and if we are to socialize losses in this area, then we should socialize profits.

No-fault insurance plans are nothing but compulsory auto accident insurance, with all liability for faulty conduct excused, and all responsibility for pain and suffering wiped out or severely limited. It is good for no one except bad drivers. It removes the deterrent effect of the fault system, it depersonalizes the citizen, it strips him of his dignitary interest and compels him to pay through auto premiums the bills of wrongdoers who have not voluntarily insured themselves. Worst of all, these plans are being proposed at a time when crime rates and juvenile delinquency rates have risen to such peaks that citizens are afraid to walk the streets at night even in the outer city. Juveniles cause more than their share of automobile accidents and crime. Part of the reason is the permissive attitude of society. The failure to teach and live a life of accountability of each individual for his own conduct.

This is no time to tell the youth of this Nation, or anyone else, that the law is no longer concerned with characterizing conduct as faulty, or holding careless or criminal wrongdoers responsible for all of the harm they cause. I believe the fault system rests on the bedrock sense of justice, inherent in the notion that if one is innocent of wrongdoing, he should not be held accountable for damages to another. We may have reached a turning point in the notion that it is society and not the individual which is guilty of lawless conduct. We need a return to, rather than a further departure from, the notion that individuals should be held accountable for their own transgressions, but should be freely acquitted of responsibility if they are innocent of fault.

Lastly, I believe that the individual is the basic, ultimate, important unit in society; that among his inalienable rights are physical and mental integrity and freedom from harm, and that the intangible values of life, including freedom from pain and suffering, and the right to enjoy an uncrippled life, are as valuable as life itself. The tort system individualizes damages, promises full and fair compensation

for all damages. I have no objection to social systems which aid all persons in case of need. I do protest cutting down on the damages payable to innocent victims in order that wrongdoers can be paid for damages which they might have voluntarily insured. Thank you for the privilege of addressing this gathering.

GOVERNOR HEARNES: We will now ask for questions and comments from the various Governors. Governor Sargent asked for recognition, then Governor Ogilvie, and then the Governor from Utah, Governor Rampton.

GOVERNOR SARGENT: Mr. Chairman, I understood there was going to be a third formal speaker.

GOVERNOR HEARNES: Mr. Frank Fournier is here as special consultant or advisor, and he is also eligible for questions but will not make a speech.

GOVERNOR SARGENT: Thank you very much, Mr. Chairman. I would like to just comment for the record on the basis of our experience in our State. What I am saying, Mr. Richardson, is not political, I am just speaking on the basis of the record of what we have compiled in our State as a result of the passage of a limited no-fault system. Last January Massachusetts became the first State in the Nation to put a no-fault auto insurance plan into effect. After eight months we know the plan cuts waste, delay and inequity, and the cost of premiums. Just putting the system into effect saved drivers \$76 million in premium charges otherwise certain for 1971, but that was only the beginning. Claim costs are down more than 50 percent for the first half of 1971, and the number of claims has dropped a startling 53 percent, indicating incidentally, that no-fault is reducing fraudulent claims previously made. Even if average claim costs rise, as more serious and more costly injuries enter the averages, we will clearly be able to make cuts in premium costs next year and, in fact, justify rebates of excess profits that companies would earn from premiums paid by our drivers this year.

I filed legislation to guarantee either rebates this year or credits on next year's auto insurance bills. Costs are cut under no-fault by removal from the system of two so-called benefits the public neither needed or wanted, duplicate payments for single losses, and so-called pain and suffering payments for minor, sometimes very trivial injuries. Sacrificing these items in return for lower costs and quicker and certain payment, minus a snarl of legal red tape, is what no-fault is really all about. I think personally that the delay has been the big problem in our State. If a person had an accident, he would wait one year or two years or even three years before there would be a settlement. Today there is no delay at all.

Yes, it did take four years to win passage of no-fault in Massachusetts because the roadblocks were financial and also emotional ties to the old system, and because of a climate of fear created by insurance companies' threats to leave the State if I signed the bill into law. There were ads in the papers saying they would leave, there were all kinds of statements made, but they didn't leave and, as a matter of fact, they are making more money as a result of the changes than before. But I did sign the bill. The companies are still there, and every Massachusetts policy is a no-fault policy costing less. We have proved that no-fault is the way of the future and now we are working to extend it to property damage coverage in our State. Our host Territory has proved the success of no-fault right here in Puerto Rico, and now Florida, Delaware and Illinois are on the same road.

I applaud personally this state-by-state design and operation of plans based on the no-fault concept. We are ready to share our experience with any other State, and we'll be watching with interest the performance of no-fault in these States embracing it, because despite our pride in the no-fault record in Massachusetts, all the States have more to do to produce even greater auto insurance reform and to guarantee to our people that loss from an auto accident will be compensated quickly, fairly, and at the least possible cost. I just hope that the record in Massachusetts may be of some use to the other States as they are considering this. I don't say that our performance is perfect. I don't say that our law is perfect, but I say that we have made a start, an important start. We have made savings and we are cutting time in terms of court actions.

GOVERNOR HEARNES: Thank you, Governor Sargent. Governor Ogilvie.

GOVERNOR OGILVIE: Mr. Chairman, members of the Conference: Virtually everything which we have heard here this morning supports the need for reform in the system of auto reparations. Now the key question is what should be done and who should do it. I believe that reform should be at a state level, that the reform should be workable, should be meaningful, and it has to be responsive to the problems. The regulation of insurance has historically been a state responsibility. Moreover, several States have, as stated here this morning, moved vigorously to meet the challenge of no-fault. In order to obtain that reform we have to develop a realistic and a practical approach which is evolutionary. I emphasize evolutionary. It can be implemented successfully. It should be a program which seeks to correct deficiencies in the system rather than one which eliminates the system and replaces it with another. It should be one which can be improved promptly as additional changes and needs become obvious, as experience is accumulated, as it has been in Massachusetts, and its successes and failures are monitored to determine the appropriate provisions.

I think something that we Governors understand better than anybody else in this room is that any plan must offer a reasonable possibility of obtaining passage through as wide an acceptance as possible. Oregon, Delaware, Florida, Massachusetts, and others are to be complimented for their efforts and not ridiculed by those who have yet to enact action programs. Progress demands a first step, as well as a second and third, and even a fifth, sixth and seventh. The States have taken steps and they undoubtedly will take more. We in Illinois have embarked on what we believe is a tremendously important program. This Illinois plan was developed after nine months by the Illinois Department of Insurance, was introduced in our Legislature last April, and passed in June by both houses of our Illinois General Assembly. It received the greatest range of bipartisan support, and more importantly, it received the almost unanimous support of all the communications media, of consumers, of the industry and, yes, members of the Bar.

The plan we have developed, the so-called Illinois plan, provides an equitable program for reform with respect to the deficiencies and the criticisms made of the present auto reparations program. Our plan requires our Illinois auto insurers to promptly pay every 30 days, without regard to fault, up to \$2,000 in medical benefits covering the span of one year, up to 85 percent of wage losses to a maximum of \$150 a week for a period of one year, \$4,000 for reimbursement of essential services

to all victims, including pedestrians. Our studies of claims in Illinois demonstrate, and I would ask you to pay particular attention to this, 99 percent of the injured victims of automobile accidents have under \$2,000 in medical expenses. 99.8 percent of injured victims have less than \$7,800 in wage losses. Thus the Illinois plan would provide broad and comprehensive no-fault first-party coverages for an extremely large majority of injured Illinois victims. The plan does not end there; it provides that all insurers must also offer an additional aggregate of \$50,000 of coverage as no-fault excess insurance. This excess coverage would extend medical benefits to \$50,000, and the wage loss benefits and service loss benefits for an additional five years. It also would add a dependent survivor's benefit for a period of five years.

Our approach in this area is unique. The excess loss coverage can be purchased instead of the currently mandatory uninsured motorist coverage. The contrast is dramatic. The uninsured motorist coverage, which all Illinois motorists must now purchase, pays up to \$10,000. However, this is paid only in the event that he is injured by an uninsured motorist, and then only in the event the uninsured motorist would otherwise be liable. The excess coverage which we are substituting for this would pay up to \$100,000 per accident for every injury incurred, whether it was caused by an uninsured motorist or not, and whether there was liability on the part of the uninsured motorist or not.

In spite of these accomplishments within the plan, the plan does not deprive any person of his present right to sue. Apparently now, due to the prompt payment of economic losses, both the need and the reason to sue are dramatically reduced, if not eliminated in the vast majority of cases. Further, the incentive to sue, to exaggerate and to fraudulently concoct claims on the part of claimants and attorneys is lost through a statutory limitation on the amount of pain and suffering award which can be obtained in those cases where there is no serious injury or permanency. Mr. Chairman, this plan meets and demonstrates deficiencies in the old system, while eliminating waste and promptly returning the savings to the policyholders. It deals with a remedy for the deficiencies in the system rather than abandoning or seriously and irreversibly altering that system. Part of our plan lies in its ability to offer remedies without depriving an individual of his long-standing rights. If we remove the *need* to sue, we do not have to eliminate or drastically alter the right to sue. Starting with this flexibility, we do not become irreversibly committed to the abandonment of the basically sound and just system, the system of justice through the right to a trial, a basic American right.

I might say here, too, that I am not going to be buffaloeed or scared by these threats that the federal government is going to take over. They aren't going to do it if we don't want them to. Even more significant and dramatic is the fact that all of the remedies, together with the preservation of rights, can be effectively and economically accomplished. Our plan, which research studies demonstrate, will stabilize and I think perhaps even decrease our insurance rates as Massachusetts has already proven. We did not use the threshold approach of saying you could not sue in nonpermanent disability cases, but we achieve the same effect and I think perhaps a better one. Under our recovery limitations a person with a thousand dollars of medical may only recover a modest maximum in general damages, while a threshold

would permit him the same unlimited jackpot recovery that he can obtain today. In Illinois the recovery for general damages in minor cases can never exceed an amount equal to 50 percent of the first \$500 in medical and 100 percent of the balance, regardless of the amount of the medical bills.

My friends, I would encourage you to review this approach. You have been provided with a folder which gives a very detailed explanation and analysis of the law that will take effect in our State January 1. It has been made available and I ask you to take a close look at it. It works. It is going to result, in my opinion, in substantial savings, and it does not require that we eliminate the tort rights of our citizens. I tell you we are fooling with something pretty basic when we do that.

GOVERNOR HEARNES: Thank you, Governor Ogilvie. Now the Governor from Utah.

GOVERNOR CALVIN L. RAMPTON: I would like to say first that I am very interested in no-fault insurance and intend to appoint a committee very shortly to make a report back to me and the Legislature on it, but I don't like to do this under threat of federal intervention such as Dr. Denenberg has posed. What I would like to ask of both speakers is this. Do they really feel that the requisite constitutional power would exist for Congress to come into a State and mandate what type of insurance should be offered, or is this just a threat that's been thrown out on the theory that Congress can do anything they like to do?

DR. DENENBERG: First of all, I should make it clear that I'm not threatening anything. I do feel that Congress is threatening to pass no-fault legislation and that's what I was trying to say in my speech. I don't think there is much argument that Congress has power to legislate anything it wants in regard to insurance and in regard to interstate commerce, and I think there is more than enough power for Congress to act if it wants, and there may well be federal law no matter what the States happen to do. I think there are many people in Congress who not only think no-fault is sound, but they feel there will never be a decent national system unless Congress acts.

GOVERNOR RAMPTON: I would be inclined to agree with you that the Congress does have the power to regulate companies doing business in interstate commerce although, I believe, the Eighty-first Congress turned that back to the States. But do you really believe they can go beyond that, in addition to regulating them, and say within an individual State you must offer this and you may not offer anything else? I'd like to hear Mr. Richardson on that. I think maybe his opinion might be more authoritative than Dr. Denenberg's.

MR. RICHARDSON: I'm sorry, Governor, it's not. There are a number of people who do believe that Congress can legislate in this field and pass such bills as have been proposed. There are a number of others who believe that it cannot do so. The question is mixed; it will be determined, of course, by the United States Supreme Court. The question may finally revolve upon the point of how far the federal legislation goes to deprive people of the right of jury trial, and the right of the equal protection of the laws and due process of law. So I have no particular notion about that.

I do say and call your attention to the fact, however, that the federal government has on many occasions passed legislation regulating federal highways, and has

attached conditions to the grant of federal funds which have an indirect coercive effect. They say if you don't want our money, you go ahead and do what you want. This is the form of economic compulsion that may finally induce States to take action which the federal government would not take or may not constitutionally take.

GOVERNOR HEARNES: The Governor from Pennsylvania has asked for recognition, then the Governor from Puerto Rico, then the Governor from Virginia, and then we'll go on from there, mindful that lunch is awaiting, and I would also like to ask that the Governors who desire to make statements keep them brief so that those who desire to ask questions will be given that opportunity. The Governor from Pennsylvania.

GOVERNOR MILTON J. SHAPP: I am interested in Pennsylvania in no-fault insurance because of two factors. First, we are very much concerned about the problems of auto insurance, the accidents and the cost, and we feel that the program we have under way in Pennsylvania is going to be a major benefit to the people, in not only lowering premium costs but also to ensure more prompt payment when they are injured. There is another reason that hasn't been stressed and I would like to ask Governor Sargent of Massachusetts what his experience has been in the court situation. At the present time, over one-sixth of the court cases we have in Pennsylvania deal with automobile accidents, and 72 percent of all civil cases in Philadelphia involve automobile accidents. Our courts are jammed. It takes four, five or six years to get many of these cases through, and we feel that by going to a system of no-fault insurance possibly we can greatly relieve the backlog that we have in our court system, and I was wondering, Frank, what your experience has been in Massachusetts in this regard.

GOVERNOR SARGENT: Well, of course, once the backlog of cases that built up over the past few years has gone by, the load in the courts will be reduced even more than it has been, but already we find that in two months' time this year we have had settlements that would have taken the previous carrier nine months to settle. I think the case load in the courts has been very markedly reduced, but will be even more so once that backlog has been disposed of.

GOVERNOR HEARNES: The Governor from Puerto Rico.

GOVERNOR FERRÉ: Mr. Chairman, Puerto Rico's no-fault automobile compensation system has worked for the benefit of the victim, of the insured and of the insurance companies. It promotes basic protection for prompt and efficient benefits. It is compulsory and government administered. It emphasizes socially adequate benefits rather than individual equity. It does not require underwriting policy issuance, billing or collection of premiums. Premiums are collected at the time the license plate is renewed, \$35 each.

At the same time that it guarantees basic benefits for disability, dismemberment, death, funeral and unlimited medical expenses, it leaves the tort-feasor liable to judicial action, if economic loss exceeds the \$1,000 to \$2,000 threshold, with privately provided liability insurance complementing the basic plan. Our experience has been used by several States and other countries. We feel it is our responsibility to share our expertise as well as our two years' experience, for which at this time we repeat our offer of assistance to each and every one of you.

GOVERNOR HEARNES: The Governor from Virginia.

GOVERNOR LINWOOD HOLTON: I'd like to ask Mr. Richardson whether his organization has any tangible suggestion that might result in reduced premiums. The experience from these no-fault States is that premiums are reduced. I'm not worried about pressure from what might happen in Congress, but I am worried about the pressure at home where the rates under the present system keep going up. The insurance companies threaten to stop doing business in Virginia unless we increase the rates even more, and the people want the rates reduced. It is no answer to say cut the accidents and maintain better safety on the highways. That is, of course, a very noble suggestion. We have made progress in that area, but we have not reduced the rates. They are still going up. All of us are going to have to turn to something like the no-fault unless you folks who are working on it all the time can come up with something that will reduce or hold the rates. Do you have anything?

MR. RICHARDSON: I personally believe that the mandatory offering of basic no-fault benefits in a modest amount, such as has been proposed and is now in effect in Minnesota and South Dakota, will accomplish the purpose, or that compulsory basic coverage will accomplish the result, plus a number of other things. There is no magic solution. The Massachusetts plan, with all respect to the great Governor of Massachusetts, is not a solution, a final and complete solution. It is a very complex and complicated thing. I do not stand here representing any particular organization, incidentally. I was asked to come here as an individual and I have spoken my own mind, but this I do promise you, that you present a challenge in that question, you have a challenge to the bar of at least two or three organizations to which I belong, and you are entitled to a straightforward reply that will be given to you in writing within the next 10 days. I promise you that, and to every other Governor at this Conference.

GOVERNOR HOLTON: Thank you.

GOVERNOR HEARNES: The Governor from Nebraska.

GOVERNOR J. JAMES EXON: Mr. Chairman, I'd like to direct this question to Dr. Denenberg. During his speech he indicated that he felt those individuals who were injured were not receiving nearly enough compensation, and yet we have heard testimony here today that where this has been enacted we have guaranteed in some cases a reduction of rates. That seems, on the face of it, inconsistent to me, unless you are saying that we are making all of the savings from the fee that would normally go to the attorneys. Is that inconsistent, Dr. Denenberg, on the face of it and, if not, would you please explain to me why it is not?

DR. DENENBERG: I think the savings from no-fault are very persuasive. It is more than the fees of the attorneys who are taking about one-half of the recoveries in lawsuits. The system becomes much simpler. You don't have to go through the whole routine of delay, of negotiation, of argument over pain and suffering and argument over fault. That's why Blue Cross in Philadelphia can return 97 cents on the dollar and auto liability insurance can only return 42 cents, so you are really doing two things with a good no-fault law. First of all, you are cutting out a lot of the unnecessary expenses. You are simplifying the system which, incidentally, makes it conducive to group coverage. We can sell group health insurance much cheaper than individual insurance. It has been estimated that we can save 10 to 25 percent

as a result of having a contract that can be marketed on a group basis. This is why the savings can run as much as 10 to 40 percent. So there is not only enough money to be saved to lower premiums, but there is enough money to be saved to pay everyone benefits because it is not going to be burned up in expensive processes. I can assure you that you can save money with a no-fault program. Virtually every actuarial study of the no-fault plans in various States has indicated that there are great potential savings.

It was indicated by Mr. Richardson that the Puerto Rico no-fault law is building up this big surplus. I can tell you the reason why it is building up the surplus. When we debated no-fault down here, the trial attorneys and the insurance companies told the legislators that this is a miracle, it can't deliver more benefits at lower prices, it is going to break the island. They claimed it would cost over \$40 million to finance these benefits. Actually it has cost much less than one-half to do it, so now Puerto Rico has so much money that they are going to greatly raise their benefits, provide better benefits and these are still going to come in at a lower cost.

GOVERNOR HEARNES: The Governor from Rhode Island and then the Governor from Maryland.

GOVERNOR FRANK LICHT: I'd like to ask Mr. Richardson if he concedes the fact, under a no-fault system, that the premiums will and can be reduced, aside from the philosophical and political discussion that was a part of his address, and I want to commend him for that. We are confronted as Governors of the respective States with the very serious problem of rising costs of premiums, and if we take all those objectives away and just go to the heart of the question of dollars, do you concede that for the same things under no-fault it would cost less to the insurer?

MR. RICHARDSON: No, I do not. The cost or the premium that is concerned in any no-fault insurance plan depends upon the benefits that are delivered. For example, the American Insurance Association proposed a plan for unlimited payment of benefits of numerous kinds and cut out all recovery of pain and suffering, it was a pure accident and health plan. They issued statements that this would save about 19 percent of the average premium paid on automobile insurance. The two other large trade associations, that includes Allstate, State Farm and the rest of them, made a study of the AIA plan and pointed out serious actuarial error and came up with figures that it would cost 29 percent more. In other words, as I said, whether or not a premium can be reduced depends upon how much you give in the form of no-fault, whether it is extensive and out of reach or whether they are limited, and it also depends on how much you take away from the innocent victim by way of the pain and suffering. So it all depends upon what kind of a system you have and also how it is integrated into the other systems of private insurance, the collateral source rules that you use, the subrogations that you use. It is a very complicated situation. I trust I have been able to answer your question.

GOVERNOR LICHT: No, I don't think you have answered my question. I'd like to pursue it. If you take away the costs of litigation, if you take away the delay involved, and if you take away the cost of administration, doesn't it stand to reason that for the same benefits the premium would be less? In other words, I am not suggesting an all-inclusive plan. I am saying if we take, for example, the Massachusetts plan, does it stand to reason that for the same things that Massachusetts

can give under no-fault, the cost would be less than it would be, for example, if you didn't have no-fault?

MR. RICHARDSON: I think the great Governor of Massachusetts would like to see more evidence concerning the final outcome of the question. I think it has already been pretty well demonstrated that because of the benefits withdrawn and other things that have gone on in Massachusetts, there would be some reduction in premium. In fact, so much so that I should think the people of Massachusetts might well indeed want a restoration of the pain and suffering and other benefits that are taken away from them, which would not significantly increase the premium. I might add just one other little thought, and that is that an independent Associated Press survey recently published has indicated that the people of Massachusetts, at least some of them, are bitterly disillusioned with the no-fault plan and are very, very dissatisfied with it. I don't believe that that is a comprehensive poll, but that is the poll that was published in the newspaper recently.

GOVERNOR HEARNES: The Governor of Maryland.

GOVERNOR MANDEL: I'd like to ask both of the gentlemen a question. The problem that we seem to have in our State, and that the public is more concerned with, is the arbitrary cancellation of insurance and the failure to retain your insurance and get it renewed once you have it. How does no-fault affect that situation and help us in that area? It seems to me that the reduction of premiums is great, the fast payment of claims is great, but that doesn't help the individual who can't get his insurance and the one who can't keep it once he gets it. Does this plan in any way help that situation?

DR. DENENBERG: As a matter of fact, we built in a specific revision in the Pennsylvania no-fault law giving the insurance department adequate authority to regulate and prevent arbitrary cancellations. I think no-fault will make an important contribution to this because, first of all, you are going to reduce the cost of insurance and that always improves the market for insurance. When premiums become too high, many people can't afford them . . .

GOVERNOR MANDEL: Can I interrupt you. While you are reducing the cost I say that's great, but isn't that going to make the companies more susceptible to be selective about who they are going to insure?

DR. DENENBERG: I think by reducing the cost you broaden the market. You also eliminate a lot of the irrational discrimination in the present system. For example, the insurance companies today don't want to write military personnel because they have to worry will this guy be available as a witness four years from now. They tend to discriminate against the aged and the young driver. There are a lot of irrational discriminations in the present system that will tend to disappear under a no-fault system, and all of these, I am confident, will produce a better market for insurance.

GOVERNOR MANDEL: Is there any indication of that in the plans that are presently working? Has there been any tendency of the companies to be selective in who they insure or to be more readily available to renew insurance?

DR. DENENBERG: Of course the plan in Puerto Rico provides insurance to everyone without regard to insurability, so that certainly has improved the situation.

As far as I know, the companies are much happier than they were before but I am sure Governor Sargent would be the man to answer that question.

GOVERNOR SARGENT: They were awfully mad for a while, but I think that the companies are quite pleased with the plan now. They are concerned about the prospect of a possible rebate and I'm not sure that that's constitutional. We aren't certain that we can do that but we are making provisions in case we could do it. We do expect and anticipate very much reduced rates next year.

GOVERNOR HEARNES: Are there any other questions? Governor King.

GOVERNOR BRUCE KING: Dr. Denenberg, I have a question, I think you touched on it briefly in your last remark. We are making a study in New Mexico, but this would help a great deal in the underage drivers, would it not? The no-fault insurance would help a great deal to lower the exorbitant rates, right?

DR. DENENBERG: I think it pretty clearly will. No-fault insurance would give the senior citizen a break, the young driver a break because it is buying insurance for yourself. You aren't trying to speculate on what some third party that you are going to run into is going to need. You buy it for yourself. This simplifies the whole process, economizes the whole process, and I think it makes sense overall in terms of what we are trying to do to provide an insurance market for everyone.

Trial lawyers object and say what you are really doing is providing health and life insurance, and I think one of the reasons is that health and life insurance do not require litigation, they do not require argument, they do not require controversy. They are very economical, they can deliver benefits promptly and economically and I think that's really what the heart of no-fault is. As a result of that, it is going to make insurance available to all kinds of people who have difficulty getting it now, the young, the old. There is also discrimination against divorcees, people with nicknames and every irrational type of discrimination under the liability system, such as trying to anticipate the lawsuit that's going to follow and the attempt to figure out what is some jury going to think of this guy. With no-fault you eliminate all of those questions and by doing this you are going to provide a better market to everyone.

GOVERNOR KING: In other words, we should eliminate the unsafe drivers by other methods, the licensing method rather than the insurance method, right?

DR. DENENBERG: I think it is clear that this whole notion of fault being built into the present system doesn't mean anything. We are all sharing the cost of the good and bad driver by insurance. Furthermore, studies indicate there is no basis for the notion you drive more or less carefully because of the fault system. Because a man has a million dollars in health and life insurance he doesn't go out and drive recklessly on the street. This was said in Puerto Rico; it was said in no-fault everybody would run around killing themselves. The death rate was 540 per year by auto accidents before the no-fault law went into effect. After it went into effect the death rate dropped about 20 percent, the rate of accidents decreased, so I think Puerto Rico proves that we can still have safe drivers and safe procedures under no-fault systems. As a matter of fact, there is a lot of evidence to indicate that no-fault will actually bring about safer highways and fewer accidents.

Under the present system when you are in an accident the first thing that happens is your insurance company and your lawyer both tell you to shut up, so you are

unable to get the facts, you are unable to develop why accidents are happening. Secondly, it is very difficult to rate for safety under the present system. We could bring about much safer automobiles if we could rate the automobile in terms of safety, but under the liability system you can't rate the automobile because you have to sit there and think about what kind of a car is your insurer driving and what kind of a car is he going to run into, and you don't know, so it is all speculation. Under a no-fault system you can rate on the basis of safety and damageability, and that can have a dramatic impact for driving unsafe cars over the road. Furthermore, as you say, you still have recourse through the criminal and traffic laws to get unsafe drivers off the road and I suppose that's the best way to do it.

GOVERNOR HEARNES: Mr. Richardson.

MR. RICHARDSON: I utterly disagree with that.

GOVERNOR KING: Would you care to state your opinion?

MR. RICHARDSON: Yes, sir. I'm not the one who is the originator of the thought. The insurance companies that have examined these plans and know about ratings have said so. Let's take one example. Suppose you have a two-seater automobile driven by a young hotrodder. It doesn't cost too much, the exposure is small, because there are only two seats in it. How are you going to rate that car on first-party benefits because you are rating that person as a potential liability? Take a man with six children, with an old car and his children drive that car. What is the premium that's going to be put on that automobile? I say this is going to be a terrific tax on the family man with a car who has a lot of children, and it will relieve the young people of more of the responsibility that should be shoved upon them under this and any other system.

GOVERNOR HEARNES: Are there any other questions? Governor Ray.

GOVERNOR RAY: Dr. Denenberg, it seems to me that when you have a broken leg you don't really go out and amputate it, you repair it, you reduce the fracture, and you heal the person. It seems to me like here we are talking about a rather clear no-fault system, one that you are advocating, and you mentioned the figure of \$36,000 income that could be allowed. You spoke in terms of not immediately, but you thought that was rather significant, and yet a person who earns \$6,000 a year would only be compensated for his income for six years, which is not very much if he is expected to support a family the rest of his life. I am just interested since you really did not comment much about the Illinois plan, if you would favor a plan of this nature that would allow the person to continue to be compensated, or at least have his cause of action, so that he could be compensated for his injuries and for permanent disability, disfigurement and this type of thing.

DR. DENENBERG: First of all, in Pennsylvania we have not proposed a pure no-fault plan. You can still sue for pain and suffering in the event of death, permanent and total disability, permanent and partial disability in excess of 70 percent, dismemberment and some of the other catastrophic causes. However, I believe that the fact of the matter is that allowing people to sue under the present system is not giving them benefits. I think that's just a delusion. The Department of Transportation studies show that the people who really need the pain and suffering benefits, the people who really need this full recovery aren't getting it. The figures I quoted in my speech I think are illustrative. The permanently and totally disabled are

suffering economic loss of \$78,000, and on the average they are getting \$12,000 recovery, which is 16 percent of their economic loss. This means that the people who really need help aren't getting pain and suffering under the present system. They aren't even getting adequate wage loss and adequate medical expense bills. I think it is illustrative of the dramatic reform that you can achieve by no-fault by the fact that you are better off probably getting knocked off in Puerto Rico today under their \$35 a year no-fault plan than you would be getting knocked off in Philadelphia. The Puerto Rico plan was designed for a low-income economy, and yet because of the efficiency of no-fault even here they can provide unlimited medical benefits, whether your loss is \$1 or \$1 million on medical benefits you collect. The other benefits are more modest, but I think that really indicates that by bringing about these economies you are actually providing better benefits to more people than you are under the present system. What you are really doing is you are cutting out the waste, the extra expenses of insurance companies, the legal fees which in Philadelphia are 40, 50 percent and sometimes higher. When you do that you are going to have a lot of money left over, and that means you are going to have a lot more benefits to pay to every automobile accident victim, and you also are going to be able to lower premiums. I think that's what every no-fault law enacted so far demonstrates.

GOVERNOR HEARNES: I would like to, if I may at this time, ask unanimous consent. I think it would be of interest to the Governors to present Judge Eugene A. Burdick, who is the newly elected president of the Commissioners on Uniform State Laws. These commissioners are now drafting a uniform state no-fault insurance law for presentation to the National Governors' Conference and the Council of State Governments by December 1. The Judge has expressed his willingness to make a very, very short presentation on what they have accomplished as of this date and what they hope to accomplish.

JUDGE EUGENE A. BURDICK: Governor Hearn, Your Excellencies, Ladies and Gentlemen: The National Conference of Commissioners on Uniform State Laws, through impetus provided by the Council of State Governments, has a contract with the Department of Transportation to draft a Uniform Motor Vehicle Accident Reparations Act, and our timetable on the drafting of this act is to have our first draft completed by December 1. This draft, I may say, has already received the attention of the Conference at Vail, Colorado, last month. After December 1 it will go into the final stages and will eventually be presented to the Conference of Commissioners on Uniform State Laws next August. We are very busy in the drafting process at this time. There will be public hearings on the act, on the first draft, in Minneapolis on the 25th of September, at which anyone is welcome to appear. The chairman of our special committee is Dean Lindsey Cowen of the Law School of the University of Georgia, who is here. Dean Lindsey Cowen, will you please stand. We will be available to any Governor or his staff who wishes to inquire into the scope of our work and to follow the development of this act as it progresses. With your permission, I would like to leave or mail to you a statement on the work of the Conference in this area and perhaps in other areas. Thank you.

GOVERNOR HEARNES: Are there any other questions? The Governor from Illinois.

GOVERNOR OGILVIE: Just a quick question. I want to ask Frank Sargent

if he is making any plans to reduce the number of judges in those urban areas where you are seeing this reduction of case load?

GOVERNOR SARGENT: No.

GOVERNOR HEARNES: The Governor of Puerto Rico.

GOVERNOR FERRÉ: Mr. Chairman, I hereby would like to give notice that Governor Gilligan and I intend to ask for suspension of the articles tomorrow in order to offer a resolution which has been distributed to you on the subject of science and government.

GOVERNOR HEARNES: On behalf of the National Governors' Conference, I want to extend our thanks and appreciation to the penalists on the no-fault insurance discussion. I think it was very enlightening, regardless of where you stand on the question. Is there any other business to come before the meeting?

GOVERNOR BUMPERS: I move we adjourn.

GOVERNOR EDGAR D. WHITCOMB: I second it.

GOVERNOR HEARNES: Without objection the meeting stands adjourned.

State Dinner

The Annual State Dinner was held on Tuesday evening, with Governor Warren E. Hearnes presiding as Chairman of the National Governors' Conference. The Governors and their ladies were introduced upon their entry into the Isla Verde Ballroom. At the close of dinner, the following business proceedings ensued.

