

HIGHER EDUCATION AMENDMENTS OF 1968

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HEARINGS
BEFORE THE
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
SECOND SESSION
ON
H.R. 15067

HEARINGS HELD IN WASHINGTON, D.C.
MARCH 1, 4, 5, 6, 7, AND 8, 1968

PART 2

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1968

66-155214

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CONTENTS

Hearings held in Washington, D.C.:	Page
March 1, 1968.....	513
March 4, 1968.....	627
March 5, 1968.....	669
March 6, 1968.....	705
March 7, 1968.....	761
March 8, 1968.....	825
Statement of—	
Allen, Dr. John, president, University of South Florida, on behalf of National Commission for Cooperative Education.....	733
Barich, Dr. Dewey, president, Detroit Institute of Technology, Detroit, Mich., on behalf of the Commission on Cooperative Education.....	728
Becker, Joseph, director of information sciences for the Interuniversity Communications Council, Inc., accompanied by Dr. James Miller, vice president of Educom.....	863
Brewster, Dr. Kingman, president, Yale University.....	548
Cain, John L., Engineering Extension Service, Auburn University, Auburn, Ala.; past chairman, Cooperative Education Division, NCEE, on behalf of the Cooperative Education Association, accompanied by George Miller, president-elect of the Cooperative Education Association.....	716
Fellows, James, director of research and development, National Association of Educational Broadcasting.....	832
Green, Harry G., president, United Business Schools Association, accompanied by Richard A. Fulton, executive director and general counsel; and Murray T. Donoho, president, Strayer Junior College, Washington, D.C.....	852
Harrington, Dr. Fred, president, University of Wisconsin.....	524
Herlong, Hon. A. S., Jr., a Representative in Congress from the State of Florida.....	705
Hershey, Lt. Gen. Lewis B., Director of Selective Service.....	521
Kirkpatrick, John I., College Entrance Examination Boards.....	802
Kugler, Dr. Israel, president, United Federation of College Teachers, New York City.....	748
Lamb, Dr. Luke F., director of educational media of the Oregon State Board of Higher Education, on behalf of the National Association of Educational Broadcasters.....	844
Maloney, Frank E., dean of law, University of Florida; chairman, AALS Committee on Government Relations, on behalf of AALS, accompanied by Michael H. Cardozo, executive director, AALS.....	706
Marshall, Alan D., president, United Student Aid Fund, accompanied by Edward A. McCade, Washington counsel for United Student Aid Fund.....	684
Meaney, Dr. John W., professor of communications arts and assistant to the academic vice president for educational media, accompanied Harold Wigren, president of the Joint Council on Educational Telecommunications, University of Notre Dame.....	857
Megel, Carl J., director of legislation, American Federation of Teachers, AFL-CIO.....	746
Miller, Dr. John, dean, Graduate School, Yale University.....	550
Mink, Hon. Patsy T., a Representative in Congress from the State of Hawaii.....	761
Murphy, Robert J., Jr., president, Knickerbocker Federal Savings & Loan Association, New York, on behalf of the National League of Insured Savings Association.....	696

IV

Statement of —Continued

Patman, Hon. Wright, a Representative in Congress from the State of Texas-----	Page 669
Proest, George, executive director, Commission on Cooperative Education-----	740
Purdy, Allan W., chairman, National Student Financial Aid Council; director, student financial aids, University of Missouri, accompanied by panel-----	764
Recher, Kenneth R., executive director, Pennsylvania Higher Education Assistance Agency, accompanied by panel-----	790
Ryan, Hon. William F., a Representative in Congress from the State of New York-----	784
Sanders, Edward, College Entrance Examination Board-----	801
Stokes, Rembert E., president, Wilberforce University, on behalf of the National Commission on Cooperative Education-----	724
Strickler, Dr. Woodrow, acting president, University of Louisville---	825
Trytten, Dr. Merriam H., president, Scientific Manpower Commission---	514
Vetter, Mrs. Betty M., executive director, Scientific Manpower Commission-----	517
Walker, Charles E., executive vice president, American Banker Association, accompanied by James E. Smith, associate Federal legislative counsel; Edward Gannon, a special assistant to the executive vice president; and Lawrence Banus-----	627
White, Mrs. Juanita Greer, member, American Association of University Women, and chairman, Committee on International Fellowships & Awards, accompanied by Mrs. Alison Bell, staff associate, legislation-----	656
Witherspoon, John, manager of broadcasting services, San Diego State College, California, on behalf of National Association of Educational Broadcasters-----	836
Prepared statements, letters, supplemental materials, etc.:	
Abbott, Frank C., executive director, Colorado Commission on Higher Education, letter to Chairman Green, dated February 27, 1968---	899
Allen, John S., president, University of South Florida, prepared statement of-----	735
Betts, Hon. John E., a Representative in Congress from the State of Ohio:	
Letter to Chairman Green, dated March 4, 1968-----	876
"A Plan for Graduate Students Facing the Draft," Extensions of Remarks, Congressional Record, February 26, 1968 (enclosure)-----	876
Letter to Lt. Gen. Lewis B. Hershey, Director, Selective Service System, dated August 2, 1967-----	876
Letter from J. L. Blackwell, Colonel, GS, Office, Chief of Legislative Liaisons, dated August 7, 1967-----	878
Letter from John E. Lingo, Colonel, USAF Congressional Inquiry Division, Office of Legislative Liaison, dated September 7, 1967---	879
Letter from James E. Patten, Commander, U.S. Navy, Head, Enlisted Programs Branch, Recruiting Division, dated August 1, 1967-----	879
Letter from F. J. Frazer, Colonel, U.S. Marine Corps, Assistant Director of Personnel, dated August 11, 1967-----	879
Letter from Lewis B. Hershey, Director, Selective Service System, dated August 30, 1967-----	880
Letter from Thomas D. Morris, Assistant Secretary of Defense, dated August 30, 1967-----	880
Brademas, Hon. John, a Representative in Congress from the State of Indiana, "New Draft Rules Anger Graduates—Confusion and Resignation Also Found—Minority Is Seeking To Defy Law," article from New York Times, printed in Congressional Record of March 5, 1968-----	527
Cain, John L., past chairman, Cooperative Education Division, American Society for Engineering Education, and James Godfrey, president, Cooperative Education Associations:	
Joint statement-----	717
Preliminary report of the Goals of Cooperative Education Committee, Cooperative Education Division, American Society for Engineering Education, presented at the 1968 conference-----	719

Prepared statements, letters, supplemental materials, etc.—Continued	
Cardozo, Michael H., executive director, Association of American Law Schools:	
Letter to Gen. Lewis B. Hershey, Director, Selective Service System, dated March 1, 1968.....	Page 712
Prepared statement of.....	714
“Selective Service,” excerpt from AALS newsletter, February 12, 1968.....	711
Dawson, J. D., consultant for National Committee for Cooperative Education, letter to Hon. Albert H. Quie, dated March 19, 1968..	743
Gardner, Neely, chairman, California Association for Public Administration Education, letter to Chairman Green, dated February 15, 1968.....	895
Green, Hon. Edith, chairman of the subcommittee, letters, statements, and articles bearing on the draft.....	594
Green, Harry G., president, United Business Schools Association:	
Involvement of proprietary business schools with Federal programs (memo).....	855
“Supply and Demand Factors Affecting Vocational Education Planning,” excerpt from final report, contract No. OE-5-85-068.....	856
“The Job’s the Thing,” reprint from “American Education”.....	856
Improving Access to Information—A Recommendation for a National Library-Information Program—Report of the Ad Hoc Joint Committee on National Library-Information Systems (CONLIS).....	883
Kennedy, Hon. Edward M., Senator from the State of Massachusetts, speech, from the Congressional Record of February 28, 1968.....	579
Levi, Julian H., University of Chicago, letter to Chairman Green, dated February 15, 1968.....	900
Lyman, Richard W., vice president and provost, Stanford University, letter to Chairman Green, dated April 2, 1968.....	897
McFarland, Stanley J., testimony in behalf of the National Education Association of the United States.....	666
McGarry, Mrs. Barbara D., executive director, the American Parents Committee, Inc., letter to Chairman Green, dated March 21, 1968..	894
Megel, Carl J., director of legislation, American Federation of Teachers, AFL-CIO, prepared statement of.....	747
Mink, Hon. Patsy T., a Representative in Congress from the State of Hawaii, statement of.....	761
Montgomery, Edison, director of communications program, University of Pittsburgh, telegram to Hon. Elmer J. Holland, dated March 22, 1968.....	899
Mumford, L. Quincy, Librarian of Congress, letter to Chairman Green, dated February 15, 1968.....	894
Murphy, Robert J., president, Knickerbocker Savings & Loan Association, on behalf of the National League of Insured Savings Associations, prepared statement by.....	699
National Commission on Cooperative Education:	
Colleges and universities offering cooperative educational programs.....	753
Amendments to be proposed to H.R. 15067.....	757
Pepper, Hon. Claude, a Representative in Congress from the State of Florida, statement of.....	872
Petrie, Richard W., executive director, Louisiana Higher Education Assistance Commission, letter to: Chairman Green, dated March 22, 1968.....	810
Guaranteed student loan program, March 11, 1968 (table), enclosure.....	812
Purdy, Allan W., chairman, National Student Financial Aid Council; and director, student financial aids, University of Missouri, prepared statement of.....	781
Rampton, Hon. Calvin L., Governor of the State of Utah; chairman, Education Committee, National Governors’ Conference; chairman, Education Commission of the States, prepared statement of.....	881
Reeher, Kenneth R., chairman, National Conference of Executives of Higher Education Loan Plans, statement by.....	791

VI

Prepared statements, letters, supplemental materials, etc.—Continued	
Ryan, Hon. William F., a Representative in Congress from the State of New York, statement of.....	Page 786
Sanders, Edward, vice president, college board, director, Washington office, College Entrance Examination Board, letter to Chairman Green, dated March 5, 1968.....	896
Scheiber, Walter A., president, Fels Institute Alumni Association, prepared statement by.....	895
Stever, H. Guyford, president, Carnegie-Mellon University, letter to Hon. Elmer J. Holland, dated March 21, 1968.....	900
Stokes, Robert E., president, Wilberforce University, member National Commission for Cooperative Education, prepared statement of.....	726
Summary of recommendations in college entrance examination board study with comments of Office of Education.....	813
Sutton, Thos. W., director of financial aid, University of Miami, letter to Chairman Green, dated February 26, 1968.....	902
Resolutions passed and rejected by FASFAA and SASFAA enclosed.....	903
Walker, Charles E., executive vice president, American Bankers Association:	
Rates of return to lenders on guaranteed student loans.....	633
Bond yields and interest rates (chart).....	634
Walker, Eric A., president, Pennsylvania State University, letter to Hon. Elmer J. Holland, dated March 20, 1968.....	899
Wanlass, Lawrence C., president, College of the Virgin Islands, letter to Chairman Green, dated February 13, 1968.....	912
Weitzel, Frank H., Assistant Comptroller of the United States, letter to Chairman Green, dated February 27, 1968.....	906
Witherspoon, John, manager, broadcasting services, San Diego State College, California:	
Existing Oregon educational broadcasting microwave routes (fig. 30).....	843
Midwest microwave system (fig. 13).....	842
Midwest system channelizing diagram (fig. 12).....	841
Wurf, Jerry, international president, American Federation of State, County, and Municipal Employees, AFL-CIO, letter to Chairman Green, dated February 26, 1968.....	911
Zablocki, Hon. Clement J., a Representative in Congress from the State of Wisconsin, prepared statement of.....	870

HIGHER EDUCATION AMENDMENTS OF 1968

FRIDAY, MARCH 1, 1968

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2175, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Burton, Thompson, Scheuer, Quie, Brademas, Reid, Erlenhorn and Esch.

Present also: Representatives Mink, Ayres, Bell, and Steiger.

Staff members present: William F. Gaul, associate general counsel; Charles R. Radcliffe, minority counsel for education.

Mrs. GREEN. The subcommittee will come to order for the further consideration of the Higher Education Act of 1968.

In this legislation the administration has made various recommendations in regard to facilities for graduate education as well as undergraduate education. Recommendations have also been made in terms of graduate fellowships and in other programs affecting the graduate schools around the country.

The members of this committee thought that they needed more information in regard to the impact of the current draft policy on graduate education, and it is for this reason that the subcommittee is turning its attention this morning to the impact of the current draft policy on graduate schools.

May I say that I have a tremendously high regard for the chairman of the Armed Services Committee and the members of the Armed Services Committee. The members of this committee recognize very clearly that this legislation is under their jurisdiction. We have no intention of trying to take over this jurisdiction, but we do need to have information on the draft policy in order that we can make informed judgments on the recommendations that have been made by the administration concerning the graduate education.

I am going to ask all of the people who are here to testify before the subcommittee to come together to the table. I think perhaps the committee then will be able to gain the greatest amount of information.

We are very pleased that General Hershey has agreed this morning to come and to explain his views on the impact of the draft policy on the graduate schools and on graduate education. General Hershey will be accompanied by Colonel Frank and Colonel Jensen. May we ask that you take places there at that table. I will ask the staff to get some additional chairs down there, too.

We also have with us this morning Dr. Trytten, who appeared before the subcommittee a short time ago, and who was one of the main advisers on draft policy during the Korean war. Dr. Trytten will be accompanied by Mrs. Vetter. I wonder if I might ask them to also come to the table.

Then we also are pleased that Dr. Fred Harrington, president of the University of Wisconsin, and former president of the National Association of Land-Grant Colleges, has been able to come to Washington today.

Dr. Harrington, we are delighted you did not get caught in the snow. We are so pleased you have come this morning to give us the benefit of your views. If the snow at La Guardia Airport permits, we will, as soon as possible, have Dr. Kingman Brewster, the president of Yale University.

As a method of procedure, I will ask Dr. Trytten to start with his statement. He appeared before the committee and following that wrote a statement explaining what he thought the greatest impact was going to be and what some possible alternatives might be.

Following that I will ask General Hershey to present the material he has and then we will call upon other members of the panel.

Dr. Trytten, will you proceed.

STATEMENT OF DR. MERRIAM H. TRYTTEN, PRESIDENT, SCIENTIFIC MANPOWER COMMISSION

Mr. TRYTTEN. Thank you, Madam Chairman. I am glad to do that. May I also say I am happy to have the opportunity to appear at the same time with General Hershey whom I have known over the years, going all the way back to the early days of World War II. I have had some very interesting relationships with him.

During that time, I might say that my admiration for him has grown over the years and also for the legislation which governed and under which he administered the Selective Service System.

What I propose to state here are some personal impressions of the effect of this present policy growing largely out of the more detailed and statistical presentation which Mrs. Vetter will make later on.

What I will try to do is to relate some of the prime groups and institutions that will be affected in this way. First, I want to talk about how this will affect occupational deferments. This goes a little outside the graduate school but I think it is related definitely to it and I want to start with that.

Since the immediate impact on college graduating men will affect only those graduates emerging from college at the end of the first semester of the present school year (who will be immediately liable for induction), the probable major impact will be on those whose occupational deferment will terminate as a result of the newly established policy. This group numbers probable some 100,000 or less. There are about 327,000 men now holding occupational deferments.

However, about 40,000 of these are persons in training status as apprentices, several thousand are junior college students or trainees and it is likely that these will be considered as post high school students and be covered by the policy of deferring all college students.

About half of the above number of 327,000 are not deferred because of critical occupations or essential activities and are probably deferred because of community hardship.

There remain about 100,000 who were deferred because of their critical occupations and/or essential activities and will be no longer deferrable for that reason.

These are generally persons of professional training (engineers, scientists, teachers, structural linguists, computer technologists, and so forth).

They will no doubt promptly be reclassified as available for induction and will fill the substantial draft calls of the months remaining in the fiscal year. Because of the heavy draft calls of 1966, the replacement of these men now having served 2 years will demand high calls in the rest of this fiscal year.

Thus, most of these men now in occupational deferment will probably be reclassified in 1-A, and immediately inducted because they are older than the present age of call.

How it will affect current graduates:

The graduates emerging from college at the midyear commencements are in a particularly exposed position if they are in the older age brackets. The average age of induction at present is about 20.5 years.

However, those occupationally deferred up to now who will be reclassified will be inducted first probably and will raise the average age of induction.

As indicated above, the number in this category will probably not satisfy the aggregate demand for the remainder of fiscal 1968.

It is probable, therefore, that midyear graduates will almost surely be reached by July 1. Certainly those who are older will be reached before July 1. In particular, master's degree recipients and doctoral graduates at midyear commencements will be especially likely to be inducted.

The number of these will not be large enough to affect greatly the manpower equation for total inductions but, since they are likely to be in the upper age brackets, they will be reached early.

How it will affect June graduates:

Draft calls in fiscal 1969, beginning in July, have been forecast by the Department of Defense by implication based on their budget requests as averaging some 24,000 per month.

It is safe to say that any changes in respect to calls will very probably not be less and will very likely be more unless the present war situation changes in presently indiscernible fashion. Because of the likelihood that the pool of available inductees arising from the cessation of occupational deferments will have been absorbed and will therefore become a minor element, college graduates, and especially those graduating at the master's or doctoral levels, will be the predominant pool. There will be about 320,000 altogether.

Since oldest will be called first, the higher degree recipients will presumably be called first. Of the 7,000 doctoral recipients who will be under 26 years of age, probably these will be called early in the year—to be followed by older college graduates and master's degree recipients.

It appears that at least 80 percent of degree recipients will be called among those liable for induction.

Subsequent years:

If present policies persist, the situation in fiscal 1970 will alter substantially. It will be tighter. The occupationally deferred will have been absorbed and will not enter the equation. Nor will graduate students now deferred but who have been deferred for 1 year only.

The pool, therefore, will approximate degree recipients, largely, plus the small number who become dropouts or fail for deferment on grounds of community hardship and minor inputs.

By and large, it appears that the college graduate population at all levels will be the prime target and the percentage inducted could, and probably would, be close to 100 percent.

What will happen to enlistments?

Enlistments have in the past shown a tendency to fluctuate widely as a result of the changing factors in the military and the policy situations extant at the time.

Some young men enlist for patriotic reasons, some to have option of choice of service, some to have the option of officer candidate school and some to terminate uncertainty among other motivations.

However, the probability of eventual service is a high factor in encouraging enlistments. Selective Service officials have always noted that when draft calls are low, enlistments drop and vice versa.

The effect of presently announced policy, therefore, will be substantial on enlistment rates. They will definitely change. Voluntary enlistments among those 19 or 20 years of age can be expected to drop substantially when it becomes clear that the average age of induction will move up to possibly as high as 22.5 or 23 years.

Indeed, many young men will find it possible to find jobs, establish families and become fathers all before the age of probable induction and escape liability for that reason.

College students about to graduate may or may not enlist, a factor of little significance since it makes no difference in the equation whether they do or not. The end result is the same.

One conclusion seems indicated: that enlistments by college graduates or near-graduates in preferred service, such as the non-Army services and officer candidate schools, should very soon fill available slots after June commencements. The large majority will be draft liable.

What will happen to the universities:

Perhaps the first impact of the new dispensations will be on younger faculty. It seems probable that all faculty members who are not fathers, and who are under 26 years of age (largely instructors, assistant professors and the like) will promptly be reclassified.

These will in general be those who have moved rapidly in graduate school and beyond and, since they are under 26 years of age, may be presumed to be the more promising of the scholarly community.

The effect on teaching resources will be even greater in the loss of young graduate students who are assisting in teaching. This is a large number and will substantially affect teaching resources. In many universities the major routine load of recitation sections, as well as laboratory instruction, is handled by this level of instruction.

The problem of faculty for old and particularly new junior colleges will be extraordinarily exacerbated, let alone the chronic shortage at the secondary school level.