GOVERNOR HEARNES: At our opening business session yesterday morning, when I delivered the Chairman's Annual Report, my remarks included criticism of the working relationship between the States and the federal government. Such comments are not unusual in our meetings because this continues to be a topic of deep concern among the Governors, and it undoubtedly will become more critical as our society continues to grow, both in numbers and complexity.

Tonight, we are privileged to hear from a man who is uniquely versed in this area of special concern. He served as a State Representative during the late 1940s, and as a Governor during the decade of the 1950s, when state officials had to contend with the problems created by a federal government that was expanding rapidly to cope with postwar issues and an exploding national economy. He has been a United States Senator for the past dozen years, as federal officials have had to contend with the fact that a reversal of power is needed, returning government to the people, because the demand for increased public services is falling heavily upon the States.

In times of stress, both at the state and federal levels, he has been involved with the necessity of forging a more workable and reasonable partnership. The combination of his experience and personal interest has brought him to the chairmanship of the Committee on Intergovernmental Relations in the United States Senate. He comes to us as a man who knows our problems firsthand, and as one who now is in a position to help the Governors achieve a better partnership in our federal system. I could not present our guest, however, without some reference to the strong personal characteristics which have distinguished his career in public office. The portrayal I seek was expressed by another Senator from Maine, more than a century ago, who stood by his desk and addressed these words to the President of the Senate:

“When, Mr. President, a man becomes a member of this body he cannot even dream of the ordeal to which he cannot fail to be exposed;

of how much courage he must possess to resist the temptations which daily beset him;

of that sensitive shrinking from undeserved censure which he must learn to control;

of the ever-recurring contest between a natural desire for public approbation and a sense of public duty;

of the load of injustice he must be content to bear, even from those who should be his friends;

the imputations of his motives;

the sneers and sarcasms of ignorance and malice;

all the manifold injuries which partisan or private malignity, disappointed of its objects, may shower upon his unprotected head.

“All this, Mr. President, if he would retain his integrity, he must learn to bear unmoved, and walk steadily onward in the path of duty, sustained only by the reflection that time may do him justice, or if not, that after all his individual hopes and aspirations, and even his name among men, should be of little account to him when weighed in the balance against the welfare of a people of whose destiny he is a constituted guardian and defender.”*

Those words, which I believe would have deep meaning for all of us serving in public office, place me particularly in mind of a man who not only is tall in stature, but in the integrity and sincere personal convictions which have marked his career in government. Ladies and gentlemen, it is my great pleasure to present the junior Senator from the State of Maine, the Honorable Edmund S. Muskie.

SENATOR EDMUND S. MUSKIE: I know this speech should begin with a joke and a note of thanks to each of you. I know this speech should point to problems and propose solutions. And a few hours ago, that is how I intended to talk with you tonight, in conventional words and ways, hopefully with the force and the phrases to move you.

I was coming to this Conference for many different reasons.

I wanted to speak as an American, to congratulate most of the Governors in the South for their courage in defending the rule of law through a difficult and troubled month.

I wanted to speak as a senator, to pledge my support for revenue sharing and welfare reform and my opposition to any delay in putting more of our money where most of our problems are.

And I wanted to speak as a former Governor, to tell you that I know what your problems are — because I was there.

But this is the wrong night, even if that is the right speech. And perhaps there is no right speech at this moment, because at this moment there is only one thing to say, and I am not sure how much we can say about it.

Yesterday, 28 inmates and nine hostages died at a prison in New York State. It was the banner headline in the morning newspaper. But what has happened is more than spectacular news — and it is even more than a deeply human tragedy.

We need not, indeed we cannot pass final judgment on the events at Attica. But in our sorrow we can ponder how and why we have reached the point where men would rather die than live another day in America.

The Attica tragedy is more stark proof that something is terribly wrong in America. How many of us are really ready to face that truth? Not many. It is too easy and tempting to hide behind an almost ritual reaction to each new atrocity.

We mourn today's victims. But because we did so little about yesterday's, it will all happen again tomorrow. We denounce with fervor the barbarism of a courthouse shoot-out. But how many of us still remember, a year later, the name of the judge who was gunned down in San Marin?

It is almost like watching the Vietnam War unfold on the television news. After a while, the numbers of the body count begin to sound like the numbers of the

*Senator William Pitt Fessenden of Maine, 1866

weather report. And now the mounting casualty lists from domestic battlefields seem only to reinforce a spreading numbness.

This is not the way to keep a country — to keep it free — to make it as good and as great as it can be. And we must choose now between the narcotic comfort of business as usual or a harder, longer path toward an America worthy of our heritage.

We are literally saturated with the assorted tragedies of this time, but we cannot give up on our best chance to care, and to change the way we live. We cannot join the half of our fellow citizens who already believe that this Nation is headed for a final breakdown.

This system has not failed — but some of us have failed the system. And both political parties and most recent Administrations can claim some share of the blame.

Too often, we have invented labels instead of finding answers. Nearly four years after the passage of the bill we called the Safe Streets Act, even a guard inside a prison is not safe. And too often, we fail to see the answer behind a label. Nearly every argument has been heard for revenue sharing but the right one — that what is ultimately at stake is people, their neighborhoods, their schools, their homes, and their hopes. We talk a new prosperity. But still we rely on half measures, public relations, and statistics like the GNP.

The only decent course now is a single, clarifying decision — at long last, a genuine commitment of our vast resources to the human needs of people, from the stockbroker on Wall Street to the middle American in Ohio, to the inmates of San Quentin and Attica. And I am talking about results, not the promise in a name.

I am talking about action to reform prisons, not more years of papering over the plain fact that our jails are monstrous, inhuman dungeons, schools for crime and centers of sexual abuse. I am talking about action to relieve poverty, not more years of a war on poverty whose only real casualties are those most in need. I am talking about action to lower property taxes, not more righteous rhetoric while people are literally taxed out of the homes they worked and saved to buy. And I am talking about so much more — too much surely for any of us to believe what some of us say, that this plan or that reform can accomplish swiftly all the tasks which must be done.

But at least we can begin. At least we can restore the hope of so many who are so close to giving up. At least, we can help them believe again in a vibrant, moving, compassionate society, a society without another reason every day for new bitterness and new despair, a society that lets people reach out and touch the promise of things to come.

The ultimate outcome does not depend on budgets or appropriations. They merely reflect the results of a different, deeper contest, a contest we must wage and win inside ourselves. Amid all the competition for place and power in America, we must answer a single, fundamental question: Can we remember the simple decency of caring about our common humanity?

When we are told that there is no constituency for prison reform, we must become that constituency, because we care about endangered guards and their frightened families, because we care about conditions which prompt an Attica inmate to say: "If we cannot live as human beings, we will at least try to die like men."

When we are told that no one will speak for the poor, we must raise our voices, because we care about a three-year-old child who fortunately cannot yet understand the poverty which robs him of his morning milk.

And when we are told that a race or a group has no influence, we must share ours, because we believe that the only race that counts is the human race, because we believe in the right of people to direct their own destiny.

So, in 1971, more important than who leads us is what leads us — whether we can respond to Dietrich Bonhoeffer's challenge to live for others. We face a host of other challenges, technical challenges — how to reshape urban government, how to redesign welfare eligibility and benefits, how to restructure a faltering medical care system. But beyond all the programmatic specifics and the cost analysis, behind the congressional legislation and the presidential commissions, what will finally make the difference is our feeling for each other.

Nothing has troubled me more in recent months than the events at Attica and San Quentin. And nothing has troubled me as much since the murder by a sniper of a young black girl named Joetha Collier on her high school graduation night. These tragedies struck at a distance of thousands of miles, but they also strike at the heart of our country's meaning. Human lives, the lives of people with hopes and dreams, have been lost forever, not for a decent cause, but for a mistake.

And ultimately it is our mistake. We make it whenever we accept the living death of a deprived existence, whenever we accept institutions that ignore the suffering of people, whenever we permit men and women to be less than they could because they have less than they should, whenever we settle for a country rich in GNP, but poor in the quality of everyday human life.

Each of you is the elected leader of a sovereign State. In the coming weeks and months we will all face the stern test of leadership. For the terrible ordeal of New York could become the ordeal of Michigan, or Maine, or Georgia — tomorrow, or next week, or next month. How we respond will in large measure determine the national response.

Two roads will open up to tempt people of different inclinations. One is to take repressive action, to shut ourselves off from the people who are the failures, the mistakes, the problems of our society. In other words, build the walls higher. The other is to do what is necessary to insure that this tragedy doesn't happen again. We have a responsibility to insure the safety of our people and the peace of our society. At the same time we have a responsibility to correct the conditions which create the threats to that peace and safety.

Those conditions exist throughout America. When you and the mayors say to us in Washington that you need a fairer share of our national resources, it is not just because you face budgetary problems. It is also because there are conditions relating to the welfare and well-being of your people with which you cannot deal effectively.

Revenue sharing and welfare reform are essential, even necessary. But they are not ends in themselves. Rather, they reflect our commitment to make the effort, to take the first steps, inadequate as they may be, to achieve in our society the kind of mobility which will permit every American to seek opportunity wherever it may be, or wherever he may see it. The kind of mobility which will permit his children to

receive a good education, wherever that may be. The kind of mobility which will enable every American to get a decent job, and to own a decent home, in a decent and safe neighborhood, wherever that may be. The kind of mobility to focus our resources in our States and cities on the high priority needs of our people.

In 1955 and 1960, we were talking about a revolution of rising expectations in the underdeveloped world. Are we now ready to accept a time of declining expectations in our own country?

It is our obligation, yours and mine, to build something better than that. And I believe we can do it, if we look into our history and grasp again the tools of our heritage and take up the work which must be done.

Thirteen men sit in this room tonight as direct heirs of our proudest tradition. Each of them is the latest successor of an unbroken line of Governors stretching back before the time when there was a union of States. Those 13 men, from as far away as Vermont and Georgia, are a reminder of 13 little colonies that made themselves into a country charged with greatness and the potential for greatness. And, as we approach the 200th anniversary of that beginning, perhaps the best way for us to move forward is to pause for a moment and look back.

If the first Americans could declare for liberty in 1776, can it be so hard for us to declare for equality in 1971?

If a weak alliance of 3 million people on the edge of this vast continent could design a constitution to outlast every other government alive at America's birth, can it be so hard for us to strengthen our federal system, to put more of our money where most of our people's problems are?

For a long time, we have concentrated on the mechanics of celebrating this Nation's 200th year. Now we must work to insure that what we are celebrating in 1976 is an America worthy of the first Americans.

Only we can make it so. And we must begin in 1971. Let us do that much — and then together we can do so much more.

MORNING SESSION

Wednesday, September 15

GOVERNOR HEARNES: The meeting will please come to order. It is my pleasure to present now my very good friend, the distinguished Governor from the State of Washington, Governor Evans.

GOVERNOR DANIEL J. EVANS: Governor Hearnnes and members of the Conference: I am very proud to have the opportunity to speak to you this morning. I have been asked by the Boy Scouts of America to present a short report. I know each of you receives a report once a year from your Scout Councils and the President receives a report from this Congressionally-chartered organization each year. You have in front of you a folder which describes the present status and some of the important activities being carried out in your State by your Boy Scout organization.

In a recent *Time* magazine article, I saw a New York City Boy Scout dressed in a beret, raising a clenched fist salute, and shouting that he was a member of the Black Stoners. Because this was not the Boy Scouting I remembered, I read the story closer and found how much the Boy Scouts of America is changing. When I earned my Eagle award some years ago, I know how much it signified. But, as a State Governor, Scouting today means something different to me. It is an organized, contemporary, and universal program I can use, and I believe you can use, to tackle problems like drug abuse, pollution, juvenile delinquency, and even unemployment. It is a huge private organization that is willing and ready to help every State. Today one in every four boys between the ages of 8 and 16 is engaged in Scouting programs. That is four and a half million boys and young men of this Nation engaged in the largest youth organization in the country. By 1976, the Boy Scouts of America will realize its goal of deeply involving in Scouting a representative one third of all American boys.

One of the programs I have worked hardest on in our State is to engage the services of volunteers. We have long been involved, those of us in government, in the governmental sector. We have been aware, of course, and most of us have been involved at one time or another, in the private sector of our economy. The third element, that of volunteerism, it seems to me, represents the greatest unused potential that you and I can truly use. I have felt that volunteer help represents a uniquely American tradition. It is immensely successful in Washington State, and the Boy Scouts particularly can be key volunteer help to you. It has been proven in housing authorities in the inner cities of our major urban centers that active Scouting programs dramatically lower vandalism and juvenile crime and, by using local leadership, it teaches boys and adults a sense of community spirit, pride and direction. It is a model of self-help that all of us can use.

Drug abuse today represents probably one of the toughest continuing and most rapidly growing problems in each of our States. Four pilot projects have given the Boy Scouts of America ample proof that it can make a contribution towards its solution and, consequently, its National Executive Board has approved Operation Reach as a nationwide fight against the use of drugs. The program will shortly begin and Scout units in many cities now have drug education programs in cooperation with their state and municipal agencies. Environmental pollution plagues all of us. It again represents one of today's contemporary problems, but we have a lot of support from the six million boys and adult members of the Boy Scouts of America. This year they have launched the conservation Good Turn Program called Project SOAR, meaning Save Our American Resources. It is a massive, unit-by-unit concern and action for air, water, and land pollution.

In our State, search and rescue units of teen-aged Explorer Scouts are a necessary and important adjunct to our Civil Defense and National Guard units when it comes time for aircraft search and rescue or mountain search and rescue. These are only some of the problems and opportunities that Scouting is offering to help us resolve. Scouting is a potent force in more than 25,000 American cities and towns. It is a highly effective and powerful resource that all of us, as state officials, can use, and I urge each one of you, my fellow Governors, to accept their offer to help in your State and to join the Boy Scouts in their belief that America's manpower does begin with boypower. Thank you, Mr. Chairman.

GOVERNOR HEARNES: It is now my pleasure to present to some of you an old friend and, for others, a man of whom you have heard, having served as a very distinguished and capable Governor of the Commonwealth of Kentucky. He is Co-Chairman of the Coalition for Rural America. I would like to present at this time the former Governor of Kentucky, Edward T., or, as we know him, "Ned", Breathitt.

MR. BREATHITT: Thank you very much, Mr. Chairman. I want to express my appreciation to you and to my own Governor, Governor Nunn, for his generosity in making it possible for me and my wife, Frances, to be with you on this occasion. As a former Governor, I want to express my special appreciation for this opportunity to take a few minutes in your tightly scheduled Conference. I am here to report briefly to you on the recent formation of the Coalition for Rural America and on its importance, especially to you as Governors.

It is a pleasure to point out that several of the incorporators of the Coalition are also former Governors, and I speak for them, along with the businessmen, educators, and other leaders who have joined with us in establishing the Coalition. Particularly, I bring you the great interest of former Governor Norbert Tiemann of Nebraska who is serving as President of the Coalition and who has played a major role in its creation. As Governor, I faced problems which were similar, if not the same, as those you face. True, they have grown in intensity and complexity. But, in my time, they had already become intense and complex. One of the things I learned in passing through my experience as Governor was that the problems and my intentions to resolve them did not change much. It was clear to me that the problems I faced at the beginning of my term could not be solved at its end, nor within the single term of any Governor who would follow me. But each Governor can establish

basic improvements to the action programs established before him and, thus, make major progress in time on problems which seem unsolvable at any given time.

My strong interest in the deep and growing problems of the people who live in rural areas continued before, during, and since my term as Governor. In my State I believe we have made real progress, built on solid foundations, in dealing with these problems because of the work of Governors before me, work that occurred in my term, and the work carried on today in Kentucky by your colleague, Governor Nunn. However, at a time when all of the Nation's problems become more critical and demand solutions more urgently, many of us have felt that someone should concentrate the Nation's interest and work on those special problems which plague our rural areas. The special irony of the rural problems is the fact that, as the problems worsen, the resources are diminished and the strength of the institutions which must meet these problems are weakened. Recognizing the need to build strength in our Nation to meet the very problems of organizing and mobilizing the strength of the rural areas, we have established the Coalition for Rural America to work alongside the Urban Coalition and other groups who would seek a balanced growth policy and effective action programs to achieve it for all the people of our country.

May I just read the purpose of the Coalition:

"The Purpose of the Coalition for Rural America is to advance the broad interests of rural America, defined as that part of the United States lying outside the major metropolitan areas and embracing non-metropolitan cities, towns, villages, and the open countryside.

"The Coalition for Rural America is committed to the objective of 'Balanced National Growth' in the United States. It recognizes that achievement of a higher standard of living and an improvement in the quality of life for all Americans, whether they live in our large cities or our countryside, can only be achieved through the pursuit of such a policy.

"The Coalition shall pursue its objectives by serving as a spokesman for rural America in the Nation's councils. It is public advocate and public educator, and it seeks to mobilize in a common effort all the many national, regional, state, and local organizations and individuals that share its goal."

Although rural America may have a smaller part of our Nation's people, those people have the larger share of the Nation's poverty, substandard housing and public facilities, and the most severe lags in health and education services. I won't take your time to detail the nature of these problems, which you know as well as I. Let me simply report to you about our initial priority objective, and then comment very briefly on the especial role of Governors in dealing with programs in non-metropolitan America. At our organizing meeting, our chartering directors moved immediately to action. While we will be developing a more comprehensive program over time, and while we are concerning ourselves with extending the organization and its support, we set action at our first meeting to advocate sound legislation and effective programs on the following three objectives:

- (1) Tax credits to be used as incentives for location, expansion, and improvement of industry and for training and employment of workers in rural areas.
- (2) Establishment of a national program to extend credit and related technical

assistance to support the development of both public facilities and private enterprise activities in rural areas.

(3) Establishment of more effective institutions for solving problems and creating opportunities in rural area development. Specifically, this would support the concept of the multi-county area development organizations which are becoming so effective in many States and in major regional programs such as the Appalachian Regional Development Program.

We believe that action on these three objectives can be taken in the immediate future and that they will provide bedrock for other actions to follow. Legislation which would implement these objectives is either pending before the Congress or is being developed now by Congressional committees. We will see that you, and other leaders, are well advised on this legislation and the role it can play in the step-by-step process of building a workable national development policy. But, as an ex-Governor, talking with the Nation's Governors, let me stress the key role of state government and its Chief Executive on behalf of rural America. Literally, rural America depends upon you.

Certainly, no program can go forward except with the best efforts of mayors and county officials and other local leaders. But, in rural areas, far more so than in the cities, even the local officials must look to state government for assistance, for expertise in technical activity, for legal authority, and, in many programs, for the actual administration of services. Our Nation's future, and that of our rural areas, does not depend just upon national legislation, although such legislation is needed with the initiative in States and localities for which the leadership of the Governors can be the key. Even the initiative for the practical design of federal legislation, and of related state legislation, must come from or be much affected by the knowledge of Governors who can make it work. Much further progress needs to be made in the growing success of state program management offices established by Governors and working with multi-county development groups to link state and local effort and with the new multi-state regional commissions to link local, state, and federal programs.

This kind of management effort, designed and led by the States' Chief Executives, will be the key to progress regardless of what kinds of program services we envision. And while revenue-sharing is an important and necessary step to bring resources to state government, it is upon the wise but aggressive management of programs to spend those resources, to target them on our selected priority problems and opportunities, that success will depend. We invite you to be interested in the Coalition for Rural America, to let us know what programs you think important, to let us know how we can help you and the people of your State. I thank you for your invitation and time. I look forward to working with you.

GOVERNOR HEARNES: Are there any questions that any member of the Conference would like to pose to Governor Breathitt? I would like to present at this time the very lovely wife of the former Governor from Kentucky — I think she is in the chamber — Mrs. Breathitt.

The next order of business will be the reports of standing committees and the adoption of policy statements proposed by the Committees. All of these reports and policy statements will be in front of all the Governors. Therefore, the respective

Chairmen should summarize very briefly the work of the Committees, and move the adoption of the policy statement of that particular Committee. I would like to ask the first Committee to report. This will be the report from the Committee on Executive Management and Fiscal Affairs. I would like to ask Governor Rampton of Utah, who is the Chairman of that Committee, to explain initially, for the benefit of all, briefly the work of a standing committee as it is done from one meeting to another. The Chair now recognizes the distinguished Governor from Utah, Calvin Rampton.

GOVERNOR RAMPTON: Mr. Chairman, Gentlemen: It was our understanding on the Fiscal Affairs Committee that the policy statements heretofore adopted at prior Governors' Conferences would continue in force and effect unless changed by the Committee at this Conference or at succeeding Conferences. So our report will concern itself with five additional policy positions and some minor changes in existing policy positions. I might say that the changes we recommend in existing policy positions are merely for the purpose of bringing them up to date generally.

I would like to commend the staff of the Committee on Fiscal Affairs and Executive Management for the splendid work they have done during the past year. Although the Governor members of the Committee have met only during this session and on two prior occasions, each member Governor has had a staff member closely associated in the preparation of the report. They have met during the interim and have done substantial work on this report. The Committee has under way a number of projects which will be passed on to the members who will be appointed to work in the next interim. We have placed particular emphasis on the implementation of budget circulars A-95 and A-98, we currently have a study under way by the staff of the National Governors' Conference in regard to these two circulars with which we are all so vitally concerned.

We have also had a study on the question of sub-districting within States and the confirmation of the federal programs to those state subdistricts. We do have a position paper on that, or a position statement, and you will be furnished later with additional information. We recommend two additional studies for next year. First would be a management study of the Executive Office of the Governor. This has been discussed for some time. We believe it should be carried forward because we believe it would be helpful to the individual Governors, and particularly to the new Governors, in the administration of their offices. We also propose a study and an examination of the federal salary policy and its impact on state pay scales.

Turning now very briefly to the five areas to which we have addressed ourselves this year, the first one concerns the issuance of state and local bonds, and particularly of local bonds, because I think each of you is having the same problem in your State that we are having in the State of Utah. The market for municipal bonds fluctuates very, very rapidly, and so some of our municipalities have had difficulty floating their bond issues and all of them have had difficulty getting a suitable interest rate. The principal buyers of municipal bonds, of course, are those individuals in high-income tax brackets who can make maximum use of the tax-free status of these bonds and, secondly, the commercial banks, who also are attracted

by the tax-free status. However, the participation of commercial banks in the purchasing of municipal issues varies greatly according to the tightness of money. Sometimes they will be in the market very determinedly; other times they are not interested in municipal issues.

We make several recommendations, some of which would require the cooperation of the federal government, some of which we can take care of ourselves as state governments. As you are aware, there have been a number of proposals in the Congress for making municipal issues taxable but, at the same time, providing some sort of a subsidy to the issuer in order to compensate for the fact that he must now pay a higher rate because the interest becomes taxable. We have not specifically endorsed any of these programs, but we have taken the position that, if such programs are adopted, they should be voluntary on the part of the States. The States should have the option of going under the subsidy program or continuing to issue tax-free bonds. In those areas where the federal government is chipping away piecemeal at the tax exemption, principally in the Hill-Burton financing and certain HUD financing where we have to issue municipal bonds to get state matching money, again we feel that the taxable feature should be optional.

We are proposing, further, that in regard to investment trusts, the trusts be permitted to pass through its earnings for municipal issues to the holders of trust certificates on a tax-free basis. At the present time, the interest from trust earnings is taxable, even though it may come from non-taxable sources. We recommend that the States themselves, where your state constitution will permit, explore the possibility of grouping municipal issues, having the State purchase them, and the State, in turn, issue its own bond for this purpose, thus giving the better rate that the State can get through its better credit rating to the municipalities.

Our second proposal has to do with federal-aid information systems. Briefly, we believe that the Office of Management and Budget should undertake the work heretofore undertaken by OEO in preparing reports to the States on federal grants. The OEO has done a good job here but, obviously, their capability is not the same as the capability of the Bureau of the Budget. We deal, on the third item, with what we call federal grant-in-aid omnibus. We have avoided calling this "special" revenue-sharing because it has certain connotations. We have avoided using the term "block grants" because that, too, has certain political connotations. We do endorse, however, the theory of block grants or special revenue-sharing without endorsing the details of the President's proposal for the six areas of special revenue-sharing.

In the field of state sub-district development, we ask that the various departments of the federal government recognize the state sub-districts and recognize its governing bodies in implementing federal government programs which require that they be administered within a State on a sub-district basis.

Finally, we endorse the President's proposal for federal executive reorganization along functional lines without endorsing the particulars of any particular proposed department, because we understand other Committees that will report here today will have specific recommendations in this field. Mr. Chairman, I move the adoption of the amendments to and additions to the policy position statements in the field of Executive Management and Fiscal Affairs.

GOVERNOR HEARNES: You have heard the motion of the Governor from the State of Utah. Is there a second to that motion?

GOVERNOR HOLTON: I second it.

GOVERNOR HEARNES: Is there any discussion? The motion has carried.

GOVERNOR LOUIE B. NUNN: Mr. Chairman, in view of the fact that we are discussing fiscal affairs and, of course, revenue-sharing was mentioned, I have just received information that this morning Chairman Mills of the Ways and Means Committee has said that he will not take up revenue-sharing, that he will move directly to health. Now, at every National, Southern, Midwestern, and Republican Governors' Conference that I have attended for four years, we have discussed revenue-sharing. I think all Governors have gone on record for revenue-sharing, and I would like to move, sir, if I am in order, that you immediately, as Chairman of this Conference . . .

GOVERNOR HEARNES: Governor Nunn, if I may ask you to withdraw that motion until Governor Scott gets back, you will be recognized at that time. He is making a subcommittee report on the topic, the subject matter which you are now discussing. He has stepped out of the room at the present time.

GOVERNOR NUNN: If you will allow me to conclude, I am only suggesting that we immediately send a wire to Congressman Mills inviting him to come here this morning before this Governors' Conference — he could be here in two hours, two hours and a half — and give us an explanation as to why he will not respond to the requests of perhaps 70 Governors, because over a four-year period we have had enough turnover that at least 70 Governors representing the 50 States and the Territories have made this request.

GOVERNOR HEARNES: The Governor from Utah.

GOVERNOR RAMPTON: I wanted to explain to Governor Nunn that the reason we didn't touch general revenue-sharing here was that there is a special subcommittee on that, and we point out the fact that we skip over it doesn't weaken the policy position on it.

GOVERNOR NUNN: The only point is the time situation of trying to get him here this morning. I know you have asked him on numerous occasions; as a matter of fact, I think you sent a direct challenge at the last meeting that I attended with you at the Midwestern Governors' Conference, and you weren't able to succeed then, so let's try again.

GOVERNOR HEARNES: The Governor from Maryland.

GOVERNOR MANDEL: I think if you wait until Governor Scott reports, we have had numerous meetings of the Subcommittee on Revenue-Sharing, and I think the report will throw some light on this situation.

GOVERNOR HEARNES: If the Governor of Kentucky will withdraw his motion, I think that would be the appropriate time to handle it.

GOVERNOR NUNN: I will withdraw my motion.

GOVERNOR HEARNES: The Governor from Arizona.

GOVERNOR JACK WILLIAMS: Could we pull down the noise level in the back of the room? It is very hard to hear back here. Probably you are closer there and you can hear, but we just about are not in the discussion back here.

GOVERNOR HEARNES: I think everyone realizes there may be some

important discussions taking place in this chamber this morning. The Governor from Arizona has pointed out the fact that there is some difficulty in hearing at the rear of the chamber and that, of course, is caused by conversations taking place on the sidelines. When you add all of them together, it makes a mild roar in the rear of the chamber. We have had a very pleasant Conference. No one wants to take any extraordinary actions that would mar that, so I will ask you as nicely as I can this first time to respect those who would like to hear the discussion. The Chair now recognizes the Governor from Kansas, Robert Docking.

GOVERNOR ROBERT DOCKING: Mr. Chairman, the Committee on Human Resources has reviewed the policy statements adopted by the National Governors' Conference in 1970. The Committee reaffirms these basic policies, and urges prompt action by Congress to implement them. Because the Social Security Act Amendments of 1971, which has passed the House of Representatives and is now before the Senate will, if enacted, have a major impact on the existing welfare programs and on state and local governments, the Committee on Human Resources wishes to comment specifically on this proposed federal legislation. The Committee believes that H. R. 1 represents significant progress towards bringing about an improved welfare system. Specifically, the Committee on Human Resources supports the following basic concepts incorporated in H. R. 1:

First, increased recognition of the responsibility of the federal government for welfare and of the fiscal crisis of state and local governments caused in large part by increased expenditures for welfare;

Second, the establishment of federally financed minimum national benefit levels and uniform national eligibility standards for the fully federally financed program;

Third, steps to correct the inequities in the present system which result in its being financially advantageous not to work and which, therefore, discourage those who are working;

Fourth, requirements for registering for and accepting private employment, job training, or participation in a program of public service employment;

Fifth, federal administration and increased federal financing of programs of cash assistance for the aged, blind, and disabled;

Sixth, extension of Medicare benefits to recipients of disability benefits under the Social Security program; and

Seventh, increase in Social Security benefits.

However, it is also urged that H. R. 1 be amended to:

First, recognize the necessity for benefit levels to be adjusted for cost-of-living increases and, therefore, provide for full federal financing of these increases;

Second, extend the basic program to childless single persons and childless couples which are now included in general assistance programs;

Third, recognize the greater fiscal burden of those States which are providing a benefit level higher than the national minimum and provide for federal financial participation in the cost of financing supplementary payments;

Fourth, give States and localities the option to establish public service work programs under which recipients of public assistance not otherwise employed in private jobs, enrolled in training programs, or participating in a public service

employment program, would be required as a condition of eligibility to perform public service work such as conservation, sanitation, day care, hospital care, and so forth. Such work would be performed at a rate not less than the applicable minimum wage;

Fifth, change the provisions related to the accounting period for determining eligibility so that it is based on actual needs, and therefore avoid shifting costs resulting from immediate needs of recipients to state and local general assistance programs;

Sixth, remove the limitations on federal participation under Medicaid for long-term care in mental hospitals and the administrative discretion to reduce federal participation in the cost of skilled nursing home care;

Seventh, remove provisions limiting the amount of federal reimbursement for costs of providing social services. Federal funds should be provided for comprehensive social services, including such services for former and potential welfare recipients;

Eighth, States should be provided the option of administering the cash assistance program without financial penalties.

The Committee on Human Resources wishes to make clear that its support of basic concepts of H. R. 1 does not alter the basic position previously adopted by the National Governors' Conference calling for federal assumption of all costs of welfare on a phase basis. The Committee believes this is critical and will continue to work toward the achievement of this goal. In brief, the Committee suggests the following new policy positions in other human resource programs:

Continued federal assistance to States for social services with the level of such services to be determined by the States and with a major state role in administering social services authorized under the Social Security Act;

Endorses the concept of prepaid group-practice health maintenance organizations;

Urges early enactment of early childhood development program legislation, with a strong state role in its administration;

Supports removal of set-asides on the amount of federal expenditures for education in the Commonwealth of Puerto Rico and the Territories;

Supports the concept of a federally financed program of public service jobs leading to regular private or public employment, but the Committee was concerned that the present Emergency Employment Act lacks an effective state role and, therefore, results in program fragmentation, as well as inefficiency;

Urges federal legislative and administrative actions to provide States the opportunity to interrelate the various manpower and related human resources programs.

The Committee also proposes policy statements concerned with the national crisis of drug abuse and addiction, and calls for federal funds for drug abuse treatment programs and cooperative efforts among the States and the federal government to develop programs to rehabilitate addicted members of the Armed Forces and allow for contracts with the States to provide for such services. Directly related to the granting to 18-year-olds of the right to vote and in furtherance of the goal of extending to them their full rights and responsibilities, a policy statement is proposed urging that each State consider lowering to age 18 the legal age of majority.

Mr. Chairman, I move the adoption of the proposed Human Resources policy statements.

GOVERNOR LOVE: I second that motion.