The effect on the inductees :

Past experience with respect to the impact of interruptions, as extensive as 2 years or more, on academic progress and/or later accomplishment is difficult to document since adequate, careful studies have not been made.

However, there is experience of a gross observational nature. World War II demonstrated that free educational opportunity available to veterans swelled enrollment.

However, there is little evidence to indicate whether or not the impetus acquired by the veteran led to advanced training and to conspicuous performance at advanced levels in research or scholarship. In fact, doctorate production after World War II did not make up for the sharp drop in production during the war years.

There is considerable likelihood, in especially the hard sciences, that a substantial interruption produces a disproportionate deterrent to advanced training.

To reestablish himself, to make up for the loss of momentum, and to catch up with developments in fast-moving science, are frequently challenges which the returning veteran either cannot or finds it not to his interest to accept. Older age and possible dependents may affect his position. Many may go into graduate work but in less demanding disciplines.

The effect on scientific progress :

There can be little doubt that scientific effort in the United States will pay a substantial penalty. At the very best, 2 man-years, and indeed closer to 3 man-years, of scientific work will be lost for each prospective graduate student in as many years as present policy continues.

The psychological effect, the demoralizing effect on higher education, on industrial research and development, and the public image of these matters all will suffer but the degree is not measurable. There will be no way of measuring or documenting the resultant loss in intellectual productivity. There is never any good way of measuring what might have been.

Mrs. GREEN. Thank you, Dr. Trytten. Before we go to questions, Mrs. Vetter, would you like to summarize your statement?

**STATEMENT OF BETTY M. VETTER, EXECUTIVE DIRECTOR,
SCIENTIFIC MANPOWER COMMISSION**

Mrs. VETTER. Yes, I will be happy to.

On February 15, 1968, the National Security Council advised the Director of Selective Service to suspend occupational deferments based on the list of essential activities and critical occupations and to end deferment of graduate students other than those now in the second or subsequent year of graduate study. Those in medicine, dentistry, veterinary medicine, and osteopathy are already deferred.

General Hershey, in a telegram to State directors, said that the sequence of selection in filling calls is to remain unchanged, so that

the oldest men from the combined age group 19 through 25 shall be called first.

Occupational deferment:

General Hershey's wire to State directors left with each local board the discretion to grant, in individual cases, occupational deferments based on a showing of essential community need. Community need was not defined.

It seems apparent that some boards will begin at once to reclassify registrants who are in class II-A. If they have neither a critical occupation nor are working in an essential activity, as defined by the now suspended list, apparently their II-A deferments, based on community need, will be continued.

If they are on one or both of the lists, their cases undoubtedly will be reviewed and new decisions made.

About half the approximately 325,000 men classified II-A are said to be on neither list, and therefore presumably are eligible for retention in II-A on the basis of community need.

We believe that there are between 70,000 and 100,000 men under 26 deferred in II-A whose skills are the result of college training. These include engineers at the baccalaureate level or higher, scientists and mathematicians who have attained at least a master's degree, high school teachers of science and math, engineering and scientific programmers, college teachers, and structural linguists.

Since these men are college graduates of previous years, those reclassified to I-A will generally be among the first to be called since they will be in the upper brackets of age liability.

Graduate students:

Under the rules formulated in the President's directive of last June, graduate students now in their second or subsequent years of post-graduate work may be allowed (at the option of their local boards) to continue their graduate study until they complete the next degree.

For many of this year's second-year graduate students, a master's degree acquired in June or August will be declared terminal, and these men will be subject to induction.

Those men already past the master's level or in a program in which the Ph. D. was the earlier declared objective will generally be allowed a total of 5 years past the baccalaureate to complete the Ph. D.

The new ruling makes no distinction between first-year graduate students this year who are in a 1-year master's program and those in a 2-year program. Presumably, no student now in his first year of graduate study may be deferred next year as a student.

Additionally, no student completing a baccalaureate program and intending to enter graduate school may receive a deferment in class II-S.

Exceptions to these rules are the medical and dental fields, and students of divinity, who are exempt from service by law.

Men completing a Ph. D. this year who might otherwise have entered occupational deferment will be subject to the draft if they are under 26 years of age, and will, of course, be the first to go under the oldest first rule.

Approximately 7,500 June, August, and January 1969 Ph. D.'s are expected to be subject to induction under these rules after their degree is obtained.

The next group to go, with an average age of 24, will be men completing a master's degree this year who are not otherwise deferrable—about 23,000 men.

This year's first-year, full-time graduate students who are not in the medical fields, or who are not veterans or fathers before last June, or reservists, are expected to total 89,000 men at an average age of 23 available for induction.

From the baccalaureate population, with an average age of 22, we can expect a net inductable population of 163,000. From these groups of current college students, we will then have an available total of about 280,000 qualified draftable men, age 22 through 25.

Makeup of the draft pool:

To the 280,000 draft-available men coming out of school this year at the baccalaureate or higher levels, we can expect to add about 50,000 college graduates of earlier years who have been deferred in II-A and whose age will be about equally divided among 23-, 24-, and 25-year-olds.

There will also be a small population of college dropouts who did not reach baccalaureate level, but who have been deferred as students and will reach age 22 or higher during the year. There are probably less than 10,000 of these.

Below the age of 22, the draftable pool will include 350,000 men between age 20 and 22 who have not previously been drafted, plus about 336,000 men born in 1949—the 19-year-old available group—and about 160,000 men born in 1950 who become 19 during the year. This gives us a net available draft pool of about 1.2 million men.

Who will be inducted?

Under the rule of drafting oldest first, all available new Ph. D.'s will be drafted, as will all the scientists, engineers, and teachers who have been deferred occupationally and who fall back into I-A; all draft-eligible new master's degree recipients, and probably all the available and qualified men who are now first-year graduate students. The proportion of the baccalaureate graduates drafted will depend on the extent of the calls.

The size of the draft calls will be determined in large part by the number of volunteers available. DOD expects to need a total input of 850,000 men to the Active Forces during fiscal 1969. The expected number of volunteers is 610,000, leaving a draft call of about 240,000. The acquisition includes 60,000 officers. Note that about 100,000 volunteers are expected from the college graduate population.

At the anticipated call level, it seems highly unlikely that any man under age 22 would be inducted during fiscal year 1969, although, of course, some variation in local board levels of age at induction can be expected.

As of December 31, we had about 66,000 men in I-A who were born in 1942 through 1945. The calls in January through April total 146,300.

Since we draft oldest first, we can assume that all these "older" men, plus those in the older age group who fall back into I-A by the end of the fiscal year, will have been exhausted.

We are now drafting at an average age of 20 years and 4 months, and high calls through the rest of the fiscal year will probably lower this age.

It seems apparent, then, that almost all of the men drafted in fiscal 1969 will be college graduates or college students who have dropped back into I-A.

Effect on the draftable students:

Until this time, those men completing their college work and knowing they were liable to military service generally had the option of choosing whether they wished to serve for a longer period of time as an officer or to be drafted for the minimum period and serve in the enlisted ranks.

However, under the new rules, almost the entire draftable population will have achieved one or more college degrees. The military forces will not be able to utilize a very high proportion of these men in officer programs.

The student who elects to try to complete a year of graduate work will be gambling, since he will have no protection from a draft notice right in the middle of a semester. The I-S(C) classification is no longer available for men who were in II-S this year and who have completed a bachelor's degree.

Effect on the military service:

Both the age and the educational level of inductees will rise rapidly. Since the Army has publicly stated that the best soldiers can be made from 19-year-old inductees, the efficiency of the most highly educated military force in history just may be decreased.

Effect on the graduate schools:

The best numbers that can be determined indicate that between 50 and 60 percent of the baccalaureate class who would ordinarily have entered full-time graduate work next fall will be subject to the draft.

About 62 percent of the current first-year graduate students will be inducted, although we cannot assume that the remaining 38 percent will all be in graduate school, since there is a normal decline between first- and second-year graduate enrollment.

Of the master's degree candidates completing a degree, about one-fourth will be drafted, and at least half the remainder will not be continuing toward a Ph. D.

The loss to individual graduate schools will vary widely. All-male institutions will, of course, be harder hit than coeducational graduate schools. The highest ranking graduate schools in the Nation should be able to fill up their classes, by dipping further down in the quality of applicants for acceptance.

For those smaller or newer graduate schools still seeking a high-quality level who are not now overburdened with applicants, there will certainly be at least a 50-percent dropoff in both the first- and second-year classes of graduate study. Some schools will not be able to survive under these conditions.

The effect on the undergraduate schools will be just as striking as on the graduate schools both in short- and long-range terms. No effort to extend teaching assistantships will fill the teaching assistant positions needed to take care of burgeoning undergraduate enrollments.

Effect on the Nation:

All segments of the economy will be affected by the loss of this highly trained manpower, and we must be realistic in recognizing that the loss is real, and not simply a transfer of effort from one segment of the economy to another.

Faced with a group of draftees who are almost all educated to at least the baccalaureate level, the Department of Defense will have no choice but to use most of these men in a job unrelated to their specialized education.

The shock may be severe to many industries which lose both the new graduates they had hoped to hire and the current employees deferred on the basis of the lists of critical occupations and essential activities.

It seems probable that some of the activities being carried on for the Government by private industry in support of our military effort will suffer slowdowns, or even cancellation of contracts that companies will be unable to fulfill because they lack skilled technical graduates.

Junior colleges, opening at the rate of more than 70 new ones each year, will be unable to find adequate staffs for next year. In the years ahead, as the supply of new teachers emerging from the educational pipeline slows down, the situations will be even more serious, and will be felt at all levels from the elementary school through the university.

Projections made before this change in draft regulations indicate that the country's Ph. D. production will increase from 21,000 new doctorates this year to almost 27,000 in 1972.

If next September's intake into the graduate schools drops by even 40 percent, the output in 1972 will be down to less than 16,000—back to the 1963 level. This 10-year setback cannot even be made up.

Since Russia is producing both engineers and scientists at a faster rate than we are, and of course utilizing them in their area of specialty training, it seems quite possible that we may find ourselves at a severe disadvantage in our efforts to prevent the spread of communism a few years from now.

If we will have achieved equity by drafting only those citizens who have followed our repeated advice to continue their education, then, indeed, the losses to the economy, to the graduate schools, and to the Nation which will result from these new rulings will have been worthwhile.

Although there would seem to be a possibility that these rulings will encourage young men to drop out of school, to marry and produce a child before reaching age 22, or to fail to get sufficient education to pass the military qualification tests, the National Security Council believes that this risk is not nearly so great as that some graduate students might ultimately never be drafted at all because the Nation needed their skills to be used outside the military service.

There is a solution to the problem and if you are interested we shall be glad to present it.

Mrs. GREEN. Thank you very much.

We appreciate both your statement and your being here.

General Hershey, may we now hear from you?

STATEMENT OF LT. GEN. LEWIS B. HERSHEY, DIRECTOR, SELECTIVE SERVICE

General HERSHEY. Madam Chairman and members of the committee, I want to say that I am not trying to pay Dr. Trytten for the kind words he said, although it is quite unusual to hear words like that in the area where I am. But I would say that between 1948 and 1952, a com-

mittee that he headed set up a system that was flexible and enabled us to handle all sorts of deferments and probably a great many of us saw, with some regret, more modern methods being used to be flexible.

The present policy on the deferment of graduate students has been developed over a period of time, going back to mid-1966, or earlier.

The National Advisory Commission on Selective Service was appointed at about that time, under the chairmanship of Mr. Burke Marshall. The Commission's report, made in February of 1967, recommended the termination of graduate school deferments except for students of medicine and dentistry.

In November of 1966, the chairman of the Committee on Armed Services of the House of Representatives announced the appointment of a Civilian Advisory Panel on Military Manpower Procurement under the chairmanship of Gen. Mark W. Clark, with the mission of making recommendations to the committee with respect to selective service legislation and operations and military manpower procurement policies generally.

General Clark's panel made its report also in February of 1967, and endorsed sharply restricted graduate school deferment.

Both Houses of the Congress gave extensive consideration to the reports of the National Advisory Commission and the Civilian Advisory Panel. The Armed Services Committees of both the House and Senate, in extensive hearings, thoroughly considered the question of graduate student deferments, one of the many matters with which the Congress, the administration, and the country at large, was deeply concerned. The Congress endorsed proposed curtailment of graduate school deferments.

However, the Congress recognized that it might later be found that the national interest required graduate school deferments in fields other than the health professions.

With this possibility in mind, the Congress assigned to the National Security Council the function of continuously reviewing this area and of making recommendations from time to time to the Director of Selective Service concerning graduate study, occupations, and other training areas where deferment programs might be necessary in the national interest.

Following enactment of the Military Selective Service Act of 1967, selective service regulations were amended to reflect the statutory amendments and to implement new policies, including those of graduate school deferments.

These regulations provided for the deferment of students of medicine, dentistry, optometry, osteopathy, and veterinary medicine, and left room for the addition of other fields of study to be identified upon the advice of the National Security Council.

The new regulations also provided for a transitional graduate school deferment program which in effect gave those students entering their first year of graduate study in the fall of 1967, a deferment of 1 year and provided also that students entering their second or subsequent years in the fall of 1967, might be deferred by their local boards to attain the professional or academic degree they were pursuing.

These regulations remain in effect and express selective service policy on graduate school deferments at the present time.

On February 15, 1968, I received from the National Security Council its recommendations with respect to graduate school deferments, with which all of us are now so familiar. The National Security Council gave long and serious study to this very vital matter.

I think it is appropriate that I quote here from a letter I addressed to the chairman of this committee on February 15, 1968, in response to a letter from her to the President dated February 9, 1968, and a letter to me dated February 19, 1968, reviewing the testimony of earlier witnesses in these hearings and the concern of the committee. I quote:

You will note that the enclosed memorandum from the National Security Council reflects that that agency, in reaching its recommendations, thoroughly and deeply considered the impact of the policies it was recommending on graduate study and on the other hand, weighed the overall national interest and the importance of the fair and equitable distribution of the privilege and duty of military service. The decision reached by the National Security Council was a difficult one.

The National Security Council, as its memorandum shows, also recognized that this matter was one requiring continuous attention and designated certain Cabinet officials to maintain a continuing surveillance over the Nation's manpower and educational needs to identify any area of graduate study that might qualify for deferment in the national interest.

I am well aware that there has been a great deal of discussion of the age group being called and the present method of calling men within that age group, all as a part of the discussion of graduate school deferments.

In this connection, I would like to quote here from a letter which I have written to the Honorable L. Mendel Rivers, chairman of the Committee on Armed Services of the House of Representatives, in response to his letter to me of February 20, 1968, raising the same questions which so deeply concern this subcommittee. I quote:

With respect to the adoption of a so-called modified young age system, the position which I took before your Committee during consideration of the extension act of last July, that such a system was possible and workable irrespective of the many administrative difficulties and complications involved, has remained unchanged.

The present method of calling available and qualified men between the ages of 19 and 26, oldest first, is a system of selection which has been equitable and effective through more than 20 years of selective service operation.

This fact, of course, does not make change inconceivable; however, the fact that it has produced the required manpower is an excellent reason why it has been continued.

At the present time, whatever age group or groups is being called, the Selective Service System is required by law to determine the sequence of selection within any age group or groups in the same manner that it has heretofore; in other words, by date of birth, oldest first.

The Congress left untouched the authority to designate any age group or groups to be called first, second, and so on; but within those groups selective service must, under the law, continue to call individuals in the sequence presently in use.

In determining whether or not to designate different age groups or various age groups as separate categories in the sequence of selection rather than to retain the present broad group of 19 to 26, the equity to individuals, the character of the manpower provided the armed forces, the administrative feasibility of any different system than is in use now, are among matters which must be taken into account. While I have always maintained that as an operator, the Selective Service System can operate any program it is called upon to put into effect, some of the alternatives under consideration are more cumbersome and complicated than others. The gains from any change must certainly balance, and preferably outweigh, the problems created.

The question of changing to a different system of age groups remains under continuing study within the Administration. Similarly, the question of whether to propose to the Congress legislation to authorize a method of selection to replace the present sequence of dates of birth system also remains under continuing study.

Madam Chairman, this concludes my statement. I will be pleased to answer any questions so far as I am able to do so.

Mrs. GREEN. Thank you very much, General Hershey.

Now if we may turn to Dr. Harrington, the president of the University of Wisconsin, which has a large graduate school. May we hear your views, Dr. Harrington?

STATEMENT OF DR. FRED HARRINGTON, PRESIDENT, UNIVERSITY OF WISCONSIN

Mr. HARRINGTON. Thank you. I am Fred Harrington, the president of the University of Wisconsin. I am on the executive committees of the National Association of State Universities and Land-Grant Colleges and also the American Council of Education.

I am speaking for myself as the president of a university with 55,000 students but since Kingman Brewster, of Yale, could not get here I will make my remarks broad enough so that they will cover much of what he would say.

I am pleased that this committee is giving attention to this subject.

As you have said, Madam Chairman, the Higher Education Act of 1968 must take into consideration the selective service situation in order adequately to handle the facilities and fellowship question.

I am pleased for the opportunity to say what a university president would like to say now.

I should begin by saying our position is frequently misunderstood. We are widely quoted as being interested primarily in taking care of ourselves, taking care of our own institutions, taking care of our students, and establishing a privileged class of people who will not be drafted. This, of course, is not the case.

We are interested in the national interest. We want to protect that national interest and it should be said time and again that we are not seeking wholesale deferments. Indeed, most of us in the academic community are quite prepared to have Congress reconsider the undergraduate deferments.

We have in our midst a great many people, including President Brewster and me, who feel that a random system which would not give wholesale deferments to undergraduates would be preferable to a total undergraduate deferment system.

On the other hand, we are not, right at this moment, considering that question but rather considering the question of graduate deferments.

Since the law now in effect, passed last year, does exempt—defer for the moment—the undergraduates, we are considering the matter of the graduate students.

Now as we consider that group, we are quite interested in having Congress give its attention to that group. We are, however, in hopes that there will be some administrative decision even prior to congressional reconsideration of the whole Selective Service System.

We feel that the proposed oldest first plan which would take all the graduates of our universities and practically wipe out the entering group of graduate students would be unfortunate from the national point of view.

We would much prefer a system of pooling age groups to those persons who have not been drafted in the 18 to 19 age group, in the age group of college going, persons who are not going to college in the age group, we would like to see this pooled and, of course, this can be done under administrative regulation so that some of those who are now finishing college will be called, but not all.

If all are called, we think this would be disastrous because it would put a very heavy burden on the colleges and universities. The colleges and universities are expected in the national interest to turn out teachers. We are expected in the national interest to turn out scientists and other research investigators, and we need a continuing flow.

My own university, as one of the great universities, is not going to suffer as much as some of the newer institutions.

Since we have a very selective system of allowing people into graduate school we can dip a little deeper into the pool and attract a larger number of women graduate students and older graduate students, persons who have completed their military service.

We of the large graduate systems can probably get along under this system but the newer graduate schools, the coming graduate schools, which, of course, are relied upon for our future teachers and for our future scientists will not be able to do their job in the national interest if all of these people are taken.

I was very pleased to hear General Hershey say that it is not inconceivable that a change could be made. I was pleased to hear him say that this subject is under continuing study. He quite properly and appropriately referred to the past history of selective service which is a very great history indeed, and to the earlier periods of crisis in which systems were worked out that were suitable and satisfactory.

He referred particularly to those proposals with which Dr. Trytten had been connected in earlier years.

General Hershey said, and quite properly, that the system we have been using has worked quite well for the last decade or two but, of course, we all know that we are not at this moment facing a situation very much like the situation of the last decade or two.

We have special problems right now and the draft calls are such that selective service will be using up the whole of a very valuable group of people.

If we do not allow some substantial share of these young people to go into graduate work and to remain in graduate work, we will be doing damage to the country in connection with the country's research needs and teaching needs and this we should not do.

We should, in other words, rise to the occasion by using such administrative authorization as there is, not just to call the oldest first, not just to call the college graduates, but to call some of them and others, and the Congress should give its continuing attention to this problem with a view to settling the problem in the long way by a satisfactory solution.

We are, in the universities, so devoted to the national interest that we are quite willing to cooperate with the system that Congress brings out. We merely plead that the system be one that will be truly in the national interest.

Mrs. GREEN. Thank you very much, Dr. Harrington. Would you expand a little bit on what the present draft system is going to do at your university and what you think it will do to the graduate schools in terms of percentage, how many were you planning for September 1968 and how many for 1969 and how many are you planning for now?

Mr. HARRINGTON. We are, of course, in a state of confusion and I suppose that is a big point. It is, of course, possible that local draft boards, local selective service boards, will, by their rulings, be able to continue some flow of persons into graduate schools and thus we have a great deal of difficulty in deciding just what we should do.

We have graduate schools both in Madison and in Milwaukee, we have about 8,000 graduate students. We would normally expect to take about 3,000 new graduate students each year.

If the full impact of this program hit us we would find that the 3,000 we would normally plan to get would probably be reduced to about a thousand.

If we look very carefully at the situation and offer many more opportunities than normal, that is, instead of asking for 3,000 or 4,000 we ask for 5,000, with some shrinkage we will be able to get a larger number than, say, the 1,000.

But this gives us so much uncertainty that we are concerned about overestimating the number we should try to get and we are deeply concerned about the lesser graduate schools.

Let me illustrate this point. If we, to get 3,000 graduate students, need to make offers to 6,000, we will get the 3,000, probably, but we will be wiping out the opportunity of lesser graduate schools to get these students.

The consequence, of course, will be that if you take the graduate schools as a whole you will be reducing the teaching assistance by 20 percent, 30 percent, 40 percent. These teaching assistants are in training to be teachers and they are part of the teaching staff of our great universities so the loss here would be very substantial indeed.

Mr. TRYTTEN. Madam Chairman, might I interrupt here?

Mrs. GREEN. Yes.

Mr. TRYTTEN. The last time I appeared before this subcommittee I mentioned the fact that we were carrying out a query of the universities who have graduate schools to try to estimate the impact. We have a very large number of responses, I think some 70 or 80 are in already of the graduate schools.

We have a summary here of the responses, if that would be of interest to you.

Mrs. GREEN. That would be most interesting to the committee. Could you summarize it, and then I will ask unanimous consent to place it in the record at this point.

Mr. TRYTTEN. Since Mrs. Vetter carried it out I will ask her to do that.

Mrs. VETTER. The numbers themselves at this point are not significant. Only the proportions are significant because we have no idea

whether the numbers we have tabulated are typical. We know we have large schools, small schools, all-boy schools and all-girl schools in the response.

Since this was a hundred-percent survey, I do not have any idea how closely these are—this represents somewhere around between a third and a fourth of the total responses.

I will give you these numbers. They are not significant, only to show you what the relationship is. The estimated number of the senior class from each university who would normally have entered any graduate school next year is on this particular set about 16,000. These are all men.

The number that they do expect to enter any graduate school this year is 7,000. This is down about half.

This year's first-year graduate students, male, total 18,770 on this particular set of records. The number they would normally have expected to go on in second-year graduate work is 16,708.

In other words, a drop of about 3,000. Now out of the number who would normally have been expected, 15,000, the number they will expect in the second-year class is 10,200. So the drop at that particular point then is one-third the dropoff into the second-year class.

Now comparing what they think they are going to have next year in the first-year class compared to what they do have this year in the first-year class, all male, 17,770 they have in the class this year; number expected next year, 7,000. So the drop is about two-thirds of the first-year students and one-third of the second-year students, if these statistics will hold true as we go along with the survey.

If we ever get back to finishing tabulating them, we will have these available, I am sure, in 2 weeks, a sufficient number that the data will be significant.

Mrs. GREEN. I hope you will make these available to the committee.

Mrs. VETTER. We certainly will.

Mr. BRADEMAS. I ask unanimous consent that there be inserted at this point in the record an article by Fred Hechinger of the New York Times on the draft.

Mrs. GREEN. Without objection, it is so ordered.

(The document to be furnished follows:)

[From the New York Times, Feb. 17, 1968]

**NEW DRAFT RULES ANGER GRADUATES—CONFUSION AND RESIGNATION ALSO
FOUND—MINORITY IS SEEKING TO DEFEY LAW**

(By Fred M. Hechinger)

College seniors and first-year graduate students across the nation have responded to the new draft regulations with a mixture of anger, confusion and resignation, but without panic. An outspoken minority is debating means of defying the draft—even at the cost of going to jail—or evading it by moving to Canada, taking teaching jobs without first completing their studies, or finding legal loopholes.

From 160,000 to 200,000 undergraduate students and first-year graduate students are now eligible for the draft.

The Reserve Officers Training Corps on many campuses reports being flooded with as much as a 100 per cent increase in applications.

Few units are able to accommodate the influx and in many instances the applicants are not admitted until the following term.

ESTIMATES OF ADMINISTRATORS

Inventiveness in devising ways of avoiding the call-up ranges from simulating homosexuality to entering agriculture as a critical occupation. But the overwhelming majority of students appear to be girding for the draft, without enthusiasm. A few applaud the new regulations as an equitable measure to prevent middle-class intellectuals from becoming a privileged group.

This picture emerged from a check of leading graduate schools by correspondents of *The New York Times* across the country.

The interviews followed the announcement by the National Security Council that draft boards would be instructed to halt all deferments of graduate students in any field other than medicine, dentistry and related health professions, except of those who will have completed two or more years of graduate study by next June. Also exempt are theology students if they claim exemption. Draft boards may defer others whose studies they deem critical to community service.

However, graduate school administrators have estimated that next September's intake by their institutions will be reduced by between 40 and 50 per cent. James A. Perkins, president of Cornell University, said that the new policy would have "an absolutely lethal effect" on graduate enrollment.

But deans are telling students to keep cool, continue their education, and trust in luck, fate and sympathetic draft boards. They also assure students that, if drafted, they can expect readmission after discharge, without loss of credit and with maximum financial aid.

Dr. Colin Pittendrigh, dean of Princeton's graduate school, even promised similar consideration to students who "out of sincere moral conviction" go to jail or Canada and subsequently wish to return.

URGES AGAINST EMIGRATION

"Such students will not be placed in double jeopardy as long as I am dean," he said.

But he urged students not to adopt such a course saying: "If many intellectuals leave the country when the going gets rough, it will make the McCarthy era seem like chicken feed."

The *Stanford Daily*, the student publication at Stanford University in an editorial, supported the fatalists. It said: "Don't lose faith in the inefficiency and inequity of your local draft board. The system's ineptness will probably give you a long breathing spell before you must make a final decision."

At the Massachusetts Institute of Technology, a hurriedly arranged meeting last Wednesday evening to answer draft questions filled the 1,000-seat Kresge Auditorium to capacity. Amplifiers were needed to serve an overflow crowd in the lobby.

The regulations have spread "a lot of worry and a lot of confusion," said D. Sanborn C. Brown, associate dean of M.I.T.'s graduate school.

NEW HAVEN CENTER

At a meeting at Yale University on the same evening many speakers pointed students to the New Haven Draft Center, which is compiling a library on the history and types of conscientious objection, deferments for physical defects and emigration.

At the University of North Carolina, Philip Weinstein, 23, of Swampscott, Mass., who is working toward a doctorate in the classics, took the middle course. "I guess I will sort of bury my head in the sand and hope it goes away—and trust in the laziness of my local draft board," he said.

TALK IS DISMISSED

"We only hear from people who talk," said Dr. Brown at M.I.T., saying that such talk is not a reliable indicator.

Among the vocal minority who plan to defy the draft was William Maly, who started his graduate work in comparative literature at Rutgers University, New Brunswick, N.J., last September. He said he and his wife planned to go to Canada in May.

He added, however, that he had considered the move for some time and that the new draft law was merely the "final blow." He called the draft just "one manifestation of the ridiculous American temper."

Several students at the University of North Carolina, in Chapel Hill, said they had heard friends say that they would seek teaching or research fellowships in Canada. They had no estimate of the number who were serious about this.

One student at Chapel Hill, Timothy Alvin Smith, 22, of Syracuse, who is married and expects his first child while working toward a Ph.D. in English, said:

"I am opposed to the war absolutely. I think it is not only a silly war but an immoral one. I believe the United States is supporting a semifascist government in South Vietnam. I simply will not serve in any case if I am called. It may become a question of going to jail or to Canada, but I will not serve."

TALKING IN TERMS OF JAIL

David Atkin, of Mount Tabor, N.J., who is working on his master's degree in education and is editor of the Chicago Literary Review at the University of Chicago, said:

"A reasonable number of my friends are talking in terms of jail, as I am. I expect to be drafted, and I am very seriously considering the possibility of taking the consequences, as I feel I ought to make clear my opposition to what's happening in Vietnam."

He said he knew of 30 to 40 students, some graduate students but mostly college seniors, who are meeting to consider refusing induction.

The more typical, though less vocal, reactions range from concern about continuing uncertainty to fatalism.

THE BREAKING POINT

Dean H. Vanderbilt, 25, of Cambridge, Mass., who is studying for his doctorate in electrical engineering and is president of the M.I.T. Graduate Student Council, said:

"Most of the people I know wouldn't look for ways to avoid the draft. It's just that, if they knew they were going to serve, they would prefer to have it done at a more logical breaking point, without interrupting their studies."

Even if he were readmitted to graduate school, as M.I.T. has assured all students they will be, he said he believed that "two years away from the field would require some time to reacclimate yourself." If new family obligations are added in the interim, he said, some students may not return to their studies.

Michael M. Conway, of St. Joseph, Mo., editor of The Daily Northwestern, the student publication at Northwestern University, said:

"We find graduate students as well as seniors are frustrated and pretty discouraged. A lot of students have checked with their draft boards and were told they probably will be drafted by the end of the year."

A MARRIED STUDENT

Similar impatience with uncertainty was expressed by Earl Harper, 24, of Valdese, N.C. who is married and a candidate for an education doctorate at the University of North Carolina. Mr. Harper, who taught high school for two years before returning to advanced studies, said he had called his draft board and had been asked whether he could show that he is filling some essential community need.

"But I don't know what they consider an essential community need," he said.

Others complained that the draft regulations had changed so often in the past that they had little confidence in the finality of the latest ruling.

TALKING OF LITTLE ELSE

One high-ranking observer at Yale, who said that students have been talking about little else since the regulations were published, added that defiance is likely to evaporate when the induction notice is received.

"But," he added, "some who submit, after earlier objections, are likely to be plagued by the feeling of having sold out their convictions."

On this issue, too, opinions are sharply divided. A student at the Yale Law School, probably representing the majority interviewed, said: "If I go to jail, my whole career would be ruined. I wouldn't make the bar. Doors would be closed. I'll go in, serve, get out, and get back here as fast as I can."

By contrast, speaking for the actively disaffected, Bob Schneider, 22, of Santa Monica, Calif., who is a first-year law student at Berkeley, said he would go to jail, if necessary.

"As I see it, I'm trying to uphold the basic principles of international morality, international law," he said. "If I were to put it in a legal framework, the law I'm looking at now is 30 years ahead, a Nuremberg tribunal. They'll say, what did you do during the war? And I want to be able to say I tried to uphold my morality."

RUSH TO THE ROTC

Another law student, who agreed with this view, said going to jail over this issue was becoming "kind of like being brought in for an antitrust suit, kind of respectable."

But generally, indications are that those who want to avoid or delay entering military service until completion of their studies are looking for less risky ways.

Reports from most institutions in the survey show a rush to get into R.O.T.C. units, with a view to getting commissions and serving after graduation.

Stanford reported twice as many graduate students applying for the Army program as last year, and the Navy unit registered "a further surge" last week.

SIGNING FOR THE RESERVES

Mayer Freed, 22, a first-year law student at Columbia University, reported:

"Someone in school said during the week that there was a new reserve unit in Jersey just outside Jersey City. Carloads of law students started going over there."

When it turned out that it was not a new unit and had a long waiting list, the students signed up anyway.

"It can't hurt us," Mr. Freed said.

At Harvard's Navy R.O.T.C., captain F. X. Bradley said that "there has been a constant stream of students, the majority of them from the graduate and law schools," flooding the office since the new ruling.

In response to the demand, the Harvard unit instituted a new program, which will take 95 law students from all over the United States.

But at M.I.T., Col. Jack R. Shields, professor of military science for the Army R.O.T.C., said: "It is a far cry from reality to say that they are banging down the doors. It is not a panic situation by any means but an honest effort on the part of serious young men to evaluate the best situation for themselves." He said that the armed forces stood to gain by attracting young men of high caliber as officer candidates.

Students also turned to other possible places. John B. Fox, director of graduate and career plans at Harvard, said that applications for Vista, the Peace Corps and the Teacher Corps had skyrocketed last week. Many students hope to leave the university and teach in schools until the war is over.

However, service in these organizations does not assure deferment.

The American Friends Service Committee of Cambridge, which counsels students who seek conscientious objector status, has been visited by a record number of students.

In addition, draft resistance groups on or near many campuses have stepped up their advisory services. At Harvard, the newly established Harvard Draft Project was seen growing into a universitywide coalition against the war and the draft.

PROFESSORS COOPERATING

At Yale, some professors, most of them from the Law School, are cooperating with students to offer counseling on the draft.

The Berkeley student government appropriated \$400 this week to set up a draft counseling program.

Individual schemes, many of them whimsical, range from efforts by one Berkeley senior to "stretch out" his undergraduate credits for another year, to retain his deferment, to inquiring about the chances of attaining Swiss citizenship.

There is talk about obtaining phony medical certificates, going on crash diets to become incapacitated through extreme loss of weight and, in the case of one student, proposing marriage to a girl from the Soviet Union in order to acquire family members with Communist background.

A HAWK'S VIEW

By contrast, Charles Hurd, 22, from Los Angeles, who is a first-year law student at Berkeley, said: "I'm a hawk, and I'm facing it with equanimity."

Most divinity schools, of all faiths, report that only a small minority of their students have taken advantage of clerical deferments. Most of them have declared themselves available for chaplain's duty.

Douglas Rosenberg, a graduate student in political science at Yale and member of Resistance, an antiwar group, offered this advice: "Handing in your draft card is like getting married. It's much less terrifying after you've done it."

Those who view the war and the prospect of military service with enthusiasm are clearly an even smaller minority than those who want to break the law to avoid the draft.

Martin Nussbaum, 20, a first-year law student at Columbia, registered what appears to be the majority view. "Unfortunately, I believe the majority of the country supports the war and until my views against the war predominate, I will follow the law of the land."

And a classmate, Bruce E. Pindyck, 22, said:

"I'm scared. I suppose I have an obligation to serve. Not to serve the country—I think the war is wrong—but a moral obligation to serve the guys who are over there. It is wrong that they are over there and I am here just because I could afford to go to college and they couldn't."

Mrs. GREEN. There is in an article from the Science magazine the following statement:

The Department of Defense reports that over 55 percent of next year's draft call will be comprised of college graduates and graduate students. Last year, only 4 percent of 230,000 inductees had college degrees.

Is this, in your judgment, an accurate statement of what the next year's draft call will be, comprising over 55 percent college graduates and graduate students?

General HERSHEY. Madam Chairman, I have listened with a great deal of interest to all of these figures. I feel that they will tend to be higher than they will end up.

I cannot prove it. But I am sure that a great deal of the lack of deferments because of the nonuse of the critical skills or the essential activities is, I think, exaggerated, because, in the first place, I don't believe the average individual who is teaching or doing something of that kind gets deferred because they are on the critical list.

I think they get deferred because they prove to somebody that they are doing something.

Now the number of people who are going to come out of colleges and be able to get occupational deferment of some kind, I think, are much greater than the figures have indicated, although, obviously, I would not want to put my opinion up against figures, although probably I don't have too much respect for either one. But I don't know, I can't help but believe that we are, and I think fortunately, looking at the worse rather than the better. Of course, I have only been told that I can budget for 240,000 inductees next year.

On the other hand, I do not think that we ought to take that too seriously. For the last several years, recruiting has not gotten the number that they expected to and we have been called on for more.

It does not make the total any greater but it does make the procurement of them a little different.

Mrs. GREEN. General Hershey, the Interagency Committee recommendation to the National Security Council regarding the occupational and graduate deferments were reported in the press to be

limited to recommending graduate deferment only for men in the physical sciences, math, engineering, and some health-related fields.

It is my understanding that these were not the recommendations. I wonder if you will tell us what they were since Selective Service is represented on the Interagency Committee?

General HERSHEY. We are on the interagency committee all right, and we did participate in a recommendation that the physical sciences be excluded and that went to the National Security Council.

Now, if my information is correct, we only made one recommendation from this Interagency Council. If there are other recommendations I have either forgotten or don't know about it, and I don't believe there were.

We were subject to whatever criticism was leveled at us by saying that we were selective in the disciplines, if we want to call it that, and going back to Dr. Tryten's committee, over the years we struggled between 1948 and 1952, we found that it was very, very difficult to arrive at any place where you could begin to separate disciplines.

We only found it was possible for us to get agreement by including, we thought, the quality students in all disciplines under the assumption in our broad growth we needed a great variety of people.

Now it is true, I believe, that the public, maybe in a scientific age, but I don't have to agree with the public, but I think the public is more likely to defer an engineer than they would, for instance, a political economist or something of that kind.

I think there was quite a disposition on the part of about everybody to not want to split the fields. The results was that perhaps the Council, although I know nothing about the deliberation of the Council, I had no part in it and know nothing about it, but I suspect they were driven almost to the place of either taking everybody or nobody.

I have often thought that was unfortunate. But the people do not like our system that we had a couple or 3 years ago of racking them up on examinations and class standings under the assumption that if a person did pretty well in college they would do better in college than somebody that didn't do well in college.

That wasn't a very profound decision but that is what we based it on. I do not know that I have answered your question but I don't have too much knowledge of some of these details.

Mrs. GREEN. If I understand you correctly, the Interagency Council recommended the deferment only for the physical sciences.

General HERSHEY. Yes; this is broadly so. The chemist, the physicist, and the engineers. That is essentially a true statement. There was discussion about teachers but I am not so sure that the teachers got on.

However, there is a difference of opinion on this, I am sure, but since 1958, I have not found that it is too difficult to sell teachers in most places. There are exceptions but there can be appeals taken in those.

Mrs. GREEN. In this directive the local draft boards can defer to meet community needs; would teaching be one of those?

General HERSHEY. Yes. That is one of the things. Now, maybe I am merely behind but I am a little surprised, I probably never thought the essential activity list or the critical skills were as important, perhaps, as some people think.

I am a little oriented toward out where they go and I have paid more attention to what man is doing rather than how he stood on the critical list.

I intend to support by what little I can by taking appeals, trying to cover the man who is doing things, because the man who is doing something was earlier in the deferred list than people who are getting ready to do something.

Mrs. GREEN. Does every one of the 4,000 autonomous boards have the authority to defer teachers?

General HERSHEY. Yes. I don't think there is any question about that. Graduate students, I think we get into a little different field because here we have a prohibition. But abolishing the critical list and abolishing—they didn't abolish it, they suspended it as a means of influencing the board.

Personally, I think it has been overestimated how much the board was influenced by that. I think they were interested in what the fellow was doing rather than what list he was on.