GOVERNOR HEARNES: The motion has been seconded by Governor Love of Colorado. Is there any discussion? Governor Sargent.

GOVERNOR SARGENT: Mr. Chairman, with your permission, I would like, not to offer an amendment, but to make a very brief statement, a joint statement from ten Governors, some of whom will be voting for the report — I personally am voting for the report — some may not be voting for it.

GOVERNOR HEARNES: Does this relate to the subject matter?

GOVERNOR SARGENT: Yes, it does, directly.

GOVERNOR HEARNES: The Governor from Massachusetts is recognized.

GOVERNOR SARGENT: It is our view that neither an affirmative nor a negative vote on the report of the Committee on Human Resources can fully reflect our position with respect to welfare reform. The National Governors' Conference has long been on record in favor of a complete federal takeover of welfare and we support that concept. We recommend, however, that such a takeover be accomplished by passage of a national welfare reform program containing the following elements:

(1) An adequate payment level. A family of four would receive a payment of \$3,000 in the program's first year, \$3,300 the second year, and \$3,600 the third year;

(2) Major fiscal relief. The lack of fiscal relief for every State as in H. R. 1 is our greatest deficiency. We are spending \$5 billion of state money for welfare right now. We will spend \$4.5 billion in fiscal '73 under H. R. 1, and that is only half a billion dollars of relief. The federal payment level we propose will cut the state support now needed and the States will realize an additional \$4 billion of fiscal relief the first year and by the third year would be completely out of the welfare business;

(3) A strong work incentive. For every dollar of earnings or other income, the worker would be permitted to retain 50 cents. This is so designed to guarantee that a family is always substantially better off if the family head works than if he does not;

(4) Strict work requirements. To be eligible for these grants, the family heads would have to meet a strict work requirement;

(5) Complete federal takeover. The proposal would include childless couples now under general relief;

(6) Medicaid safeguards. Finally, the program would propose safeguards to assure that the States did not face an additional financial burden under Medicaid as a result of any increase in the number of people receiving federal income payments.

It is our intent to make these views known to the Senate Finance Committee when it convenes its hearings to deliberate on these matters. This statement is signed by Governor Curtis of Maine; Governor Davis of Vermont; Governor Light of Rhode Island; Governor Lucey of Wisconsin; Governor Gilligan of Ohio; Governor Mandel of Maryland; Governor McCall of Oregon; Governor Peterson

of New Hampshire; Governor Shapp of Pennsylvania; and Governor Sargent of Massachusetts. Thank you, Mr. Chairman.

GOVERNOR HEARNES: The Governor from Michigan.

GOVERNOR WILLIAM G. MILLIKEN: Mr. Chairman, included in the motion by Governor Docking for adoption of this report is the question of the age of majority. Since this is a new subject before this Conference, I would like very briefly to comment on it. A number of States, of course, have various portions of a comprehensive program for the age limit of majority, but only three States—Vermont, Tennessee, and Michigan—have adopted legislation which would grant to 18-, 19-, and 20-year-old citizens all of these rights and responsibilities of adulthood. In addition, Alaska has an age of majority of 19; Nebraska's is 20; and I understand that Governor Ogilvie of Illinois and Governor Meskill of Connecticut have special commissions which are now studying this issue.

The adoption of this resolution would, I think, do much to restore the young people's faith and confidence in the institutions of government, and would be a very clear demonstration of the fact that the system can and does work for them. I believe that if we want to encourage the very active participation of young people in our society, if we want young people to feel that they can make a difference, if we want them to work within the system, and if we want to help bring an end to the divisions which exist in our society between the older and the younger generations, then I think the adoption of this resolution will help to do that. I urge that it, along with the other proposals included in the motion by Governor Docking, be adopted.

GOVERNOR HEARNES: Governor Williams is recognized.

GOVERNOR JACK WILLIAMS: I should like Governor Docking to respond to a query I have. My concern relates to food stamps and food distribution. I think we are beginning to kid ourselves that the food stamp program has the merit that it might assume to have on its face, and I think the purchase of surplus foods is becoming unrealistic. Did you discuss at all simply increasing welfare payments and doing away with food stamps and with commodity distribution?

GOVERNOR DOCKING: Governor Williams, this was very briefly mentioned. It was not gone into, but I assume that this is going to be a subject that we will consider in depth at the winter meeting in Washington, D.C.

GOVERNOR JACK WILLIAMS: I should like the minutes of our meeting to indicate that I would hope that your Committee would discuss it in depth. We are spending a lot of money on tailgating with commodity distribution, and we are having a lot of problems with food stamps. We are trying it out, just to get it distributed in a State as big as ours, we might as well include it in their check.

GOVERNOR DOCKING: We will have the staff note that and it will be discussed in depth in Washington with the necessary research prior to that time.

GOVERNOR HEARNES: Is there any further discussion? Are you ready for the question? The motion has carried. The next report will be the report of the Committee on Crime Reduction and Public Safety, Governor Peterson of New Hampshire on behalf of Governor Peterson of Delaware, who had to leave.

GOVERNOR WALTER PETERSON: Mr. Chairman, fellow Governors: The Committee on Crime Reduction and Public Safety has recommended several new statements of policy for adoption by this Conference and, in addition, has approved

virtually all of the previously adopted policy statements. I will attempt to summarize them for you as briefly as possible. The Committee urges the Conference to reaffirm its confidence in the Law Enforcement Assistance Administration's block grant program to the States, and it commends the agency for its reorganization, which gives greater authority and responsibility to the regional offices.

We also have revised the policy statements to reflect support for the principle of special revenue-sharing for law enforcement, including removal of federal approval for comprehensive state plans and elimination of the state matching requirements. We recommend adoption of the correctional philosophy of treating offenders as individuals, that is, treating the criminal and not the crime. The Committee advocates increased funding to the Law Enforcement Assistance Administration to be used for the treatment of juvenile offenders, as for programs of juvenile delinquency prevention. The Committee would like to see all such programs now scattered among 70 federal agencies consolidated into one agency; like LEAA, the agency should operate through block grant programs.

At the same time, we call for improved coordination of federal drug programs, and we support a cabinet committee's recommendation for intensified diplomatic efforts to reduce world production and distribution of narcotics. We strongly urge that reduction of violent crime be given priority attention at every level of government. Our report suggests that this Conference call upon the Congress and the federal government to join with Governors and local government leaders to commit the resources necessary to reduce violent crime by 50 percent of the peak year by 1981. This may be a difficult goal, but the Committee considers such an effort to be of critical importance. As a part of this policy, we recommend that national crime reporting procedures be revised to show, to the extent possible, the number of persons committing crimes, rather than just the number of crimes committed. We recommend that the Conference endorse a study of state extradition statutes proposed by the National Association of Extradition Officials and the National Conference of Commissioners on Uniform State Laws for the purpose of developing model legislation which the States may adopt.

Finally, a special subcommittee of our Committee, chaired by Governor Forrest Anderson of Montana, has proposed a series of measures for maintaining the strength and effectiveness of the National Guard as the Nation's reliance upon the draft is lessened in the years ahead. This subcommittee proposes that the federal government provide reenlistment bonuses, survivor annuities, proficiency pay, and early retirement options as inducements to service in the Guard, and that the States supplement these programs with additional educational opportunities, tax relief and other forms of recognition for service.

At this time, Mr. Chairman, I would move adoption of this report by this Conference.

GOVERNOR HEARNES: The Governor from New Hampshire moves the adoption of the report. Is there a second to that motion?

GOVERNOR KING: I second it.

GOVERNOR HEARNES: Governor King of New Mexico has seconded the motion. Is there any discussion? Are you ready for the question? The motion has carried. The next report is from the Committee on Natural Resources and

Environmental Management. The Chair recognizes the Governor of Maine, Governor Curtis.

GOVERNOR KENNETH M. CURTIS: Thank you very much, Mr. Chairman. The work of this year's task force on Natural Resources and Environmental Management is summarized in the report before you. This morning I am only going to attempt to briefly share a few of the special thoughts of the Committee with you. Before going further, I would like to note that Governors have testified at nine Congressional hearings this past year, representing the Conference on matters of environmental importance to all the States. On such issues as air and water pollution control, land use planning, coastal zone management, and state and regional energy needs, we have reiterated the general point that we face a need for clear apportionment of federal, state, and local responsibilities in environmental funding and decision-making.

The federal government must take primary responsibility for pollution from interstate commerce such as planes, boats and automobiles, but I should note that several States have been so dissatisfied with the federal performance in this area that, despite recognizing the need for uniform regulations of interstate commerce, they have felt compelled to enact stricter laws of their own. The area of land use control has been and should remain primarily a state and local responsibility, except where national parks and landmarks or interstate and international bodies of waters or borders are affected. Behind each of these issues lies the question of financing, and here we must recognize that federal erosion of the state tax base dictates that the federal government bear a revenue burden heavier than the administrative or enforcement responsibilities that we are willing to relinquish. Most States have shown their willingness to meet their share and more of the costs of a clean environment. The federal share of the burden may be met through grants-in-aid or through extensive revenue-sharing. However, if it is met, it must be far more reliable in the future than it has been in the past. Despite the high priority which we all attach to pending economic reforms, the \$1.5 billion federal debt to the States, which we have prefunded, must be met this year and the treatment plant construction program must be accelerated.

We have also testified that the federal enforcement effort must be strengthened and standardized. It is true the reactivation of the Refuse Act of 1899 has provided a valuable tool, but it has also caused some conflicts and delays. At the state level our Committee has repeatedly been impressed with the role of balanced planning in averting environmental crisis. Conservationists must face the fact that some activities which our society finds essential still carry some risks of pollution. Industry must recognize that some places are better suited than others to accepting that risk. With sound planning we should be capable of telling industries in clearer terms what we expect of them and, in some cases, what locations are forbidden to them. Governmental uncertainty on these issues can provide the shield for companies, on the one hand, and for people with selfish motives for opposing particular projects, on the other. So within each State today significant groups prophesy various dooms if particular projects are completed, and equally significant groups claim certain starvation, stagnation, and decay if they are not. Caught in the middle are substantial groups of citizens whose jobs and whose quality of life hang in the balance.

These people have no special training adequate to the dilemmas which so profoundly affect them. The quality of the leadership which they receive will determine the difference between progress and paralysis in many parts of this Nation.

We feel the job of a Governor in these circumstances cannot be personally to say yes or no to project after project. It is rather to see that we develop in state capitols and in Washington rules and institutions capable of making these decisions as quickly and as justly as possible. Done well, this alternative will assure public confidence and participation in all important decisions, and it will harmonize our economy and our environment. In summary, our Committee on Natural Resources and Environmental Management strongly feels that environmental reorganization can go beyond cosmetics, to include sound planning, adequate funding, and firm enforcement. This is one of the three or four highest governmental challenges facing this Nation and the States in the 1970s. Turning quickly to the policy statements, our Committee urges that you reaffirm the policy positions of 1970, which cover such continuing areas of concern as land use policy, coastal zone planning, population, and others.

I would also call your attention to the minor deletions involved in Policy Statements F.-5 and F.-8. F.-5 deletes the recommendation that the Coastal States Organization be formed. That organization is now in existence and doing valuable work. F.-8 removes the water pollution sector from the Outdoor Recreation Policy Statement. Water pollution control is now the subject of a separate Policy Statement in F.-11. Policy Statement F.-10 endorses legislation now pending in Congress providing approval for the establishment of interstate environmental compacts as long as those compacts do not weaken existing federal standards. F.-11 reiterates our determination that the federal government live up to its water pollution control commitment, repay States which have pre-funded, and continue this program in the future.

Lastly, we have two resolutions dealing with state and federal resources management practice and for more efficient procedures in processing required impact studies. Mr. Chairman, I would move the acceptance of the Committee report and policy statements.

GOVERNOR HEARNES: You have heard the motion of the Governor from Maine. Is there a second to that motion?

GOVERNOR NUNN: I second the motion.

GOVERNOR HEARNES: Is there any discussion? Are you ready for the question? The Governor from Arizona.

GOVERNOR JACK WILLIAMS: I have one comment. In the matter of agreements between the States, I would hope that the compact and agreement mentioned in F.-10 would be more of a dialogue than it would be permitting a number of States to gang up on another State and force it to do something which economically might be to its disadvantage. Now, from a purist's point of view the idea is extremely good, but there are dangers inherent in this concept, and I don't know whether that was discussed or not.

GOVERNOR CURTIS: I would like to call upon Governor Bumpers, if he would, to comment on that. He has been doing the primary work on this resolution.

GOVERNOR BUMPERS: Governor Williams, this compact certainly is not designed to create any of the problems you suggest. On the contrary, it is designed to allow the Governors of States to enter into agreements where two or more of them see a mutual problem in the environment, without the necessary and usually the very slow process of going to Congress for approval after a compact is entered into. The primary purpose of this, for example, is in the case of my own situation. If Governor Hall of Oklahoma and I should decide that we have a common problem on the Arkansas River, we could enter into a compact, and this legislation gives us prior approval to do this, as Governor Curtis pointed out, as long as it does not conflict with or violate the federal guidelines and the federal standards.

Certainly to suggest, as was once suggested, that the Governors would deliberately attempt to avoid federal standards, is nothing short of an insult. Governors normally have a much better grasp of what their regional problems are than they do in Washington. I am very strongly in favor of this legislation and I certainly hope that you will acquaint yourself with it, and I think you will, too. I urge all of the Governors to urge their delegations to assist in its passage.

GOVERNOR HEARNES: The Governor from Georgia.

GOVERNOR JIMMY CARTER: Mr. Chairman, I might comment that Georgia has already joined this compact, pending the approval of it in Congress, and I think it is an excellent idea. There is one other point that I would like to make and that is that in F.-13 we are pointing out the extreme urgency of having single bodies of major state departments concerned with environment speak with a single voice for the State, and the same thing at the federal government level, because now, even when a project that relates to the improvement of interstate highways or the construction of a state park is completely non-controversial and of great urgency for completion, it takes several months to get a final definitive answer from the federal government approving the particular project. The use of these policy statements in testimony before Congressional committees is extremely important.

There will be, as a matter of interest to the Governors, an International Conference on Environment in Stockholm, Sweden, next July. The United Nations' Secretary General has appointed groups of committees from the different nations. Our own country has a 15-man committee made up of such people as the President of General Motors and Alcoa, the TVA and Con Ed and the young man who started the Earth Day Program. I happen to be the only Governor on the Committee, and I can assure the Governors that the policy statements contained within their own writings here are being considered very thoroughly for presentation to the International Conference in Stockholm next year.

GOVERNOR HEARNES: Is there any further discussion? The Governor from Wyoming.

GOVERNOR STANLEY K. HATHAWAY: I have a question for Governor Curtis. The statement on water pollution does not mention the amendments pending in Congress which would threaten to take away the decision-making input of the States on water pollution. My question is whether or not your Committee discussed these amendments and whether or not you decided you should not comment on them.

GOVERNOR CURTIS: I don't think the Committee, in the deliberations that

I have attended, did anything with that specific question. I think we dwelled more upon trying to continue the way we have been going, trying to get paid back for what we have done, trying to speed up our activity. That was the basic thrust of our concern in the water pollution program.

GOVERNOR HEARNES: Is there any further discussion? The question has been called for on the motion of the Governor from Maine. The motion has carried and the policy statement is adopted. The Chair now recognizes the Chairman of the Committee on Rural and Urban Development, Governor Smith of Texas.

GOVERNOR SMITH: Mr. Chairman, fellow Governors: In the beginning, let me express my gratitude for the honor and privilege of working with the distinguished group of Governors who served on this Committee, and also our gratitude to a wonderful staff. On behalf of the members of the Committee on Rural and Urban Development, we are pleased to present to the Conference recommended policy revisions in three major areas: the first, federal assistance for urban community development; second, the housing subsidy delivery system; and third, federal assistance for rural community development.

Last year this Committee recommended, and the Conference adopted, a series of policy statements calling for the adoption of a National Community Development Policy, including the participation by Governors in meetings of the President's Domestic Council. We will continue to press the Administration and the Congress for the adoption of a National Community Development Policy as outlined in the existing policy of this Conference. With regard to federal assistance for urban community development, the Committee is recommending policy which outlines the criteria for an acceptable system of community development block grants to States and localities. The Administration and the Chairmen of the House and Senate Banking Committees have proposed legislation in this area and we are hopeful that a system of community development block grants will be approved during this session of Congress.

We also recommend the adoption of a policy to make use of existing housing through rehabilitation. Detailed studies and policy discussions are currently taking place within the Administration concerning the feasibility of recommending legislation to the Congress which would expand federal housing rehabilitation programs. In the field of housing subsidy programs, the Committee is recommending an amendment to existing policy on housing. We call on the Administration and the Congress to support positive efforts at the national, state, and local levels to remove all racial discrimination practices which may impede the construction, sale, or rental of housing. The Committee also recommends that the necessary legislative and administrative mechanisms be established to attack problems of the availability of subsidized housing on a housing market or metropolitan area basis.

One of the most pressing problems facing this country in the years ahead is the current maldistribution of our Nation's population. This problem has not gone unnoticed by our Nation's leaders, but there has never been a clear commitment toward its alleviation. The Committee strongly believes that incentives must be established for business and industry to locate in rural areas and that private capital must be committed to assisting small cities and towns to develop in accordance with locally determined goals and objectives. Until these things are accomplished, this

Nation may never be able to correct the present maldistribution of our population. Accordingly, the Committee is recommending the establishment of a system of tax incentives which would encourage business and industry to locate in nonmetropolitan areas. These tax incentives could be in the form of corporate income tax deductions.

The establishment of an appropriate vehicle, such as a National Food and Fiber Board, to stabilize agricultural prices, to raise earnings of producers and to maintain reserves necessary for price stability is recommended by the Committee. The members of the board would be nonpartisan, appointed by the President, and would represent all phases of modern agriculture. The concept of a National Food and Fiber Board builds upon the successful experience of the Federal Reserve Board which regulates the Nation's supply of money and credit.

At this time it is our pleasure to announce two actions taken by the Rural and Urban Development Committee during its meeting last Sunday. First, the Committee requests that the Executive Committee of the National Governors' Conference authorize its staff to negotiate a grant with an appropriate federal agency for the establishment of a team of qualified experts, under the direction of the National Governors' Conference, which will, upon request, assist Governors in implementing community development programs and strategies. Second, the Committee accepted the invitation of Secretary George Romney to meet with him and other members of the Domestic Council to discuss the content of the President's report on urban growth policy which will be submitted to the Congress next February. In order to expedite these discussions, it is the wish of the Committee that the new Chairman of the Governors' Conference expedite the appointment of members of the Rural and Urban Development Committee. The Committee members and Secretary Romney agree that it is imperative for Governors to have a significant voice in the policies which will be enunciated in the President's Urban Growth Policy Report. Now, fellow Governors, that concludes the report, but the distinguished Governor from Illinois, Governor Ogilvie, would, I believe, like at this time to submit an amendment, if it is in order, Mr. Chairman.

GOVERNOR OGILVIE: Mr. Chairman, I have learned that Congress recently has passed, and the President has signed, legislation which extends the Economic Development Act of 1965. The changes in the legislation require that the EDA use 25 to 30 percent of its public works money, which is about \$170,000,000 in fiscal '72, in "special impact" areas. These areas have not yet been defined. However, the criteria which the EDA officials are now working on will most likely favor urban pockets of poverty and high unemployment. This was the intention of the Congress. It means that the rural areas which had been expected to receive all but 5 to 10 percent of the EDA's public works funds are now only going to have about 70 to 75 percent as much as they would have expected under the old legislation; while additional authorization has been provided, no new funding has been appropriated. Recognizing the economic development significance of public works funding in the rural areas, I believe the Governors should urge the federal government to ensure that rural areas will not be effectively penalized by this legislation.

In this regard, I would like to offer the following addition to our existing

Policy A.-5. I might say the staff has checked with the members of the Committee on Rural and Urban Development, those who are present, and they are in agreement with this proposal of mine. I quote: "The National Governors' Conference urges the federal government to take whatever steps are necessary to ensure that sufficient public works funds are available under the Economic Development Act of 1965, so that rural areas will not receive less in coming years than they did in the past as a result of the 'special impact' provision of the recently passed amendment to that Act."

Before I move the adoption of this amendment, I would also like to say that Illinois has—as have other Midwest States, Iowa and Michigan as examples—created a special cabinet committee to address our efforts in behalf of our very important rural areas, particularly in these agricultural States in the Midwest, and I was delighted to learn of the creation of the Coalition for Rural America. I am going to find out more about it, and I am going to urge my fellow Governors also to inform themselves and to cooperate in any way that is possible, because it is vital that we strengthen the rural areas. Mr. Chairman, I move the adoption of this amendment as I have read it.

GOVERNOR HEARNES: Governor Moore from West Virginia and Governor Exon from Nebraska second the motion. Is there any further discussion on the motion of the Governor from Illinois? Are you ready for the question? The motion has carried and the amendment is adopted. Now to the policy statement, as amended, is there any discussion? The Governor from Pennsylvania.

GOVERNOR SHAPP: Mr. Chairman, I would like to make several comments on this proposal. First, I will preface my remarks by making this statement to many of the Governors who may not be aware that agriculture is the second largest industry in Pennsylvania. The dairy industry in Pennsylvania is second only to steel. So Pennsylvania many times is considered just an industrial State, but we have a very large agricultural industry in our State and what happens in the agricultural community is of great importance to the economy of Pennsylvania. Half of the poverty in Pennsylvania is in the rural areas, and so I am very much concerned about strengthening the agricultural economy. I am very much concerned also, on Page 10, Item V, about the adoption of a National Economic Policy, and the new proposal that Congress should adopt a system of tax incentives to encourage business and industry to locate in nonmetropolitan areas.

I wish to strongly oppose that proposition. If you start this, then you have to have tax incentives in some of our other cities for other concerns, and, before you know it, we have a whole series of tax incentives that will start whipsawing the States and communities throughout this Nation. I think this is not a good policy. More importantly, one of the major problems facing our urban centers today is the flight of industry to the nonmetropolitan areas and the fact that our urban transportation systems, generally, are designed to bring people from the nonmetropolitan areas into the cities. I know in Pennsylvania all of the urban mass transit systems that are now in operation are designed just for that purpose, to bring the people from the suburbs into the city. As a result, as industry is moving out of our cities, the people in the urban areas find it very difficult to get out to the places where the new jobs are, and this is creating additional problems inside our cities. I think it would

be a poor policy and a wrong policy to have tax incentives now that would encourage industry to locate in nonmetropolitan areas because it would just augment this already bad situation.

Then I would like to ask a question of the Chairman of the Committee. On Page 10-A, the statement, "Congress and the Administration should adopt the concept of stability and parity of resource earnings as the long-term policy goals for modern agriculture and then establish an appropriate vehicle such as a National Food and Fiber Board," and so on. I would like to know the difference between the operation of such a proposed National Food and Fiber Board and the old board that was in existence during the Hoover Administration.

GOVERNOR SMITH: Governor Shapp, I will let Governor Exon of Nebraska comment on that, because he has been very, very interested in this recommendation. Governor Exon, would you comment?

GOVERNOR EXON: Thank you, Mr. Chairman. To my friend Governor Shapp, I take sharp issue with both of the statements that you have just made. First, you asked why we need tax incentive for rural America. I suggest that there are those of us in this room who have helped for years and will help in the future to meet the problems, financial and otherwise, of our great urban society. One of the things that we hear often, and I have heard Governors from several States say, we can't afford to take any more people, we don't want any more people in our States, especially in our urban areas. I think that giving some tax incentives to industry to locate in rural America is necessary, because, if we are going to keep people in rural America, in rural Pennsylvania, then I think it is important that we give some incentives to industry to locate factories there to keep the people there, rather than having them continue to move into Philadelphia.

The second part of your question regarding the difference between the Food and Fiber Board that the Committee has unanimously proposed and the board that was in existence way back in Herbert Hoover's days, I suggest that it is significantly different in many ways. Here is an action board with authority to do something about agriculture. I would submit that the board back in Herbert Hoover's days was a board without any real power. If we are going to do anything about the problems of agriculture, other than just talking about it, I think we should recognize that we have to take a bold, firm move in this area. Even if there is some similarity, as has been suggested, between the proposed National Food and Fiber Board and that old board of yesteryear, I say that is no reason to turn down innovative suggestions today. I, for one, am weary of going to conference after conference and hearing people say, we shouldn't do this because it won't work, without offering anything in the way of a reasonable alternative. Thank you very much, Mr. Chairman.

GOVERNOR HEARNES: The Governor from New Jersey.

GOVERNOR CAHILL: I would like to support the position that Governor Shapp has taken for one other reason, which I would respectfully call to the attention of the Conference. We in New Jersey have had this experience of businesses moving out of the inner city and going into the suburbs or into rural areas. The problem is, however, that the people can't move out with them, because the communities do not provide housing, and the result is that the suburban community or

the rural community gets the rate, but the city still has the problem of providing all of the educational needs of the family.

I think there must be some tie-in between a tax incentive going to a business or an industry that moves into a rural area and a requirement which would also provide adequate housing for the workers that are employed there. Otherwise, you will be continuing the trend of placing tremendous burdens upon the major cities of this country. You will be depriving them of the needed ratables and, at the same time requiring that they still provide necessary services. This has happened in my State. I think the Governor from Pennsylvania has made a very valid point. New Jersey certainly has rural areas and certainly has all of the problems, I am sure, that the other States have in this respect, but we have had many experiences such as I have cited. I think this is a matter that really should receive serious consideration.

GOVERNOR HEARNES: Is there any further discussion? Governor Williams.

GOVERNOR JACK WILLIAMS: This is one of the most important subjects I think we can discuss, and I am interested in the input of the various Governors. Actually, our major towns, our big cities, are growing because people are voting with their feet. It is easier to get your welfare check; it is easier to live in the city than it is out on the farm. About one hundred years ago we had the Homestead Act which took many of the unfortunates and those who wanted to try their skills and began to develop the Midwest and the West. I think somewhere we have to find the answer to this, because your big cities are getting loaded with people who are easily aroused. We are going to pack these big cities with unfortunates and we are not going to be really able to control them. So we are building immense potential tinderboxes in every city for riots and everything else, and I think one of the things we as Governors are going to have to look at is to try to encourage people to move back into the rural areas.

Over 50 percent of the counties lost population in the last census. That means that we have a lot of open space that we ought to begin to use. We ought to begin to use it intelligently and wisely, not just with a tax incentive to industry, but perhaps housing incentives as well. This is the major problem, and I am interested to see the display of the information here and the different opinions.

GOVERNOR HEARNES: Is there any further discussion? The Governor from Pennsylvania desired time to prepare an amendment. Is the amendment prepared?

GOVERNOR SHAPP: Yes. Mr. Chairman, I would like to move that the report of the Committee on Rural and Urban Development be amended by deleting Lines 10 and 11 on Page 10 under Article V, the lines that read, "Congress should adopt a system of tax incentives to encourage business and industry to locate in non-metropolitan areas." I do not disagree, I might add, with the Governor of Nebraska on the great need to help develop the rural areas of this Nation, but I do not believe that this would accomplish this purpose but could, in effect, have another bad effect on the urban areas of the Nation.

GOVERNOR HEARNES: Is there a second to the motion of the Governor from Pennsylvania?

GOVERNOR CAHILL: I will second that.

GOVERNOR HEARNES: The Governor from New Jersey seconds the motion of the Governor of Pennsylvania to amend the report. The Governor from Illinois.

GOVERNOR OGILVIE: Mr. Chairman, I would like to remind the members of this Conference that we have adopted a policy position which is not a part of this particular Committee's work, entitled "National Voluntary Population Distribution Policy," which you will find in your books on Page 40, identified as F.-4, which, I think, is going to have to also be considered in light of the amendment that is being offered here.

GOVERNOR HEARNES: Is there any further discussion? The question is on the amendment of the Governor from Pennsylvania. The Governor from Texas desires to be heard.

GOVERNOR SMITH: Mr. Chairman and fellow Governors: It is my belief that Governor Williams made a very, very important point just a moment ago when he pointed out the effects of overpopulation in our large metropolitan areas, bringing about the riots and the demonstrations and the hell-raising. If we are going to make any strides toward correcting so many problems that now exist in our large metropolitan areas, it seems to me that this is the way to do it. I understand why it is so difficult to get federal funding in the rural areas, because there are not many votes in the rural areas, but I can also understand that this would solve many, many problems. In lieu of this, I respectfully move to table the proposed amendment.

GOVERNOR HEARNES: A motion has been made to table the amendment. I want to inquire of Mr. Carihfield, because, if we used the Jefferson City rules, that takes a policy statement with it; it is also the same rule in Cannon's Precedents. I realize we have our own rules, but I have a red light in front of me.

GOVERNOR LOVE: Mr. Chairman, might I suggest to the Governor of Texas, the simplest way to handle this without a parliamentary problem would just be to vote on the amendment.

GOVERNOR SMITH: I move to withdraw the motion and we will just vote on the amendment if it is all right.

GOVERNOR HEARNES: Are we ready now for the question? The motion of the Governor from Pennsylvania is defeated. Now we are back on the main question, which is the policy statement submitted by the Governor from Texas, as amended. Are you ready for the question? The motion has carried. The policy statement is adopted. I now recognize the Governor from the State of Washington, Governor Evans.

GOVERNOR DANIEL EVANS: Governor Hearnese, members of the Conference: The Committee on Transportation, Commerce, and Technology has continued the activity of last year, expanded on some of its policy statements, and will make a recommendation for the concentration of effort during the upcoming year. I would like to pick three or four of the major policy areas, express them to you, and then move the adoption of the report. First, I would like to thank the members of the Committee for their participation, particularly the staff members of the Governor members of the Committee, and to Mike Dye of the National Governors' Conference staff for his efforts.

Policy Statement D.-1 is perhaps the key statement of this report, in that it deals with the state role in balanced transportation planning and development.

I won't go into all elements of this policy statement because much of it is an expansion of last year's statement. Item No. 1 commends the Department of Transportation of the United States for relying on the States for the development of the National Transportation Needs Study. I cannot overemphasize the importance of this needs study which is now being conducted. I understand that most States have now responded with their needs studies to the federal government. The Committee urges the federal government to continue this cooperation by consulting fully with the States in the subsequent development, then, of a National Transportation Policy, which unquestionably is going to be forthcoming from the federal Administration. We recommend full use of the data contained in the needs study as a basis for setting continuing priorities under any proposed national transportation policy.

In Item No. 3, this is a continuation and an expansion, to some degree, of our recommendation last year that all States develop administrative and legal structures equal to the challenge of a balanced and integrated transportation system. It is essentially a recommendation that each State consider the importance of a state department of transportation, paralleling in its major emphasis the work done at the national level. Item No. 4 is new. It endorses, in principle, the new program now before Congress, the principle of transportation revenue-sharing; specifically, however, we believe the following provisions are vital. Now, some of these provisions are not in the transportation revenue-sharing proposal submitted by the national Administration to the Congress. I want to be very careful to read and explain the specific provisions we call for, because I think it will relieve some of the apprehensions voiced by Governors as to the transportation revenue-sharing proposal.

First, each State is guaranteed that its share of funds from each trust fund will not be reduced, either by a diminished allocation to any State — and that could come, of course, by the establishment of a Secretary's discretionary fund — or by an automatic pass-through to local government which is greater than the existing amount now passed through by the States and, of course, that is a trend which I see in many federal acts now being considered, a direct federal-city or federal-county relationship by-passing the States to a greater degree than they are already being by-passed. I think this is an important element we must stand for in transportation revenue-sharing.

Second, that the federal government not be permitted to withhold trust funds or to divert them from transportation purposes. The withholding, of course, has been before this Conference for at least the past four years, and for at least that number of years the federal administrations, both the previous one and this one, have withheld trust funds. The diversion from transportation purposes is, I think, a clear danger, suggested by many in Congress. We must recognize the continuing and growing total transportation needs, not seek diversion from transportation purposes.