Mrs. GREEN. One of the concerns of the colleges and universities is that a large number of the graduate students provide teaching assistance.

The schools are dependent upon these graduate students to teach undergraduate courses.

Would these people then be subject to the same deferment as the teachers?

General HERSHEY. I met with the presidents of the universities and colleges in Ohio in the month of November and we discussed that subject.

I don't think it is quite proper for me to make any suggestions on how people go at things but if they had been doing their teaching over the years with students, I didn't know, but what maybe they could start teaching their teachers.

Mrs. GREEN. Congressman Thompson.

Mr. THOMPSON. Madam Chairman, I am really completely confused by some of the things the General has said.

I would like him to clarify. He says: "if the people are doing things." Now what does he mean? He runs the system. What does he mean by people who are doing things?

General HERSHEY. Well, I am probably trying to get into the philosophy. Remember, there was a time probably when everybody who had an obligation for service, they all served when they went out from the village. But there came a time when people had to do things, otherwise, they didn't sharpen the spears, there would not be any spears to take out.

Then we started delaying or postponing the individual who sharpened the spears, the one who built the planes or designed the planes. Then, mostly in World War II, we began to anticipate there was going to be a need to do all of these things and in order to watch our lead-time we began to develop people as students to get ready to do these things.

The differentiation I am trying to make is that here the difference is between a teacher who is, I will say, doing something, he only had about 3 years of it but I feel he had a little experience, I would figure he was doing something, while the student on the other hand was preparing to do something.

Mr. THOMPSON. How can anyone do something if they are not educated to do something?

General HERSHEY. There is no question about that. I agree with you fully. On the other hand, sometimes when you have to choose between survival and getting ready to put up a surplus of spears, you do have to take the spear-sharpener and take him in.

I hope we never get into that position but there is a distinction that a local board—

Mr. THOMPSON. I hope the rest of the war won't be fought with spears.

General HERSHEY. I probably used an unfortunate word. On the other hand, I would be just about in as much trouble if I mentioned any of the modern weapons because they are controversial, too.

Mr. THOMPSON. But, General, I just have one comment. You are responsible for the administration of the Selective Service System. I don't see how conceivably you can fail to mention things which may be controversial.

We do not understand, at least I do not understand, your attitude toward teaching fellows in graduate schools, for instance.

I would gather from what you have said that you do not think they are doing things.

General HERSHEY. No. I think what I said was, I tried to and I didn't want to be too "oomph" about it, is the fact that we are now prohibited from developing them as students because the National Security Council has spoken.

Now, what is the alternative?

Mrs. GREEN. Dr. Harrington, you were going to comment a moment ago.

Mr. HARRINGTON. One alternative might be to defer them as teachers if they are teaching assistants, General Hershey.

I am surprised to hear General Hershey call himself an amateur. I am pleased that he referred to teaching in a favorable way and to his own teaching background which he said showed him the value of this field.

I am pleased by his statement of confidence in the local boards which have certainly done an extraordinarily good job during the last generation.

I am pleased to hear him say that he does not have full confidence in any classification of essential occupations. Most of us in the academic world are not in favor of such lists. We feel that the survival to which the general referred is not only getting through this difficulty out in Vietnam but getting through the next generation and having the United States stand not only as a military power but as a great peaceful power in the world.

Thus, the essential nature of teaching which includes the teaching done by graduate students, the training for all kinds of things, not only nuclear engineering but also political science, this is so important to the Nation that we ought not to miss any opportunity to use administrative action or new congressional action to save some part of these people whom we are going to be needing in the future.

Mr. REID. Would the gentlewoman yield?

Mrs. GREEN. I yield to Congressman Ayres of Ohio at this time.

Mr. AYRES. Go ahead, Mr. Reid.

Mr. REID. I just wanted to ask the gentleman one question in response to his query which, as I understood it, is what is the alternative? My question has two parts. Is there not an alternative open to the President to place all of the graduate students and the graduates with a college degree in a larger pool, including 19-year-olds or 19 through 26, so that there would be an equal service liability for all from a much larger pool?

First, is this not possible for the President to do by Executive order and, second, might this not be a fairer and more equitable procedure in terms of fairer application to all men and in terms of mitigating the sharp effect that the present plan might have on the colleges, their teaching resources, and their graduate students?

General HERSHEY. I think it refers to the power which has already been delegated to the Secretary of Defense to make calls by age or age groups.

That is, it is possible. I have said it would create a certain amount of bedlam. I think it violates some things, the principle of making a boy who has lived up to 19, put him under the same exposure as a person who has lived up to 25, but this question of what exposure is quite a debatable question.

I would not pretend to know the answer. I think it is possible if the Secretary of Defense calls for individuals from five or six, or three or four, or two age groups, obviously if the age group that you had at 25 was called for on a percentage basis they would furnish less, especially if only taking 5 or 10 percent of them, than they would if you had a greater number.

Now, on the other hand, I do not believe that you are going to be inducting any 80 percent of any group. At the present time, and I realize that they will not be rejected mentally, I should hope not, to the extent that we have, I have to face the loss of more than half of the individuals who are sent up for physical, mental, or moral reasons, of the average group.

Now, these people will not be rejected for mental reasons, but I have no reason to believe that they are necessarily healthier than some of the other people of their ages. I will expect them to be much better morally.

I have said that it is very, very cumbersome and I did not believe personally that the gain would make up for the losses because when you take one boy at 19 and put him in the same liability of the fellow who has had a liability for 5 years and is now approaching a place where he has escaped that liability if he is not taken.

That is one thing I think had the Congress in the first place taking the oldest first because they thought that produced the greatest number because you got them before they got out. But it is possible under the law and under the regulations and the delegation has already been made to the Secretary of Defense, if they ask for only one age group, you tend, as I read the law, to establish a prime age group if you do that.

Mr. AYRES. Thank, you, General Hershey.

I have a question for Dr. Harrington. What was your male enrollment in graduate schools before the accelerated draft in comparison with the present enrollment?

Mr. HARRINGTON. It has been increasing slowly. I am not sure I follow the question.

Mr. AYRES. The question is, Do you have more graduate students now than you had, say 5 years ago?

Mr. HARRINGTON. Yes. We have been increasing our graduate enrollment about 10 percent a year.

Mr. AYRES. A large percentage of the graduate enrollment have had no military service?

Mr. HARRINGTON. Yes; that is correct.

Mr. AYRES. How many students do you have in the university now who are returned veterans, using the GI bill that we just passed in the Congress a little over a year ago?

Mr. HARRINGTON. We do not have a great many yet. But of course this number will go up sharply.

Mr. AYRES. You are placing as much emphasis as you can on getting them?

Mr. HARRINGTON. Yes; we do want these persons back. We have about 6,000 now.

Mr. AYRES. If the graduate students were to leave now to go in the military service, would they not be replaced by the large number of returning veterans who completed their college work prior to the GI bill being passed, and now they would become eligible for graduate work?

Mr. HARRINGTON. Some could, but this will work out if we don't draft all of those who are now graduating from college. That is the very point that we are making in higher education, that we need a continuous flow. If at any point you hit and take all the beginners, then the returning people are not going to make up for this.

Mr. AYRES. You are going to have quite a reserve of boys coming up who have gotten their A.B. degree and now they want to go on to graduate school since we passed the GI bill.

You are going to have many more applicants, far more than you have ever had in the history of the school?

Mr. HARRINGTON. Yes; some this year, more the following year. That is why we don't want all of them graduating this year taken.

Mr. AYRES. General Hershey, like some other Members of Congress, I have the greatest respect for the job you have done and the difficult task which you have with a fluctuating military policy to deal with.

I say that even though I am one of those who got a greeting from you years ago. We have a lot of Members of Congress who were sent a greeting, too, for 1 year of training and 4 or 5 years passed before we were discharged.

Now, I say this in all sincerity. We lose the *Pueblo* and then we call up the Reserves. The Embassy gets attacked in Saigon and we hear that you are going to need 50,000 more men sent in that area right away.

Now, as long as we have this fluctuating military policy, I realize it makes your job difficult, and also you have had to change your policy as to whom you were going to take and whom you were not going to take.

I recall a few years ago we had some discussions in this committee as to why Cassius Clay was not being drafted. You answered some very nice letters to me. Then a couple of years later you decided to draft him and he decided he did not want to go.

Now, is there any possibility, General Hershey, in view of the hard-core unemployment we have—this committee is considering manpower retraining, we have just been through this this past year, with a large and detailed discussion on Job Corps, getting these boys off the streets, into camps—would it be feasible in your judgment to have a preinduction training program for these hundreds of thousands that you say are being rejected, to perhaps take them in for 4 to 6 months under military regulations and to make every effort possible to determine whether or not they will make the type of soldier that is needed in this type of war?

Now, the military have said they want the 19-year-olds. Those of us who have served know why they want them in this type of war. The 19-year-old is more adaptable to jungle warfare than someone who is older. But we do have these youths who are roaming our streets.

We want to do something for them. Would it be possible to have a preinduction training program and then determine whether or not they would make satisfactory military men?

General **HERSHEY**. I want it definitely understood you are hearing from me, and me only, because in the first place I know a great many people who came from the same profession with which I was associated for many, many years who do not agree with me.

I, of course, happen to believe that is what we ought to do. When we have wars on our hands the Armed Forces will plead that they have other things to do. I don't happen to agree but I happen to agree that we ought to use the bases and the ability to train and the people. I agree we can find among Reserve officers, who are not on active duty, to do it and I happen to have some reservations on getting contractors to do it.

I would answer you by saying that I would agree that that ought to be done but remember I speak for nobody but me.

Mr. **AYRES**. I hope the Congress would take a step in that direction, because I feel it is most important if we are to utilize the manpower that we have in this country, because they are not being rejected for physical reasons.

One last question, if this new program is not passed, may we have to extend the length of service as we did in World War II or call up additional reserves?

General **HERSHEY**. One of the questions of what we have to depends on what we don't do some other way. I can't get into the Reserve or National Guard business for two reasons.

One, I don't know anything about it; secondly, I don't have any responsibility in that area.

Mr. **AYRES**. Will we have to lengthen the service of those who were told they have 2 years to serve?

General **HERSHEY**. No; unless the forces are increased a great deal, because we are not now being bothered by a shortage. We are suffering with overage.

Mrs. **GREEN**. I am sympathetic to the questions that have been asked by my colleague, but I do hope this morning will not be used to fight the Vietnam war or to make major military decisions. I hope the question will be directed to the impact of the current draft policy on graduate education.

Congress Brademas?

Mr. BRADEMAS. Thank you very much, Madam Chairman.

Mrs. Vetter, General Hershey, and gentlemen, we appreciate very much your coming this morning. As you may be aware, we have had some hearings on the subject of higher education legislation, and we have been concerned with such problems as how we can provide more effective forms of student aid and more effective assistance to colleges and universities for facilities, classrooms, and laboratories.

The impact of the Selective Service System naturally bears directly on the kind of legislation we are considering. If, for example, we are going to have a 50-percent drop in graduate school enrollments that fact may tell us a great deal about the kind of higher education legislation that we write in this committee.

I am especially glad, as the Congressman from Indiana, to welcome General Hershey, a citizen of my State who has served our country long and faithfully and well.

I am struck by the fact that this is the year 1968, which marks the 10th anniversary of the passage of the National Defense Education Act. We passed this legislation, you will recall, in large measure in response to a sudden awareness in our country, following the Soviets' Sputnik, that trained and educated men and women are essential to the defense and security of our country.

We came to realize that brainpower may have a great deal to do with military power. I was most interested, therefore to note the, to me, very dramatic statement of Mrs. Vetter of the Scientific Manpower Commission which I will quote:

Since Russia is producing both engineers and scientists at a faster rate than we are and of course utilizing them in their area of specialty training, it seems quite possible that we may find ourselves at a severe disadvantage in our efforts to prevent the spread of communism a few years from now.

Her statement of course is made in direct comment on the recently announced change in policy of the Selective Service System affecting the drafting of graduate students. General Hershey, I am obviously not going to suggest that you are soft on communism, but I should have thought that if we have learned anything in this country in the last 10 years, we have learned that having an adequate supply of trained and educated men and women is enormously important, indeed, crucial, to the security of our country, which is what I thought the Selective Service had something to do with.

Having said that, I would like to raise a few questions and ask any of you to make any comment you may wish. I wonder—especially in terms of Mrs. Vetter's comment about the importance of long-range manpower planning—if any planning has been done at the highest levels of our Government in terms of the long-range impact of the new selective service graduate school policy upon such areas as, for instance, the gross national product? For example, to what extent will this new policy lead, within a given timespan, to a drop in gross national product and consequently a drop in Federal tax revenues?

What will be the impact of this new policy on all sectors of the Nation's scientific effort, to which Dr. Trytten made reference in his statement when he said:

There can be little doubt that scientific effort in the United States will pay a substantial penalty.

The words "substantial penalty" are your words, Dr. Trytten, not mine. How can you quantify that phrase? What, does it mean in terms of physics, chemistry, or other fields of science?

From what sectors of American business and industry can we anticipate hearing plaintive cries in the next several weeks and months about the impact on them of our new draft policy?

I will scatter all my questions here, Madam Chairman, and then invite replies from any of the witnesses.

What about this question of "community need" as distinguished from "national need?" Dr. Harrington made, I thought, a very telling observation when he pointed out that his apprehension of the policy was not purely in terms of the impact of the policy on universities and their admissions but in terms of the national interest as well.

Yet, I can conceive that there may be a sharp distinction between what is needed in a particular community and what is needed in our national interest.

Mrs. Vetter, do you want to start off by making a comment on any of these matters I have raised?

Mrs. VETTER. On the basis of the Russian figures I gave you, I don't have the science figures with me because I did not stop to look them up this morning but I did stop to check the engineers' figures.

Russia is now producing at the rate of between 138,000 and 148,000. We are producing less than 50,000 as things now stand.

Of course, you must remember Russia does not have to worry about something we have to worry about. We must worry about equity and fairness. Russia does not have to. This gives them in this particular context an advantage in manpower.

Mr. BRADEMAs. Wasn't there a report about 10 days ago by the Engineering Manpower Commission, even before this new draft policy was announced, pointing out that we have a very serious shortage of trained engineers in this country?

Mrs. VETTER. That is right. The number of students entering engineering as a proportion of the number of college students has dropped steadily for many years.

We are not improving. In terms of specific disciplines, in science, particularly, the number of students who graduated at baccalaureate level in science and then went on to graduate study is much higher than it is, for example, in the humanities.

The loss in graduate levels in the sciences is worse proportionately although there are still more students in humanities than there are in the sciences.

We do have numbers in this same set of breakdowns. We have them divided by disciplines. In physics, for example, we have this year, with these numbers, 639 first-year physics majors, first-year graduate students in physics. Next year's expectation, 126.

This is because physics majors, chemistry majors, math majors, tend to enter graduate study immediately after baccalaureate programs. To take a break it is too difficult to come back and catch up.

People in the humanities, education, social science even, may go out 2 or 3 years after baccalaureate before beginning graduate study.

This means the impact hits harder on the sciences field than the others. We are very short of Ph. D. physicists now. The Government says

we are not but most of us who work in the area feel we are very short on Ph. D. physicists, chemists, mathematicians.

There is no unemployment among them, shall we put it that way. I think the impact on this group is considerably greater.

Mr. TRYTTEN. I would like to comment just a bit on one of your questions or queries or statements with regard to the long-range effect of this sort of thing.

In the first place there is no Federal agency that I know of that has the responsibility of examining the national needs and relating them authoritatively to national manpower policy. There are bits and pieces of it in a variety of agencies. The Office of Education has some relevant statistics, BLS has some others. But nowhere is there a staff that I know of that is charged with the responsibility of bringing all these statistics together and relating them to national policy.

This, incidentally, is one of the contributions that Mrs. Vetter has made because she went to the extraordinary effort of getting this kind of information from the several places where it existed and putting it together and then getting reasonable agreement on the part of the people concerned that what she came up with was quite reasonable.

With respect to the impact here in the gross national product and productivity and so on, what you are really asking here is to measure something that doesn't happen. What happens if you don't have people of this kind. This is a very difficult thing to measure. I read recently, for example, an article in science written by Dr. Townes, formerly of Columbia, MIT, and now California.

He was a man responsible above other people for development of the laser and the maser and an extremely interesting study. This shows the kind of thing that grows out of the investigation of a person who is perfectly free to follow his own insights.

The problem we face here is that if we reduce the number we have here, we reduce the number of people who are free to follow their own investigating insights and tendencies and definite new applications of technology on which eventually industry is going to be based.

So that is about the only answer I think I can make.

Mr. BRADEMAS. General Hershey, I wonder if you could give us the benefit of any comment you may have on what kind of long-range manpower planning you and your colleagues get into in developing a policy of this sort and considering its impact on the Nation's supply of trained manpower?

General HERSHEY. We attempt to do a great deal of them individually and some collectively. I think perhaps the Office of Emergency Planning would be the one that would come nearer to having the overall responsibility.

Maybe the size of it and the width of their responsibility makes the water pretty thin in most places. They are one area we would go to to find out some of the things we would like to know.

One of the things we always would like to know is to find out what the Armed Forces anticipate but there again they have a very difficult problem, both in trying to figure out what the world is going to have and even as they figure it out there is not very much validity.

Probably if we find out 60 days ahead of when we are going to furnish individuals we are lucky. The only other comment I want to make and certainly I am not advising it for America but the last time I

knew about the Russians, about 55 percent of their engineers were women and about 75 percent of their doctors were women.

Now, I am not advising that at all but it was dire necessity I am sure that forced them into that when they lost a generation of men.

I think they merely did it because they had to and not because they wanted to. I was interested to hear reference made to 1958, at the time sputnik went up was the time I felt that we had better start having a pretty general policy of deferring students.

Mr. BRADEMAs. General, you are a very brave man to come before this subcommittee and speak of the dire necessity of having to turn to women.

General HERSHEY. As another Hoosier, you know, I merely thought we didn't want to deprive other places of scientific means of the flower of our generation.

Mr. BRADEMAs. General, I am glad I don't have to run against you.

Mr. HARRINGTON. It is perfectly obvious that American prosperity depends upon trained people and the flow of trained people into the professions and our standard of living depends on it and our influence in the world depends upon it.

We, right at this time, have a difficult manpower situation in the trained professions because of two things. One is the low birth rate of the 1930's and the early 1940's. We have not yet caught up with the training of people in sufficient quantities because we did have a very short supply of possible material from those low birth rate periods.

In 10 years we will be better off in this respect because we had some high birth rate years and now although the birth rate is declining, it is declining in connection with a much larger base.

The other difficulty as far as the present manpower situation is, of course, the great trends toward automation, the technological trend, and scientific trend in American society.

So we simply do not have enough trained people, we will simply not be able to pull our weight in the world if we do not move forward. When I say trained people I don't just mean chemists and engineers.

We have, for example, a shortage of English teachers now that is very grave. I don't think we ought to leave the question of handling our needs to failures on physical examinations of people who graduated from college and I don't think we ought to leave it to supplying women for training when we do not have the men to do it.

I think we have been very bad indeed about training our women into the professions and we ought to move into that in much greater degree than we have in the past. That is a separate question and it does not really provide a substitute for our present need.

Mrs. GREEN. Will you yield, Mr. Brademas?

Mr. BRADEMAs. Of course.

Mrs. GREEN. I appreciate your comment, Dr. Harrington. You recognize the training of women is a matter of wisdom and not of dire necessity.

Mr. BRADEMAs. Let me make one final comment, Madam Chairman. I think that the country does not yet realize the immense impact of this new draft policy on our society.