Third, that each trust fund which is part of transportation revenue-sharing continue to be identified. Fourth, that the interstate highway fund be made part of the transportation revenue-sharing upon completion of the interstate system. Again, this is a call for continuation of transportation moneys to be utilized in transportation affairs, rather than the clear danger I foresee of at least some suggested diversion to other purposes. Item 5 of this section, the State Role in Balanced Transportation,

is a repeat, essentially, of last year's proposal, and an expansion of some additional language.

What this really responds to is the desire, once moneys are distributed by the federal government to the individual States, that each Governor be allowed to act as a Chief Executive to deal with his own priorities in his own State, and that some flexibility in transportation funding, some ability to shift, if need be, from one mode to another, be given to each State. Let me be very clear in saying that this does not contemplate, in any respect, the shifting from one mode to another at the federal level but at the state level once moneys get to the States.

Several other items ought to be mentioned: in Policy Statement D.-2 on Transportation and the Environment, we have called in the last sentence for opposition to any federal penalties where Congress has failed to appropriate funds which have been authorized to aid States in carrying out these programs. This is the present situation in several instances, where there is at least the threat of federal penalty, where at the same time Congress has not appropriated the moneys necessary to carry out the programs for which the penalties are attached. In Statement D.-3 under highways, the significant addition is a request for an unbiased study to determine the sufficiency of the proposed 42,500-mile Interstate System in fulfilling the intent of the system as described in the 1956 Act. We are reaching completion of construction of our present Interstate System. This calls for a time of study to determine whether, indeed, the present 42,500 miles is sufficient, whether it ought to be added to in terms of the principles and goals of our Interstate System.

Item D.-7, dealing with railroads, was the subject of some concern by Committee members, and there is some change, frankly, in the italicized policy statement. It expresses a concern over reduced rail passenger service. It urges a reassessment of basic passenger needs and adequate federal funding to meet these needs, and calls for an additional role, a significant role, for the States in the determination of necessary services and facilities for a balanced rail transportation system, and urges the Congress to review possible expansions of Amtrak at the earliest possible date.

Item D.-11 on insurance: I would like to call to your attention again the Committee's response to no-fault insurance, and some concerns or some questions expressed by members of the Committee. The key element of this policy statement is the second paragraph dealing with the no-fault system of automobile insurance. It says, "Some have argued a uniform national system must be imposed from the federal level. However, we believe if 'no fault' is to be adopted, that individual state action and interstate cooperation could produce a 'no fault' system which is uniform enough to meet the needs of interstate vehicle accidents and flexible enough to suit the conditions in each State."

The final Policy Statement, D.-12, is in the field of technology. This is a more general statement of the need for greater interstate and greater federal-state cooperation in the development of modern, technological means of dealing with information systems and with those elements that are drastically or basically needed for gubernatorial decision-making. It is the view of our Committee that the concentration of effort during the upcoming year very likely ought to be in this field, and that we could contribute greatly to the ability of each State and each Governor to

manage his responsibilities if we can provide specific direction and advice in the field of modern technology as it is applied to executive decision-making. Mr. Chairman, those are the highlights of our Committee report, and I do now move the adoption of the Policy Statements of the Committee on Transportation, Commerce, and Technology.

GOVERNOR HEARNES: The motion has been made by the Governor from Washington for the adoption of the policy statement.

GOVERNOR JOHN BELL WILLIAMS: I second it.

GOVERNOR HEARNES: Is there further discussion? The Governor from Nevada.

GOVERNOR MIKE O'CALLAGHAN: Mr. Chairman, because of the complexities involved in D.-1, Paragraph 4, "State Role in Balanced Transportation Planning and Development," we had a five-page report submitted to us, and I was able to read it, from the distinguished Governor from Texas. I believe the complexities involved here, and the lack of adequate information, makes it necessary that I at this time submit a substitute motion to refer not the whole report but just Paragraph 4 of D.-1 back to the Committee for further study.

GOVERNOR ANDRUS: Mr. Chairman, I second the motion.

GOVERNOR THOMAS J. MESKILL: Mr. Chairman, I think that, in view of the explanation by Governor Evans, the substitute should not be accepted and that we should accept the Committee report.

This was discussed by the Committee at great length, including the concerns of Governor O'Callaghan, and a change in the language was made.

GOVERNOR HEARNES: Governor Meskill, may I interrupt you. There was a second to the Governor of Nevada's motion by the Governor from Idaho. The Chair rules that such motion is out of order in referring a portion of a policy statement back to the Committee for further study. The Chair feels that the proper procedure there would be to offer a motion to delete that part of the policy statement which is objectionable to the Governor, or to correct it in any way that he sees fit. The Chair would be happy to give the Governor time to prepare such an amendment if he so desires.

GOVERNOR O'CALLAGHAN: At this time, Mr. Chairman, I move that Paragraph 4 of D.-1 be deleted from the report.

GOVERNOR HEARNES: The Governor from Connecticut.

GOVERNOR MESKILL: My message will be the same. I would urge that the motion be defeated and that the report be accepted as printed. We did make an amendment, as I say, to remove any doubt that, by accepting this report, we are not endorsing the program of the Administration. We are endorsing it in principle only. With the explanation that Governor Evans has given, I would urge the members of the Conference to support the action of the Committee.

GOVERNOR HEARNES: The Chair wants to be sure the Governor of Idaho would second the new motion by the Governor of Nevada.

GOVERNOR ANDRUS: Mr. Chairman, I do second the motion that was made by the Governor from Nevada. I would like to comment upon that motion. Knowing we are trying to close and get out of here, I think, as has been pointed out by the Governor of Nevada, this is important. If you will look at Subsection 4 of D.-1,

the first sentence, "We endorse the program of transportation revenue-sharing proposed by the national administration," I hope that the members of this Conference would not think that the Governor of Nevada and myself are looking at this from a partisan standpoint. I would ask you to look at what has been proposed, Mr. Chairman, and members of this Committee. We talk about the 10 percent of the highway trust fund coming off the top of discretionary funds. We then look at the 35 percent of the highway trust funds that can and will be passed through to the cities without going upon your state networks.

I would point out that my friend, the good Governor from Washington, Governor Evans, mentioned the subject of "hold harmless." I would ask you to also understand that the "hold harmless" as proposed in this piece of legislation does not provide for any growth whatsoever within it. I would also point out that the pass-through, that portion of the 35 percent of the Highway Trust Fund moneys that could be passed through to the cities, would count against the State's share.

I do agree with the Governor from Washington in the report where he suggests that we should have flexibility at the gubernatorial level to establish our own priorities once it gets to the State. But some of us, where we are looking at primary construction funds, are admittedly not faced with the problems of States such as New Jersey or the Philadelphia-Pittsburgh portion of Pennsylvania. We would prefer to have this money utilized as highway construction money, as this dedicated fund was originally established, instead of permitting those moneys to be used for mass urban transportation. This legislation does not distinguish between facilities and capital outlay for equipment and, therefore, many of us have a high degree of concern over the lack of methods that have been proposed. I would be prepared to yield to any questions.

GOVERNOR HEARNES: Is there any further discussion on the motion? The Governor from the State of Washington would like to be recognized.

GOVERNOR DANIEL EVANS: Mr. Chairman and members of the Conference: I share precisely the concerns expressed by Governor Andrus of Idaho and Governor O'Callaghan of Nevada, but I certainly urge that we do not strike from the report this particular paragraph, because transportation revenue-sharing is a real issue. It is now in front of the Congress, and I think it is important for us to express our concerns and the principles under which we would like to see revenue-sharing in the transportation field. If we are silent on the issue, I think, then, we are much less likely to be influential in the debate on transportation revenue-sharing, which is now in front of Congress. Let me speak again to the specifics we have in this paragraph, because I think they do get exactly at the concerns which I share also.

First, we endorse, *in principle* — and we added those words — the program of transportation revenue-sharing, because we do have these other concerns that we go on to express in the body of Paragraph 4. Specifically, each State is guaranteed that its share of funds from each trust fund will not be reduced, and I think that speaks directly to the concern Governor Andrus expressed of the discretionary funds of the Secretary, which does have the effect of reducing each State's share of trust fund moneys. There would be no reduction "either by a diminished allocation to any State", and that speaks specifically to the discretionary fund, "or by an

automatic pass-through to local government which is greater than the existing amount now passed through.”

I think it is pretty obvious that we are unlikely to take back moneys now going directly to cities and to counties, or that are now automatically passed through, but this paragraph specifically opposes increasing any such share and, therefore, I think it is important for this Conference to go on record expressing that, because it again deals directly with the concerns that have been earlier expressed. In addition, it talks about the withholding of trust funds, and the diversion from transportation purposes. I think these also are very important elements to speak to, and I am afraid if we wait for another year or for even another six months, the issue may very well be decided in Congress and we will be unable to have our voices heard as members of this Conference.

GOVERNOR O'CALLAGHAN: Mr. Chairman, Governor Evans' explanation is excellent. However, we are dealing with a trust fund, the trust fund created by the users. How we can fail to diminish the amount of money coming down for highway use by first taking 10 percent off the top for the Secretary to use at his discretion is questionable.

GOVERNOR HEARNES: May I interrupt you just one moment, please?

GOVERNOR O'CALLAGHAN: You certainly may.

GOVERNOR HEARNES: Let's see if there is any further discussion before I recognize the Governor from Nevada to close on this amendment. Is there any further discussion on his amendment? The Governor is recognized to close.

GOVERNOR O'CALLAGHAN: My statement has already been made. I cannot see how we can say that the fund will not be diminished, when the first 10 percent is taken off the top by the Secretary of Transportation for his use. Furthermore, I again wish to state that this trust fund, this federal-state program, has been the most successful we have had in the history of our Nation, and for us to take the users' fund and start to play with it, so to speak, in this special type of revenue-sharing, I think, is dangerous. Thank you.

GOVERNOR HEARNES: The motion has been made on the amendment of the Governor from Nevada. All those in favor of adoption of that amendment will say "aye". Those opposed say "no". The Chair is in doubt. Those who favor the adoption of the amendment will stand. Those who oppose will now stand. The amendment is defeated. We are now back on the policy statement. Is there any further discussion on the policy statement? The Governor from Tennessee.

GOVERNOR DUNN: Mr. Chairman, I would like to ask Governor Evans if there was any consideration during his Committee's deliberations regarding the current efforts by Secretary of Transportation Volpe to withhold highway funds from States not in compliance with the Highway Beautification Act.

GOVERNOR DANIEL EVANS: Governor Dunn, the Statement D.-2, the last sentence, although not specifically pointing up the Highway Beautification Program, is aimed exactly at that point, where we say, "We oppose any federal penalties where Congress has failed to appropriate funds which have been authorized to aid States in carrying out these programs." I have expressed myself to the Secretary and to Congressional leaders on this very point, that I think it is wrong for them to attempt to assess penalties when they have not provided the funds necessary

to carry out the programs, and this most specifically deals with the Highway Beautification Program.

GOVERNOR HEARNES: Is there any further discussion? Are we ready for the question? The motion has carried. The policy statement is adopted. The Chair now recognizes the Governor from North Carolina to report for the Subcommittee on Revenue-Sharing.

GOVERNOR SCOTT: Mr. Chairman, last year the National Governors' Conference adopted a policy statement position on revenue-sharing. Part of the policy position directed the Executive Committee, and I would like to quote that language, to "employ every means available toward the immediate and favorable enactment of revenue-sharing." Based on that, the Chairman appointed three members of the Executive Committee as a special Subcommittee on Revenue-Sharing to assume this responsibility. Governors Mandel, Holton, and myself have personally testified on behalf of revenue-sharing before House and Senate Committees. We have met with the Presidents and Executive Directors of the National League of Cities, the Conference of Mayors, and the National Association of Counties. Beyond that, our principal staff aides, together with Charles Byrley, Director of our Washington office, have had numerous and continuous discussions with staff officials in the White House, Treasury Department, and appropriate Congressional committees.

Your subcommittee wishes to make it very clear that extensive efforts are still under way to bring about some form of revenue-sharing in this Congress and in this session. Until this morning's report by Governor Nunn, we were very encouraged and believed that a bill would be reported by the House Ways and Means Committee. Senator Long, Chairman of the Senate Finance Committee, promised the Executive Committee of this Conference that he would move quickly on a revenue-sharing bill once the House had acted.

We appreciated the President's remarks before a joint session of Congress on September 9 reaffirming his desire for revenue-sharing. We agree with the President's remarks, and I would like to quote those remarks: "To be a healthy Nation, a strong Nation, we need to restore the health of our government institutions. That is why I again urge the Congress to act in this session on the far-reaching proposals of revenue-sharing which I have proposed, to help revitalize our state and local governments and to ease the crushing rise of property taxes in this country."

As you know, it is not necessary for us at this Conference to take any formal action on revenue-sharing since we already have a very definitive policy position. It is important, however, that each of us continue our efforts to secure passage of revenue-sharing in this session of the Congress. In particular the subcommittee urges each Governor to continue discussions with your Congressional delegation to take positive action on revenue-sharing in order that we might obtain action in this session of the Congress. Thank you, Mr. Chairman.

GOVERNOR HEARNES: Thank you, Governor Scott. The Governor from Kentucky, do you desire recognition?

GOVERNOR NUNN: I would just like to repeat what I said earlier, in that this has been a request that has not only been sent to Congress by the National Governors' Conference, but at the recent Midwestern Governors' Conference in

which I recall that our Chairman spoke. I recognize that it is much easier, I would think it would be, for a member of Congress to meet and greet the group that is going up tomorrow, the members of the National Governors' Conference's Executive Committee, to talk with them. I think that they should definitely go there, but I think it would be a different situation if we brought him here or if he would agree to come here or find out why he would not come here, and I think that transportation can be arranged. This is my last National Governors' Conference—I have less than 83 days in office—and I would like to have him come here and face the Governors and face the Nation and tell us why he won't move forward on this. We are being completely ignored. I know of no other area where the Governors' requests have been so completely ignored as they have been by the Chairman of the Ways and Means Committee, and I believe that I am, in effect, quoting what I heard our Chairman say. I would like to join with you at this time in urging him to come here and urging him to come today. I can wait one more day. I can stay down here, and I trust the other Governors could.

GOVERNOR SCOTT: Mr. Chairman, I would just like to comment on the Governor's statement. The members of the subcommittee have experienced, how shall I say it, a considerable softening of attitude, I think, on the part of Chairman Mills, in that at least there has been a willingness on his part to meet with the representatives of this Conference, and a working arrangement has been worked out with members of the staff. I think within the past 30 days we have seen this come about, to the end that I feel far more confident now than I did. I think, furthermore, that the mayors and local governmental officials' representatives realize that they aren't going to get any kind of bill unless they have the support of the Governors and that we have to be in it together. Because of this, the Governors are able to have more impact and a greater influence than they have had before. I just would comment that the attitude has changed.

GOVERNOR HEARNES: Communications, as the Governor from Kentucky has ably pointed out, were under way for many, many weeks prior to this Conference, and they were of no avail. I well recognize the thoughts Governor Nunn must have, knowing, as he said, that he is soon to leave as Governor. I just doubt the success of another telegram. If I may suggest, considering the remarks made by the Governor of North Carolina, it would be more appropriate for the new Chairman, who will be in Washington tomorrow with as many members of the Executive Committee as can go with him, to call upon the Congressman, the Chairman of the House Ways and Means Committee, once more. I think he can understand the concern, not only that expressed by the Governor from Kentucky, but that shared by other members of this Conference, and I think he can express that ably. I believe possibly that this would serve our purpose much better than anything else we could do at this particular time.

GOVERNOR NUNN: It appears to me, Mr. Chairman, that, while we are here in session this morning, for him to announce that he is not going to take it up is almost an affront to the National Governors' Conference. He knows we are here and that he was invited to come here, and it seems to me that, in view of what we have requested, it is slapping us right in the face. I don't know, maybe I have taken the wrong view on it, but I would like to see it come to pass during my time in office.

GOVERNOR MANDEL: I would like to try to clarify this a little bit. I personally spoke to Chairman Mills, and we had had an appointment for our subcommittee to meet with him to discuss this whole problem. When the President announced his decision on the economic situation, I again called the Chairman, and he said that he was going to take up the President's recommendations first, and then would reschedule that meeting. He had hoped that he could take up the President's policies first in the early part of October, and immediately thereafter would reschedule the meeting, so that we could try to meet with him and give him the input that we wanted to. Now, we had met with him several times prior to that. I don't think there is any attempt on the part of the Chairman to put this off completely. He was responding to a request that other legislation be taken up prior to revenue-sharing.

GOVERNOR HEARNES: The Chair wants to say again that many times meaning has been lost when repeated, and I think it would be much better if the new Chairman could get the information firsthand and communicate with each member of the Governors' Conference. We will then know exactly what his intentions are. The next order of business will be consideration of resolutions or policy statements offered by individual Governors under suspension of the rules. These are now in order if the Governor has given appropriate advance notice, either Monday or Tuesday, and has distributed the text.

GOVERNOR MANDEL: I would like to move that the rules be suspended to allow the introduction of a resolution. It has been distributed, Mr. Chairman, the resolution on National Economic Policy, and I would like to request that the resolution be read.

GOVERNOR LOVE: Mr. Chairman, may I suggest, in the interest of time, the resolution suggested is before us, I am sure it has been read by all of us and it has been widely publicized. I see no further purpose to be served by reading it again.

GOVERNOR HEARNES: Is that made in the form of a motion, the Governor from Colorado?

GOVERNOR LOVE: I will so move.

GOVERNOR HEARNES: The motion has been made that the resolution not be read.

GOVERNOR HOLTON: I second the motion.

GOVERNOR HEARNES: Are you ready for the question? The motion has carried.

GOVERNOR HOLTON: I understood that the Governor of Maryland made a motion to suspend the rules.

GOVERNOR HEARNES: The motion of the Governor from Colorado dealt only with the reading of the resolution.

GOVERNOR HOLTON: Right, sir. I want to address myself to the motion of the Governor of Maryland to suspend the rules. I would like to call the Chair's attention to the fact that Rule I, Subsection 2, provides that, "In order to consider any policy statement or resolution that has not been prepared and presented in accordance with Article VII, the Conference may suspend the Articles of Organization

by a three-fourths majority vote.” I ask for a division on the majority vote, on the three-fourths majority vote.

GOVERNOR HEARNES: Division of the question has been asked and called for. The Governor from Georgia.

GOVERNOR CARTER: I have a parliamentary inquiry, sir. Is this not the same vote required for the passage of any policy statement by the Governors?

GOVERNOR HEARNES: Three-fourths. The Governor from Virginia doesn't quarrel with that, but his division of question places before this body only one question at this time, not the adoption of the resolution, but shall the rules be suspended? That will require a three-fourths vote. If it carries, then, of course, the amendment is before the body. If it does not carry, it is not before the body.

GOVERNOR MANDEL: Mr. Chairman, let me point out to the Conference one pertinent fact. The rules require a 30-day period prior to the convention for the introduction of policy statements. There was no possibility that this 30-day policy could be observed in this instance, because the policy issue came up less than 30 days prior to this convention, so that there was no dereliction of duty. It was the fact that it was impossible under the circumstances to prepare a resolution in advance.

GOVERNOR HOLTON: Mr. Chairman, I repeat my request for a division.

GOVERNOR HEARNES: Division has been called for. All those in favor of suspension of the rules will say “aye”. Those opposed say “no”. The noes have it. The rules will not be suspended. The amendment fails for adoption of the motion. The Governor from Maryland, I think you have another one.

GOVERNOR MANDEL: I move that the rules be suspended, Mr. Chairman, to allow the introduction of a resolution on agricultural policy.

GOVERNOR HEARNES: You have heard the motion of the Governor from Maryland.

GOVERNOR CARTER: I second the motion.

GOVERNOR HEARNES: It has been seconded by the Governor of Georgia. Is there any further discussion? All those in favor of the motion of the Governor of Maryland say “aye”. Those opposed say “no”. The Chair is in doubt.

GOVERNOR MANDEL: I would like to have a standing vote.

GOVERNOR HEARNES: All those in favor of the motion of the Governor from Maryland will please stand. Please be seated. All those opposed will rise. The motion of the Governor of Maryland is defeated. The Governor from Tennessee is recognized.

GOVERNOR DUNN: Thank you, Mr. Chairman. On Monday I advised the Chair of the intention I had to submit today a policy statement in conjunction with Governor Jimmy Carter of Georgia. At this time I would like to defer, if I may, to the Governor of Georgia.

GOVERNOR HEARNES: The Governor of Tennessee yields to the Governor from Georgia.

GOVERNOR CARTER: Mr. Chairman, on Monday and Tuesday there was evolved by the Governors of Tennessee and Georgia a statement on the subject of an end to racial discrimination and a call for uniform application of a federal law, and the application of federal court rulings nationwide on the subject of bussing of

students. We consider this of paramount importance. The Governor of Alabama had previously served notice that he has, I understand, withdrawn his request.

GOVERNOR HEARNES: Let me correct that before you go any further. The Governor from Alabama has not withdrawn his motion, as I understand it.

GOVERNOR WALLACE: I have just deferred it.

GOVERNOR CARTER: We consider this an issue of bipartisan importance, and the fact that a Republican Governor and myself have drafted it together, after consultation with many Governors, is significant. We also would like to point out, Mr. Chairman, that this Conference had never gone on record at any time in the past calling for either the end to racial discrimination, nor for the uniform application of federal laws in this very sensitive field, nor for an end to forced, massive bussing of students.

We believe that this resolution which is before you is one which is very moderate in tone, which would not be embarrassing to any Governor here, and which would tend to bring our Nation's people back together. It would let us understand where we stand so that we can proceed with the education of our children. The President himself has said on many occasions, in the North and in the South, that he feels substantially the way this resolution is expressed, and we move the acceptance of it, after calling for a suspension of the rules, as an expression of this Conference. I might point out, Mr. Chairman, that the only way we can vote on this resolution is to ask for a suspension of the rules. It requires the same vote, a three-fourths vote to suspend the rules, as it does to adopt policies either previously presented by committees or individuals.

At this time I move that the rules be suspended so that this policy statement can be considered by the Conference. It has been on the desks of the Governors the required length of time.

GOVERNOR HEARNES: You have heard the motion of the Governor from Georgia. Is there a second to that motion?

GOVERNOR DUNN: I second it.

GOVERNOR HEARNES: Is there any discussion? The Governor from Michigan.

GOVERNOR MILLIKEN: I call for division of the question. We are voting, as I understand it, on the question of the suspension of the rules.

GOVERNOR HEARNES: We weren't voting unless you ask for division of the question. We are voting on the suspension of the rules and the adoption of the amendment.

GOVERNOR MILLIKEN: I ask for a division.

GOVERNOR LOVE: Mr. Chairman, just a point of inquiry. It is my understanding that the motion to suspend the rules is not debatable certainly on the merits of the resolution in each instance. Is this true?

GOVERNOR HEARNES: If the Governor from Colorado raises that point of order, I will be happy to rule on it. It has not been raised. Do you raise the point of order?

GOVERNOR LOVE: I simply, for purposes not only of this motion but further motions, do raise that point of order and would like a ruling.

GOVERNOR HEARNES: The Governor from Colorado has raised a point

of order, that the motion for the suspension of the rules, for adoption of an amendment, or even of the division of the question, is not debatable. The Chair has given this a great deal of thought, knowing that such would arise. It is very clear from Mason's rules that the motion for the suspension of the rules is not debatable. However, in order that I may be of some aid and comfort to those who follow me, I would like to read from the Rules of Procedure of the National Governors' Conference in Paragraph 2, the last sentence: "Under such suspension, the proposed policy statement or resolution may be debated, amended and adopted". It is clear that this takes precedence over Mason's. It is very clear that this is unclear.

In other words, if the motion for the suspension is not debatable, I think it should be placed in clear form so no one will misunderstand it. There is a judgment that could be made that this applies after the rules have been suspended. There is also a judgment to the effect that, if that were true, it would be redundant, because anyone would know that, after the rules were suspended, the amendment would be handled as any other amendment, regardless of the suspension of the rules, and when it was placed before this body. In my opinion, I consider this the same as a constitutional point of order raised in any legislative body. Careful study of the leading authorities on such, and in most legislative bodies, the Chair does not rule on a constitutional point of order, but the body itself will rule on the constitutional point of order. So I now am asking a standing vote on the point of order raised by the Governor of Colorado, that the motion to suspend is not debatable. Those who are in favor that that point of order should be sustained, rendering it, then, non-debatable, will vote "aye"; those who are opposed will vote "no."

GOVERNOR MANDEL: Mr. Chairman, may I ask a parliamentary inquiry? Are we going to do this on every motion, decide whether or not it is debatable or not debatable, or are we making one firm policy?

GOVERNOR HEARNES: This is one firm policy for the rest of the morning. I think it needs to be settled; I think this is the quickest way to settle it. I also think it will help those in the future decide what to do. The Governor from Georgia.

GOVERNOR CARTER: This is a parliamentary inquiry, sir. Is it the understanding that a vote of "aye" on this motion would preclude either the introduction of any policy statements by any Governor in this Conference, and also would preclude the explanation of a policy statement before the Governors could determine whether or not the matter should be considered? It seems to me a very important point here, that, regardless of the substance or of how a Governor feels on this motion, we ought not to close the door for a Governor simply to explain his policy before the other Governors decide whether or not to debate it or to consider it. Am I to understand that would foreclose that possibility?

GOVERNOR HEARNES: In my opinion, what this would do—of course, the subsequent Executive Committees can change this or submit it to you and the rest of the Governors for change—it would not preclude the introduction of anything, it would only preclude a debate on the introduction of a proposed policy statement which had not been submitted in accordance with the rules of this Conference.

Are you ready for the question? If you vote "aye," you vote to sustain the point of order, rendering a suspension of the rules non-debatable. Those who are in favor

of sustaining the point of order will rise. It requires a simple majority. Please be seated. Twenty-five votes were cast in the affirmative. The Chair deems it unnecessary to take the no votes unless someone requests it. The point of order has been sustained.

We are now ready for the question. It is non-debatable. A motion has been made by the Governor of Georgia that the rules be suspended and the resolution be adopted. It has been seconded by the Governor from Tennessee. All those in favor, say "aye." Those opposed say "no." The Chair is in doubt. Those who favor the suspension of the rules and the adoption of this amendment will please stand. Please be seated. Those who oppose, please stand. The motion of the Governor from Georgia is defeated.

GOVERNOR CARTER: What was the count?

GOVERNOR HEARNES: Fourteen to twenty-two. The Governor from Alabama.

GOVERNOR WALLACE: Mr. Chairman, I move now that the rules be suspended in order that we might bring up this other resolution. We can't debate it, but it applies to the same subject.

GOVERNOR HEARNES: A motion has been made that the rules be suspended and the resolution of the Governor of Alabama be adopted. Is there a second to that motion?

GOVERNOR JOHN BELL WILLIAMS: I will second it.

GOVERNOR HEARNES: Are you ready for the question? The motion is defeated. The Governor from Puerto Rico.

GOVERNOR FERRE: Mr. Chairman, may I ask suspension of the rules to consider a position of increased state government participation with application of science and technology to domestic needs and to permit greater cooperation between the federal government and the state governments on this matter.

GOVERNOR HEARNES: The Governor from Puerto Rico moves the rules be suspended and the resolution be adopted. Is there a second to that motion?

GOVERNOR MANDEL: I will second it.

GOVERNOR HEARNES: The Governor from Maryland seconds the motion. Are you ready for the question? The motion of the Governor from Puerto Rico is defeated. The Governor from Maryland.

GOVERNOR MANDEL: Mr. Chairman, I would like to ask for unanimous consent of the Conference to allow the introduction of a resolution. This resolution, gentlemen, is one merely of appreciation and thanks to our Host Governor and the people of Puerto Rico, and I hope that this is not debatable.

GOVERNOR HEARNES: Is there a second?

GOVERNOR MOORE: I second it.

GOVERNOR HEARNES: The motion is unanimously carried. Is there any other business? The Governor from New Hampshire.

GOVERNOR WALTER PETERSON: In the same spirit expressed by the Governor of Maryland, I would like to move that we express our thanks to the National Guard, the Puerto Rican police, in general, and the Criminal Investigation Corps, in particular. I am sure we have all found them to be not only professional perfectionists but also ambassadors of good will for Puerto Rico. These were

difficult days here in the Commonwealth, and I think they handled themselves well, and would hope that the other Governors would support this expression of appreciation to the law enforcement people here on the Island.

GOVERNOR HEARNES: I think that is probably included in the resolution, and the expression by the Governor of New Hampshire just placed added emphasis on what all of us feel. However, these will be added. The Governor from Puerto Rico would like to have a few seconds to respond before we ask for the report of the Nominating Committee.

GOVERNOR FERRE: Mr. Chairman and fellow Governors: On behalf of the people of Puerto Rico and of all the members of the National Guard, the police, and so on who have been mentioned in this resolution of appreciation, I want to thank you once more for your kindness, and to say again that we have been very happy to have you as our guests on our Island. We look forward to your coming back and giving us the pleasure of your company very many times in the future. Mr. Chairman, the Youths for Puerto Rico Statehood have given me a resolution which they have passed and which they want me to present to you, and I do so on their behalf.

GOVERNOR HEARNES: Thank you. We will now have a report from the Nominating Committee. The Chair recognizes the distinguished Governor from Georgia, the Chairman of the Nominating Committee.

GOVERNOR CARTER: Mr. Chairman and members of the Conference: The rules require that a Nominating Committee be appointed at this annual Conference each year and make the report as the final order of business. I might say that the members of the Committee are myself and Governor Sargent of Massachusetts, Governor Smith of Texas, Governor Wallace of Alabama, and Governor Whitcomb of Indiana. The Nominating Committee offers as its nominee for the office of Secretary-Treasurer the name of Brevard Crihfield.

GOVERNOR HEARNES: You have heard the motion of the Governor from Georgia. Is there a second?

GOVERNOR LICHT: I second it.

GOVERNOR HEARNES: Are you ready for the question? The motion is adopted.

GOVERNOR CARTER: Mr. Chairman, I might say that I, along with many other Governors who have testified before Congressional committees, have found that Mr. Crihfield, Mr. Byrley and their staff have been very helpful to us in the preparation of testimony. I, along with all of you, reserve the right to modify as we see fit this testimony, but their background knowledge of data and policies of previous years has been very helpful.

The Nominating Committee has as its next recommendation the nomination of the members of the Executive Committee. The rules require that, in the years when the Republican Party has the privilege of having the position of Chairman, the other members of the Executive Committee consist of five Democrats and three Republicans. We have received recommendations as a Committee from the caucuses of the two parties. The Democratic nominees presented herewith by the Nominating Committee are: Governor Licht of Rhode Island, Governor West of South Carolina, Governor Anderson of Minnesota, Governor Andrus of Idaho,

Governor Exon of Nebraska. The Republican nominees to serve on the Executive Committee: Governor Meskill of Connecticut, Governor Ogilvie of Illinois, and Governor Dunn of Tennessee. I move that these nominees be accepted, sir.

GOVERNOR HEARNES: You have heard the motion of the Governor from Georgia. Is there a second to the motion?

GOVERNOR WALTER PETERSON: I second it.

GOVERNOR RAMPTON: Mr. Chairman.

GOVERNOR HEARNES: The Governor from Utah.

GOVERNOR RAMPTON: I would like to be heard on these nominations.

GOVERNOR HEARNES: The Governor is recognized.

GOVERNOR RAMPTON: We have a rule just mentioned by Governor Carter that assures political diversity of the Executive Committee. We have never had a rule that assures geographical diversity. However, in all the Conferences which I have attended, and this is the seventh, we have always taken into consideration geographical representation. The Executive Committee, as now nominated, were it a legislative body, would certainly be subject to attack for maldistribution.

Let me point out, the Pacific rim States, with 15 percent of the national population, have not a single representative. The 15 western States, comprising 30 percent of the States, have only one. Of the four Republican members of the Committee, including the Chairman, not one comes from west of the Mississippi River, even though virtually half of the States are from west of the Mississippi River. I believe it is probably too late to do anything about it at this late hour, but I would serve notice at this time that I will propose a rule at the next Governors' Conference requiring geographical distribution of members of the Executive Committee.

GOVERNOR CARTER: To Governor Rampton, I might comment that the rules require, to the extent practicable, the members of the Executive Committee shall be widely representative of the various areas and regions of the United States. The Democratic caucus, I think, took this into consideration, and you notice that the representatives come from Rhode Island, South Carolina, Minnesota, Idaho, and Nebraska. The Republican nominees come from Connecticut, Illinois, and Tennessee, but I believe that, as the gentleman pointed out, he is not making a motion to counteract the recommendations of the Nominating Committee, but to express a personal concern about the lack of representation adequately from west of the Mississippi. Is this correct?

GOVERNOR RAMPTON: That is right.

GOVERNOR CARTER: I believe the rules already require that to the extent practicable this be done, if you care to look at the Articles of Organization.

GOVERNOR RAMPTON: I would suggest, Governor Carter, that, although I am sure it wasn't done with design, the rule has not been followed, because it could be practicably better distributed had the Committee set out with that in mind.

GOVERNOR CARTER: I understand. I would like to point out also that the nominees for the two parties originated within the party caucuses. I think, Mr. Chairman, that the nominations are ready to be considered by the Governors.

GOVERNOR HEARNES: You have heard the motion of the Governor from Georgia. Was there a second to that motion? The Governor of New Hampshire has seconded the motion. The motion has carried.

GOVERNOR CARTER: Mr. Chairman, the third and last responsibility of the Nominating Committee is to present to this body the name of the Chairman for the coming year, and I would like to nominate the Governor from West Virginia, Governor Moore.

GOVERNOR HEARNES: You have heard the motion of the Governor from Georgia. Is there a second?

GOVERNOR CURTIS: I second it.

GOVERNOR HEARNES: The election of Governor Moore of West Virginia is unanimous. I would like to have him come forth for the changing of the guard. Arch, let me say that in the last meeting when I took this office I said it was the second greatest honor ever accorded me, and I have not changed my mind. I know that you will find the same to be true, and I want to hand you the gavel and wish you the best of luck.

GOVERNOR MOORE: Governor Hearnes, my fellow Governors: I accept the responsibility of chairmanship with the great appreciation of the people of my State. We have acknowledged here this morning the manner in which our Host Governor and a host of his fellow Puerto Ricans have made us feel at home here in this beautiful island country. I would like to take just a moment, if I might, to reiterate a point that was in that resolution but that was not drawn to your attention. In its fifth paragraph it goes on record as saying that the National Governors' Conference thanks Governor Warren E. Hearnes for his leadership and for the tremendous job that he has done in service to the Governors and to the Conference this past year.

Warren, I want you to know that I accept from you the same high standards that I believe you have set in your chairmanship. I accept it as a challenge to handle and to lead and to direct the Conference in all of its deliberations in the same dignified, mature, and I think it has to be said, in a most fair and equitable manner. I could not help but be pleased, Warren, with your adroitness today, because I believe you may have saved the new Chairman and the Executive Committee a number of headaches in some of the ensuing meetings that may take place. We shall immediately begin to establish a dialogue, or re-establish a dialogue, with the Chairman of the House Ways and Means Committee, bringing as forcibly to bear as we possibly can the genuine concern of the Governors as to the status of revenue-sharing, and the fact that it might obtain the same high priority of time that it had previously on his agenda.

In addition, it is our hope, in presenting a program to the House of Representatives or the Senate of the United States, that we can present effectively the policies and positions that have been adopted by this Conference assembled, in such a way that we might further our cause and the cause of our respective States. I believe that we can improve upon the dialogue, the effectiveness, perhaps the manner in which our message has been translated to the membership of the National Congress.

I am concerned, as you are, particularly as an individual having previously served in the Congress, that there seems to be a division of opinion among its members in terms of priority on matters which certainly should be of great and significant concern to each one of them. I am concerned that they relate to, and understand, our specific responsibilities as the chief executive officers of our respective States.

That shall be our cause, and I hope that we handle the responsibility in such a way that it brings to this Conference the measure of respect that it justly deserves.

May I call to the attention of my fellow Governors that this morning represents the last opportunity for us to share in the friendship of two of our members who will be leaving office before we reassemble, and I would like to have you stand and join me in expressing our best wishes to the Honorable Louie B. Nunn, the Governor of Kentucky, and the Governor of Mississippi, the Honorable John Bell Williams, for their loyalty and their fine contributions as members of the National Governors' Conference. I suspect that they are somewhat relieved, in a way, to be rid of all of us. Would you join in expressing appreciation?

GOVERNOR NUNN: Mr. Chairman, I am sure that John Bell shares the same sadness that I do. It will be a relief to leave the burdens of the office of Governor, but it is sad to leave colleagues such as we are gathered with here today and those with whom we have been privileged to serve over the past four years.

In concluding our service with you, I would urge you to continue, as I think the majority of the Governors have in the past, sincerely working to protect the sovereignty of our respective States, and to govern the people in such a way that they recognize that the government which is closest to them is the one which can best serve the people.

I would like to commend all of you and urge you in your dedication to the objectives of building stronger state governments, never to yield to any temptations, be it for political reasons, personal reasons, or any reasons whatsoever, that would in any way cause the great United States of America to be lessened in the sight of the people around the world.

GOVERNOR MOORE: The Governor from Mississippi.

GOVERNOR JOHN BELL WILLIAMS: Mr. Chairman, I am afraid that Louie took my speech away from me, but permit me to say, in addition to what Louie has already said, that this has been one of the greatest experiences of my life. I have met and have come to know as friends the Governors of the several States of this Union. While we are divided by geography and perhaps, in a sense, by political philosophy, we all have one thing in common. That is a determination to strengthen our republican form of government which has made this Nation great, which has preserved freedom for the people of the United States of America since the Constitution was written in 1789. It is, of course, sad to think of leaving this group, but, after some 28 years in public life and being forbidden by the Constitution of the State of Mississippi to seek a second term in office, I will retire to private life with a continued determination to assist in any way that I can in the preservation of the ideals and the principles that made this country the greatest and strongest and freest on the face of the earth. Thank you.

GOVERNOR MOORE: Might I ask your further indulgence for just a moment. So often at the conclusion of a Conference such as this we are caused by our demanding schedules to leave some things undone. I would hope that you would share with me in expressing appreciation to Mrs. Hearnese. I do not know if she is here this morning, but we might express it to her husband, and he, in turn, might deliver our message. Our best appreciation to Betty Hearnese for the very gracious and dignified way that she carried her responsibilities as wife of the

Chairman. She has been helpful in every respect and, in this particular instance, to so many new wives who came aboard. She made their task of adjustment, I believe, somewhat easier and certainly, as it related to her responsibility in arranging the ladies' schedule, she did an outstanding job. Warren, if Betty is here, I wish she would stand; if she is not, will you accept our appreciation, please.

GOVERNOR FERRE: For those Governors who want to go to see the City of Ponce and the museum this afternoon, we have a plane leaving at 2:30 from the National Guard Terminal; so any of those colleagues who want to go with their wives and families to Ponce, they may let me know at the end of the session and I will be very glad to arrange for their trip to Ponce.

GOVERNOR MOORE: I might announce to the newly elected members of the Executive Committee that Air Force One will be at the National Guard ramp at 12:30 tomorrow to take you and your immediate family, a single staff aide, and perhaps your security officer, so that we might fulfill the acceptance of the President's invitation to meet with him in Washington tomorrow at 4:30. I would like Mr. Carihfield to respond with any announcement that he might have.

SECRETARY-TREASURER CRIHFIELD: Mr. Chairman, there is a luncheon and going-away party for all Conference participants and guests on the lawn near the beach. It is now in progress and will last until 3 or 4 p.m. Will all members of the new Executive Committee please go immediately to the El Flamenco Lounge off the lobby near the elevators of this hotel.

GOVERNOR MOORE: We are adjourned.

Appendices

Appendix I

THE GOVERNORS, SEPTEMBER, 1971

State or other Jurisdiction	Governor (D) Democrat (R) Republican (PNP) New Progressive Party	Length of Regular Term in Years	Present Term Began January	Number of Previous Terms	Max. Consecutive Terms Allowed by Constitution
Alabama	George C. Wallace (D)	4	1971	1(a)	2
Alaska	William A. Egan (D)	4	1970(b)	2(c)	2
American Samoa	John M. Haydon (R)	(d)	1969(e)	-	-
Arizona	Jack Williams (R)	4	1971	2	-
Arkansas	Dale Bumpers (D)	2	1971	-	-
California	Ronald Reagan (R)	4	1971	1	-
Colorado	John A. Love (R)	4	1971	2	-
Connecticut	Thomas J. Meskill (R)	4	1971	-	-
Delaware	Russell W. Peterson (R)	4	1969	-	2(f)
Florida	Reubin O'D. Askew (D)	4	1971	-	2
Georgia	Jimmy Carter (D)	4	1971	-	(g)
Guam	Carlos G. Camacho (R)	4	1971	(h)	2
Hawaii	John A. Burns (D)	4	1970(i)	2	-
Idaho	Cecil D. Andrus (D)	4	1971	-	-
Illinois	Richard B. Ogilvie (R)	4	1969	-	-
Indiana	Edgar D. Whitcomb (R)	4	1969	-	(g)
Iowa	Robert D. Ray (R)	2	1971	1	-
Kansas	Robert Docking (D)	2	1971	2	-
Kentucky	Louie B. Nunn (R)	4	1967(j)	-	(g)
Louisiana	John J. McKeithen (D)	4	1968(k)	1	2
Maine	Kenneth M. Curtis (D)	4	1971	1	2
Maryland	Marvin Mandel (D)	4	1971	(l)	2
Massachusetts	Francis W. Sargent (R)	4	1971	(m)	-
Michigan	William G. Milliken (R)	4	1971	(n)	-
Minnesota	Wendell R. Anderson (D)	4	1971	-	-
Mississippi	John Bell Williams (D)	4	1968	-	(g)
Missouri	Warren E. Hearnes (D)	4	1969	1	2(f)
Montana	Forrest H. Anderson (D)	4	1969	-	-
Nebraska	J. James Exon (D)	4	1971	-	2
Nevada	Mike O'Callaghan (D)	4	1971	-	2
New Hampshire	Walter Peterson (R)	2	1971	1	-
New Jersey	William T. Cahill (R)	4	1970	-	2
New Mexico	Bruce King (D)	4	1971	-	(g)
New York	Nelson A. Rockefeller (R)	4	1971	3	-
North Carolina	Robert W. Scott (D)	4	1969	-	(g)
North Dakota	William L. Guy (D)	4	1969	3	-
Ohio	John J. Gilligan (D)	4	1971	-	2
Oklahoma	David Hall (D)	4	1971	-	2
Oregon	Tom McCall (R)	4	1971	1	2
Pennsylvania	Milton J. Shapp (D)	4	1971	-	2
Puerto Rico	Luis A. Ferré (PNP)	4	1969	-	-
Rhode Island	Frank Licht (D)	2	1971	1	-
South Carolina	John C. West (D)	4	1971	-	(g)
South Dakota	Richard F. Kneip (D)	2	1971	-	2(o)
Tennessee	Winfield Dunn (R)	4	1971	-	(g)
Texas	Preston Smith (D)	2	1971	1	-
Utah	Calvin L. Rampton (D)	4	1969	1	-
Vermont	Deane C. Davis (R)	2	1971	1	-
Virginia	Linwood Holton (R)	4	1970	-	(g)
Virgin Islands	Melvin H. Evans (R)	4	1971	(p)	2
Washington	Daniel J. Evans (R)	4	1969	1	-
West Virginia	Arch A. Moore, Jr. (R)	4	1969	-	2
Wisconsin	Patrick J. Lucey (D)	4	1971	-	-
Wyoming	Stanley K. Hathaway (R)	4	1971	1	-

FOOTNOTES

- (a) Previous term 1963–67.
- (b) Alaska Constitution specifies first Monday in December as Inauguration Day.
- (c) Previous terms 1959–62, 1962–66.
- (d) Indefinite term.
- (e) August, 1969.
- (f) Absolute two-term limitation.
- (g) Governor cannot serve immediate successive term.
- (h) Governor Camacho appointed July, 1969; became first elected Governor in November, 1970.
- (i) Hawaii Constitution specifies first Monday in December as Inauguration Day.
- (j) December, 1967.
- (k) May, 1968.
- (l) Governor Mandel, formerly House Speaker, was elected to office by the General Assembly in January, 1969, to fill unexpired four-year term of Governor Spiro T. Agnew (resigned) which began January, 1967. Elected to full four-year term in November, 1970.
- (m) Governor Sargent, formerly Lieutenant Governor, succeeded to office in January, 1969, to fill unexpired four-year term of Governor John A. Volpe (resigned) which began January, 1967. Elected to full four-year term in November, 1970.
- (n) Governor Milliken, formerly Lieutenant Governor, succeeded to office in January, 1969, to fill unexpired four-year term of Governor George Romney (resigned) which began January, 1967. Elected to full four-year term in November, 1970.
- (o) Nomination for third “successive” term prohibited by state law.
- (p) Governor Evans appointed July, 1969; became first elected Governor in November, 1970.

Appendix II
ARTICLES OF ORGANIZATION

ARTICLE I

NAME AND MEMBERSHIP

The name of this organization shall be the "National Governors' Conference," hereinafter referred to as the "Conference."

Membership in the Conference shall be restricted to the Governors of the several States of the United States, the Virgin Islands, Guam, American Samoa, and the Commonwealth of Puerto Rico.

ARTICLE II

FUNCTIONS

The functions of the Conference shall be to provide a medium for the exchange of views and experiences on subjects of general importance to the people of the several States; to foster interstate cooperation; to promote greater uniformity of state laws; to attain greater efficiency in state administration; and to facilitate and improve state-local and state-federal relationships.

ARTICLE III

MEETINGS

The Conference shall meet annually at a time and place selected by the Executive Committee. The agenda as announced and printed in the official program for the Annual Meeting shall be the official agenda. The Proceedings of the Annual Meetings shall be fully reported and published.

Special meetings of the Conference may be held at the call of the Executive Committee.

Twenty-five members present at the Annual Meeting or a special meeting shall constitute a quorum

ARTICLE IV

EXECUTIVE COMMITTEE

The Executive Committee of the Conference shall consist of the Chairman of the Conference and eight other members elected at the final business session of the Annual Meeting.

Not more than five members of the Executive Committee shall be representative of a single political party. To the extent practicable, the members of the Executive Committee shall be widely representative of the various areas and regions of the United States.

Members of the Executive Committee shall hold office until the adjournment of the succeeding Annual Meeting and until their successors are chosen. Vacancies in the Executive Committee may be filled by the Chairman subject to ratification by the remaining members of the Committee by mail ballot or by vote at the next subsequent meeting of the Committee.

The Executive Committee shall meet not less than three times each year. It shall have authority to act for the Conference in the interim between Annual Meetings.

The Executive Committee is empowered to authorize the creation of standing, special project or study committees of the Conference, and to assign and reassign to such committees the studies authorized by the Conference.

The Executive Committee is empowered to enter into agreements with The Council of State Governments for the administration and implementation of services to the Conference and its members in regard to state-federal relations and the coordination of research in that area. Any such agreement shall be subject to continuing oversight and supervision by the Executive Committee.

ARTICLE V

CHAIRMAN

The Chairman of the Conference shall be elected by the Conference at the final business session of the Annual Meeting.

The chairmanship shall alternate annually between the two major political parties, and a majority of the members of the Executive Committee shall always be of a political party other than that of the Chairman.

He shall hold office until the adjournment of the succeeding Annual Meeting and until his successor is chosen. A vacancy in the chairmanship shall be filled by vote of the remaining members of the Executive Committee at the next subsequent meeting of the Committee.

The Chairman shall preside and vote at meetings of the Executive Committee and of the Conference.

He shall appoint a Nominating Committee to serve at the Annual Meeting, and he shall appoint the members of standing, special project or study committees created by the Conference or by the Executive Committee. The Nominating Committee shall consist of five members, three of whom shall be of a political party other than that of the person who shall be elected as next Chairman of the Conference. The Nominating Committee shall present a single slate of nominees for the offices of Chairman, members of the Executive Committee, and Secretary-Treasurer. Additional nominations may be made from the floor, and election shall be by secret ballot in all cases where the number of nominees exceeds the number of officers to be elected. Elections shall be conducted in executive session.

The Chairman shall arrange the program of the Annual Meeting with the advice and counsel of the Executive Committee.

ARTICLE VI

SECRETARY-TREASURER

A Secretary-Treasurer shall be elected by the Conference at the final business session of the Annual Meeting. He shall attend and keep a correct record of all meetings of the Conference; safely keep all documents and other property of the Conference which shall come into his hands; and he shall perform all other duties usually appertaining to his office or which may be required by the Executive Committee.

He shall make all necessary arrangements for the Annual Meeting and special meetings with the advice and counsel of the Executive Committee and shall edit the stenographic record of the proceedings of all meetings.

Subject to the authority of the Executive Committee, he shall have custody of the funds of the Conference. He shall deposit funds of the Conference in its name; he shall annually report all receipts, disbursements, and balance on hand; and shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties.

ARTICLE VII

POLICY STATEMENTS

Statements reflecting policy positions of the Conference shall be in the form of summary statements prepared by Conference committees as an adjunct to their committee reports. Such statements shall be submitted to the Executive Committee and to all Governors not less than one month prior to an annual or special meeting of the Conference. The Executive Committee is authorized to submit such statements, with or without amendments, to the Conference for consideration.

Policy statements shall be deemed adopted upon obtaining a three-fourths favorable vote of the Conference. Floor amendments shall require the same majority vote. Any Governor desiring to submit a policy statement for consideration shall do so by transmitting the substance thereof to an appropriate committee chairman not less than two months prior to an annual or special meeting of the Conference.

ARTICLE VIII

DUES

Each member shall contribute such amounts as may be necessary to finance the programs and operations of the Conference, in accordance with contributions schedules approved by the Conference. Budgets shall be prepared and adopted by the Executive Committee. Annual financial reports shall be submitted to all members of the Conference and an independent audit shall be conducted not less than once a year by a reputable firm of certified public accountants.

ARTICLE IX

AMENDMENTS

The Conference at any meeting may amend these Articles of Organization by a majority vote of all Governors present and voting. Notice of specific amendments together with an explanatory statement shall be mailed to all members of the Conference at least thirty days prior to submitting an amendment to vote at a meeting. In the absence of such notice, a three-fourths majority vote shall be required for the adoption of any proposed amendment.

ARTICLE X

SUSPENSION

Any Article of procedure for conducting the business of the Conference may be suspended by a three-fourths vote.

Appendix III

RULES OF PROCEDURE*

Preamble

1. These Rules of Procedure shall be in specific conformity with the Articles of Organization of the National Governors' Conference and, to the extent practicable, shall be consonant with precedents and traditions of the Conference.

2. On any issue not covered by these Rules of Procedure or by the Articles of Organization, *Mason's Manual of Legislative Procedure* shall be the standard authority, when applicable.

Rule I—Policy Statements And Resolutions

1. By action of the Conference at its 1969 Winter Meeting, the Articles of Organization were amended to abolish resolutions and to establish a regular procedure for preparation of policy statements by Conference committees as an adjunct to their committee reports. Such policy statements shall come before the Conference in the manner set forth by Article VII of the Articles of Organization. Policy statements adopted by the Conference shall remain in force and effect until rescinded or superseded by the Conference.

2. In order to consider any policy statement or resolution that has not been prepared and presented in accordance with Article VII, the Conference may suspend the Articles of Organization by a three-fourths majority vote. Under such suspension, the proposed policy statement or resolution may be debated, amended and adopted upon a similar majority vote of the Conference.

3. Any member intending to offer a motion for suspension of the Articles of Organization to consider a policy statement or resolution shall give notice of such intention and shall distribute to all members present a copy of such proposal at least one session before such motion is put to a vote.

Rule II—Committee Reports

1. A committee chairman or other committee member may offer a motion with respect to a committee report in either of the following forms: (a) that the report be approved; (b) that the report be received and filed. A substitute motion may be offered from the floor to refer the report back to committee for further study. A committee report may include minority or dissenting views. A motion to table is not in order.

2. If there be separate majority and minority reports from a committee, the following motions shall be in order: (a) a motion to approve the majority report (by a majority member of the committee); (b) a motion to approve the minority report in lieu of the majority report (by a minority member of the committee);

*Adopted at Sixty-third Annual Meeting, San Juan Puerto Rico, September 13, 1971.

(c) a motion to receive and file both reports (by any member from the floor); and
(d) a motion to refer both reports back to committee for further study (by any member from the floor). Voting on any of these motions shall be in reverse order of the above. A motion to table is not in order.

3. Action on the motions described above shall be by a simple majority vote.

4. No individual amendments to a committee report, a separate majority report, or a separate minority report may be offered from the floor.

5. This Rule II shall not apply to the report of the Nominating Committee, which shall be acted upon as set forth in Article V of the Articles of Organization.

6. This Rule II shall not apply to policy statements developed as an adjunct to Conference committee reports, and such policy statements shall be governed by Article VII of the Articles of Organization.

Rule III — Ordinary Business

1. Any proposition necessary to carry on the business of the Conference may be approved by a simple majority vote.

Rule IV — Motions To Amend

1. Motions to amend most propositions are in order. An amendment may be amended, but an amendment to an amendment may not be amended because this would lead to undue confusion. Amendments shall be adopted by the same proportionate vote as is required on the main motion being amended.

2. Every amendment proposed must be germane to the subject of the proposition to be amended. To be germane, the amendment is required only to relate to the same subject, and it may entirely change the effect of the proposition. An amendment to an amendment must be germane to the subject of the amendment as well as to the main proposition.

3. Any amendment must be in writing if the Chairman so requests.

Rule V — Motions To Table

1. The purpose of a motion to table is to eliminate further consideration of any pending matter. Such motion is in order on either the entire question or on a pending amendment, and the member offering the motion should identify the breadth of his motion. A motion to table is not debatable. Adoption requires a simple majority vote. Motion may be renewed after progress in debate.

Rule VI — Previous Question

1. The purpose of a motion for the previous question is to close debate and vote immediately on either the pending amendment alone, or on all amendments and the main question seriatim. Member offering the motion should identify the breadth of his motion. A motion for the previous question is not debatable. Adoption requires a two-thirds vote. Motion may be renewed after progress in debate.

Rule VII — Postpone Indefinitely

1. The purpose of a motion to postpone indefinitely is to reject a main proposition without the risk of a direct vote on final passage. It may not be applied to an amendment and may not be renewed. The motion is debatable. Adoption requires a simple majority vote.

Rule VIII — Roll Call Votes And Other Matters

1. A roll call vote may be requested by any member on any pending question. The roll shall be called upon a show of hands by ten members.

2. Whenever the roll is called, all members present shall be entitled to vote. No proxies shall be permitted.

3. The proportion of votes required for adoption of any motion, as set forth in these Rules of Procedure, refers to the number of members voting Yea or Nay on the motion, a quorum being present. Members are entitled to indicate that they are present but not voting, or to explain their vote.

Rule IX — Adoption, Amendment And Suspension Of Rules

1. These Rules of Procedure may be adopted or amended at the first business session of any annual or special meeting of the Conference by a simple majority vote. Thereafter, for the duration of any such annual or special meeting, amendment or suspension of the Rules shall require a three-fourths vote.

Appendix IV

TREASURER'S REPORT

Summary of Cash Receipts and Disbursements for the Period
July 1, 1970-June 30, 1971

Receipts		
Dues Received from States		\$257,000.00
Interest		16,637.02
Contributions to Reimburse Cost		1,800.62
Total Receipts		\$275,437.64
Disbursements		
Salaries and Fringe Benefits	\$172,045.82	
Supplies	6,216.58	
Equipment	12,593.08	
Postage, Express, Delivery	8,211.51	
Telephone & Telegraph	10,182.11	
Rent	11,621.14	
Travel & Conference	22,421.65	
Printing	29,292.79	
Books & Periodicals	2,250.49	
Miscellaneous	1,203.80	
Winter Meeting	8,987.35	
Contingency Fund for Expenses of Chairman ...	1,846.55	
Total Disbursements		286,872.87
Excess of Disbursements Over Receipts		\$ 11,435.23

Statement of Changes in Current Assets For the Year Ended June 30, 1971

Current Assets July 1, 1970		\$220,509.10
Less: Excess of Disbursements Over Receipts (above)		11,435.23
Current Assets June 30, 1971		\$209,073.87
Composition of Current Assets June 30, 1971:		
Cash in Bank		\$(11,123.48)
U.S. Treasury Bills		217,436.06
Petty Cash		500.00
Expense Advance		2,261.29
Current Assets June 30, 1971		\$209,073.87

Appendix V

ANNUAL MEETINGS OF THE NATIONAL GOVERNORS' CONFERENCE

1st	Washington, D.C.	May 13-15	1908
2nd	Washington, D.C.	January 18-20	1910
3rd	Frankfort and Louisville, Kentucky	Nov. 29-Dec. 1	1910
4th	Spring Lake, New Jersey	September 12-16	1911
5th	Richmond, Virginia	December 3-7	1912
6th	Colorado Springs, Colorado	August 26-29	1913
7th	Madison, Wisconsin	November 10-13	1914
8th	Boston, Massachusetts	August 24-27	1915
9th	Washington, D.C.	December 14-16	1916
		No Meeting	1917
10th	Annapolis, Maryland	December 16-18	1918
11th	Salt Lake City, Utah	August 18-21	1919
12th	Harrisburg, Pennsylvania	December 1-3	1920
13th	Charleston, South Carolina	December 5-7	1921
14th	White Sulphur Springs, West Virginia	December 14-16	1922
15th	West Baden, Indiana	October 17-19	1923
16th	Jacksonville, Florida	November 17-18	1924
17th	Poland Springs, Maine	June 29-July 1	1925
18th	Cheyenne, Wyoming	July 26-29	1926
19th	Mackinac Island, Michigan	July 25-27	1927
20th	New Orleans, Louisiana	November 20-22	1928
21st	New London, Connecticut	July 16-18	1929
22nd	Salt Lake City, Utah	June 30-July 2	1930
23rd	French Lick, Indiana	June 1-2	1931
24th	Richmond, Virginia	April 25-27	1932
25th	Sacramento and San Francisco, California	July 24-26	1933
26th	Mackinac Island, Michigan	July 26-27	1934
27th	Biloxi, Mississippi	June 13-15	1935
28th	St. Louis, Missouri	November 16-18	1936
29th	Atlantic City, New Jersey	September 14-16	1937
30th	Oklahoma City, Oklahoma	September 26-28	1938
31st	Albany and New York, New York	June 26-29	1939
32nd	Duluth, Minnesota	June 2-5	1940
33rd	Boston and Cambridge, Massachusetts	June 29-July 2	1941
34th	Asheville, North Carolina	June 21-24	1942
35th	Columbus, Ohio	June 20-23	1943
36th	Hershey, Pennsylvania	May 28-31	1944
37th	Mackinac Island, Michigan	July 1-4	1945
38th	Oklahoma City, Oklahoma	May 26-29	1946
39th	Salt Lake City, Utah	July 13-16	1947
40th	Portsmouth, New Hampshire	June 13-16	1948
41st	Colorado Springs, Colorado	June 19-22	1949
42nd	White Sulphur Springs, West Virginia	June 18-21	1950
43rd	Gatlinburg, Tennessee	Sept. 30-Oct. 3	1951
44th	Houston, Texas	June 29-July 2	1952
45th	Seattle, Washington	August 2-6	1953
46th	Lake George, New York	July 11-14	1954
47th	Chicago, Illinois	August 9-12	1955
48th	Atlantic City, New Jersey	June 24-27	1956
49th	Williamsburg, Virginia	June 23-26	1957
50th	Bal Harbour, Florida	May 18-21	1958
51st	San Juan, Puerto Rico	August 2-5	1959
52nd	Glacier National Park, Montana	June 26-29	1960
53rd	Honolulu, Hawaii	June 25-28	1961
54th	Hershey, Pennsylvania	July 1-4	1962
55th	Miami Beach, Florida	July 21-24	1963
56th	Cleveland, Ohio	June 6-10	1964
57th	Minneapolis, Minnesota	July 25-29	1965
58th	Los Angeles, California	July 4-7	1966
59th	S.S. Independence and Virgin Islands	October 16-24	1967
60th	Cincinnati, Ohio	July 21-24	1968
61st	Colorado Springs, Colorado	Aug. 31-Sept. 3	1969
62nd	Lake of the Ozarks, Missouri	August 9-12	1970
63rd	San Juan, Puerto Rico	September 12-15	1971

Appendix VI

CHAIRMEN OF THE NATIONAL GOVERNORS' CONFERENCE, 1908-1971*

Governor Augustus E. Willson, Kentucky	1910
Governor Francis E. McGovern, Wisconsin	1911-14
Governor David I. Walsh, Massachusetts	1914-15
Governor William Spry, Utah	1915-16
Governor Arthur Capper, Kansas	1916-17
Governor Emerson C. Harrington, Maryland	1918
Governor Henry J. Allen, Kansas	1919
Governor William C. Sproul, Pennsylvania	1919-22
Governor Channing H. Cox, Massachusetts	1922-24
Governor E. Lee Trinkle, Virginia	1924-25
Governor Ralph O. Brewster, Maine	1925-27
Governor Adam McMullen, Nebraska	1927-28
Governor George H. Dern, Utah	1928-30
Governor Norman S. Case, Rhode Island	1930-32
Governor John G. Pollard, Virginia	1932-33
Governor James Rolph, Jr., California	1933-34
Governor Paul V. McNutt, Indiana	1934-36
Governor George C. Peery, Virginia	1936-37
Governor Robert L. Cochran, Nebraska	1937-39
Governor Lloyd C. Stark, Missouri	1939-40
Governor William H. Vanderbilt, Rhode Island	1940-41
Governor Harold E. Stassen, Minnesota	1941-42
Governor Herbert R. O'Connor, Maryland	1942-43
Governor Leverett Saltonstall, Massachusetts	1943-44
Governor Herbert B. Maw, Utah	1944-45
Governor Edward Martin, Pennsylvania	1945-46
Governor Millard F. Caldwell, Florida	1946-47
Governor Horace A. Hildreth, Maine	1947-48
Governor Lester C. Hunt, Wyoming	1948
Governor William P. Lane, Jr., Maryland	1949
Governor Frank Carlson, Kansas	1949-50
Governor Frank J. Lausche, Ohio	1950-51
Governor Val Peterson, Nebraska	1951-52
Governor Allan Shivers, Texas	1952-53
Governor Dan Thornton, Colorado	1953-54
Governor Robert F. Kennon, Louisiana	1954-55
Governor Arthur B. Langlie, Washington	1955-56

*At the initial meeting in 1908, President Theodore Roosevelt presided.