It represents, to quote Mr. Heckinger's article, "a 10-year setback in the cutting edge of manpower." I think we ought to realize that. And completely aside from all of the implications for private industry, for the gross national product, for a wide variety of other reasons, I think we have not really given adequate attention at all in this new policy to the potentially very damaging impact of this policy on the security of the United States, especially on our military defense posture.

I just want publicly to predict that this country may well pay, within a very short time, a very high price indeed for this policy in terms of our failing to have an adequate supply of trained scientific and technical manpower.

What I am really doing here is making a comment, in some measure based on the very alarming statement of Mrs. Vetter, to repeat, that "It seems quite possible we may find ourselves at a severe disadvantage in our efforts to prevent the spread of communism a few years from now."

I am afraid we have not learned very much since the days of sputnik and the passage of the National Defense Education Act. While in the short run this may seem to be a reasonable policy, it may represent—and I do not enjoy offering this observation—it may represent a very damaging step in this Nation's efforts to fight communism rather than the other way around.

Mr. TRYTTEN. May I make one more comment, Congressman Brademas?

Mr. BRADEMAS. Of course.

Mr. TRYTTEN. In looking forward into the future, there are other matters that I think need to be talked about—

Mr. BRADEMAS. Will you speak up a bit, Dr. Trytten?

Mr. TRYTTEN. I say there are other matters that need to be talked about in connection with this because some of the greatest challenges which face us, and it will require additional scientifically and unscientifically trained personnel, are movements and developments within our society that we can foresee now, not quantitatively but it is clear, for example, the whole problem of the effect of technology on the world in which we live on the environment, on ecology.

This is presenting all sorts of new problems, pollution, air pollution, water pollution, the impact on natural resources. How you recover Lake Erie, for example, is a problem that is going to require tremendous effort and the services of persons trained in a number of a wide variety of disciplines.

The social problem of developing our society we all know about presents great demands for specialized personnel for research.

One could expand this tremendously but it is a matter that will require personnel, and needs to come into our policy discussion.

Mr. BRADEMAS. I would just like to say one more thing. I thoroughly agree with that. In fact, your statement comes with very telling effect in the wake of the recent report of the President's Civil Disorders Commission headed by Governor Otto Kerner and Mayor John Lindsay.

It may well be that we are going to find that the survival of this Republic depends as much on our capacity to cope with the jungle at home as the jungle in Vietnam.

Mrs. GREEN. We have the pleasure of having Dr. Kingman Brewster of Yale University and Dr. John Miller, dean of the graduate school to join the panel.

Dr. Brewster, we are delighted you can be here with us. I will give you time to catch your breath, and I will call on Congressman Quie to ask questions.

Mr. QUIE. Thank you.

My first question is for Dr. Harrington, if you will wait on the briefing a minute.

The chairman mentioned that we do not want the graduate school to be draft haven. I feel that way as well. Evidently, the law was changed because some people went to graduate school and stayed long enough until they were over age for the draft or else they entered an occupation for which they received a deferment until they were over age.

Now, that is going to be prevented. But the reason why we are holding hearings is the deep concern on our part that we are harming the graduate schools and thereby harming the country.

Do you think that the graduate school should be a draft haven for anyone and if not, how can we help the graduate school retain some of these men and still have it turn out not to be a draft haven?

Mr. HARRINGTON. Of course the graduate school should not be, neither occupations so far as that is concerned.

What we must do is to have a flow of people into selective service in connection with the Nation's needs. I think we do that pretty well in the health science as an example, we take care of the national need and work that in with the occupational development.

It is sometimes said that people go to college to get out of selective service or go to graduate school to get out of it. This really is an improper accusation because the individual who goes to graduate school simply to get out of selective service really is getting himself into something at least as difficult as serving in the Army because the whole field of graduate studies is one in which one is developing oneself and building on talent which one has, really building on them for later service to mankind.

I think my examination of the records of this Republic will show that college graduates, those who have attended college, those who have attended graduate school, have served the Nation very well indeed.

The percentage of persons from one area or another that have gone on to service is very high. We train a substantial number of the officers who are in our armed services and the fact that an individual never does have military service does not indicate that he is unpatriotic.

An individual may be trained for an essential occupation in which he will be serving the country much better by his training without going into uniform. But of course you are quite correct, we should not have a draft haven. We should not have wholesale deferment of people in graduate school.

We should have some excellent system of graduate school selective service handling, probably of undergraduates too, in which by pooling age groups we will be pulling not everyone from one group but from a variety of groups for the national interest.

Mr. QUIE. Would you expect, then, that it would be a wise policy, as I do not think it would be, to take all the people from the graduate school or those who just received the baccalaureate degree and, therefore, prevent them from entering graduate school?

You don't mean they should have a permanent deferment or exemption?

Mr. HARRINGTON. No.

Mr. QUIE. But eventually they ought to serve.

Mr. HARRINGTON. Eventually they may well serve. It would depend upon the equities of the situation and to some extent if you have a random draft it could depend on the accident of the circumstances.

Mr. QUIE. At the present time, however, we don't have a random draft. Why would it be better if men were drafted prior or during their undergraduate work rather than at the termination of their undergraduate work which is now the case?

Mr. HARRINGTON. From the viewpoint of equity, an individual who goes to college should not necessarily have an advantage over a person who does not go to college, that is the accidents of birth, the accidents of education, the accidents of family background, economic income, and the like may well set up a pattern that will mean that a good many people will go to college because of their social and economic background and others will not go to college for the same reason.

Thus, a random draft of persons as they become 18 or 19 will wipe out any social or economic advantage that you get by going to college.

Mr. QUIE. If a person is deferred for college but is not exempted, that is he is subject to military duty as soon as he graduates, what advantage does he have over the person who does not enter college?

As it is now, he probably won't be drafted until he is at least 20½ or maybe older.

Mr. HARRINGTON. You are speaking now of the undesirability of the undergraduate draft as I have stated it or are you talking about the graduate deferment.

Mr. QUIE. In your answer you spoke to the question of why a person should be permitted to be deferred from the draft if his social circumstances permitted him to go to college.

However, it is only a deferment for 4 years and eventually he has to serve.

Mr. HARRINGTON. If a person is to be deferred, we feel rather generally—rather the other way around, if the person is to be called there is some advantage to being called at an early age.

For one thing, you do not run into some of the physical defects that General Hershey said kept people of an older age out of it.

For another thing, if you concentrate on drafting people just when they are entering graduate school, you are hitting them at a peculiarly important period in their careers when their training can move right forward and they can become trained people to the best degree.

Calling them a little earlier would not have all those disadvantages.

Mr. QUIE. Then I think we are getting to the point where there must be a reason and that reason is in the interest of the institution. In other words, you expect an individual to return to the institution if he is drafted prior to his baccalaureate degree. There is, however, a stronger danger that he won't return for graduate work if he is drafted at the termination of his undergraduate work.

Mr. HARRINGTON. Yes, that is the point.

Mr. QUIE. Dr. Trytten, I believe it was you who mentioned the need for mathematicians, and graduates in the fields of chemistry and physics. Do you think that we ought to defer from war doctors, dentists, and osteopaths and actually start deferring people who enter graduate work in disciplines other than perhaps those three?

Mr. TRYTTEN. I think I would like to approach that question this way. I think in terms of the present Selective Service Act which was in effect during the war, this was what I would call a manpower act.

It was an act that was based on the necessity of having a control of employment of our human resources in a wartime situation.

This is done of course by the local board decision in each individual case. The net result of all these judgments was supposed to provide a balance between the needs of the civilian economy and its backup of the military on the one hand against the military needs on the other.

As I said, in the implementation of the act we are moving in the direction of relentless pursuit of equity. The difference here is one of principle. The difference in principle is one that is particularly applicable in the large-scale mobilization.

The other one is applicable when a limited number of people are taken, you can afford to move in the direction of equity, the difficulty we are in at the present time, that in either case we are in between somewhere.

For that reason it seems to me the occupational deferment becomes a very key and crucial issue here. The extent to which we can afford an occupational deferment now affecting say 23, 24, 25, I do not believe that we can afford to abandon the principle of occupational deferment.

This I think, carries over to some degree into the case of graduate school deferment. I think it needs to be looked at in the same way.

Mr. QUIE. If these three were critical, is there not a special interest in deferment for graduate schools that is somewhat different from occupational deferment? If it is true that those who go into the fields of physics, chemistry or math are less likely to return to it than those who get their doctorate in the humanities?

Mr. TRYTTEN. Yes, I think there are different values in the two cases.

Mr. QUIE. Would you choose those three disciplines for graduate school deferment? Would you expand it or what would be your suggestion?

Mr. TRYTTEN. I would expand it considerably because I do not believe that we can—I think there are two effects you have to worry about here. One of them is that a decision of that kind established by the Federal Government, I think, would have long-range damaging effects on the whole graduate school effort in the country.

Furthermore, it is unrealistic. I would not be at all surprised that some of the behavioral sciences, disciplines, may turn out to be in the fewer among the most crucial disciplines we have in the society.

Mr. QUIE. You believe they would be apt to come back to those disciplines after a period in the service and perhaps they would have learned a little bit about behavioral science?

Mr. TRYTTEN. That is true.

Mr. QUIE. If you are unwilling, from your study, to say that certain disciplines are more important than others and should be deferred but rather would choose to defer all of them, and assuming that the doctorate degree and some form of pottery are as important as mathematicians, then how do you expect anybody else to make those decisions?

Mr. TRYTTEN. It is very complex. I am not going to give you an answer today.

Mrs. GREEN. Would you yield?

Mr. QUIE. Yes, I will yield.

Mrs. GREEN. Does the National Scientific Manpower Commission serve on this interagency committee?

Mr. TRYTTEN. No, it is a private manpower agency.

Mrs. GREEN. Do you have a copy of those recommendations? Are they available?

Mrs. VETTER. I have them. Which ones?

Mrs. GREEN. The recommendations the interagency committee made.

Mrs. VETTER. We have them but I don't know that we are allowed to release them.

Mrs. GREEN. General Hershey, you served on that. Are those available to the committee, the recommendations of the interagency committee to the National Security Council?

General HERSHEY. I am not so sure of the question, Madam Chairman. What is available?

Mrs. GREEN. The recommendations that were made by the interagency committee to the National Security Council regarding occupational and graduate deferment.

General HERSHEY. That I could not answer and I do not like to make this kind of answer because it sounds like passing the buck, but I am not in the channel between the interagency committee and even speaking as I did awhile ago something about what they recommended was more or less, shall we say, bootlegging?

I do not have custody and I am not in the channel of those going forward. I only know what the member of the committee that happens to come from my agency tells me.

Mrs. GREEN. Thank you.

Mr. QUIE. General Hershey, again we have met here because of the concern of the effect of the draft policy on graduate schools. You said in the closing of your formal statement that:

The question of changing to a different system of age groups remains under continuing study by the Administration. A similar question of whether it is proposed Congress legislation to authorize the method of selection to represent the birth systems also remains under continuous study.

What that really means, does it not, is that nobody is going to recommend a change at this time, and until a conclusion is reached that there should be a change, we ought to go ahead with the present policy.

General HERSHEY. That is the way I understand it because the National Security Council placed the responsibility on certain of the Cabinet officers to keep alert to this and when at least the Cabinet officer felt there was danger to notify the National Security Council.

As far as the change in the age business, it is primarily a responsibility delegated after the Congress passed the laws last summer to the Department of Defense. I am, at the very best, merely a broker.

Mr. ESCH. General Hershey, let me make sure I understand. It is your understanding that there is no need for further clarification of the present draft policy, that there will be a continuing review but under present consideration there is no need for clarification.

General HERSHEY. In the first place, I am going to meet a week from Monday with 12 educational organizations. I think one of the discussions will be what will they want me to do that I can do within my manpower to do something about this.

This is a continuing thing. I expect to see many adaptations and changes. They are inevitable.

Mr. QUIE. General Hershey, you mentioned that now the reason men don't serve, who are not inducted, is because of physical inability or mental inability or moral inability to serve.

What other means can young men find to say out of the service?

General HERSHEY. Well, if we are talking about the deferments in anything approaching graduate school or substitute for it, I feel that we have very, very limited authority to do anything there.

Now, obviously, individuals do not go because they are apprentices, they are in the first baccalaureate years, they are in some of our educational institutions that we think lie outside baccalaureate.

All of those get deferment. The rejection rate of the armed service, the biggest one factor that prevents people from service, runs almost 50 percent.

Mr. QUIE. The physical, mental, or moral reasons that are the justifications for deferment account for about one-half?

General HERSHEY. The moral ones are very small and very alarming in moderate increases. The other is split about 50-50 between inability to pass a mental test and I am thinking of mental, not mental behavior things you normally learn in school, about half are turned down on that and the other half on physical things that have to do with their physical commodities.

The great numbers are in those two. The moral numbers are not great but they are alarming. What is the reason for moral rejection is always debatable especially between the Armed Forces and the Selective Service System because we think they ought to take people and straighten them out and they think they ought to get people who weren't crooks in the first place.

Mr. QUIE. I would like to ask a question of Dr. Brewster, if I may, Madam Chairman. We recognize that the present policy is to get the large percentage or large number of young men who finish baccalaureate work or who are entering graduate school or finishing graduate school.

How do you think this ought to be remedied and what percentage of the able young men ought to be retained for graduate work this coming year?

Mr. BREWSTER. I don't think I can answer that in terms of percentage. I think that what those of us who are concerned with education have in mind is undesirability of having the obligation all of a sudden fall on a certain group and there ought to be some more equitable way of spreading this out by quotas, percentage, bracket or some other system of allocation which would spread out the vulnerability to induction so it did not hit a single age group or single class of people all at once.

I do think that we are each in our own institutions relatively aware of the prospective impact of the present regulations. In my own case I think it would perhaps at the outside reduce the graduate school enrollment by 20 percent although that would mean reducing the enrollment in the first two classes by a good deal more than that.

I think that is a problem for the institution. I would not want to minimize that. On the other hand, I think our concern is to try to have a system which does two things.

One is spread the vulnerability of the service, if you will, as equitably as possible, and, secondly, to reduce the uncertainty in the selection so that you do not have total loss in the country, ability to plan and ability to complete what you set out to do.

These values seem to be more important than the simple numbers of how many should be left in graduate school or how many should be safely withdrawn.

Mr. QUIE. But somebody will have to make that determination if we are going to change the draft policy.

Mr. BREWSTER. Yes. I don't think they would make it on the basis your question may suggest because if you say some system of random selection would put all graduate students in the same pool as 19 year olds, then the fact that that reversal of the oldest first procedure was adopted, would it mean that you have equalized the risk to a considerable extent but also greatly reduced the sudden excessive impact on a single age group or a single class of college graduates?

So that I think approaching it in those terms rather than in terms of trying to achieve a stated percentage would probably make more sense and be more practical.

I realize the legislative inhibitions under the present law on random selection but I think everything that has happened since the legislative consideration last spring, and particularly the sense of both inefficiency and inequity that has come out of this recent facing up to the realities of persisting in the oldest first as the system of draft, reconfirms everything that the President said, everything that the National Advisory Commission said, everything that various Members of Congress said in favor of escaping from the oldest first as the only way of selection and therefore probably having to go to some form of random selection.

Short of that, I think if it is permissible within the present law, and there is some debate about that, to have an allocation of induction or classification by age brackets will be the next best thing.

Mrs. GREEN. Dr. Brewster, I wonder if we might turn to you for any general statement you would like to make instead of just having you respond to specific questions and also call upon Dean Miller.

Then we will continue. From this time on we are going to enforce the 5-minute rule. Would you make any general statement as it affects your university and the impact on graduate schools.

STATEMENT OF DR. KINGMAN BREWSTER, PRESIDENT, YALE UNIVERSITY

Mr. BREWSTER. Thank you very much, Madam Chairman. I am Kingman Brewster, Jr., president of Yale University. I was also a member of the National Advisory Commission on Selective Service, the so-called Marshall Commission.

As the majority of that commission recommended, I would, myself, still favor the abolition of all student deferments, at least under the present circumstances and present levels of draft calls and force levels.

Now, this is not obviously because I am against college or against graduate school or against students but it is because I think it is bad education and bad national morality to have a class exemption or deferment of this kind unless it is very, very clearly related to some pressing priority national manpower requirement.

At present, force levels, at present levels of draft calls, I do not think the case has been made for deferment for manpower reasons other than in the health and dental fields.

But assuming that we are talking within the ambit of the present legislation which builds in a deferment for undergraduates, then my next preference would be for a pool into which college graduates join those who do not go to college and all are treated alike on a random selection basis for induction.

I realize that although not totally prohibited there are special legislative inhibitions which have been imposed on the resort to a random selection system.

So, moving to the third level of feasibility less desirable it seems to me would be, as I was saying in answer to Congressman Quie, that I think instead of having the impact of the abolition of graduate school deferments fall immediately on those in the first 2 years of graduate school or those who are just graduating from college, it would be far better, both for education and for the graduate schools and in terms of equity, to have that liability spread more evenly by age groups.

I realize that General Hershey and his people have very good practical reasons for worrying about the administrative feasibility of quotas by age.

But I think if more effort and ingenuity could be devoted to this question to see whether by enlarging the age groups, not to expect the quota to be year by year but one quota for age 20 to 22, and another quota for age 22 to 24, it would be administratively workable.

Finally, if none of those things can be done, it seems to me there is a very powerful educational argument in favor of a great deal of willingness on the part of draft boards to permit a college year or a graduate school year, once undertaken, to be completed.

General Hershey, over the years, has, on the whole, been extremely sensitive to this need for minimizing the interruption of academic work, once undertaken, and I am simply saying that I hope that same sensitivity will be applied in the case of graduate schools under the proposed regulations so that a person, once accepted for admission, a person who once registers for admission, will be permitted to complete the year for which he is admitted, or a person renewing his enrollment in the graduate school at some point would be told his deferment would again apply for 1 year and then he would go back into eligibility for induction.

It just seems to me that the worst aspect of the present uncertainty is that neither schools nor the students can count on being able to pursue the course for which they are finally admitted or continue the course which they have undertaken.

Now, the impact on the graduate schools of the present somewhat uncertain state of affairs is necessarily hard to predict.

Nevertheless, it is quite true that enrollments to decline, the availability of tuition income, the availability of the resources with which to offer financial aid, all of these are put in question by the inability to plan either on the part of the student or on the part of the institution.

Finally, of course, there is in different degrees and in different institutions the problem of not knowing whether the graduate students will be available as laboratory assistants or teaching assistants for the coming year so that the faculty side, the teaching side and research side of the institution are also put into considerable jeopardy.

Now, the impact in terms of student enrollment, in terms of financial resources, in terms of teaching resources, is bound to be quite different in different institutions.

The stronger the institution or the stronger the department within an institution the more likely it is that it can simply reach further down in the barrel and have a full population.

The more resources the institution has to fall back on to tide it over the 2 years of this dip, if you will, in graduate enrollment, the more likely it is to be able to survive at its present level of quality.

On the other hand, those institutions which do not have the drawing power to replace graduate students who are drafted or those institutions who do not have the financial resources to fall back on to tide them over the 2-year dip, I think, are in a very serious situation.

Being the presiding officer of a university that has both strong and weak departments, all I can say is that some schools will be hit harder than others and some departments will be hit harder than others.

But the dean of the graduate school at Yale, John Miller, is also this year president of the association of graduate schools.

So, I think he has a more specific, more explicit, more precise command of the practical situation faced by a variety of schools and, Madam Chairman, if I may, I would turn the microphone over to him.

Mrs. GREEN. Yes, we will be delighted to hear from Dean Miller.

STATEMENT OF DR. JOHN MILLER, DEAN, GRADUATE SCHOOL, YALE UNIVERSITY

Mr. MILLER. Thank you. I am not sure that I can really expand in much more detail on the comments made by President Brewster.

The graduate deans, not surprisingly, have been very much concerned about this problem from last summer. In various deliberations of the various associations early last fall they considered the alternatives in view of the impact of the rules recently announced, which are really a reaffirmation of rules which we saw last summer, the impact that they were going to have on the students and the educational process as well as upon the particular pool of students that would be drafted.

We all, I think, universally accept the principle that the graduate student, like others, should run the same risk of being selected to serve and we have been extremely sensitive to the charge and are aware of the possibility that in the system of draft, as it has been administered in recent years, those who did go on to graduate school and

remained in graduate school to the age of 26 were in a position often to avoid service.

Now, we have given a lot of thought to the basic question as to whether the graduate schools were being used for the purpose of dodging the draft. I think there are examples of this, although, in this respect I agree with President Harrington as I understood his statement that we felt that this was a minimal effect and that though many were able to avoid the draft, they were in graduate school for legitimate reasons and would have been there, draft or no draft.

Nevertheless, I think all of us felt that the change in the laws which reduced any incentive, however small, to use the graduate schools as an alternative to being drafted would be desirable to eliminate.

Consequently, we have recommended and the association of graduate schools back in October and the council of graduate schools, a larger group, both recommended to people in the administration and in the Congress that as a long-run objective they would like to see a random selection at an early age.

If this were made before a person entered into college or at least before he completed college, he would be in a position, if selected, to plan his own career in a way which suited his own objectives.

He might serve before going on to college, he might interrupt his college career at the end of the first 2 years or, if the provisions of the program made it possible, he might postpone this until the end of his college career, at which time he would be called upon to serve.

Having been called upon to serve and, in accordance with the administrative rules, picked the time to serve, there would be no question of his motives for being in graduate school.

I think I can say as a graduate dean that the faculty and the administrators alike would feel a good deal easier under those circumstances.

We do not like to be used, to be perfectly blunt about it. We appreciate certain factors, I think, all of us, in the rules as they were promulgated a few weeks ago; namely, they did not provide for categories of graduate students to be eligible for deferments in addition to those already provided by the legislation.

It is again something that the deans debated at great length last summer and fall and they were all agreed that it would be divisive and corruptive of the educational system if we were to get into the definition of certain categories of students who are eligible for deferments while others were not.

We recognize that if the conditions were such that we had drastic limitations of certain very critical skills that could not be adapted to by other diversion of resources, that in time we might come to a different level of mobilization, a different supply of critical skills in this country, we might come to this.

This was true during the last war. We were not convinced this was the case at the present time, and in the absence of a showing that this would be desirable we would think this would be quite corruptive and divisive in our universities to start picking out particular skills.

After all, the skills that we want, the leadership in the future, depend on not having just scientists and scientific technicians, but people who have the broad training not only in the sciences and mathematics, but

in the role which it plays in the social system so that it is important we feel to keep a balanced flow of talent in our universities.

We recognize and appreciate the fact that the rules as they were promulgated recently respected that recommendation which we made back in October.

However, the impact, as has been suggested by others, and since it has been suggested by Mr. Brewster and others I will not elaborate on it, but the impact seems to us to be too sudden with an unnecessary impact, probably for a 2-year period, on our educational institutions, not simply because it affects the graduate students as such but because it will also have an effect on the flow of the whole undergraduate educational process, particularly in those institutions, and they are very many, and it affects very many graduates in those institutions where heavy reliance is made for teaching assistants and laboratory assistants on graduate students in their first and second years.

The reduction in this student body, I would estimate in our own school for the first 2 years, the impact would be about 35 percent of the students, unless we take certain compensating steps and find enough women, 4-F's, and so forth, that we can stockpile.

But this does not help the total system. This at best represents one institution's poaching on a relatively limited pool. I think it is fairly clear, and the graduate deans have discussed this, that they will not want to engage in that kind of activity and for that matter will not be able to very effectively.

So that an institution such as ours may well find 35 percent of the first- and second-year students would not matriculate next fall.

To the extent that you depend upon these students—we do less at Yale than most institutions—but an institution that does, to that extent the teaching of the undergraduates will be significantly affected.

These are the principal comments I would make, Madam Chairman. I would suggest that in the absence of a random selection system which would require, I judge, congressional action, some system of distributing the impact over the groups from 19 years old through the graduate students could reduce this sudden impact and spread it over a 2- or 3-year period and the impact and uncertainty could be further minimized if it were made clear that once a student matriculates in the fall he can complete the year or up to an appropriate breaking point by completing a unit of work.

This would stabilize the situation most effectively with the present rules.

Thank you.

Mrs. GREEN. Thank you very much, Dean Miller. I want to enter one protest. From the time when we first discussed this, one of my colleagues over here referred to the fact that the only people who would be in the graduate schools would be the lame and blind and women and then General Hershey this morning suggested that the Russians would turn to women only out of dire necessity to fill their professional needs.

Now, Dean Miller, I see that you classify as 4-F's, the women who would remain in the graduate schools. So I just want to say that I am one of those who believe that women should be subject to the draft in modern warfare.

Congressman Thompson, do you have any questions?

Mr. THOMPSON. Thank you, Madam Chairman. I don't know whether women should be drafted or not but it sounds like they will be quite safe in graduate schools.

I appreciate very much the contribution that everyone has made. I was particularly glad to hear Dr. Brewster and Dean Miller emphasize what they believe to be the need for a broad selection policy.

The humanist is as valuable to the future as anyone else. Now, of course, they are being deferred. I quite agree that the impact of the newly announced selection policy is going to be tragic on a generation or two of brilliant youngsters. Moreover, I am not confident that they are going to serve in the armed services and then come back and go to graduate school for a great variety of reasons, not the least of which is that they will have other commitments and perhaps won't have the financial resources notwithstanding the GI bill.

I, too, agree that the system as it exists now is inequitable and that there should be random selection induction. I think that young men of draft age ought to be able to postpone their service for the period that they are attending college. So should the apprentices and vocational students, so that there won't be the drain from any single segment of our society, the inequitable drain that exists today.

I intend to cosponsor Senator Kennedy's legislation on this subject.

General Hershey, Mrs. Mink, who had to leave, left some questions that she would like answered.

Since the local boards will now have the discretion to determine occupational deferments unless the whole system is changed, based on local community needs and since you have stated your confidence in the local boards to make reasonable judgments, is it correct that local boards have already had discretionary powers?

General HERSHEY. They had the discretionary power because this critical list was never anything but evidence. You have withdrawn some evidence. I didn't think it was the primary evidence. I may be very well wrong.

I don't expect to see this sudden group in occupational deferment. I would not be surprised if it would go up.

Mr. THOMPSON. Some boards are going to have much more trouble than others. It is obvious. In Alexandria and Arlington, in northern Virginia, up to 80 percent of the youngsters graduating from high school go to college. Their pool is going to be virtually all college people.

The average induction level is going to rise from its present level in that area, and it is not by any means the only such area in which this will occur. Therefore, you are going to have a vast number of college graduate buck privates to deal with in the Army. I think that is going to be quite a difficult thing.

Mrs. GREEN. Would you yield at this point?

Mr. THOMPSON. Yes.

Mrs. GREEN. To go back to the deferment based on community needs, you stated that you do not think that there will be any major change in the occupational deferment.

Aren't we really substituting a national policy on occupational deferment for a policy that is determined by each community? It would

seem to me it would be far more subject to abuse than if there were one national policy that measured in some intelligent way, or at least to the best of our ability, what our national needs were.

General HERSHEY. In view of the area in which I find myself today, a man who has 10 granddaughters, I hesitate to even say just anything, but it is true that a national policy is a wonderful thing. It never exists, however, except as it is applied.

If a national policy happened to be the least bit wrong, and if it were applied completely, then it would be manifestly terrible and a great deal worse than if you had 4,000 policies and probably not more than half of them would be wrong.

I think there are a lot of people around Washington who thought that when they went on the critical skill list that they were deferred on it. They were not, because they had to be doing something.

A great many people have a skill that they are not using at the time they are looked at, or if they are using it, there are two or three other people who can take their place, and therefore you can't make any virtue of their being necessary where they are.

Mr. THOMPSON. But, General, in discussing deferment policy you used the phrase, "people doing something," and yet you are not definitive about what they are doing. Nor are you definitive as to those occupations or professions, aside from the field of health, which you consider to be critical.

General HERSHEY. The critical skill business we are out of, because it has been suspended, the critical skills as determined nationally.

That does not mean that the local board cannot make up its mind on a critical skill locally.

I don't believe we have had critical skills nationally very much, anyway. I have as much confidence as some people have in the committees up here that put certain words down on pages. Unless you can relate those to something out in the field, I don't think they have much significance.

I want to again insist a lot of times people have thought when you get on a critical list, somehow you walk around with a card, and the local board immediately will not let you in.

It was evidence. It was never anything more than evidence. It might have been quite persuasive, because when some Cabinet officer says that a skill is nationally critical, it may have some effect on a local board looking at a man who says he has that skill, and perhaps his employer says so.

Mr. THOMPSON. What you are saying, General, is that there is no, and there has been no national policy, and that there are in fact no real guidelines to the local boards.

General HERSHEY. No, I would object of that a great deal, because the Congress, itself, has given us pages and pages of guidelines for local board.

We have laws that Congress, and I think very wisely, gave the President power to issue Executive orders. National headquarters, not to be outdone, at times has sent out advice, but just the same, that does not mean that they have no guidelines, but on the other hand, it does mean that no one here, either by law or by regulation, is going out into the community where I live and decide by something that

comes from here whether John Jones is necessary to teach school out there.

I can point out lots of places in the United States where a school-teacher is very necessary. I can point out other places where there are some excess, and therefore we can't be deferring under a general rule.

We have to actually see the thing. Even our courts never decide things without hearing the evidence of the particular person who is before the court.

Mr. THOMPSON. Speaking of that, General Hershey, how many appeals were sent to you from the local boards in 1967?

General HERSHEY. I will be glad to furnish it, because where I get appeals mostly are the Presidential Appeal Board.

In the first place, a man does not have to go anywhere for an appeal from his local board, because he has one. All he has to do is say, "I do not like this decision." Of course, he may not like the one he gets from the appeal board, but no one is making him fill out some form, according to some particular guideline. All we want to know is that he does not like his deferment, so he has one chance.

Mr. THOMPSON. Would you provide us also with information on how many times you have overruled local boards?

General HERSHEY. I did not get that.

Mr. THOMPSON. Could you supply us also with information on how many times you have overruled local boards?

General HERSHEY. I never overrule a local board—I can answer that very quickly—because the Congress in its wisdom never gave me the power to classify anybody any more than it did the Supreme Court of the United States.

The word "classification" is the one that only goes to the local boards, the appeal boards, and the National Appeal Board. The Selective Service Director cannot overrule anybody on a classification, because he has no power. I make no classifications. I have never made any.

Mr. THOMPSON. Do you have the authority to review decisions or appeals by local boards?

General HERSHEY. I have a right, and I get them every night by telephone, because my number is listed, telephone calls from people who want me to take appeal for them.

I call in their file, and if there is any doubt, if he has already been through the local board, and the appeal board in his State, the only thing I can do is take the appeal to the National Appeal Board, and I have taken them by the thousands.

I will be glad to furnish you with the number we have taken the last year from the State appeal board to the National.

Once in a great while we take an appeal from a local board to a State board, but unless the man has let his 30 days overrun, he does not have to come to us, because he has that power, himself.

What happens is that if he gets up to the appeal board, and they are all against him, and he goes to the State director, and he won't take his appeal, then his appeal is for me to take his appeal for him, but I don't make the classification.

Mr. THOMPSON. I understand that, but do you make any decisions, or are you just a conduit?

General HERSHEY. There is some difference of opinion. I think I make a lot. I make the decision of whether I will take an appeal or whether I will not, because when I appeal, it immediately gives the fellow what amounts to a postponement, because I can't take an appeal without postponing, because you have to pull the record out of the line, so they won't induct him he is getting a chance to be heard by somebody else.

Mr. THOMPSON. Are there public records kept of these?

General HERSHEY. Yes. Under the present law, anyone can see what he wants.

We will be glad to furnish any information you want. We can furnish the number of appeals the Directors have taken by years back to the year 1940, or most of them now will be from the State appeal board to the National Appeal Board, because the uninterrupted right of the registrant to appeal to the appeal board of his State does not change except when he overruns.

I do not like to see an individual let his appeal time go by, either, because he is careless, or didn't know, because I do not like to have a decision made that hinges on the fact that if he only had done something, the decision would have been different.

I tend to take an appeal in any case, or I open up his right to let him take his appeal. That I have the power to do.

Mr. THOMPSON. I see my time is used up.

I thank you very much, General, for your very valuable contribution.

Mrs. GREEN. Congressman Erlendorn.

Mr. ERLENDORN. I think we have talked a great deal today about what the problems are. I am certain that all of us are aware that there are very difficult problems facing graduate and undergraduate students.

I would like to explore what some of the alternatives might be, either legislatively, although I personally think the legislative process would perhaps be too slow, or administratively within the present legislation.

Am I correct, General Hershey, in my understanding that the law we passed last year prohibits you from using any method of selection other than the method of selection that was in effect at that time, and that is the oldest shall be taken first from his age group?

General HERSHEY. It prohibited random choice, but it did not prohibit, for instance, the establishment of the so-called 19-year-olds. That would depend on the call from the Secretary of Defense to the Selective Service System.

Now, there is a little question, because we have never done it, whether or not if we would get calls each month for, let us say, six different age groups, I would rule now, and probably get overruled by some attorney somewhere, that that did not constitute a prime age group, because it is still scattered.

But if they ask me from the Department of Defense for 10,000 individuals who are 23 years old, under the law I have to take the oldest 23-year-old who is a 1-A.

M. ERLENDORN. If the Secretary of Defense designated the 19-year-olds, would you have the administrative ability, within the framework of the present law, to rule that those who had recently become

eligible for the draft by reason of losing their student deferment or through graduation or through the application of the new law to graduate students are arbitrarily put in the 19-year-old group and subject to the draft from that prime age group?

General HERSHEY. As I understand the law, if the Secretary of Defense should establish 19, having the call there, then I would expect that anyone who became a 1-A would enter into the 19-year-olds, where his birthday took him.

In other words, if he were born in 1942 or 1943, and he entered those born in 1948, that if his birthday was the 12th day of September, he would be a 19-year-old born on the 12th day of September, and when we came to the 12th of September, he would be taken.

Mr. ERLNBORN. In other words, you are saying that a 23-year-old who has just become 1-A, through losing his student deferment, would be considered by you to be 19 years old, for draft purposes?

General HERSHEY. Yes; on the date on which he was born.

Mr. ERLNBORN. Then the month and day within the month in which he was born would determine his age?

General HERSHEY. That is right. It would establish him where he belonged among the 23-year-olds.

Mr. ERLNBORN. All this can be done administratively, without any new laws being passed?

General HERSHEY. That is right. I have said, and I do not want to leave any impression that I am very happy getting into several age groups at one time, but I do not want to admit as an administrator that I can't do it, because we can.

Mr. ERLNBORN. I yield to the chairman.

Mrs. GREEN. Isn't it true that in Congressman Rivers' letter to you, dated February 20, that this was, in effect, what he recommended, and he referred to the fact that the Department of Defense, the Marshall Commission, the Clark Panel, the House of Representatives, and Senate all concurred in the desirability of adopting the so-called modified age system?

General HERSHEY. If I understand the question, in my statement I brought out this had to do with the order of induction, or 19-year-olds, or what?

I did not get the question. The acoustics here are bothering me a bit.

Mrs. GREEN. Is this in effect what Congressman Rivers requested of you in his letter of the 20th?

General HERSHEY. Yes. Congressman Rivers, as I understand, asked me two things.

First, he asked me about the graduate students, and the answer was quite simple, because that came from the National Security Council.

He asked me about the order of induction, taking the oldest first. That was a thing that had already been delegated to the Department of Defense.

I have received no calls. I did in my letter to Congressman Rivers defend the taking of them.

Now, mind you, the things that have been testified here this morning, that it is going to create a problem, have not happened yet. We should look forward, I will say that, but our law is flexible enough we can solve them on pretty short notice.

Now, I know something about the educational world, and you have to make some plans ahead. There is no question about that. But I did defend in my prepared statement the taking of the people at present, because it has been testified here by others this morning that our age is about 20 and 4 or 5 months.

If it stays anywhere near there, there is not the need.

I am not convinced we will be confronted, first of all, with the loss of occupational deferments, as has been indicated, although I can be wrong.

Now, this is a question about these graduate students, but whether or not there are some other factors that will enter into it, I don't know.

Mr. AYRES. General Hershey, I apologize for running back and forth to the telephone, but this is a Selective Service case I have been working on.

Perhaps you can answer my question, although it does not have a direct bearing on the reason we are here.

A young man in Akron, Ohio, dropped out of college in his junior year because, perhaps, he was not cut out to carry college work, although he was doing all right.

General HERSHEY. When did he drop out? This year, or last year, Mr. Ayres?

Mr. AYRES. He dropped out last December.

General HERSHEY. That is 1967?

Mr. AYRES. Right.

He enlisted, partially due to my suggestion and that of a nice, effective Air Force recruiter we have in Akron, in the Air Force. He passed his examinations, and is all set to go.

They told him in January that they would love to have him right now, but their quota was filled until May.

This morning he got his induction notice to go in on March 20.

Where does he go from there?

General HERSHEY. He will come to me. That is about where the thing lies.

Was it the Regular Air Force, or one of the Reserves?

Mr. AYRES. The Regular Air Force.

General HERSHEY. The reason I ask that is I have been told by the Department of Defense not to postpone anyone to get in the Reserve areas.

Mr. AYRES. He is ready to go right now.

General HERSHEY. Yes, except the fellows who will enlist him will be ready in May.

Mr. AYRES. Maybe we have too many recruiters, maybe they are doing too good a job.

General HERSHEY. If anybody wants to enlist, for a lot of reasons we ought to let him do it.

In the first place, we will probably enlist him for 3 or 4 years, instead of for 2.

One of the things we are up against is whether or not they will take him in May.

Mr. AYRES. They have promised they would take him in May.

General HERSHEY. I know. They promised to take him in December, too.

Mr. AYRES. They would like to have him right now.

General HERSHEY. We will look into that.

I don't want to make anybody think I make snap judgments, but we help youngsters out like that a great many times, although I must say that our good friends over in the Armed Forces are quite lavish with promises of when they will take somebody, and then they will suddenly take somebody else, and their quota is lower.

At the present time I am helping a youngster out that was promised that they would take him in January. Somebody else came along that they preferred, so they postponed it again. I am waiting it out with the youngster.

I am openminded, and have a lot of sympathy for these individuals. I was in the Armed Forces. I used to get recruits that had been told where they were going by recruiters, and it was not to Fort Bliss, Tex.

Mr. AYRES. Thank you very much, General. I know with your reputation for fairness, we will be able to work this out.

Mrs. GREEN. Mr. Erlernborn.

Mr. ERLERNBORN. To complete my line of questioning, if the prime age group of 19 were designated, and the graduates of this year and the graduate students who are losing their deferment this year were all thrown in the same pool, could you tell me approximately what numbers would be in that prime age group?

General HERSHEY. In the first place, of course, the 19-year-olds—and remember the system recommended by the Advisory Committee had an idea that there were going to be no deferments.

Now, we have to subtract from the 19's, all the individuals who will be in college. Normally we start with about 1,900,000. Probably 700,000 will never pass, anyway, and part of those are deferred, but I think you can find that these individuals, whatever hundreds of thousands there are coming out this next spring, would probably drop into an area where they would be perhaps one for one, or perhaps two 19-year-olds for each one.