Governor Thomas B. Stanley, Virginia	1956-57
Governor William G. Stratton, Illinois	1957-58
Governor LeRoy Collins, Florida	1958-59
Governor J. Caleb Boggs, Delaware	1959-60
Governor Stephen L. R. McNichols, Colorado	1960-61
Governor Wesley Powell, New Hampshire	1961-62
Governor Albert D. Rosellini, Washington	1962-63
Governor John Anderson, Jr., Kansas	1963-64
Governor Grant Sawyer, Nevada	1964-65
Governor John H. Reed, Maine	1965-66
Governor William L. Guy, North Dakota	1966-67
Governor John A. Volpe, Massachusetts	1967-68
Governor Buford Ellington, Tennessee	1968-69
Governor John A. Love, Colorado	1969-70
Governor Warren E. Hearnes, Missouri	1970-71
Governor Arch A. Moore, Jr., West Virginia	1971-72

Appendix VII

APPROVED POLICY STATEMENTS BASED ON RECOMMENDATIONS OF THE COMMITTEE ON CRIME REDUCTION AND PUBLIC SAFETY

ADMINISTRATION AND IMPLEMENTATION OF THE OMNIBUS CRIME CONTROL AND SAFE STREETS ACT

a) Administration and Implementation of the Omnibus Crime Control and Safe Streets Act

The National Governors' Conference commends the Law Enforcement Assistance Administration for its extensive and helpful cooperation with the States in implementing the Omnibus Crime Control and Safe Streets Act of 1968. Its actions in fostering the development of qualified staff at the state level, providing wide latitude to the States in developing plans for improving the entire criminal justice system, promoting a spirit of cooperation between the various criminal justice disciplines, and generally supporting the state partnership required in a bloc grant program sets an outstanding example that could well be emulated by other federal departments. Its efforts to insure the success of this first program embodying a true bloc grant approach to an intergovernmental problem are noteworthy. The National Governors' Conference further commends the LEAA for its reorganization plan designed to facilitate project review and decentralization by expanding the authority and responsibility of the regional offices.

Therefore, the National Governors' Conference expressly reaffirms its confidence in the LEAA program and urges the Congress to form a partnership with the Governors in working to strengthen the LEAA to assure effective intergovernmental action to deal with one of the Nation's most serious domestic problems.

b) Fiscal Policies

The National Governors' Conference strongly urges the Congress of the United States to provide increased funding for the Omnibus Crime Control Act to insure the effective accomplishment of intergovernmental crime control.

Insofar as it would contribute toward freeing state and local governments from onerous federal administrative and fiscal restrictions, we endorse those principles of special revenue sharing for law enforcement which would eliminate grantee matching requirements and dispense with the requirement of prior federal approval of state comprehensive plans as a condition precedent to allocation of funds.

STATE-CITY COOPERATION

The National Governors' Conference restates and reemphasizes its commitment to vigorous and effective action to control the burgeoning crime problems in the urban areas of our States. Recognizing that the plague of crime knows no jurisdictional boundaries, the Governors of the States pledge their active support to the comprehensive planning and intergovernmental action called for in the

Omnibus Crime Control Act of 1968. The Governors are firmly committed to the need for a working partnership with elected and other policy-making officials in the counties and municipalities of our States to accelerate efforts in developing comprehensive metropolitan crime control programs and facilities. We support and encourage voluntary state assistance to local governments for criminal justice programs.

CRIMINAL CODE REVISION

The National Governors' Conference finds that one of the most critical needs in the improvement of many States' criminal justice systems is in the revision, modernization and simplification of the criminal code, including a model sentencing code with emphasis on dealing with the offender as an individual rather than treating the crime. The Governors of the States pledge their commitment to request the State Legislatures, in cooperation with the appropriate state and local criminal justice officials and members of the bar, to review and, where necessary, revise the state criminal code immediately, and at least once each decade thereafter.

The National Governors' Conference requests that the American Bar Association, together with other national organizations of the criminal justice bar and bench, provide professional leadership by assisting the States in this code revision effort. We urge careful consideration by all States of the American Bar Association Standards for the administration of criminal justice.

The Governors urge the United States Department of Justice to establish a clearinghouse for state criminal code revision efforts. This office should serve only as a source of advice and information-sharing among the States.

CRIMINAL JUSTICE SYSTEMS IMPROVEMENTS

The National Governors' Conference expresses its strong commitment to the integration and cooperation of all state and local crime control efforts into a streamlined efficient system of criminal justice administration:

- A. To this end, the Governors of the States support, encourage and will pursue the following steps to aid law enforcement officials:
 1. Personnel
 - a. Development of minimum statewide professional standards for police recruitment, training and performance, and improvement in law enforcement officers' salaries.
 - b. Development of incentive or merit systems to insure recognition and advancement of those who excel.
 - c. Recruitment and training of staff and auxiliary service personnel to relieve the law enforcement officers from clerical and support duties.
 - d. Development of comprehensive law enforcement officer training programs to include operations, public administration, law, technology, available social services and human relations.
 - e. Encouragement of educational advancement to work-study programs.

in-service training, and scholarships for full- and part-time professional study.

2. Resources
 - a. Development of a statewide, integrated information and communications system to facilitate intergovernmental cooperation in crime control.
 - b. Development of statewide or regional crime laboratories.
3. Relationship to the community
 - a. Programs of public support and education to improve understanding and cooperation between the citizen and the law enforcement officer, including education programs at the junior and senior high school levels, to develop understanding of the criminal justice system.
 - b. Increased recruitment for police service careers from among persons of all races and economic situations.
- B. To this end, the Governors of the States support, encourage and will pursue the following steps to improve the judicial process:
 1. Personnel
 - a. Request legislation establishing statewide professional and educational standards for all judges and court administrative officials, elected or appointed, to state or local courts.
 - b. Establish statewide minimum salaries for all judges and court administrative officials.
 - c. Establish procedures for the administration of judicial conduct, discipline and retirement.
 - d. Institute statewide assigned counsel or defender systems, financed by the jurisdiction which has the responsibility for prosecution.
 2. Organization

Create unified systems with specialized branches where appropriate.
 3. Procedures
 - a. Improve jury selection systems by modernizing criteria for exclusion from duty, instituting better record-keeping, and increasing compensation for public service.
 - b. Modernize archaic court procedures in areas such as providing expanded pre-trial discovery, extending prosecution's right to appeal from pre-trial rulings suppressing evidence, and providing simple state post-conviction procedure.
 - c. Institute statewide procedures for promoting fair sentencing procedures consistent with policy of dealing with offenders as individuals.
 - d. Institute procedures to require counsel for a parole violator.
- C. To this end, the Governors of the States encourage, support and will pursue the following steps to aid and improve the corrections system:
 1. Personnel
 - a. Commit additional resources to probation and parole sources to reduce the existing imbalance between institutional maintenance and field services.
 - b. Improve recruitment, training and retention of correctional personnel by increases in salary, scholarships for professional training and intensive in-

- service training programs.
- c. Institute probation and parole services which make use of volunteers and some professional aides, including ex-offenders.
- d. Develop improved standards and procedures for parole decision-making.
- 2. Institutions
 - a. Establish and enforce statewide standards for jails and detention institutions.
 - b. Provide separate detention facilities for juveniles and for women.
 - c. House and process persons awaiting trial separately from convicted offenders.
 - d. Provide separate treatment for individuals requiring specialized rehabilitation, such as narcotics addicts or alcoholics, on a regional or statewide basis.
- 3. Programs
 - a. Development of more intensive community treatment programs as alternatives to institutionalization.
 - b. Upgrade basic education and vocational training for inmates, and institute programs for job development, placement, and follow-up.
 - c. Design all rehabilitation programs so that they improve the re-entry of offenders into the community.
 - d. The consolidation of the administration of state correction programs.
 - e. Adoption of the Interstate Correctional Compact providing for regional and interstate cooperation for the development of correctional institutions and programs.
- D. Total system needs:
 - 1. Development of mandatory statistical data collection and analysis for all components of the criminal justice system including police administration, court caseload, correctional data, and expenditures by state and local governments for criminal justice institutions.
 - 2. Development of a philosophy and treatment program whereby the offender is treated as an individual according to his needs and motivations.

THE PREVENTION AND CONTROL OF JUVENILE DELINQUENCY

The National Governors' Conference believes that any attempt to comprehensively prevent and control juvenile delinquency calls for bold, broad, basic and new approaches including redeployment of personnel and resources.

Commitment to the task of preventing juvenile delinquency requires:

- a. Commitment to long-term research and development adequate to cope with the complexity of the delinquency problem.
- b. A conscious broadening of the framework within which the problems are analyzed and remedies sought. There must be a willingness to examine and challenge all traditional operations.
- c. The significant involvement of youth in any community's effort to understand and prevent juvenile delinquency.

- d. Coordination of private and public services to youth including character building efforts and those geared to correction and rehabilitation.
- e. Focusing attention and efforts on youth at an earlier age than we have previously.
- f. A careful reevaluation of the unique role of the family in American societies.
- g. Realism about the cost of long-range preventive efforts.
- h. Establishment of vocational schools without severe standards and criteria to give every boy and every girl an equal education in the area of high rate unemployment.

In recognition of the key role which state governments play in the intergovernmental effort to prevent and control juvenile delinquency, the Governors of the States urge that each State undertake to provide leadership and funding for the coordination of planning and services of all state agencies which contribute to the prevention, control, and treatment of juvenile delinquency. Such coordination should encompass the States' effort under the Omnibus Crime Control and Safe Streets Act. Each State should emphasize and strengthen its commitment to programs designed to prevent delinquency, giving particular emphasis to home and school-centered programs aimed at youth who are in danger of becoming delinquent.

Because of the seriousness of the problem of juvenile delinquency and the need for major governmental action, the National Governors' Conference expresses its concern with the Juvenile Delinquency Prevention and Control Act of 1968. We find that it is poorly drafted as enacted, that it is inadequately funded, and that its administration is not properly coordinated with that of the Omnibus Crime Control Act. We urge that the Law Enforcement Assistance Administration be given increased funding to deal with juvenile delinquency treatment. As used in this context, juvenile delinquency treatment refers to the time after a child enters the juvenile justice system.

The more than seventy federal programs concerned with prevention of juvenile delinquency should be consolidated under a single agency administering a bloc grant for youth. As used here "prevention" refers to those systems and subsystems which are designed to keep the child out of the juvenile justice system.

ORGANIZED CRIME

The National Governors' Conference pledges full support and cooperation in the intergovernmental war on organized crime. To this end, the Governors of the States recommend the following actions by federal, state and local authorities:

- a. Enactment of general witness immunity statutes at federal and state levels.
- b. Formation of organized crime intelligence units in the offices of appropriate state agencies designated by the Governor and in local law enforcement agencies.
- c. The continuation of federal technical assistance and training programs designed to assist in the development of competent staff for state and local jurisdictions, and the funding of federal assistance for development of state intelligence systems.

- d. The creation and financing of state level programs to investigate the problems of organized crime, including the infiltration by crime syndicates into legitimate businesses and state and local governments, by focusing public attention upon the problem by means of crime commissions and grand jury investigations.
- e. Enactment of the Model Criminally Operated Business Act as drafted by the Suggested State Legislation Committee of the Council of State Governments to prevent infiltration and takeover of legitimate business by the forces of organized crime.
- f. The drafting and publication by the same Committee of a Model State statute to implement appropriate procedures for wiretapping and electronic surveillance and investigation by authorized law enforcement agencies, and to implement the provisions of Title III of the Omnibus Crime Control and Safe Streets Act of 1968.

DRUG ABUSE

The National Governors' Conference is concerned with the extensive proliferation of the narcotics and drug abuse problem. Because of its multi-faceted nature and complexity, it is both proper and necessary that the problem be addressed by this Committee as well as the Committee on Human Resources. To combat the pervasive problem of narcotics and drug abuse, the Governors of the States recommend the following urgent efforts:

- 1. The Special Action Office for Drug Abuse Prevention recently created by Executive Order should be strengthened and sanctioned by Congress through enactment of legislation giving that office statutory authority to coordinate federal drug abuse programs; to develop goals, objectives and priorities for those programs and to cooperate with the States in a concerted attack on the narcotic and dangerous substance problem.
- 2. Enactment by the States of the Uniform Controlled Dangerous Substances Act, as well as other drug control legislation which:
 - a. Grants courts and correctional authorities sufficient flexibility with user to permit individualized sentencing and treatment, and the imposition of appropriately severe sentences for pushers and sellers.
 - b. Requires prompt disposition of the offender's case.
 - c. Effectively unifies all state drug control programs and coordinates all private and public efforts to control drug abuse.
- 3. Development of state programs for the rehabilitation and treatment of offenders requiring close supervision and control while correcting problems of drug abuse by providing alternative methods for disposition of drug users by the establishment of adequate facilities for both voluntary and involuntary admissions and for out-patient treatment programs.
- 4. In line with the objectives set forth by the Cabinet Committee on International Narcotics Control, the federal government should intensify its diplomatic efforts to halt the illegal importation of narcotic substances and

promote international programs to reduce the production of such substances.

5. The enactment of interstate compacts to further cooperation among the States in the control of drug and narcotics abuses.
6. Public drunkenness should not in itself be a criminal offense. Disorderly and other criminal conduct accompanied by drunkenness should remain punishable as separate crimes.

THE CRISIS OF UNREST

The National Governors' Conference recognizes and supports the historic and constitutional right of all citizens to dissent from public policies, and to seek to change such policies through public assembly, and through the peaceful expression and exchange of views.

Violence and disorder are not justified in a democratic society. We condemn lawlessness on all sides, be it by those who dissent from public policies, those who support them or those who are called upon to keep or restore the peace. We affirm that the first responsibility of the peace-keepers is to protect the safety and lives of all those involved; however, we recognize also the correlative right of the peace-keepers in the discharge of his responsibility to use such force as may be necessary for their own self-protection.

We believe that change in a democratic society must be achieved through the calm and reasonable exchange of views. And to that end we urge greater dialogue and understanding among all segments of our society so that we might prevent the polarization of views, and the escalation of differences to the point of violence.

On the campus, we believe that the faculty and administration have the primary responsibility for the prevention of disorder and the preservation of the tranquility of the learning community. But we also affirm the right and responsibility of the State to act to restore peace both on the campus and in the larger community when other means have been tried and have failed.

We also pledge our efforts toward the constant renewal and revitalization of the institutions of our society . . . not only in education but in government and business as well . . . to prevent them from becoming impersonal toward the citizen, neglectful of the society, and brittle or unresponsive to each generation of Americans.

FIREARMS CONTROL

The National Governors' Conference, recognizing the varying requirements for firearms legislation in each State recommends and will pursue legislative enactment of:

1. Federal and state laws controlling the transportation and possession of military-type firearms and ordnance, other than small arms.
2. State laws prohibiting certain categories of persons, such as habitual alcoholics, drug addicts, mental incompetents, persons with a history of

substantial mental disturbances, and persons convicted of felonies, from buying, owning, or possessing firearms.

NATIONAL CRIME REDUCTION GOALS

Using 1971 as the national base year, the National Governors' Conference calls upon the Congress and the federal government to join with Governors and local government leaders to give crime reduction priority attention and to commit the resources necessary to stop the growth of violent crime and reduce it by 50 percent of the peak year by 1981. In this context, violent crime refers to murder, non-negligent manslaughter, rape, robbery and aggravated assault.

In furtherance of these goals, the National Governors' Conference recommends that the national crime reporting procedures be revised to report the number of persons committing crimes.

RENAMING LEAA

In recognition of the Law Enforcement Assistance Administration's broadened scope and mission, the National Governors' Conference recommends that it be renamed the National Crime Reduction Administration, thus relating it to the quantifiable national goal of reducing crime.

EXTRADITION REFORM

The National Governors' Conference expresses its concern with the ever increasing number of extradition requests which pass through Governors' offices and the bewildering variety of forms and procedures utilized by the various States in the extradition process. The resulting delay serves neither justice nor efficiency.

We, therefore, request that the National Association of Extradition Officials study the problem and the various solutions that have been offered and propose model legislation if deemed desirable for adoption by the States.

THE NATIONAL GUARD

The National Governors' Conference recognizes the unique role of the National Guard as the primary reserve force for both the Army and the Air Force in our Nation's defense and as our emergency law enforcement and disaster backup for state civil authorities. We reaffirm our belief in the National Guard militia system which has supported and sustained the United States throughout its history as the most fitting, economical and effective method of providing military support to both State and Nation.

We are, therefore, concerned over the ability of the National Guard to maintain authorized strength as reliance upon the draft is lessened. Greater emphasis and support must be given to incentives to enlist and retain members in adequate numbers with a proper balance of experience and leadership.

The National Governors' Conference further endorses the recommendations set out in the accompanying report by the Subcommittee on the National Guard.

Appendix VIII

APPROVED POLICY STATEMENTS BASED ON RECOMMENDATIONS OF THE COMMITTEE ON EXECUTIVE MANAGEMENT AND FISCAL AFFAIRS

REVENUE SHARING

The National Governors' Conference went on record in 1965 in support of the principle that the Federal Government share a portion of its revenue with the States, unfettered as to functions for which it is to be used. The Conference reiterates its stand on this matter, and further recommends, consistent with the criteria approved by the Conference in 1968, that a revenue sharing plan be formulated on the following basis:

(1) Congressional appropriations for revenue sharing should be made on the basis of the federal individual income tax base.

(2) Congressional appropriations for revenue sharing should be made to a trust fund established in the Treasury of the United States.

(3) The sums appropriated should be allocated among the States, based primarily on population adjusted by relative state and local tax effort. The relationship between the taxing ability and the percentage of federally-held and administered land acreage in each State should also be considered.

(4) Congress in its appropriations to the States should specify a pass-through formula to local governments. Eighty percent of the monies which are for distribution to local governments should be passed through automatically according to formula to eligible local governments; twenty percent should be passed through to eligible local governments on application of these units to the States, and should be available for programs at the local level which encourage cooperative or joint efforts of local governmental units to solve a common problem.

(5) The federal pass-through formula should provide for sharing revenue only with general purpose units of government.

(6) The allocation by formula should be made to relatively populous cities and counties based on population and the ratio between the total receipts from all taxes imposed by eligible cities or counties and the total receipts from all taxes imposed by the State and its political subdivisions. The portion of any State's allocation which would be available for local governments within the State would depend upon the portion of total tax revenue raised by the State and that raised by the eligible local units in the State. An alternative state allocation plan of distribution should be accepted if (a) each city and county receive an amount equal to or greater than that allocated by formula, or (b) city and county councils or governing bodies representing fifty percent of those entities entitled to receive at least fifty percent of payments by formula concur in the State's alternative plan.

(7) No functions should be excluded from expenditures made from shared funds.

The Executive Committee is directed to employ every means available toward the immediate and favorable enactment of revenue sharing.

STATE AND LOCAL BONDS

The municipal bond market is a vital source of funds for financing the capital expenditure requirements of state and local governments. In order to meet the strong and growing demand for new and expanded capital facilities faced by these governments, it is imperative that this market provide a dependable source of funds at reasonable rates of interest. To this end we recognize the desirability of broadening the market for state and local bonds.

Specifically, at the federal level we urge Congress to enact legislation: (1) to permit mutual funds holding municipal bonds to pass the exemption through to their stockholders; and (2) to require a portion of the reserves of the Unemployment Trust Fund to be invested in municipal securities.

At the state level we encourage where feasible and relevant the examination of state initiatives such as: (1) the state bond bank; (2) constitutional and/or statutory changes in debt and interest rate limitations; (3) collateral deposit requirements in municipal bonds for insurance companies; (4) direct issuance of low denomination bonds; and (5) public finance assistance departments.

During the last several years, we have witnessed a growing number of bills introduced in the Congress which would shift state and local borrowing from the tax-exempt to the taxable market. In most cases, federal agencies would act as intermediaries between state and local governments and the public in marketing municipal bonds. Regarding further Congressional action in this area, we recommend the following criteria:

1. Use of any federal credit assistance programs by state and local governments should be entirely voluntary.
2. Such assistance should be free of federal interference and intervention in matters of state and local concern.
3. Such assistance should be simple, dependable, and free of delay.
4. Such assistance should not be viewed as an alternative to federal grant assistance where the latter is appropriate and necessary.

The Committee reasserts that such proposals should not in any way impair the access of state and local governments to the tax-exempt market or infringe upon these governments' independence in debt financing.

INTERSTATE TAXATION OF BUSINESS

For a number of years the National Governors' Conference has expressed opposition to federal legislation which would restrict the taxing jurisdiction of the State and provide preferential tax immunity to favored multistate businesses, and has expressed full support for legislation which would give Congressional approval to the enactment of the Multistate Tax Compact by the States.

This Conference now goes one step further in supporting an expanded and/or specific version of a Congressional consent bill for the Multistate Tax Compact to allay expressions of concern in the Congress that the original consent bill set out only a broad statement of purpose, and to counter claims that the States were seeking a sort of blank check in the area of multistate taxation.

The Conference therefore urges Congress to enact legislation, drafted by the Advisory Commission on Intergovernmental Relations in collaboration with the Council of State Governments, which incorporates the Multistate Tax Compact and expresses Congressional consent to enactment by the States of a compact substantially the same thereto, plus the following additional provisions:

- (1) The three-factor formula (Uniform Division of Income for Tax Purposes Act), developed by the National Conference of Commissioners on Uniform State Laws, is made mandatory for net income taxes upon States which have not enacted the Compact by July 1, 1971;
- (2) States are given jurisdiction to require collection of sales tax by sellers making interstate deliveries into a State if the seller makes regular household deliveries there; and
- (3) Income taxes may be imposed on Congressional salaries only by the district and State represented by the Congressman.

TAXATION OF INDUSTRIAL DEVELOPMENT BONDS

The Conference recognizes that so-called industrial development bonds have been used for non-governmental purposes. Unfortunately, federal legislation adopted in 1968 to remove the tax-exempt status of industrial development bonds erroneously included in its definition some traditional governmental functions and thus made them taxable under this legislation. The Conference reiterates its 1968 resolution urging legislation properly to redefine industrial development bonds.

NEW APPROACHES TO FEDERAL-STATE PARTNERSHIP

Since social and economic problems transcend state boundaries, States have long worked together in efforts to solve them. Most major problems today, however, also require federal cooperation and assistance.

Federal-state partnership in regional problems has taken the form of the interstate compact and the regional commission. The Appalachian Regional Commission has successfully brought thirteen States and the federal government together to plan and administer programs in health, education and transportation, assisted by substantial federal block grants.

Although legislative authorization for the Appalachian Regional Commission and regional commissions authorized under Title V of the Public Works and Economic Development Act has been extended, there is need for a thorough review of the regional concept. As problems of underdeveloped areas and interstate-metropolitan areas become more complex, it is certain there will be an increased demand for an extension of multistate administration of programs dealing with these and other problems. The National Governors' Conference recognizes the vital need of effective mechanisms for solving such problems. Any new national legislation should include the following basic points:

- Allow the establishment of regional commissions as agreed upon by the federal government and the States involved;

- Provide for Governors to share decision-making authority equally with federal representatives;
- Make federal participation directly responsible to the President, and state participation to the Governor;
- Provide adequate funds for initial planning and policy development, and adequate authorization for the future appropriations after the priorities of each commission have been determined; and
- Should not be used as a substitute for revenue sharing.

FEDERAL ROLE IN STATE PLANNING

Planning has always been a vital element in the decision-making process, and in recent years much effort has been made at the federal and state levels to improve the methods by which it is done. The Federal Government has shown its concern and interest by many programs of assistance to state and local governments for planning. However, many problems have arisen: a multiplicity of planning grants with different federal requirements; uncertain funding; and no integration of plans, especially at the federal level.

The National Governors' Conference urges that:

The Congress and the Administration should take immediate action to correct the confusing, contradictory, duplicative and overlapping mass of federal requirements and definitions concerning both long-range and annual operational plans. Federal agencies should recognize the Governor as the chief state policymaker and planner responsible for the coordination of all statewide and multi-jurisdictional sub-state planning. The elected heads of local government should be recognized in the same capacity for all state and federal programs operating within their jurisdictions.

An appropriate share of the funds of each functional federal grant program should be made available to the Governor for the purpose of relating functional plans to each other, to statewide goals and policies and to local development policies. This effort should begin with HEW which has thirty-nine programs, each requiring a statewide long-range or annual operating plan.

Major federal planning assistance programs should provide for forward funding on a two or three-year basis; minimum annual funding for each State; interprogram service agreements; evaluation machinery; technical assistance, training and tuition fees as eligible project costs; and minimum standardization and coordination of federal planning definitions and requirements.

INTERGOVERNMENTAL COOPERATION ACT

The National Governors' Conference commends the Congress for passage of the Intergovernmental Cooperation Act of 1968, which among other things, provides for keeping Governors and Legislatures informed of federal grant-in-aid rules and regulations, provides a means to obtain flexibility in administration of the "single state agency" requirement, provides flexibility in state banking of federal funds,

authorizes federal agencies to render technical assistance and training services to state and local governments on a reimbursable basis, and provides for federal coordination with local authorities regarding land use.

The Conference is gratified at the action of the U.S. Bureau of the Budget in providing directives for implementation of this Act through Circulars A-95, A-96 and A-97. Governors should especially note Circular A-95, which encourages the establishment of clearinghouses and review procedures through which federally aided local and regional planning and development projects can be coordinated with State activities, and projects of different state agencies can be coordinated with one another. This Circular may potentially be used to enhance the ability of the Governor to coordinate the management of state programs.

The Conference urges Congress now to extend the principles of intergovernmental cooperation by enacting legislation which would establish procedures to allow the simplification of accounting, auditing and reporting of federal assistance funds; authorize the President, subject to Congressional veto, to consolidate federal assistance programs within agencies; allow joint funding simplification for the packaging of grants for the same or related programs; and provide for periodic Congressional and executive review of grant programs to determine their effectiveness.

TRAINING

The growing complexity of state government programs, and of the many intergovernmental programs in which States are involved, is placing an enormous burden upon state officials and employees responsible for the over-all management and unity of state operations. Training is a necessary part of equipping these officials and employees to carry out their responsibilities.

The National Governors' Conference commends the Council of State Governments for strengthening its training activities: the Conference notes the successful seminar held in 1968 and 1970 for newly elected Governors and their aides, the continuing work of the Council in providing policy-oriented training for Governors' personnel, the newly established training program for legislators and legislative staff, and the recent collaboration with organizations of local officials to provide training on matters of intergovernmental concern. The Conference urges further intensification of these efforts.

The Intergovernmental Personnel Act of 1970 will help to strengthen state and local training programs. This legislation provides a major opportunity to establish statewide personnel training and development programs in cooperation with local officials. However, the opportunity directly depends upon prompt and affirmative submission of state plans for training to the U.S. Civil Service Commission.

CLEARINGHOUSE FOR STATE CONSULTING HELP

All Governors have on occasion needed the temporary assistance of persons from outside their state governments to bring a different perspective to policy issues as well as to bring to bear technical knowledge and experience in various fields of

state government. Although private consulting firms and universities have been used to help provide this assistance, a major reservoir of talent, largely untapped, is the State Governments of the Nation. The use of this talent would be of benefit both to the State receiving help and, through broadening the experience of the personnel involved, to the State supplying the expertise.

The National Governors' Conference requests that its Secretariat establish a clearinghouse to enable States to draw upon the experience and talents in the State Governments by helping States define their problems with precision and clarity, and identifying employees in state governments who are qualified to provide effective assistance.

FEDERAL AID INFORMATION SYSTEMS

There is a critical need for a better exchange of information between levels of government as a result of the continuing growth of federal assistance programs. Great progress has been made by the States in creating information systems for their decision makers. Additional progress has been made by the federal government under the Intergovernmental Cooperation Act of 1968 and subsequent implementation guidelines.

However, it is increasingly clear that further progress could be greatly enhanced by developments at the federal level which are unifying and coordinating in effect. It seems evident that clear commitment from the Office of Management and Budget, with strong support from the States, could result in substantial progress in the following areas:

1. Early involvement of the States in federal spending decisions directly affecting state budgeting, through continuing information flow to policy levels.
2. Action toward uniform data requirements and formats among federal agencies.
3. Technical assistance to State and local governments in developing uniform information systems and more effective management techniques. Vigorous assistance from the federal level would implement the States' desire for information systems which are compatible both among the States and between States and the federal government.
4. Sustained funding for model projects whose purpose is to develop techniques and systems for effective management in many areas of government.
5. A continued emphasis on the elimination of federal agency policies requiring single purpose or designated use of federally supported data processing facilities. At present, state central management staff may be denied the use of state functional agency equipment because of regulations promulgated by counterpart federal agencies.

FEDERAL GRANT-IN-AID OMNIBUS

The National Governors' Conference acknowledges the importance of federal grants-in-aid in the financing of state and local programs. These aids now amount

to nearly one-fifth the total federal domestic budget and one-fifth of total state expenditures. Aid programs have proliferated in the past several years and now number over 1000 separately funded activities.

The number of programs and the large amounts of dollars involved make imperative the proper administration of these programs so that the national objectives toward which they are aimed can be achieved. Many of the policy statements of this Conference deal with this issue with respect to individual programs. The federal government—the President, Congress, and the administering agencies—should work closely with state officials in developing appropriation and administrative procedures to provide maximum flexibility in carrying out program objectives and maximum certainty of federal action. Specifically the Conference endorses the following concepts:

1. Utilization of the block grant approach for new aid programs in support of broad national purposes.
2. Fundamental reorganization of a large number of existing programs into several broad areas on a permanent basis. Grouped programs would be those that share a consistent pattern of purpose. The following provisions represent concepts embodied in this type of proposal:
 - Automatic allocation of grant funds by careful and meaningful formulas rather than narrow project specifications.
 - Flexible and dependable formulas for passing certain funds directly to local governments.
 - Deletion of matching and maintenance of effort requirements as a prerequisite to receiving aid.
 - Clear definition of the State as critical to program coordination, planning and evaluation, with gubernatorial review replacing cumbersome federal approval processes.
 - Reasonable transitional stipulations such as hold harmless clauses, which would guarantee state and local jurisdictions at least as much revenue from each new program as from the total of the old programs being consolidated.
3. Joint funding simplification, to allow federal agencies to cooperate with state requests to combine several grants in the administration of one state program.
4. Appropriations consonant with authorizations, to provide a greater degree of certainty in the amount of funding to be expected.
5. Advance funding for at least two years, especially for construction projects, so that the necessary contracts can be let with assurance of fulfillment.
6. Annual appropriations prior to start of fiscal year, to provide the States sufficient lead time for planning the program and hiring the staff.
7. Resolution by the President and Congress of their divergent policies on appropriations and expenditures by procedural or structural means.
8. Full consideration of the special needs of Puerto Rico, the Virgin Islands, American Samoa and Guam be given by Congress in the distribution of fiscal aid funds.

The National Governors' Conference asserts that any changes in the grant-in-aid system must be directed toward the simplification of the machine. The mechanisms of federal assistance must not be allowed to impede the intent of that assistance. The National Governors' Conference supports the President's special federal assistance review program for the streamlining of the administrative mechanisms used to process and distribute federal funds. Further, the National Governors' Conference asserts that economic, social and ecological challenges can be grasped and grappled with at state and local levels, and that operational changes in aid programs must allow and encourage problem-solving ability at these levels.

REGULATION OF INSURANCE

It is long established national policy to leave to the States the basic task of regulating the insurance industry. The States have demonstrated an ability to do a creditable job of regulation, and in the aggregate the insurance industry is well regulated.

The National Governors' Conference opposes federal legislation which would create a federal bureaucracy for the regulation of insurance, and Congress should be ever-mindful of the States' role in this important area. If corrective national legislation is necessary, the National Governors' Conference stands ready to work with Congress to achieve positive results.

SUB-STATE DISTRICT DEVELOPMENT

Sub-state districting is an issue of growing concern to state and local elected officials. The essence of the concept is the creation of a statewide system of multi-jurisdictional planning units, composed of elected officials or appointed representatives, and provided with a professional staff. The concept is basically an organizational one. It proposes a structure which cuts across the array of substantive programs, enabling elected officials to effectively coordinate the use of federal, state and local resources in solving statewide problems.

Although the sub-state district is essentially an aggregate of local governments, the critical catalyst must be applied by state government, since the ability to designate district boundaries, enact enabling legislation, and provide needed financial and technical support lies at the state level.

At the federal level, two Office of Management and Budget Circulars have been specifically addressed to this problem (Circulars A-95 and A-98). However, further progress at all levels is virtually prohibited by the uncoordinated and competing array of federal aid programs operating at the sub-state level and having their own rules, regulations, and guidelines for organizational structure, policy board representation, program coverage, and staffing arrangement. The following actions should be undertaken to assure progress:

1. The Office of Management and Budget should give more serious attention and staffing to the implementation by federal agencies of Office of Manage-

ment and Budget Circular A-80 and A-95 concerning sub-state district organizations.

2. Each State should give serious consideration to the enactment of state legislation that would better enable local, general purpose governments to cooperate in the solution of areawide problems.
3. State agencies should use these sub-state districts for the administration of state programs to the greatest extent possible.
4. Federally supported sub-state district organizations should be made responsible to those organizations authorized by the State and established and operated by local officials.

FEDERAL EXECUTIVE REORGANIZATION

The National Governors' Conference, in taking notice of current proposals to reorganize the Executive Branch of the federal government, supports the general concept of restructuring the mechanism of government in ways which better meet the needs of the people and facilitate inter-action between the levels of government — federal, state, and local.

The Conference has long argued for clearing away the proliferation and confusion of federal grant-in-aid programs and is on record supporting actions to simplify their administration. Reorganization of the Federal Executive Branch can contribute to that objective if properly carried out.

The National Governors' Conference is concerned that certain specific concepts be followed in the consideration and enactment of any federal reorganization:

1. Existing departments, agencies, and commissions should be grouped into single new departments, structured according to broad but similar purposes.
2. To facilitate accountability and proper coordination of the diverse but related programs within such departments, the departmental secretaries must have full authority for all of the department's functions including power to delegate and transfer responsibility both among programs and to the field.
3. To facilitate better interaction between state and local officials with federal agencies, decentralization of both authority and accountability to regional offices must be accomplished.

The Conference strongly supports the basic purposes of the reorganization proposals of 1971 consistent with the above principles and urges the Congress to enact legislation which supports and implements these concepts.

Appendix IX

APPROVED POLICY STATEMENTS BASED ON RECOMMENDATIONS OF THE COMMITTEE ON HUMAN RESOURCES

PREAMBLE

The Committee on Human Resources has reviewed the policy statements adopted by the National Governors' Conference in 1970. The Committee reaffirms these basic policies and urges prompt action to implement them. Because the Social Security Amendments of 1971 (HR 1), which has passed the House of Representatives and is now before the Senate, will, if enacted, have a major impact on the existing welfare programs and on state and local governments, the Committee on Human Resources wishes to comment specifically on this proposed federal legislation.

The Committee believes that HR 1 represents significant progress towards bringing about an improved welfare system. Specifically, the Committee on Human Resources supports the following basic concepts incorporated in HR 1:

1. Increased recognition of the responsibility of the Federal Government for welfare and of the fiscal crisis of state and local governments caused in large part by increased expenditures for welfare.
2. The establishment of federally financed minimum national benefit levels and uniform national eligibility standards for the fully federally financed program.
3. Steps to correct the inequities in the present system which result in it being financially advantageous not to work and which therefore discourage those who are working.
4. Requirements for registering for and accepting private employment, job training, or participation in a program of public service employment.
5. Federal administration and increased federal financing of programs of cash assistance for the aged, blind, and disabled.
6. Extension of Medicare benefits to recipients of disability benefits under the Social Security Program.
7. Increase in Social Security benefits.

However, it is urged that HR 1 be amended to:

1. Recognize the necessity for benefit levels to be adjusted for cost-of-living increases and therefore provide for full federal financing of these increases.
2. Extend the basic program to childless single persons and childless couples which are now included in general assistance programs.
3. Recognize the greater fiscal burden of those States which are providing a benefit level higher than the national minimum and provide for federal financial participation in the cost of financing supplementary payments.
4. Give States and localities the option to establish public service work programs under which recipients of public assistance not otherwise employed in private jobs, enrolled in training programs, or participating in a public service employment program, would be required as a condition of eligibility

to perform public service work to improve the quality of community services in areas such as conservation, sanitation, day care, hospital care, etc. Such work would be performed at a rate not less than the applicable minimum wage.

5. Change the provisions related to the accounting period for determining eligibility so that it is based on actual needs, and therefore avoid shifting costs resulting from immediate needs of recipients to state and local general assistance programs.
6. Remove the limitations on federal participation under Medicaid for long-term care in mental hospitals and the administrative discretion to reduce federal participation in the cost of skilled nursing home care.
7. Remove provisions limiting the amount of federal reimbursement for costs of providing social services. Federal funds should be provided for comprehensive social services including such services for former and potential welfare recipients.
8. States should be provided the option of administering the cash assistance program without financial penalties.

The Committee on Human Resources wishes to make clear that its support of basic concepts of HR I does not alter the basic position previously adopted by the National Governors' Conference calling for federal assumption of all costs of welfare on a phased basis. The Committee believes this is critical and will continue to work toward the achievement of this goal.

The Committee also wishes to make clear that it does not view the attainment of this goal as a substitute for general revenue sharing. The magnitude of the fiscal crisis of state and local government is so great that 100 percent federal financing of the welfare programs would not provide sufficient fiscal relief for state and local government to be able to meet urgent needs.

Although revenue sharing is not within the specific responsibility of the Committee for Human Resources, the Committee, as it did at the 1971 Winter Meeting of the National Governors' Conference, wishes to express its support for a general revenue sharing program. It is essential that such a program provide funds to the States as well as to local governments. The fact that the proposed federal welfare legislation would provide some fiscal relief to some States is no reason for excluding States from a revenue sharing program. In the first place, many States, particularly those which now bear a large proportion of the cost of the welfare program, will receive little or no relief. But of greater importance is the fact that exclusion of the States could have a disastrous effect on the future of our federal system. It could have a very real effect of reversing one of the healthiest recent trends in state and local relations, the increasing willingness of state government to help solve urban problems.

As a result of its review of the 1970 Policy Statements, the Committee on Human Resources submits for adoption by the 1971 Annual Meeting of the National Governors' Conference the following indicated revisions and additions which are required in the light of current developments.

WELFARE REFORM

1. Substitution, on a phased basis, of a federally financed system of welfare payments for the current federal-state program for the aged, blind, disabled, and dependent children, and including also the general assistance programs now financed by the States themselves. A rational system should:

- a. Take into account the full impact of the total range of direct and indirect aid to the poor.
- b. Include national eligibility policies which take into account all sources of income and provide for a workable work incentive.
- c. Establish reasonable national standards of assistance with reasonable regional or geographic differentials.
- d. Provide for expanded job training and adequate public service employment programs with adequate federal funds.
- e. Provide for adequate day care programs for children of parents who are working or in training programs with provisions for a central state role and a comprehensive state plan, and which would not bypass States in the administration of such programs.
- f. Allow for state administration without financial penalties if the State chooses to administer the program.

2. Increase in the present levels for all payments under the Old Age Survivors Disability Insurance Program, with a minimum payment of \$100 per month per person.

3. Transfer the present Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Blind programs to the Social Security Administration, with payments being made from federal general revenues to cover the increased cost.

4. Review by the Secretary of Health, Education, and Welfare of Federal regulations as to their adverse effect with respect to the following:

- a. The use of the declaration system for determining welfare eligibility. Any such system, if mandated by the Federal Government, should provide the States with appropriate options and flexibility as to form and content.
- b. The continuation of welfare payments during the pendency of appeal to persons whose grants are reduced or who are determined ineligible.

5. We support improved federal and state efforts to combat hunger and malnutrition, including the improved administration and coordination of present food programs involving:

- a. Development and federal assistance in implementing state plans to combat hunger and malnutrition, especially as related to the most vulnerable groups such as infants, pre-school children, and pregnant and nursing mothers.
- b. The development of effective state and local delivery systems and organizations for food programs.
- c. Adequate funding by the Federal Government to provide free or reduced price lunches and breakfasts to schools, summer recreational programs, and day care centers.

6. The Federal Government should continue to assist States in funding and developing social services authorized under the Social Security Act for present and

potential welfare recipients, children and adults in need of protective services, families and individuals with social and behavioral problems, and the handicapped and the disabled. Such social services programs should involve:

- a. The continuation of the primary responsibility for planning and administration of such programs by States without bypassing state governments, and reserving to the States decision-making authority as to the level of social services to be provided.
- b. Federal funding for administration of cash assistance, social services, and related staff training under the Social Security Act not being arbitrarily limited to some percentage of a previous year's federal expenditures in a State.

HEALTH

1. Adoption by the Federal Government of a national universal health insurance program as the primary method of keeping rising health costs from preventing all people from receiving the medical care they need. Such a program should utilize the existing private enterprise medical system. Publicly paid programs such as Medicaid should be used only as a secondary program for those who have used up their insurance benefits. Medicaid should be 100 percent federally financed.

2. Expansion of federal and state programs of grants and loan payments to encourage the development and rehabilitation of health facilities particularly in low-income areas where maternal and child health care is inadequate.

3. Review of the formula for the allocation of federal funds for the construction and modernization of health facilities to assure that the funds are being devoted to meeting the Nation's most urgent needs.

4. Assurance that the allocation within a State of federal funds for the construction and modernization of the various types of health facilities be based on priorities developed by the State and be in accordance with plans developed through state comprehensive health planning.

5. Placement of responsibility for comprehensive health planning in the Office of the Assistant Secretary of Health and Scientific Affairs of the U.S. Department of Health, Education, and Welfare. Such a designation by the Secretary of HEW would be complementary to the major responsibility and reliance placed on such efforts by Governors and enhance the possibilities of achieving a federal-state "partnership" for the improvement of health services.

6. We oppose proposed cuts in federal funds for care in mental hospitals and skilled nursing homes under the Medicaid program. At the minimum, steps should be taken to insure that these cuts are not merely passed back to state and local governments in the form of increased expenditures.

7. Removal of ceilings on the amount of federal expenditures for Medicaid in the Commonwealth of Puerto Rico and the Territories.

8. To enable citizens to have a choice as to the type of health care systems they may utilize and to provide the opportunity for government to develop various means to control health costs, the States should make possible the provision of health care

through prepaid group practice Health Maintenance Organizations (HMO), and the federal and state governments should consider steps which would encourage the development of such Health Maintenance Organizations and other alternative health care systems in addition to the traditional fee-for-service, private practice system.

9. Prompt federal action to provide federal funding of programs for alcoholism prevention, treatment, and rehabilitation. Such funds should be available for:
 - a. Formula grants for States on the basis of population and need.
 - b. Project grants for demonstration, service, and evaluation projects, education training programs, and a wide range of services in the community.
 - c. Coordination of project grant applications from within any State through the single agency designated by the State as the alcoholism authority.
 - d. Federal grants for persons seeking training in alcoholism treatment and rehabilitation and for programs in professional schools.
 - e. Incentives for increased utilization of existing health resources (hospitals, health nurses, etc.) in alcoholism treatment programs and for providing services within traditional helping systems—public health, public welfare, vocational rehabilitation, and social agencies.

EDUCATION

1. Assumption by the Federal Government of far greater responsibility for the financing of education. Such increased federal financial participation should take the form of general grants to the States for educational purposes. Both the legislation and federal regulations for such a program should leave maximum flexibility to States and localities to develop programs to meet their most urgent needs. The basic purpose of such a program would be to help meet the rapidly rising basic cost of education, not to stimulate new supplementary programs. Such programs should not mandate the creation of any new state or local administrative mechanisms.

2. Adequate advance funding of existing federal programs commensurate with critical educational needs.

3. Consolidation of existing federal grant-in-aid programs for education into broad functional categories, thereby increasing the ability of States and localities to design programs within broad federal policy guidelines to meet critical needs in individual States and localities.

4. Maximum administrative simplification of planning, application, allocation, accounting and reporting procedures for all consolidated grant-in-aid programs to assure that the intended purpose of consolidation of grants is not subverted through detailed administrative requirements.

5. We support the President's action in establishing an intergovernmental commission on school finance broadly representative of local, state, and federal officials and educational personnel to furnish guidance to the Congress, executive branch of the Federal Government, and the States for most effective educational programs, and actions should be taken to provide for continual review of the goals, quality, and cost of our educational system.

6. Provision in federal programs for joint federal-state-local development of

standardized statistical data and other information necessary for sound analysis of educational needs and programs. Such standardized and comparable data is essential for educational planning at all levels of government. We urge the Administration to provide adequate funding for the National Center for Educational Statistics, and for state efforts to redesign and clarify state and local inputs into the National Center.

7. Immediate funding of student loan program by guaranteeing interest at the prime rate on student loans.

8. The Federal Government should not cut back the funding of the National Defense Education Loan.

9. We support enactment of a comprehensive program of federal support for community colleges, vocational-technical schools, and comprehensive community colleges or their equivalents. Such legislation should assure:

- That any such legislation take into account the diversity of state higher and post-secondary education structures.
- That community colleges be an integral part of the total higher and post-secondary education programs of the States.
- That programs be administered through state agencies designated as responsible for post-secondary and higher educational planning.
- That such legislation not call for the creation of new and additional competing state higher educational agencies.

10. We support enactment of a federal program for early childhood development which would provide adequate federal financing and with provisions for a central state role and comprehensive state plan, and which would not bypass States in the administration of such programs and would permit maximum flexibility for States to determine standards and requirements.

11. Removal of "set-asides" on the amount of federal expenditures for education in the Commonwealth of Puerto Rico and the Territories.

MANPOWER TRAINING AND DEVELOPMENT

1. Enactment of federal legislation which would consolidate federal manpower programs, provide for flexible funding of these programs, and enable the States to coordinate all manpower training and development activities within a State.

2. Review by Governors of the state administrative structure for manpower programs to assure that each State has (a) an effective mechanism to develop a comprehensive statewide manpower plan and (b) an agency which has the capability to administer a unified system of manpower services.

3. Establishment of a national computerized job bank which would provide information regarding available jobs and job applicants.

4. Provision for systematic review and assessment of the effectiveness of manpower programs.

5. Establishment of State Manpower Training Staffing Centers with federal financial support to assure an adequate supply of trained personnel to plan and administer manpower programs.

6. Increased efforts by States to work with private business to increase job opportunities for the disadvantaged. Specifically, Governors should work with the National Alliance of Businessmen in the development of a statewide "JOBS" program.

7. The National Governors' Conference has called for the enactment of comprehensive federal manpower legislation which would coordinate federal manpower programs. The Conference also endorses a strong state role in manpower programs so that they can be effectively coordinated. If, however, the State is to be given a major responsibility in the area of manpower, it must also be given adequate authority to meet this responsibility. Federal legislation must assure that States are allowed sufficient flexibility to develop, in close cooperation with local officials, the most effective administrative structures possible.

8. We support the concept of a federally financed program of public service jobs leading to regular private or public employment. To help achieve the ends sought and to ease the integration of the new program into structures contemplated under prospective manpower reform legislation, we urge that:

- a. The program, to the degree possible, should (1) entail regular manpower planning processes, statewide plan requirements, and the use of appropriate existing state administrative structures and (2) provide States with important coordinating and operating authority—including the option of a single statewide delegation of program authority.
 - b. A long-range commitment be made, through prospective manpower reform or other federal action, to absorb enrollees from lapsed projects.
9. The Conference also urges the evolution, at the federal level, of:
- a. Unified consideration of the whole range of federal manpower and related services authority and programs.
 - b. Greater integration or coordination of related activities within and among federal departments.
 - c. Greater legislative authority and administrative willingness to allow States options to interrelate any of a broad range of federal manpower and related human resources programs to more effectively meet the needs of those to be served.

NARCOTICS AND DANGEROUS SUBSTANCES

The National Governors' Conference recognizes the growing epidemic of drug abuse and addiction and the need for consideration of this problem by this Committee as well as the Committee on Crime Reduction and Public Safety. It further recognizes that this problem is a national crisis and not limited to any geographic, social, or economic group. Therefore, the following steps are recommended:

1. Federal and State Government should cooperate in the development of a coordinated attack on the narcotics and dangerous substances problem. Such an effort should include law enforcement, prevention, and treatment.

2. Prompt diplomatic action should be taken by the Federal Government to reduce the illegal importation of narcotics and other drugs.

3. States, in cooperation with local governments, should undertake a major public preventive education campaign involving a broad range of community resources including local schools to assure that the true nature of drugs and addiction is well known.

4. Prompt federal action should be taken to provide federal funds for programs and services which would:

- a. Assist States to develop and expand planning and administration of drug abuse programs.
- b. Assist States and communities to provide programs and services to drug abusers through:
 - (1) Planning for comprehensive treatment systems;
 - (2) Promoting realistic public attitudes toward drug abusers; and
 - (3) Developing referral, treatment, and after care services appropriate to the needs and resources of each community.
- c. Make available a full range of treatment resources to all addicts who can benefit from it. Substantial federal financial resources should be devoted to the funding of a broad range of flexible state and local programs.

5. The States should join with the Federal Government in an effort to determine the basic underlying causes of the growing drug abuse problem. Such a study should examine the underlying social issues which may lead to addiction as well as the causal processes which promote initiation, continuance, termination, and relapse in drug usage.

6. We urge cooperative efforts among the States in developing regional programs to increase the effectiveness of efforts to combat addiction. Special potential is seen for coordination of administration, communication, laboratory facilities, and treatment programs.

7. We urge the Federal Government to meet its responsibility to develop programs to rehabilitate all those members of the Armed Forces who are addicted. The discharge of an addict after a brief detoxification period and without more adequate military support of civilian programs would impose a severe and unjust burden on the States and localities. The Federal Government could contract with the States to provide the rehabilitative services.

THE AGE OF MAJORITY

The National Governors' Conference commends Congress for the enactment of the Voting Rights Act Amendments of 1970 granting 18-year-olds the right to vote in federal elections.

The National Governors' Conference also commends Congress and the thirty-eight States which ratified the 26th Amendment of the United States Constitution for their roles in securing this Amendment to the Constitution which grants 18-year-olds the right to vote in state elections.

In furtherance of this goal of extending to our young citizens, 18 years of age or older, their full rights and responsibilities and the opportunity to participate fully in our society, we urge that each State consider lowering the legal age of majority for purposes in addition to voting to 18 years of age.

Appendix X

APPROVED POLICY STATEMENTS BASED ON RECOMMENDATIONS OF THE COMMITTEE ON NATURAL RESOURCES AND ENVIRONMENTAL MANAGEMENT

NATIONAL GOALS ARE NEEDED

There is a need for the President and Congress to set national goals in the fields of ecology, environment, conservation, and population. It would simplify the direction of state and local efforts if they could mesh their goals with national goals. These goals should stand out as signal flags on the halyards of our ship of state so that all could see them and understand them.

STRONG STATES IN THE FEDERAL SYSTEM ARE NEEDED

There must be a constant recognition of the need to place as much responsibility as possible in planning and action at the state and local levels, including such action that might necessitate interstate compacts. The unique abilities of state and local government to recognize priorities at the grass roots level should be respected and understood by the Federal Government. State Governments should be permitted to set higher minimum standards than the Federal Government in the fields of environmental management and conservation.

The States need as much flexibility as possible in adjusting state and local programs to those needs unique to the area, economy, etc. Therefore, the bloc grant approach to federal planning and action funds disbursement is preferred over categorical grants.

MORE RELEVANT EDUCATIONAL EFFORTS IN ENVIRONMENT, CONSERVATION, AND POPULATION ARE NEEDED

We must recognize the urgent need for the teaching of environment, conservation, and population as a major basic educational requirement in primary, secondary, and higher education. Curricula of traditional offerings at all levels of education need to be examined for their relevance to the rapidly changing conditions of environment, natural resources, and population.

The competition for students' attention to a wide range of study matter should not be allowed to prevent a full understanding of the natural forces at play on this planet. Too often in the past, students have not been adequately taught the subjects of environment, conservation, and population and have not learned the interrelationship of these subjects. Yet failure to understand this relationship could possibly spell mankind's doom if informed action based on knowledge is not taken by the public.

States should require a constant updating of educational curricula in order to strengthen the offerings in environment, conservation, and population.

A NATIONAL VOLUNTARY POPULATION DISTRIBUTION POLICY IS NEEDED

The United States needs to develop a national policy on voluntary population distribution. It is now projected that the population of the United States will rise from 200 million people at present to more than 300 million people by the year 2000.

Our Nation has practiced population distribution incentives in the past through such devices as the Homestead Act. A new and fresh approach to population distribution at the present time is needed.

The social and economic problems of overpopulated areas include ghettos; poverty; mass transit demands; overloaded educational, health, and recreational services; pollution of the air and water; increased crime; and a growing level of individual frustration and nervous tensions.

On the other hand, underpopulated areas are suffering high economic and social costs as well. These costs are brought on by an inadequate tax base and too few people to support necessary institutions on a community basis such as schools, churches, hospitals, recreational areas, etc.

Environmental management and conservation become excessively costly because of the severe population imbalance between the overpopulated States and those which are underpopulated.

The Federal Government, through its inadvertent and uncoordinated planning and programs, is one of the major factors in creating population imbalance.

There are remedies that should be attempted to alleviate population imbalance. Subsidized low interest rates could be offered on loans for industrial expansion in underpopulated areas. Manpower training programs to assure an employee supply to industries which would expand outside of congested areas could be implemented. A revamping of the Interstate Commerce Commission freight rates, which now make economic expansion virtually impossible in some underpopulated areas, could be adjusted to permit industrial expansion in underdeveloped areas.

Federal tax incentives might be given to industries that locate away from overpopulated areas. Special federal grant programs to strengthen the desirability of living in underpopulated areas might be made. Grants for educational, health and recreational services necessary in order to attract people to live in areas now considered underpopulated would lessen the cost and burden of trying to provide these same services to the same people if these people are attracted to densely populated areas.

NATIONAL AND STATE COASTAL ZONE POLICY PLANNING AND MANAGEMENT ARE NEEDED

The coastal zone presents one of the most perplexing environmental management challenges. The thirty-one States which border on the oceans and the Great Lakes contain seventy-five percent of our Nation's population. The pressures of population and economic development threaten to overwhelm the balanced and best use of the invaluable and irreplaceable coastal resources in natural, economic and aesthetic terms.

To resolve these pressures, two actions are required. First, an administrative

and legal framework must be developed to promote balance among coastal activities based on scientific, economic, and social considerations. This would entail mediating the differences between conflicting uses and overlapping political jurisdictions.

Second, efforts must be made to gain additional knowledge of the nature of the coastal zoning and the multiple effects that different uses would have upon our environment.

States must assume primary responsibility for assuring that the public interest is served in the multiple use of the land and water of the coastal zone. Local government cannot be expected to cope with the broad spectrum of interrelated coastal problems, nor can local political subdivisions be expected to make their judgments consistent with those of many interlocking political jurisdictions.

Coastal States, because of unique conditions existing along their shorelines, have advantages in coping with coastal zone planning and management that the Federal Government does not have. The Federal Government, however should establish incentives and assistance to help the coastal States prepare plans and action.

The ultimate success of a coastal management program will depend on the effective cooperation of federal, state, regional, and local agencies. At the federal level, this would require the development of goals and an administrative framework which would avoid the existing duplication, conflict, and piecemeal approach that is too often typical of federal planning assistance programs. Any federal legislation which attempts to establish a coastal program must allow States the necessary flexibility for creating management instruments most suited to their specific conditions.

Basic to a coastal management program are the funds necessary to plan and take action. The requirements for coastal zone management are so urgently needed in the Nation's interest that federal monies must be made available to the States at a level which will not only provide incentive, but will allow an adequate program to be developed based on federal, state and local participation.

Any attempt to diminish the federal financial participation or to shift the burden to the States will result in irreparable delay and inadequacy in bringing under control the serious coastal environment and natural resource conservation problems.

A CHANGE IN NATIONAL ATTITUDES TOWARD NONREPLACEABLE NATURAL RESOURCES IS NEEDED

There is a growing need to establish a new attitude in America among consumers which differentiates between quality of living and standards of living, as well as quantitative consumption and quality of living.

For example, we should examine the wisdom of our present system of reduced electric power rates as a reward for heavy consumption when that consumption might be beyond the electric consumption needed for a specific business or residence.

A flat rate for an adequate amount of electric energy based on the size of family or industrial need could be established. Sharply rising rates for electric consumption above the adequate standard set would provide a penalty for that waste which does not contribute to our economy or to the quality of living.

The consumption of nonreplaceable coal in the thermo-generation of electricity which is wasted does not add to the quality of life and is an example of squandering natural resources without significant benefits to mankind.

Waste of fresh water cannot be tolerated indefinitely. Less than 1 percent of the water on the face of the earth is potable. In the face of rising populations and per capita water use, we are faced with the need to conserve our precious water resources by eliminating unnecessary waste. Wasted water adds nothing to our quality of living.

The same principle which applies to the wasteful use of electric energy and potable water can be applied to the use of petroleum products in our automobile engines. States should consider a policy of encouraging smaller but adequate engines through sharply graduated license fees which discourage larger than necessary engines that do not contribute to the quality of living. There are far too many vehicles in use today which wastefully consume the nonreplaceable crude oil resources and add unnecessary pollutants to the air.

The national attitude which equates some forms of waste with a high quality of life needs to be changed. Waste does not add to the quality of life, but in fact denies a high quality of life to future generations.

STATE LAND USE PLANNING IS NEEDED

There is an interest and need for a more efficient and comprehensive system of national and statewide land use planning and decision-making. The proliferating transportation systems, large-scale industrial and economic growth, conflicts in emerging patterns of land use, the fragmentation of governmental entities exercising land use planning powers, and the increased size, scale and impact of private actions have created a situation in which land use management decisions of national, regional and statewide concern are being made on the basis of expediency, tradition, short-term economic considerations, and other factors which are often unrelated to the real concerns of a sound land use policy.

Across the Nation, a failure to conduct sound land use planning has required public and private enterprise to delay, litigate, and cancel proposed public utility and industrial and commercial developments because of unresolved land use questions, thereby causing an unnecessary waste of human and economic resources and a threat to public services, often resulting in decisions to locate utilities and industrial and commercial activities in the area of least public and political resistance, but without regard to relevant environmental and economic considerations.

The land use decisions of the Federal Government often have a tremendous impact upon the environment and the pattern of development in local communities. The substance and nature of a national land use policy ought to be formulated upon an expression of the needs and interests of state, regional, and local government, as well as those of the Federal Government. Federal land use decisions require greater participation by state and local government to insure that they are in accord with the highest and best standards of land use management and the desires and aspirations of state and local government.

The promotion of the general welfare, and to provide for the full and wise application of the resources of the Federal Government in strengthening the environmental, economic and social well-being of the people of the United States, we believe, is a continuing responsibility of the Federal Government, but should be consistent with and recognize the responsibility of state and local government for land use planning and management.

There should be undertaken the development of a national policy, to be known as the National Land Use Policy, which shall incorporate environmental, economic, social and other appropriate factors. Such policy shall serve as a guide in making specific decisions at the national level which affect the pattern of environmental and industrial growth and development on the federal lands, and shall provide a framework for development of interstate, state and local land use policy.

The National Land Use Policy should:

1. Foster the continued economic growth of all States and regions of the United States;
2. Favor patterns of land use planning, management and development which are in accord with sound environmental principles and which offer a range of alternative locations for specific activities and encourage the wise and balanced use of the Nation's land and water resources;
3. Favorably influence patterns of population distribution in a manner such that a wide range of scenic, environmental and cultural amenities are available to the American people;
4. Contribute to carrying out the federal responsibility for revitalizing existing rural communities and encourage, where appropriate, new communities which offer diverse opportunities and diversity of living styles;
5. Assist State Government to assume responsibility for major land use planning and management decisions which are of regional, interstate, and national concern;
6. Facilitate increased coordination in the administration of federal programs so as to encourage desirable patterns of environmental, recreational, and industrial land use planning; and
7. Systematize methods for the exchange of land use, environmental and economic information in order to assist all levels of government in the development and implementation of the National Land Use Policy.

Intelligent land use planning and management provides the single most important institutional device for preserving and enhancing the environment and for maintaining conditions capable of supporting a quality life while providing the material means necessary to improve the national standard of living.

FULL FUNDING AND IMPLEMENTATION OF STATE COMPREHENSIVE OUTDOOR RECREATION PLANS IS NEEDED

Remaining undespoiled natural areas of wetlands, forests, plains, deserts, and mountains are being exploited and despoiled at an alarming rate. The expenditure of outdoor recreational funds should not be diverted from the urgent need to acquire and protect these natural areas.

Crash funding programs that seek to carve urban parks in the midst of urban glut are dramatic examples of inadequate planning. The overcoming of inadequate planning in the past through crash programs should not be allowed, through the monopoly of limited funds, to perpetuate inadequate planning, insufficient preservation, and too little and too late acquisition for future generations.

Full funding and implementation of state comprehensive outdoor recreation plans is the best means of solving both short-run and long-run recreational problems of megalopolis.

A REVITALIZATION OF FORESTRY BY ALL OWNERSHIPS IS NEEDED

There is an urgent need to revitalize forestry efforts nationally on all ownerships. The timber supply situation has pointed up the need for strong direction by the Administration.

The future demands for lumber and forest products will provide increased competition between the many uses of a shrinking forest land base. There are presently substantial acreages of state, private and federal lands potentially capable of producing forest products, but are in need of reforestation.

Proven timber management practices could be instituted by the Forest Service and the Bureau of Land Management and other public and private forest management agencies to promote increased or high yield timber growth on existing timber-producing lands, provided funds were made available for this purpose.

The Federal and State Governments need to establish a policy to encourage reforestation of denuded publicly owned commercial forest lands.

Existing programs need to be strengthened to offer greater inducements for private landowners to reforest their lands. A great number of public values would thus accrue, beyond those to the landowner individually. Such benefits as establishing and improving watersheds and water quality, arresting soil erosion, improving flood control and stream sedimentation, wildlife habitat and recreational opportunities would result. The increased fiber would contribute to the housing needs of a growing Nation.

INTERSTATE ENVIRONMENT COMPACT

The National Governors' Conference urges federal enactment of the Interstate Environment Compact. This bill, introduced by Sen. John L. McClellan of Arkansas in the Senate (S. 907) and by Rep. Harold R. Collier of Illinois in the House (H.R. 4819), asks the consent of Congress to an interstate compact which would facilitate the subsequent establishment of "supplementary agreements" between the States for the purpose of taking joint action to abate pollution problems which affect more than one State. It would strengthen the ability of States to deal effectively with environmental pollution problems which ultimately affect the health and welfare of all the peoples of this Nation.

FEDERAL SUPPORT FOR STATE WATER POLLUTION CONTROL PROGRAMS

States are deeply committed to ending the pollution of our Nation's waters. To accomplish this purpose they are expanding their water pollution abatement programs and vastly increasing fiscal expenditures. In fact, States have already advanced over one and one-half billion dollars of the federal share for assisting municipalities to construct waste treatment facilities.

Only through full cooperation between federal, state and local governments with adequate funding and support for primary state planning, enforcement and standard-setting programs, will we succeed in cleaning our Nation's environment.

The National Governors' Conference, therefore, calls upon the Congress and the Administration to increase authorizations under the Federal Water Pollution Control Act and to appropriate the full amount so authorized. This should include provisions to reimburse States which have prefinanced the federal share of municipal plants.

STATE RESPONSIBILITY FOR RESOURCE MANAGEMENT

The States are in a unique position of responsibility for coordinating the development of our resources. There is a prime responsibility for both planning and the commitment necessary for the judicious utilization of all resources.

Our society can no longer afford to allow the various agencies and organizations within the States to develop their programs without a strong commitment to the general welfare of all.

We the Governors call upon the States to undertake the development and implementation of comprehensive planning. State Governments must exert the leadership required to insure the protection of our environment as we search for a balance between environmental quality and needed economic development.