I would think probably that their numbers would be less than the ones that the 19's had deferred, there is no question about that. Still they would be a sizable part of it, but not near, of course, the fraction that they would be if they were off alone as 25-year-olds or 24-year-olds.

Mr. ERLERNBORN. In other words, the recent graduates and those who just lost their deferment would have a chance, maybe 50 percent or 33 percent, somewhere in that range, of being drafted, rather than 100 percent?

General HERSHEY. Yes.

I don't think it is a hundred percent. On the other hand, this is one of the unfortunate things. Suppose the boy's birthday is in October, and he thinks in that year they will not get down to him, and it is touch and go, and then the call goes up, and here he goes to school, and then we have to either take care of him by trying to make some provision to let him stay in. Certainty on random choice is only relative.

You never know in a random choice whether they are going to get to you or not, because it all depends on supply and demand.

Mr. ERLERNBORN. Thank you very much.

Mrs. GREEN. Congressman Scheuer.

Mr. SCHEUER. General Hershey, I have enjoyed your testimony; if at times my reactions have ranged from the confused to the bewildered to the perplexed, it is perhaps because you are the Casey Stengel of the executive branch.

I would like to ask one question, prompted by your remark that just about half of all rejections from the armed services are the result of educational and physical inadequacies at the time of induction.

Have you followed the experiment called the Project 100,000 of the Defense Department, and do you see an elaboration of that kind of approach? Do you see massive concentrations of remedial help to those who have few—and quickly remedial—physical and educational deficiencies as an important potential in the military manpower crisis that we are facing?

General HERSHEY. In the first place, I am all for the 100,000 program. The 100,000 program was aimed primarily at mental rather than physical. We have not gotten deep enough into this 100,000 program to begin to do very much about the remedial for the physical.

I happen to be very strong on that, too.

Mr. SCHEUER. They did have a list of physical ailments which could be cured with a recuperation period of 60 or 90 days.

General HERSHEY. But 100,000 is hardly a drop in the bucket, when we have 5 million.

Mr. SCHEUER. I understand it was only an experiment.

General HERSHEY. Yes; but I am in favor of it.

Mr. SCHEUER. Can you tell us something about the results of this experiment?

General HERSHEY. No, I can't, because in the first place it is carried on entirely by the Armed Forces, and I do not have access to these men after they either get accepted or get rejected at the induction stations.

The Armed Forces really should tell their story on that, because I know little about it. I just know I am in favor of getting everyone in that we possibly can, because I think we can raise the level of American citizenship.

Mr. SCHEUER. Can Mrs. Vetter, or any of the other members of the panel, comment on this project, what hope it may hold for us?

Mrs. VETTER. Yes, sir; we have about 30,000 more to take in next year to fill that particular program.

The rejection rate of these men is not much higher—not rejection, the failure rate—the ones that the Army simply won't take on after basic training is not much higher than that for the services as a whole, so I think at this point it is being a very profitable program.

It does tie up a lot of instructors. These boys get special attention in that there are more instructors per student than there would be in the regular system, but I think it is a very valuable program, and one in which if DOD was not so tied up with fighting a war, that they undoubtedly would wish to expand.

Mr. SCHEUER. Within the last 24 hours our country's greatest expert on cost effectiveness in the military service has left us. Is there any likelihood that we are going to do a cost-effectiveness study of Project 100,000 to find out whether that investment of military manpower involved in the concentration of resources in instructing these

kids and helping them with their physical ailments is a cost-effective way of producing additional military manpower, as against all of the other options we have: Taking kids out of vocational school, and college, and teaching positions, and what-not?

Don't you think, looking at the four corners of the experiment itself, you could present a *prima facie* case of being encouraged to go to the cost-effective study to see how it compares with the investment of resources in the other ways of getting military manpower?

General HERSHEY. This study is already being made. The cost of training one of the men in the 100,000 project as opposed to the man who comes in from the draft, but you won't know the answer when you get through.

It costs more to train a man in this project than a regular inductee. On the other hand, the cost of letting this man not be used in the Army is not calculable.

If he is capable of doing something else, and he would probably be employed at something else, that is one thing. If he were standing on a street corner or raising a riot, that is another thing.

So the cost of making a soldier out of him is greater than the cost of making a soldier out of a boy who is not deficient, but in terms of national cost, I don't think it can ever be assessed.

But I think most of us think it is a price well worth paying.

Mr. SCHEUER. It seems to me we ought to try to assess it, because of this assumption. You have a negative cost of getting him into military service, of getting him through the sound barrier, so to speak, but a positive cost-effectiveness implication of getting him out from where he would have been.

Whereas with the chap who is the university instructor, you have very little cost getting him into the manpower pool, but you have a negative cost of taking him out of where he would have been.

In other words, he was performing positively in society, so it has cost something to take him out. It cost very little to make him an effective component of the military forces.

With the kid we are talking about in Project 100,000, it costs us substantial resources to get him functioning effectively in the military service, but we have a positive saving in removing this lad from the point where he was about to present a serious cost to society, and himself, of staying as a civilian without training, education, and health that would make him function effectively, and positively, and independently in American life.

It seems to me that it is obvious that we ought to have some kind of cost-effectiveness study of the implications to society, concentrating on getting these kids into effective roles, both for the military and subsequently for the civilian society, as against the cost to society of taking that young kid doing graduate work, or perhaps engaged in teaching at universities.

Does anybody else on the panel want to respond to this general area of inquiry?

I yield, Madam Chairman.

Mrs. GREEN. Dr. Brewster.

Mr. BREWSTER. Madam Chairman, I simply wanted to comment on what I think was an extremely important and I think highly promising statement by General Hershey.

As I understood his answer to the last question, on the issue of the prime age group, he believes that if he were instructed by the Department of Defense to work out a system or administer a system which put the graduate students who have lost their deferments, the present college graduates, and the 19-year-olds who are not in college or vocational or apprenticeship training, into a single class of eligibles for 1-A classification for induction, that this, (a) would be legal, and, (b) could be administratively feasible.

This seems to me to be an immensely important revelation. I think those of us in the educational community had hoped that this were possible. We had feared that either it was opposed by those in charge of the policy, or that it was not thought to be feasible by those in charge of the policy.

I realize that there are these problems of legal interpretation, but with the support of those who played a major part in the passage of the present legislation, I would simply want to say as a member of the educational community, I would hope that General Hershey's promising statement, that he does not want to say it is impossible, and would make every effort to make it possible, will be followed up.

Mrs. GREEN. May I say, Dr. Brewster, that the chairman of the Armed Services Committee feels this way. I have talked to him about it.

This is clearly within the law, and they do have the authority to do this at the present time. It does not require legislative action.

Mr. QUIE. Will the gentlelady yield, on that?

It is not the responsibility of General Hershey or the responsibility of L. Mendel Rivers. It is the responsibility of the President to do it.

Mr. HARRINGTON. The Secretary of Defense.

We would like to underscore this, because it is a key point.

As Congressman Erlenborn said, "to get legislative change now would be very difficult, and would take a substantial length of time. Therefore, in taking care of the immediate problem we face, administrative changes are much more desirable."

If, as General Hershey says, the Secretary of Defense ordered, specified, that you pool age groups, then these people now graduating from college would be considered age 19, as well as the 19-year-olds, and therefore a recent graduate of college who wanted to go into graduate school, born on June 1, would be younger than a 19-year-old born in January, by this device.

That would mean, therefore, that you would not be pulling in all the graduates of college, all the graduate students. You would be pulling in some of them on an equitable basis, but would be keeping graduate schools functioning.

You would be training teachers, you would be training research people, and you would get a flow of people into the selective service at different ages, which, of course, would be better, from the military point of view.

Mrs. GREEN. Congressman Bell.

Mr. BELL. General Hershey, I just have two quick questions.

What is the philosophical justification for providing by law for the undergraduate deferments?

General HERSHEY. Providing by law what kind of deferments?

Mr. BELL. Undergraduate deferments.

General HERSHEY. Is there any question about the fact that the law did not provide for everybody who was a candidate for the baccalaureate—maybe I am not answering—I don't know that I can answer that question, because in the first place I was around here most of the spring a year ago, and at that time I suppose I would not have imagined that we were going to have almost complete deferment for the baccalaureate.

The advice that I received in quite a number of these was not in that direction.

When I was back in Indiana as a kid, very few people went to high school. By the time we got into World War II, it was taken for granted that we ought to let a youngster alone until he gets through high school.

I am not so sure that we did not move up one more step and say that now the basis is a baccalaureate.

I am here in front of these educators, and I am sort of embarrassed, because they know more about philosophy than I do.

Mr. BELL. In that case, why would not the same justification apply to graduate students?

General HERSHEY. If it takes 20 years to go from high school to acceptance of the baccalaureate, I don't know how much further it goes to get to the graduate.

You see, one of the things is that when you are fooling with a high school kid, you can always say you will get him when he gets into college. When you go to a baccalaureate, you can say you will get him when he gets to graduate school, but when you are getting to graduate school, you are almost getting to the place where you are not going to get him.

That is one of the more practical things of philosophy.

Mrs. GREEN. Don't you extend the age until they are 35, for some?

General HERSHEY. Yes; but we have had no calls for anybody above 26.

Mrs. GREEN. I mean on the point you just made.

General HERSHEY. The Department of Defense would probably think if a graduate student was so old that you could not teach him much, that if he got to be up toward 35, he would not be any better.

Now, we do take, of course, the physicians and the dentists up to 35, because, in the first place, it takes a little longer for them to get to the place where they can practice their profession, but during World War II, when our mobilization was a lot more complete than now, we went up to 45, and then discharged about 700,000 individuals because they were over 38, and then we backed away from 38 to 26, and then went from 26 up back to 30.

Frankly, I did not have very much to do with it, except having to go where there were people, but I saw pictures in the funny papers of a man pulling petals off a clover, saying, "I guess we will, I guess we won't."

Mr. BELL. I have one more question, General.

Isn't it true that the general philosophy of the Defense Department seems to be that the better soldiers are those in the 19-year-old age bracket? And isn't the combined effect of Public Law 90-40 and the recently announced decision regarding graduate deferments one that virtually guarantees the drafting of older men first?

Do you view these factors as somewhat inconsistent with the Defense Department philosophy of considering younger men as better able to pick up arms?

General HERSHEY. I don't think there is any question about it, probably. On the other hand, you see, we always have some planning that puts in five or six things, such as taking no deferments, all 19-year-olds, and random choice, but when you take out any one of those three, what you have left is not what you started with.

One of the problems we are in, and as an administrator I am always stuck with something that started out as a package and then they took out a part of them and put in some others, and when we ended up it was what has been rather lovingly referred to as a hodge-podge that Selective Service was responsible for, because we were following it.

Now, I am not one of those who believe that you can't train people a long time after they leave 19. However, I am not the person who has anything to do with the ages that come from the Armed Forces, except to furnish them, if I have any way of possibly doing it when they ask me to.

Mr. BELL. I did not ask the question with reference to the fact that you can train people over 23, 24, 25. The policy seemed to me rather inconsistent, when the Defense Department keeps talking about 19- and 20-year-olds as the ones most ready, willing, and able to take the kind of physical effort and training required, whereas those in the graduate schools are getting further along in their thinking, and less able to adjust to some of the rigors of military life.

General HERSHEY. One of the problems all along is in talking of the 19-year-olds, they were talking about individuals who were all the way from 19 to 25, yet we spoke of them as if they were 19-year-olds.

The next thing is that I am prepared to defend the thesis that a person can go through graduate school and still be able to do most anything that has to be done. I have a little more confidence in them than others do.

Mr. SCHEUER. In other words, graduate school is not entirely a crippling experience.

Mrs. GREEN. Congressman Steiger.

Mr. STEIGER. Thank you, Madam Chairman. I appreciate your graciousness in giving me a chance to sit in with the subcommittee.

President Harrington, of the University of Wisconsin, is a man for whom I have the very highest respect, my father having served as a member of the board of regents of Wisconsin, and as president at one time.

Dr. Harrington is an outstanding president of a great university, and a man who is recognized throughout the country. It is a pleasure to have him here this morning.

The Milwaukee Journal, President Harrington, on February 11, had a short statement that indicated that the University of Wisconsin may have to turn away some undergraduates next fall because of the loss of graduate students.

Is this an accurate assessment, or do you not yet know?

Mr. HARRINGTON. We do not yet know. We are in a state of great uncertainty, and we think we would be able to judge a lot better if

this system which General Hershey outlined as a possibility were asked for by the Secretary of Defense.

In answering the question, I should say that Congressman Steiger is a graduate of the University of Wisconsin, and we are as proud of him as he is of us.

Mr. STEIGER. Thank you, sir.

General Hershey, would you have any comment at all, or any counsel you can give to the committee, on the announcement I saw last night by the president of the National Student Association that they were going to recommend to their affiliated student body organizations throughout the country that all students whose classifications are changed take whatever action is necessary, and use all legal steps that are available, to appeal local selective service board rulings as to deferments or classifications?

General HERSHEY. In the first place, I would like to feel that every one of those things were available to every registrant.

I have so much faith in a great many registrants that do not belong to the top level of this particular organization that there are a lot of people who will not take them unless they feel they are justified.

I still have great faith in our youth. I have to spend most of my time with a very, very small percentage of individuals. I would not have any quarrel with anybody taking an appeal that has a right to take an appeal.

On the other hand, obviously, I could not support, I would not want to be found with individuals who say one of the ways we can have a great, constructive democracy is to keep our feet in the aisles always, so that people will be falling over them, and therefore we can that way slow up the march of progress. I don't believe in that, either.

Mr. STEIGER. What would your best guesstimate be as to what the impact would be on local boards, and State appeal boards, and on the Presidential Appeal Board, if action were taken by thousands of college students who might take the action urged by the National Student Association?

General HERSHEY. It will increase the load a great deal, and perhaps I may have to be over for more money.

Some of those things will have some effect. Personally, I do not believe that the individuals who for the last several months have been advising people to do everything in the world have had much effect. It has had little.

By and large, the youth of this country are a lot better than sometimes we admit. I am pretty strong for the kids of this country. They don't buy all this stuff.

Mr. STEIGER. What is the availability of administrative action to implement the recommendations that both President Harrington and President Brewster made this morning, on the question of allowing graduate students to finish their year of study, thus not having their studies disrupted by being drafted?

General HERSHEY. I am hopeful that next Monday we may have a fruitful meeting. I am going to meet with representatives of 12 of these different organizations.

I am not so sure what the practical things are. We cannot have a fellow run in and register the last day before we are going to induct

him. It is going to take some sort of thing we call understanding or rules.

Whether or not we can figure out something, I don't want to say, but I will certainly be there trying to do my share in trying to arrive at something that is sensible and fair and is compassionate to the extent we can be for the average student.

Now, there are a lot of rights the students does not have, but he ought to have a little more than his rights.

Mr. STEIGER. But it can be done administratively, or would it take an act of the Congress?

General HERSHEY. Of course, it is just a question of whether the Director of Selective Service can face up to quite a lot of other committees, if he was postponing people who were in school 1 day, and they already had an order for induction.

Somewhere we have to draw some sort of line on who we are going to defend. We cannot defend everybody, I am sure, because these are compromises.

If we get somewhere, it will be because there is good will on both sides, and that we will set some sort of practical thing, and then we will try to operate it.

But I invite postponing power. That is the only thing I have. It certainly would be ridiculous for me to postpone somebody for 4 years.

As to what we can do, I don't know, because I don't know all the problems, I don't know all of the suggestions that they are going to make, but I am going to have a meeting next Monday.

Mr. STEIGER. Madam Chairman, I do want to make sure that I, for one, take this opportunity to thank General Hershey for the one change which has been made in terms of deferring junior college students and vocational school students. I think it was an appropriate change. It was made consistent with the law, and consistent with the intent of the Congress, so that one thing has been cleared up.

Let me ask just one further question, if I may.

In the New York Times story on draft deferments they quoted what they called White House sources, saying President Johnson had decided to reject recommendations for a proportionate selection process by age groups, because it would have been unfair to draft registrants, and administratively unworkable for the Nation's 4,000 local boards.

I would take from your comment this morning, General Hershey, that you would not entirely agree that this is impossible, that you do in fact find it feasible and administratively workable to make such a change.

General HERSHEY. I think it is going to be, I think I used the word "bedlam."

The particular thing you referred to is a rather sensitive point with me, because I worry sometimes about what a boy doesn't hear, that calls me late at night at home, when this conference took place, and the next thing is I know he may not know just what I said, and after he writes a pretty good article, sometimes that gets rewritten, and when the head writer gets at it, you have really had it. That is what went on in this case.

I want to be clear I am not here recommending that we are doing these things. On the other hand, I am not going to tamper with what-

ever techniques, and I am not saying I can do something that I don't want to do, so therefore I find myself in an awkward position.

As a tactician, I have not yet seen the things that are pictured today. I would be in a quite different position.

You say why go clear up to there. That is one of the things, unfortunately, we have to do in life more than we ought to.

I want to be perfectly clear that I have never said that we could not do it. I think an individual in one of the departments of Government said that I said, I think he gave the reason, why they did not do something is because I couldn't do it.

That is all right. Under the first amendment, he has a right to say it. Under the fifth amendment, he has a right to say, "No comment," on whether he said it or not. Just the same, I have never said it. I do not intend to say it.

Maybe after I fail, I will say it, but I won't fail without trying, if somebody makes the situation up.

Mr. STEIGER. I appreciate the fact that this panel is here this morning.

I am grateful again to you, Madam Chairman, for giving me a chance to sit with you.

I hope you will take the opportunity to have the new Secretary of Defense up here. I think it is most appropriate to have his comment on what changes he would be willing to make under the circumstances as outlined by the educators who are concerned, and who have a real reason to be concerned.

Mrs. GREEN. Congressman Reid.

Mr. REID. Thank you, Madam Chairman.

I would like to add a warm word of welcome to President Kingman Brewster and my apologies for having to be absent, myself, briefly.

I take it, President Brewster, that you would particularly favor action that might place graduate students and college graduates in a much broader pool, perhaps even to include undergraduate students on some basis of random selection, if that could be worked out, and, absent that, rearrangement by Executive order, so that the liability for service in the military could be more equally shared, and the impact on both teaching resources and graduate students would be minimized compared with the rather drastic implications at the moment.

Mr. BREWSTER. Yes, sir; that is correct.

My impression is that the impact on graduate education would be roughly cut in half, if you did that. If you join the nondeferred graduate students and medical college graduates with the 19-year-olds who were not in deferrable educational situations, then only about half the number of graduate students would be likely to be called than would be called if you persisted in the oldest first and operated under the most recent regulations.

Mr. REID. If we do not do this, isn't there a danger, aside from the obvious impact on the educational system and on what we are doing versus the Soviet Union, of creating an adverse impact on the student, who feels that all should have some degree of service, but that we should not single out the graduate student and that the privilege of going to college should not mean a ticket to Vietnam.

Mr. BREWSTER. That is right. It is an administrative approximation to what I think would have been the most desirable, and that is not

to have any special classification for students, at this level of draft call, at least.

But not being able to do that within the existing legislation, it seems to me that broadening the pool to put together the graduate students, the recent college graduates, and the 19-year-olds not in college is the fairest thing to do.

Mr. REID. Thank you.

General Hershey, taking that formulation, is my understanding correct that if the Secretary of Defense recommended such pooling by Executive order of the President, action could be taken almost immediately along that formulation, without any reference to the Congress?

General HERSHEY. I don't think we have any reference to Congress. There is some administrative thing.

The physical examination will have to be turned very rapidly in another direction.

I don't know how quickly we are talking about. Personally I don't believe we are going to have any trouble before midsummer.