MORE EFFICIENT PROCEDURES FOR PROCESSING ENVIRONMENTAL IMPACT STATEMENTS ARE NEEDED

We the Governors of the States recognize and endorse the concept of environmental impact studies on projects using federal monies, as a necessary and effective means to insure the preservation of environmental quality.

By law the Federal Government requires the States to have a clearinghouse to handle Environmental Impact Statements. We call upon the Federal Government to adopt a clearinghouse to process the statements which interested departments are required to examine.

Furthermore, there should be an office at the regional level which has the responsibility to handle routine impact studies as well as act as a clearinghouse to expedite the processing of statements. If the responsibility cannot be delegated to the regional bodies, then the Council on Environmental Quality must develop the ability to handle Impact Studies in an expeditious manner to prevent unnecessary delay.

Appendix XI

APPROVED POLICY STATEMENTS BASED ON RECOMMENDATIONS OF THE COMMITTEE ON RURAL AND URBAN DEVELOPMENT

ADOPTION OF A COMPREHENSIVE NATIONAL COMMUNITY DEVELOPMENT POLICY

Congress and the Administration should develop a comprehensive National Community Development Policy with the effectuating funds, agencies and programs. The Policy should provide the means whereby federal, state and local elected officials should participate directly in the formulation of national policies and goals and the establishment of major strategies and programs for implementation of such policies and goals. The formulation and implementation of such national community development policies in coordination and consonance with state development policies is essential to achieve the objectives of balanced growth.

A National Community Development Policy should embrace the major areas and issues of concern for the quality of life within the United States. The most basic components for consideration in the formulation of this policy are policies relating to population growth and distribution and to economic development. Other components are policies relating to allocation of natural resources, agriculture, transportation, housing, human resource development, and financing and administration — all established in a manner that will support policies concerning these two basic components.

ADOPTION OF A NATIONAL POPULATION GROWTH AND DISTRIBUTION POLICY

There should be an adoption of a National Population Growth and Distribution Policy, developed in concert with state and local planning policies, to lessen the congestion, and reduce pressure, on the already overburdened resources of our cities, to offer opportunities for the free movement of all of our citizens to realize their maximum personal potential, to match manpower and job training programs with the needs for community development and to lessen the problems of transportation, environmental decay and social service delivery that are not being adequately dealt with for today's population. Such a policy shall be consonant with a rural-urban balance of needs and regional potentials.

ADOPTION OF A NEW COMMUNITIES DEVELOPMENT POLICY

To effectuate a population growth and distribution policy, there should be the adoption of a comprehensive New Communities Development Program which would include expanded communities, new-towns-in-towns and new towns as major components of a national policy designed to relieve growth stresses upon existing metro-

politan areas and to promote growth in appropriate areas which have growth potential.

ADOPTION OF A NATIONAL ECONOMIC DEVELOPMENT POLICY

A National Economic Development Policy should be adopted to coordinate economic assistance measures with a national population growth and distribution policy, thereby providing the employment concentrations and economic base that will make such a policy workable, offering more efficient operating environments for industry and concentrated employment centers accessible to workers in either rural or urban areas. Such policy should provide additional incentives to private business and look to new ways that public and private interests can be combined to meet public needs. Congress should adopt a system of tax incentives to encourage business and industry to locate in non-metropolitan areas.

ADOPTION OF A NATIONAL AGRICULTURAL DEVELOPMENT POLICY

There should be a National Agricultural Development Policy as an integral part of a National Community Development Policy to assure the Nation it can feed itself and meet its responsibilities to other people in the world. Such a policy should reflect the importance of and a system for the preservation and maintenance of agricultural land for future supplies and as a necessary habitat for wildlife water resources and hunting and fishing, all of which are a necessary part of providing quality environment in consonance with a population growth and distribution policy. Further, this policy should focus attention on improving agricultural production capabilities, transportation, foreign market development, processing agricultural products near the source of production and efforts aimed at developing rural America.

In addition, Congress must act on a viable farm program to assure rural America "parity of opportunity" with the rest of the Nation.

Congress and the Administration should adopt the concept of stability and parity of resource earnings as the long-term policy goals for modern agriculture and then establish an appropriate vehicle such as a National Food and Fiber Board to develop the detailed production management programs necessary to insure an adequate supply of food and fiber for the future.

A new farm bill by Congress should be shaped to give rural producers an equal opportunity to share in the Nation's prosperity and growth as all other areas. A federal farm program should be continued by the Federal Government until the market can maintain an adequate price for producers.

A strong farm program is recognized as a deterrent to further out-migration from rural areas to crowded metropolitan centers, a necessary element for a growing economy, and vital to providing reasonable food prices for consumers while assuring a fair return for all agricultural producers.

The National Governors' Conference urges the federal government to take whatever steps are necessary to insure that sufficient public works funds are available

under the Economic Development Act of 1965 so that rural areas will not receive less in the coming years than they did in the past as a result of the "special impact" provision of the recently passed amendments to that Act.

JOINT FEDERAL-STATE EVALUATION OF RURAL DEVELOPMENT PROGRAMS

The new Office of Intergovernmental Relations, in cooperation with the appropriate federal offices and the National Governors' Conference and local government groups, should evaluate the possibilities and mechanisms for better coordination and delivery of federal and State programs in rural areas. The joint evaluation should examine and make recommendations for action on the following issues:

a. Avenues of cooperation between existing HEW, Agriculture, Commerce and HUD programs and state community development programs.

b. Restructuring of federal field operations to support and complement emerging State and local efforts for comprehensive rural development. As federal departments decentralize, they should utilize to the fullest extent possible the personnel, administrative and technical services of state and local government rather than building up federal field staff to handle delegated authorities for decision-making accompanying the federal field office reorganization.

c. Recognition of state designated multi-county planning and development districts, primarily composed of local officials, as the primary delivery system for most state and federal programs in rural areas.

d. Recognition and support of several States as pilot projects for the purpose of coordinating federal and state programs into a package of rural development services.

ADOPTION OF A NATIONAL LAND DEVELOPMENT POLICY

There should be an adoption of a National Land Development Policy providing guidance as to what lands are appropriate for urban development, agricultural production, conservation and open space and recreation. Such national policies must be related to the allocation and conservation of water, air, minerals and other natural resources and be an integral part of a National Community Development Policy.

ADOPTION OF A NATIONAL HOUSING POLICY

There should be an adoption of a National Housing Policy to coordinate housing investment and construction programs with a National Community Development Policy to carry out social objectives of making a place for all social and economic groups, to take advantage of the environmental and efficiency advantages of such a policy, to provide needed governmental aids for supporting housing construction and marketing, with special support programs to assist those who cannot

secure decent housing through normal channels, to make maximum use of new technologies, and to stimulate additional investment by private industry and home property owners, thus adding to the overall housing supply, and to insure the availability of sufficient long-term mortgage financing. Such a policy should support positive efforts at the national, state and local levels to remove all racial discrimination practices which may impede the construction, sale or rental of housing. The problem of the availability of subsidized housing for low- and moderate-income families must be attacked on a housing market area basis.

EXPANDING THE HOUSING MARKET

All levels of government, in cooperation with private industry, should take action to expand the market for housing production. Special attention should be given to new methods of production, technological innovation, and marketing institutions in the private sectors and to simplified and flexible state housing codes, increased subsidies for low-income housing, land aggregation and tenant relation programs in the public sector. States should assist in the aggregation of public and private land for housing purposes.

CONSOLIDATION AND COORDINATION OF FEDERAL HOUSING PROGRAMS

The Administration and Congress should undertake the immediate streamlining and coordination of federal housing programs: (1) provide for full cooperation with emerging State housing instruments; (2) phase out, merge, and consolidate the numerous federal low- and moderate-income housing programs and provide incentives and illustrations for program packaging and mixing; (3) substitute State certification of federal program requirements with only a post audit by HUD; and (4) provide federal operating subsidies, as are now provided to federal housing projects, to State public housing projects.

SUFFICIENT FUNDING OF THE HOUSING AND URBAN DEVELOPMENT ACT

Congress should provide sufficient funding for the Housing and Urban Development Act, especially for Section 236 Interest Reduction, Section 235 Home Ownership, Rent Supplement, Public Housing Programs, and Urban Renewal.

COMMUNITY DEVELOPMENT GRANTS

The Congress and the Administration should adopt a program of Community Development Grants for all communities in need of assistance whether located inside or outside metropolitan areas. These grants should be:

1. Allocated to large metropolitan cities and counties by means of a statutory

formula, and funded according to statewide comprehensive plans;

2. Allocated to smaller cities and counties by state administrative discretion based on local need;

3. Free of local matching requirements;

4. Allocated to cities and counties so as to assure that no jurisdiction receives less bloc grant funds than it has been receiving for the same purpose in previous years; and

5. Statutorily free of requirements for the submission of detailed plans except for a post-audit review;

6. Entrusted to elected officials of general purpose governmental units.

Cities and counties should be able to use Community Development Grant funds to carry out any of the activities now authorized under:

1. Title I of the Housing Act of 1949 — urban renewal, rehabilitation loans and grants, demolition, code enforcement and interim assistance;

2. Title I of the Demonstration Cities and Metropolitan Act of 1966 — model cities supplemental grants;

3. Title VII of the Housing Act of 1965 — water and sewer, neighborhood facilities, and advance acquisition of land; and

4. Title VII of the Housing Act of 1961 — open space, urban beautification and historic preservation.

The funding level for Community Development Grants should be guaranteed to the cities for at least a three-year period in advance of appropriations. Cities located outside metropolitan areas should be reserved a percentage of the total appropriated for Community Development Grants in the same proportion as they currently receive for the programs to be consolidated.

States should be eligible to receive Community Development Grants if:

1. A state agency directly responsible to the Governor exists which is legally empowered by the state legislature to undertake the activities authorized under the programs to be consolidated; or

2. The Governor develops an acceptable plan for providing community development assistance to cities and counties outside metropolitan areas which would otherwise be eligible to receive Community Development Grants from the Federal Government.

REHABILITATION OPPORTUNITIES

Congress and the Administration should establish as part of a comprehensive Community Development Grant program a program to make better use of the existing housing stock. Such a program should:

1. Include a home counseling service for prospective homeowners and home improvers;

2. Authorize below-market rehabilitation loans for families living in designated "improvement districts;"

3. Authorize a Presidential Commission to study the impact present federal, state, and local taxes have on housing maintenance;

4. Encourage States to develop their own housing redevelopment programs; and
5. Provide grants to States and cities for rehabilitation purposes.

HOUSING MANAGEMENT

The federal and state governments are currently building public housing units at the rate of approximately 500,000 units per year. The training of professional housing managers for these units has not kept pace with the rate of construction. Additional emphasis should be placed on encouraging the development of housing management training programs. States should make available the facilities and expertise of state universities, departments of community affairs and housing finance agencies to assist in this effort.

UNIFORM FEDERAL RELOCATION AND LAND ACQUISITION POLICIES

The Uniform Relocation Policy and Real Property Acquisition Act of 1970 (P.L. 91-646) should be amended so as to delete all cut-off dates for the federal funding of the first \$25,000 of relocation expenses.

POLICY FORMULATION MECHANISMS

In order that formulation of a meaningful National Community Development Policy may be undertaken, the procedures of the Domestic Council should provide formal means for bringing the President, the Governors and local elected chief executives together on a regular basis to secure an exchange of views and information on National Domestic Policy and priorities. Further, the Council should give due consideration to the inclusion of the Governors and chief local elected officials in the regular meetings of the Council.

Representation of State and local interests among the staff must be assured.

The President will transmit to Congress his annual report and such supplementary reports as he deems necessary to advise as to progress in formulating a National Community Development Policy and suggested implementing actions.

In addition, a joint congressional committee on National Community Development Policy should be instituted. It shall make a continuing study of the annual report on National Community Development and its supplements, and study ways of coordinating programs in order to further the National Policy. The legislation shall require the committee to file a report annually containing the committee's findings and recommendations. The committee may make such other reports from the time as it deems advisable. To maximize citizen participation, the committee is encouraged to hold extensive hearings.

Appendix XII

APPROVED POLICY STATEMENTS BASED ON RECOMMENDATIONS OF THE COMMITTEE ON TRANSPORTATION, COMMERCE, AND TECHNOLOGY

THE STATE ROLE IN BALANCED TRANSPORTATION PLANNING AND DEVELOPMENT

The Governors of the States pledge their continued action to deal with the expanding and changing transportation needs in the decade of the Seventies.

1. We commend the U.S. Department of Transportation for relying on the States in the development of the National Transportation Needs Study. We urge the Federal Government to continue this cooperation by consulting fully with the States in development of a National Transportation Policy. We recommend full use of data contained in the Needs Study as a basis for setting continuing priorities in the National Transportation Policy.
2. We express appreciation to the Department of Transportation for its generally excellent communication with States. We urge that any consolidation of federal departments which would place the DOT in a larger agency should preserve the working integrity of existing federal transportation activities. We endorse the view that the transportation system is a primary factor in the development of our social, economic, and environmental conditions. For this reason, we support the concept that federal transportation programs be fully coordinated with these other concerns. However, we believe the existing functional agencies within the DOT should remain in one department.
3. We call upon all States to develop administrative and legal structures equal to the challenge of balanced, integrated transportation systems required by the citizens of our States. Many States responding to the need for a central agency have created departments of transportation to coordinate all modal programs.
4. We endorse in principle the program of transportation revenue sharing proposed by the national administration. Specifically, we believe the following provisions are vital: that each State is guaranteed its share of funds from each trust fund will not be reduced, either by a diminished allocation to any State or by an automatic pass-through to local government which is greater than the existing amount now passed through by the State; that the federal government not be permitted to withhold trust funds or divert them from transportation purposes; that each trust fund which is part of transportation revenue sharing continue to be identified; that the interstate highway fund be made a part of transportation revenue sharing upon completion of the interstate system.
5. The Governor, as elected chief executive, is best able to determine the transportation needs and priorities of his State. Under revenue sharing or any other program which permits flexibility in expending federal transportation

revenue, the Governor is the key decision-maker. He should have the ability to transfer funds among various programs to meet his own State's priority transportation needs. Therefore, in addition to transportation revenue sharing, we call for the creation of a single unified Transportation Trust Fund incorporating existing transportation revenues earmarked for use within a specific mode of transportation or by beginning a phased program of percentage transfers from the highway and aviation trust funds and other funds made available for transportation into the proposed unified National Transportation Trust Fund. Also, with the Governor being best able to determine the transportation needs and priorities of his State, the distribution of the National Transportation Trust Fund should be allocated through the Governor.

TRANSPORTATION AND THE ENVIRONMENT

The Governors pledge full cooperation in providing environmental impact statements on transportation construction. We also endorse the A-95 program which permits Governors to comment on the effect of any proposed public construction so duplication and waste, as well as environmental damage, may be minimized.

The Governors pledge a continued fight against the pollution of our environment by the wastes and by-products of our growing transportation system.

The Governors believe the following problems should be the subject of a sustained anti-pollution effort by the States and the Federal Government:

1. Air pollution caused by gasoline powered automobiles, diesel trucks, locomotives and ships, and aircraft fueled with kerosene and gasoline;
2. Water pollution caused by the spillage from vessels of untreated sewage, oil from machinery and bilges, and crude petroleum spills from tankers;
3. Land pollution caused by sewage discharge from railroad trains, by abandoned automobiles, by litter, and the scarring of landscape from removal of coal and other fuel sources;
4. Noise pollution and nuisance caused by aircraft, autos, trucks, railroad trains, and ships, and by heavy construction associated with transportation. Particular emphasis should be given to abating jet aircraft noise.

Perhaps in no other aspect of transportation is there a greater need for States to be free from restrictive federal preemption. The Governors call upon the Federal Government to provide effective minimum standards to protect the basic health and safety of every citizen, while leaving State Governments free to deal with the problems that have reached extraordinary severity, or to respond to citizen demands for a higher level of environmental quality than that which would be supported nationwide.

The Governors also recognize that federal, state and local governments have often been leading causes of pollution in forms such as sewage discharges, strip mines for aggregates, and inadequate exhaust controls on government vehicles. We pledge to reverse this situation so State Government may set an example in the area of pollution control.

The Governors pledge a sustained effort to develop a combination of laws and programs which will punish polluters of the environment, while providing incentives where necessary to those whose efforts can combat environmental decline. The Governors call upon the federal government to join with the States in a vast research effort to measure pollution and to apply innovative technology in discovering new sources of energy and new techniques of reducing and disposing of wastes produced by our transportation system.

The Governors pledge increased emphasis in the design of highways and other transportation systems so that these facilities complement rather than conflict with the total environment in both its natural and man-made aspects. Further, programs for the preservation and development of historic and scenic vistas along transportation corridors should be encouraged by the reward of additional federal financial assistance for increased state and local action, rather than by the present threat contained in the Highway Beautification Act, of a ten percent penalty in highway funds. We oppose any federal penalties where Congress has failed to appropriate funds which have been authorized to aid States in carrying out these programs.

HIGHWAYS

The National Governors' Conference supports continued development of a national, state and local network of highways, streets and roads which are well planned, coordinated, and safe. Highways will continue to be the principal mode in America's transportation system.

The Governors urge the following action as part of the partnership between state and federal governments in highway construction:

1. Funds from the Highway Trust Fund should not be suspended or withheld; and we hereby endorse actions of the Executive Committee in seeking court action to challenge the authority of the Executive Branch of the federal government to withhold distribution of Highway Trust Funds.
2. Apportionments from the Highway Trust Fund should be made as soon as possible after the 1st of July for the following fiscal year to enable the States to adequately implement their highway construction program.
3. The revolving fund within the Highway Trust Fund, set aside for the advance purchase of right-of-way, should be made available as soon as possible, and continued as a measure of economy and planning.
4. Federal fuel taxes should not be increased to the detriment of the States' ability to use the fuel tax as a source of revenue for the construction and maintenance of the highway system.
5. Primary authority for coordination, planning and flexible distribution of trust funds within the States should continue to be at the state government level.
6. An unbiased study should be made to determine the sufficiency of the planned 42,500 mile Interstate System in fulfilling the intent of the system as described in the 1956 act and developed since that time.
7. After completion of the present Interstate System, the Highway Trust Fund

should be continued as part of the flexible fund described above. The basic purpose of the Highway Trust Fund in the post-Interstate period should be to strengthen the primary and secondary system, as well as urban systems. Completion of the Interstate System links the nation together as never before, thereby encouraging additional travel which has placed a heavy burden on those portions of the urban primary and secondary streets and road systems that are outdated and inadequate.

8. We endorse the concept of developing a system of scenic highways to allow access to national and state parks and improved recreation areas.
9. We recommend that further study be given for methods by which States can implement the provisions of the Relocation Assistance Program contained in the Federal Highway Act of 1968. Intergovernmental cooperation is needed to overcome the many legal and administrative problems created by this program.
10. Transportation systems have a major role in implementing economic development and growth policies. Economic growth center highways can help reverse the depopulation of rural America and the overburdening of megalopolis, and we commend the Federal Government for its new program to construct such highways. However, the appropriation is totally inadequate and will be spent with little impact if limited funds are divided among all States. Instead, we urge these funds be spent on a small number of carefully selected demonstration projects.

HIGHWAY AND MOTOR VEHICLE SAFETY

The National Governors' Conference views with alarm the tragic number of preventable highway and traffic crashes and casualties. We urge the following action to strengthen the intergovernmental effort to make our streets and highways safe.

1. Congress, with the passage of the Highway Safety Act of 1966 and its amendments, has called for a comprehensive and coordinated attack upon the problem of highway safety. While Congress has mandated comprehensive action, sufficient funds have not been provided to meet the requirements of the Act. Action should be taken to bring the authorization and appropriations up to a level to meet the mandates of the Act, unless highway safety activities can be funded from transportation revenue sharing or another flexible source.
2. We commend the National Highway Traffic Safety Administration for its efforts in moving toward a programmed approach for highway safety funds by adopting flexibility in administering the Highway Safety Program. We recommend that Congress amend the Highway Safety Act to allow for a true bloc grant approach.
3. The present ten percent penalty clause in the Highway Safety Act should be replaced by a more positive incentive program to reward States with progressive highway safety programs.

4. In view of the preemption provision of the National Motor Vehicle and Traffic Safety Act of 1966 and in view of recent conflicts that have occurred in the setting of minimum vehicle equipment safety standards between the States and the National Highway Traffic Safety Administration, we strongly suggest more positive attempts by the NHTSA to involve the States in the setting of these standards. Such action would fulfill the original intent of the Congress that national as opposed to federal standards for vehicle safety equipment be established and conflicts between NHTSA and the States be avoided. This can be accomplished through the Vehicle Equipment Safety Commission, consisting of 44 States and charged with the responsibility of establishing vehicle equipment safety standards, and through regional conferences between officials of the NHTSA and the States.
5. We commend the President for seeking the advice and consent of the Governors when selecting representation from individual States for his National Highway Safety Advisory Committee and recommend this procedure be continued.
6. There should be greater coordination of research conducted by the National Highway Safety Administration, the States and private industry. The National Highway Safety Administration should act as a clearinghouse and information source for such an exchange of information and should provide this information to the States. The Administration should consult the States when determining minimum standards for vehicle equipment, and should design standards which are sufficiently flexible to permit States to impose additional requirements where conditions warrant.
7. We recognize that over fifty percent of the highway fatalities are alcohol related and commend the National Traffic Safety Administration for its efforts in developing new alcohol countermeasures and recommend the early implementation of these countermeasures, including use of the implied consent law.
8. Congress and the National Highway Traffic Safety Administration should evaluate the effectiveness of the current highway safety standards and determine if these standards should be modified, eliminated, or if new standards should be promulgated.

AERONAUTICS

The Governors express concern over the increasing load placed on our airport/airways system. We commend Congress for enacting a major new program of financial assistance for airport development and we support the requirement contained in that program that each State develop an airport system plan. The concept of a state-wide plan does not preclude local and regional plans, but considers these as integrated parts of the state plan. The National Airport Systems plan must reflect essential elements of component state plans.

The Airport/Airways Development Act of 1970, by imposing new or increased taxes and user charges, particularly taxes on fuel, has preempted the collection of

appropriate taxes and fees to support the State share of cost for airport development and improvement. Because of this, we urge Congress to increase federal aid to state and local sponsors for airport development, either through revenue sharing or bloc grants.

All States should join the 27 States which have adopted the "Uniform State Channeling of Federal Airport Funds Act", drafted by the FAA in cooperation with the Council of State Governments. We urge all States to broaden their financial and technical assistance in airport development thus strengthening their aeronautics function. We ask Congress to recognize the state role in the development of our aviation system and reflect this within the Airport/Airways Act.

The Governors are concerned by the inadequate pace of federal regulation to reduce aircraft noise. In some localized areas this noise level is so high that the States may be forced to act in protection of the health and welfare of their citizens. Unless decisive federal action is taken to reduce noise, state action may include a limitation on airport activity to the point where a tolerable noise level is achieved. Additionally, all States are urged to make every effort to encourage local communities to zone the land around airports to achieve land use compatible with noise. Further, the FAA should expand the aircraft noise certification program to include all aircraft. The FAA also should work directly with airport authorities on noise abatement.

The Governors endorse a policy of joint use of military airport facilities by civil aviation where feasible. This policy must be implemented at the highest federal level. We also call upon the federal government to join States in recognizing airports as a vital asset which must be protected from incompatible encroachment in urban areas. In some cases, the "land bank" concept must be used to preserve future sites. And privately-owned, public-use airports should be eligible on the same basis as publicly-owned facilities for federal assistance grants.

Many smaller communities are dependent on one carrier for commercial airline service. When that carrier is affected by a strike or other limitation, these communities can be left without vital service. Therefore, we urge the Civil Aeronautics Board to obtain greater assurance of continued service by the single carrier before granting route authority.

There is need to set priorities and expend each of our aviation dollars in such a way that is most responsive to the total social demand. When establishing these priorities, every consideration must be given to equipping our nation's busiest airports, including the 530+ having air carrier service with the proper safety facilities, control towers, crash and rescue equipment, ILS glide scope, etc., to best insure the safety of the nation's air traveler.

URBAN PUBLIC TRANSPORTATION

States are employing broad and varied tools to aid public transportation systems. Every State has exercised its authority to form areawide public transit districts, and to grant them taxing authority and bonding powers. Several States are now providing direct capital grants for the construction of mass transit facilities. States are involved in providing operating subsidies, and States have used their

powers of taxation and tax exemption to stimulate the development of transit service.

State action is a must because of the nature of mass transit problems. The State has the responsibility to give each urban region the assistance it requires, but also a responsibility to coordinate among the individual units in that region. The State can usually help resolve conflicts between city and suburban political subdivisions.

The development of adequate, modern systems of urban mass transit is essential to the continued life of the urban areas within our States. To accomplish this purpose, the National Governors' Conference urges the following action:

1. Adequate funding of the Urban Mass Transportation Act of 1970 to meet the needs of both the large urban areas requiring subway or rail transit systems, and the growing urban areas requiring bus transportation facilities.
2. We endorse the provisions made for urban public transportation as part of revenue sharing. However, it is recognized that the proposed transportation revenue sharing plan is not a substitute for a more adequately funded federal program for urban public transportation.
3. The federal assistance program should provide for channeling of transportation assistance funds through an appropriate state agency. The applicant for assistance under the Act should first receive State approval certifying his proposed project as part of or consistent with a statewide or regional comprehensive transportation plan.
4. The Governor or his designee should have authority to set priorities for the funding of public transportation projects within the State, and these priorities should be honored by the Federal Department of Transportation.
5. The Congress should act to exempt public and private transit systems from the federal gasoline tax, thereby providing these systems with a form of badly needed financial relief that has already been provided at the state level in several cases.

RAILROADS

The National Governors' Conference is concerned about the decline of the railroads as a major element in the American transportation system. The railroads are essential to the movement of persons and the vital flow of goods.

1. We are concerned with reduced rail passenger service. We urge a reassessment of basic passenger needs and adequate federal funding to meet these needs. In addition, there should be a more significant role for the States in the determination of necessary services and facilities for a balanced rail transportation system. We strongly urge the federal Congress to review possible expansions of the Amtrak route system at an early date, before 1973 as provided in present law, and we further urge Congress to provide adequate procedures and administrative mechanisms for independent review of Amtrak decisions as they affect the various States.
2. To support federal legislation creating a federal-state partnership in regulat-

ing the safety of our railroad system. We urge legislation providing for state regulation of all stationary railroad facilities including roadbeds, grade crossings, and station installation, and for federal financial assistance in this intergovernmental effort.

3. The Congress should conduct a complete investigation of present federal laws, regulations and policies now governing the railroad industry to determine what unnecessary regulatory and labor burdens and impediments are placed upon the industry, inhibiting its adequate maintenance and development. This study should include an examination of the role and policies of the Interstate Commerce Commission and the Department of Transportation, and it should study methods for maintaining inter-city service.
4. State and local governments should completely review their laws and regulations affecting taxation of railroad property and imposition of unneeded manpower requirements. A careful study should be made of the cost burden paid by railroads for construction and maintenance of grade separations and crossings to determine an equitable method of sharing the costs between the beneficiaries.

WATERWAYS

The National Governors' Conference supports the establishment of national, uniform standards for safety in the manufacture and maintenance of boats. We support continued State licensing and regulation of boat operators and operations.

We recognize the growing need for ferry boat and water surface transportation systems where these are the least expensive and most practical way of extending transportation connections. We call upon the Federal Department of Transportation to create a Marine Highway System which will aid those parts of the nation in need of water transportation development.

COMMUNICATIONS

The National Governors' Conference recommends to the Congress and to the Federal Communications Commission the full re-examination of the present allocation of the frequency spectrum.

Special attention should be given to the increasing need to allocate radio frequencies for emergency and public services. A special frequency, common throughout the nation, should be established for emergency medical services to facilitate communications between ambulances and hospitals.

COMMERCE

The National Governors' Conference endorses development of a commercial freight rate structure which is non-discriminatory and does not promote inefficiency and we urge Congress to undertake a study to this end. Regulation is vital where only one operator serves an area, or where only one mode is available. However,

where greater competition exists, close study should be made of the "zone of reasonableness" method as contrasted with detailed rate setting.

INSURANCE

States have historically had the basic responsibility for regulating the insurance industry. In response to an increasingly felt need, some forty-seven States have enacted auto insurance insolvency fund guarantee laws, providing consumer protection with no loss of state regulatory powers. State response to this problem has again demonstrated insurance regulation need not pass to the federal level.

A subject of growing interest is the establishment of a "no fault" system of automobile insurance. Again, some have argued a uniform national system must be imposed from the federal level. However, we believe if "no fault" is to be adopted, that individual state action and interstate cooperation could produce a "no fault" system which is uniform enough to meet the needs of interstate vehicle accidents and flexible enough to suit the conditions in each State.

States have many automobile accident insurance systems available for study. We urge each State to make an early examination of options available and to achieve maximum interstate coordination in any actions they may take. We note the extensive research and drafting done by the National Conference of Uniform State Law Commissioners and by the Council of State Governments and urge each State to consider this model legislation.

TECHNOLOGY

As the leading technological Nation, the United States generates tremendous new discoveries in many fields including medicine, communication, transportation, and data processing. Federal investment in programs such as space exploration and the supersonic transport involve large sums. Because of this public investment, technical discoveries should become available for maximum public benefit.

The federal government is the major supporter of programs which generate new technologies. There should be a program at the federal level to identify and document the opportunities and problems created by these developments. A vital part of this information system is channels of direct communication between those creating new technology and those seeking to adapt and apply it to public purposes.

To fully complement a federal technology information system, States must act either independently or through regional organizations. Using technically competent people, they must identify and describe problems of importance which could be favorably affected by application of technology.

Data processing has received the greatest attention to date of any new technology applied to government. A good program requires trained personnel employing specialized equipment within a fully analyzed system. Governments are hampered by the concentration of technicians in industry, by attempts to use non-specialized equipment for specific tasks, and by a tendency to make poor systems move faster instead of establishing superior systems.

There is a need for cooperation among federal, state and local governments to produce the large market required by certain types of technology. Orders from many jurisdictions will reduce unit costs in each, and will make possible the manufacture of highly specialized equipment.

Appendix XIII

RESOLUTION OF APPRECIATION

The National Governors' Conference expresses its deep gratitude to Governor Luis A. Ferré, Mr. Rafael Carrión, Jr., and members of the Puerto Rico Host Committee, and Mr. Louis deThomas for their efforts in making this 63rd Annual Meeting, from September 12 to September 15, 1971, in San Juan, Puerto Rico, an unforgettable experience.

We are especially indebted to the Vice President of the United States for taking time from his busy schedule to meet with the Executive Committee, to brief the Governors in informal session, and to address the entire assemblage.

To the special guests from Puerto Rico, from the United States, and from Latin America, the Conference offers its sincere thanks for their outstanding contributions. To all those who participated in the program sessions, the Conference expresses special gratitude. And to all others who helped plan and who carried out the official and social activities, the Conference extends its thanks for the cooperation as well as the special "simpático" attitude exhibited by the people of Puerto Rico in making this Annual Meeting so productive. We also recognize the special pressures placed on law enforcement officials in Puerto Rico and on the National Guard during recent days, and thank them for the highly professional manner in which they carried out their duties.

The National Governors' Conference also thanks Governor Warren E. Hearnes for his great leadership and for the tremendous job he performed as Chairman this past year.

We express appreciation to the staff of the National Governors' Conference for their fine service during the past year and for the efficient and orderly manner in which this Conference has been handled.

Puerto Rican hospitality for the Governors, their families and their staffs demonstrated, for the whole world to see, that Puerto Ricans are an integral part of the United States and intimately involved in the mainstream of the United States.

Special appreciation also goes to the news media for the extensive coverage of our deliberations. Their professional attitude to inform the public of the United States, Puerto Rico, and the Western Hemisphere confirms once again their serious interest in the discussions of this Conference.