In the first place, I don't see the individual being pulled off the occupational deferments. I may be wrong, because in the first place Dr. Trytten was my adviser for many, many years, and I don't want to blame him for what I am going to do now, but when he says we have a danger, I hear it, but I don't happen to quite join him, so therefore I think our problem is going to be midsummer or later, because that is the time that we start this processing, and it is going to take 90 days if we have not already got these people moved along up to physical examination. It is a rather long process.

Therefore I do think there is time, before this thing will be critical, if somebody in the Department of Defense decided they are going to go to either one or two or three different systems. You don't have to go to 19-year-olds. I don't like spattering them all over five or six different age groups.

If you do it, then you will still have each fellow dropping back in the age group from which he comes, and you will get some scatterment on that.

Mr. REID. Dr. Miller, could you comment a little bit on the urgency of this question?

Mr. MILLER. I do think it is a little more urgent, if one cares about the impact on the students and the educational institutions.

One already sensed last fall the withdrawal of a small number of students who graduated from school, those who had planned to go on, who did not matriculate. The number was small but noticeable in most of the graduate schools where I contacted the deans, because of the feeling, "Well, we are being allowed to have 1 year in graduate school. Let us not bother to start."

Now, if the situation remains uncertain, as it does at the present time, and we do not face the problem of clarifying this matter until the summer, I think we will have a fair number of graduate students who say, "Fine, under the present rules as I interpret them, I am one of the older people who will be pulled out, probably. I don't know whether it will be October or December or February. Why bother to start graduate education? Let us take 3 or 4 months, get a job somewhere, bum around the world, do something."

This may not be bad, but the impact on enrollments will be greater.

This then will have the kind of repercussions implied in some of the comments of President Harrington concerning his ability and our ability to count on graduate instruction, and consequently will have repercussions on our planning.

Students are planning, and we are planning, and will be between now and June. As a matter of fact, each successive week we are closing out alternative courses of action.

Mrs. GREEN. May I say, General Hershey, I think the members of this subcommittee feel that there is a great urgency about having some kind of policy, so that the colleges and universities can make their plans.

Beyond this, the fellowships over which this committee is now struggling, in terms of the numbers, the Office of Education announces the awards in March and April. If this matter is left up in the air, if there is no policy that is apparent to anybody, and if they do make the award to a student in March or April, and then in October he is drafted, they point out to us that the funds are frozen, they are not going to be used. You are creating a problem all around.

It would also seem to me, and although this is not particularly the subject of our concern this morning, that there is urgency in terms of students who will be looking for jobs. People won't hire them if they are going to be subject to the draft.

May I say as one member of this committee I must disagree with this. I think there is a great urgency. I think it is very critical.

I cannot express to you in too strong terms the concerns that the members of this committee have.

Mr. REID. Thank you, Madam Chairman.

I have just one final comment and question, General Hershey.

I share what our chairman has just said. I think the urgency is a critical national urgency, both from the standpoint of our students and from the standpoint of the universities.

If the Secretary of Defense made a determination with the obvious approval of the President on the pool suggestion which has been raised by our witnesses this morning, and if he made the decision on on the I-S-C deferment for the graduate student, to complete the year that he was in the middle of, would there be any difficulty in your implementing that almost immediately?

General HERSHEY. In the first place, I don't think we need to implement it this year. What you need probably, if you are going to try to pretend in a time that we are in now, where many individuals do not know whether they are going to live until tomorrow, it is a little bit awkward to start out demanding that here is another group of people that have to know.

On the other hand, don't misunderstand me. If you announce now what you are going to do, it will have, I think, a very good impact.

I don't think there is any question but what selective service can accommodate itself to whatever we are asked to do.

I will say this. Anybody who starts out thinking because it looks so they are not going to be taken now, and next December, for instance, let me stir up things just a little more, the Congress in its wisdom told the President that whenever we needed some of the baccalaureates, that he was authorized to take them.

But within the limited certainty of things going as they are now, my answer would be "Yes."

Mr. REID. I would merely add this comment, General Hershey. I appreciate your answer that it can be done, and it can be done promptly.

I think the concept that some of us, at least, hold is that all Americans should face an equal opportunity for service. I personally would favor random selection, some form of lottery. We are not faced with that at the moment.

I would be happy to consider it, either through the President's action or the Congress action, but I do think it would be highly inequitable to the institutions, individual and national interest, to suddenly draft all of our graduate students and our college students, or place them in a position where they are about to be drafted.

That does not seem to me to be equal treatment, or equal or wise planning, so I very much hope that you will consider this matter.

I am sure that our committee may well want to talk soon with the Secretary of Defense.

Thank you, Madam Chairman.

Mrs. GREEN. Yes. I will say I will agree with those comments, and will make one additional one.

I am not sure that I like a policy which makes the college graduate and the graduate student the most vulnerable group in our entire country. It seems to me this is what the current policy does, unless there is a change.

General Hershey, if I may again refer to Congressman Rivers' letter to you, and this relates to a point which President Brewster mentioned, and I think it was his third alternative, but something that could be done right away. Congressman Rivers said:

On the other hand, I do have reservations concerning the manner in which this policy decision may be implemented. I believe certain aspects of this decision require additional study and possibly corrective action.

Many educators point out that this abrupt change in graduate student policy makes no provision for a student pursuing graduate studies who may at some time in the future be identified for induction. It would appear that these graduate students would not under existing regulations or policies be permitted to finish the academic term in which they are engaged.

Obviously, to require the graduate student to abruptly terminate his studies in the middle of an academic term will have an unfortunate and adverse impact on not only his own personal academic effort, but also on the administrative planning of the institution in which he is enrolled.

Could you advise this committee if there is any decision by which the Selective Service System could respond to the suggestion made by Congressman Rivers' and by others?

General HERSHEY. I thought I testified today that the individuals who came either under the 12-month rule of last year or under the 1-year rule of the master's, or under the 5 years, whatever it was, for the doctor's, I considered that this year it was given to these short of the 1 year, and I still consider it so.

Therefore, I should do anything I could if I heard of anybody who was in graduate school under the 1-year rule being interfered with short of the year.

I don't know whether that answers the question, or not.

The next question is what are we going to do about the individual who goes into graduate school next fall, and when do we have to get

a certificate from the school saying this fellow is accepted, and if we know anything about when we are likely to take him.

If we are going to take him in October, that would be quite different than it looks if we are going to take him in February.

Mrs. GREEN. Suppose a person loses his 2-S deferment, and he is given a fellowship in March or April, and he has no knowledge of whether he is going to be drafted or not, and he starts school in September, and he is admitted in graduate school. In October he receives greetings from Uncle Sam.

Is he allowed to finish that year?

General HERSHEY. At the present time, he is not, but that is what we are going to talk about, I understood, a week from Monday.

On the other hand, I do think that the fellow who is 25 years old, that has no idea when they are going to draft him after he gets out of this present deferment, ought to use some little different calculation. If he is 21 years old, I think it is quite another matter.

Mrs. GREEN. General Hershey, it seems to me this is the point of Congressman Rivers' letter. If this person is in graduate school, and he has enrolled, he has been accepted in September, Congressman Rivers makes the point he ought to be able to finish out the semester. That is the point.

Has there been a decision, or is there the specific matter that you are going to be discussing at the Monday meeting, and you will arrive at a decision then?

This does have a direct bearing on the legislation which we have before us.

General HERSHEY. If we are still talking about the individual who went in before October 1 last year, for a year——

Mrs. GREEN. I am not talking about that.

General HERSHEY. Which one are we talking about?

One of the difficulties about all these individual cases, I know quite a bit about them, I have some difficulty in even knowing which one of the groups he belongs to.

This fellow now is going to get his deferment next fall?

Mrs. GREEN. He has lost his 2-S deferment, under the current policy.

General HERSHEY. Under which policy?

Mrs. GREEN. Under the current draft policy.

General HERSHEY. How, at this time of the year?

I am a little bit at a loss to know if—he is now an undergraduate, or graduate.

Mrs. GREEN. He is either a college graduate, or a first-year graduate student, either one.

General HERSHEY. It makes quite a little difference.

If he is an undergraduate, if he has lost his deferment, it is either because he is 24, he is thrown out, or he has graduated. Those are the three ways he can lose it.

If he is a graduate student, and he went in a year ago, and he has been in less than a year, he has a year less, there is no question about it; unless he makes some other arrangements he is eligible.

Mrs. GREEN. Let me try to clarify it.

Suppose a man graduated from college last June. He applied for a fellowship. It is announced that he will receive it as of March or April.

He is enrolled in the college next year. He knows that he has lost his deferment. He enrolls in the college in September. In October he receives his induction notice.

I want to know if he can finish out that academic semester.

General HERSHEY. You are talking about next autumn?

Mrs. GREEN. Yes.

General HERSHEY. Unless we come to some agreement on Monday, the answer is "No," because in the first place he did not even have a deferment this year.

Mrs. GREEN. That is my question. This is the question that Congressman Rivers asks, and he asks if these people will be able to finish the academic semester.

Have you responded to Congressman Rivers' letter on this point?

General HERSHEY. I have a few thousand of these cases go through, and it varies so greatly unless I know the elements of this thing.

As I understand it, now, we have a boy who is not even in school. If he isn't, he doesn't have a 2-S.

The question is, if he gets a fellowship, will we let him finish next year.

Obviously, until we do something that we haven't done, the answer is "No."

Whether I told Chairman Rivers no or not, maybe I did not know what he asked.

Mrs. GREEN. May I associate myself with the very distinguished chairman of the Armed Services Committee in making this request, that serious consideration be given to this, because it does seem to be tremendously important.

Congressman Reid.

Mr. REID. I merely wanted to pursue this one step further, if I could.

Am I correct, General Hershey, that there is now a policy that a student who has matriculated, is in a graduate school, has had several months in a graduate school, would be subject, under the new regulations, to immediate draft, as opposed to not being permitted to complete the academic year that he is presently in the middle of?

General HERSHEY. Whether he has a 2-S or postponement, he is entitled to complete a year, because that is what we promised last fall.

We are talking about a graduate student who never had been a graduate student last fall, went in as a graduate student. He has a year, unless the college throws him out.

Mr. REID. Let me put the question another way.

I am talking about the case of a graduate student who has been there a few months of the first academic year, or a graduate student who is partly through his second academic year.

Is either of those permitted to complete the academic year that he is presently in?

General HERSHEY. In the first place, under the Executive order, he had to be in graduate school by the 1st of October, 1967. If he has gone in since then, he is not under any rules. The most we could hope for him is grace, because he has no right.

If he went into graduate school, the person was accepted by graduate school, before the 1st of October 1967, he has a year of grace.

Mr. REID. But the student who went in in September, or started at some other point in an academic year that the institution might have, is not permitted to complete the academic year?

General HERSHEY. If he had already been in during 1966 and 1967, and was a candidate for the master's degree, as one of the witnesses pointed out today, he is entitled to a year. If he is a candidate for the doctorate, he is entitled to 5 years minus whatever he has had.

Mr. REID. But he is not entitled to complete the year if he is in the second year of a 2-year degree?

Mr. BREWSTER. With your permission, Congressman Reid, if I understand it, if I may ask the General a question through you, it has been quite normal for Selective Service to postpone reclassification of those who have a student classification until they have completed the academic year.

Is that right?

General HERSHEY. That is right.

You have a law, 1-S.

Of course, if he had 2-S the year before now, under the new law—

Mr. BREWSTER. Now we have a situation where the rest of the population is classified 1-A. There has been no procedure whereby Selective Service can postpone or change the order of call of those who were once classified 1-A.

Is that correct?

General HERSHEY. That is right.

Mr. BREWSTER. What is involved in the present situation, in order to respond to Congressman Rivers' request, is the decision of a new willingness on the part of the Director of Selective Service to direct boards with respect to the order of call, as well as the classification.

Is that correct?

General HERSHEY. I do not understand Mr. Rivers went to the change of order. I thought he was talking about how do we save the man who is already in, has probably paid tuition, made all sorts of arrangements, and how do we save the man.

There have been two propositions from the educational world. One was to save him at the end of the quarter, or trimester, or hopefully, to the end of the year.

Mr. BREWSTER. I think that is entirely right, but the procedural difficulty is that under the new dispensation, you will have people who are enrolled students, but do not have student classification.

The only way you can affirmatively respond to Mr. Rivers' request is to use the authority of your office to request the local board to affect not the classification, but the order of call.

General HERSHEY. What we do is postponement. That affects the order of call, so far as he is concerned, but nobody else.

Mr. BREWSTER. Have you in the past directed local boards to postpone the call for induction of a person who is classified 1-A?

General HERSHEY. I have the power to postpone him, and therefore the local board does not have to act, because it takes the responsibility off their shoulders.

Mr. REID. I thank the president of Yale for his assistance and for that clarification.

Mrs. GREEN. Congressman Steiger.

Mr. STEIGER. May I follow up on General Hershey's statement?

Did I hear you correctly, General, that you do have the authority as Director of Selective Service to overrule a local draft board in an individual case to postpone the time at which he is called?

General HERSHEY. I do not overrule, because it does not change his classification, but the Director of Selective Service does have the power to postpone.

From a public relations standpoint, the Director of Selective Service has got to try to postpone within reason, because otherwise it looks as though he is trying to usurp rather than trying to aid.

Therefore one of the problems we will have when we discuss this on Monday is whether we will want to postpone for 8 months, or 4 months, or 3 months.

Those are the things.

I can be impeached—I have not been, but it is possible—for stretching an authority that was given for good reason, but was used without reason.

Mrs. GREEN. General Hershey, is it true now that any local draft board can allow the student to finish the academic semester?

General HERSHEY. Can do what?

Mrs. GREEN. It is possible at the present time for any local draft board to allow any student to finish the academic semester in which he is?

General HERSHEY. Yes.

In the first place, of course, under the new law, the 1-S is a little shaky. On the other hand, the local board has some powers of postponement.

For instance, you probably read, and it happens to have been in your State, you happened to lost two boys in one family up there. They have a boy that is about ready to be inducted. That local board has deferred him for a year, and I think it is for a compassionate reason.

I can probably see some lawyers say it was not legal, but that does not disturb me any. I think they used excellent sense, because they happened to have a 10-year-old boy, so he was not the sole surviving son, yet here they lost two in a very short time.

I don't think the local board went beyond its authority. Some strict constructionist might think so. I think the local board will use a great deal of judgment on interrupting individuals in the course of their instruction. I don't anticipate too much difficulty in arriving at something that does not have some very glaring things about it, in trying to arrive at some way where the person who in good faith entered in a year with some reason, at least, let us say a basis in fact, whatever that may mean, for believing he might finish the year, and it did not quite turn out that way, so you used grace, because you figure he makes a better soldier when you get him.

Mrs. GREEN. If this is the authority that the local draft board has now, it would seem to me that there would be a tremendous advantage in having a national policy, so that colleges and universities would know ahead of time, so that this committee would know, when we are trying to decide the number of fellowships, and so on, that we are to have.

General HERSHEY. I hate to take any exception, but national policy is something we talk about and never see.

We have laws all over this country, and judges every day are interpreting them most widely. In the same afternoon we have people get, for the same offense, 6 months, and another fellow gets 5 years, and yet we have a uniform law.

Mrs. GREEN. Do you want to comment on this business of allowing a student to finish an academic semester?

Mrs. VETTER. Yes.

The 1-S-C, which has been the status of every student up to now at any level, is a statutory deferment over which the local board has no authority.

If a man is ordered for induction while he is indeed a full-time student, he is entitled once and once only to get the 1-S-C.

It is the law that is changed; not the regulations. The law still allows the 1-S-C for the undergraduate student, but has forbidden it to any student who has a 2-S this year, and who has completed his baccalaureate.

In order to get the 1-S-C back, it would take a change in the law.

General Hershey could send out an administrative directive to the local board, recommending that postponement be arranged for such people, but it would not replace the 1-S-C, which is the statutory provision Congress put in, which was removed for the graduate student under the new law.

Mrs. GREEN. Thank you very much.

I realize that we changed the law, but it would be possible by administrative act to make it abundantly clear that any student who is enrolled could finish that semester?

Mrs. VETTER. It could be done, yes.

Mrs. GREEN. There are two or three other matters I would like to clear up, if I can.

Mrs. Vetter, would you try to help me with the recommendations that were made by the Inter-Agency Committee to the National Security Council regarding the occupational graduate deferment?

Can you comment on that without violating the confidential nature of the document which you have?

Mrs. VETTER. I can, surely, to this degree: The announcement that came out first in the New York Times and was repeated and picked up many other places, that the recommendations were limited to recommending deferment for men in the natural sciences, health-related fields, engineering, and mathematics, was incorrect, inaccurate, and totally incomplete.

The recommendations of that group were brought about by a set of task forces which were appointed by the Inter-Agency Committee to study all the available information on the problems of manpower supply, and they looked at it from a longrange point of view.

Their recommendations were very inclusive. It did include the four fields that were reported to be included, but it included a great many others.

It also took care of the problem of teaching assistants, and it took care of a great number of fields which they called training directed to careers in fields which are emerging in national needs and interests.

They gave many examples of this. I will certainly give you one. For example, in environmental health or transportation planning and problems.

There is a long list of these, so that the recommendations of the Inter-Agency Committee to the National Security Council, which were the result of great study in depth, had by a good many people who knew what they were doing, were not indeed limited to deferment for men only in science and engineering and math.

Mrs. GREEN. I would like to ask President Brewster and President Harrington, either one or both, to comment on this in terms of occupational deferment.

As I understand, the policy would go into effect on July 1, unless there were changes, that we will no longer have a national policy on this in terms of a study based on the national needs, our own national self-interest, but we will indeed, apparently have occupational deferment on a community basis.

Would you care to comment on the desirability of one or the other?

Mr. BREWSTER. My reading is not entirely the same as yours, Madam Chairman.

I am not an expert, obviously, on national manpower needs and strategy; but I take this to be the considered judgment on the part of the task force which reported to the National Security Council that as a matter of national manpower need at the present level, the present force levels, and draft calls, it is not necessary to have deferments or exemptions on an occupational basis.

I am very puzzled, frankly, by the wording of the telegram which General Hershey is reported to have sent to all State directors, which, if I may quote from the New York Times, and I sympathize sometimes with General Hershey's concern about representation in the newspapers, but in this case I think it was a textural reprint, saying:

Under advice received today from National Security Council with respect to occupational deferment, the lists of essential activities and critical occupations are suspended, leaving each local board with discretion to grant in individual cases occupational deferments based on a showing of essential community need.

With respect to graduate school deferments, the National Security Council advises that it is not essential for the maintenance of the national health, safety and interest to provide student deferments for graduate study in fields other than medicine, dentistry and allied medical specialties, except that this recommendation does not affect existing regulations governing deferment for graduate students who entered their second or subsequent year of graduate study in the fall of 1967.

It does affect students graduating from college this year as well as those who entered the first year of graduate school last fall.

The sequence of selection in filling calls will remain unchanged. A change in the order of call is not justified at this time. Fairness and equity to all men in the eligible age groups as well as the interest of the nation require that this longstanding practice be maintained.

Full text of the memorandum of advice from the National Security Council will be forwarded to you promptly.

I concur in the recommendations made by the Council.

Leaving each local board discretion to grant occupational deferments based on showing of essential community need—this I think raises very serious doubts which perhaps are not the special province of an educator, but I think are the reasonable province of a lawyer, or anyone who cares about even handedness of the application of the law.

The worry is two kinds: one is quite different standards which apply to people whose claims are equally meritorious, just because they live

in two different communities; secondly, the concern that runs throughout the system that a large proportion of registrants dealt with by a board are not living in their community at all.

There is again a kind of almost inevitable discrimination, if you want to call it that, in the sense that a draft board will know about needs in its own community, but it is unequipped to assess community needs for all registrants who are nonresidents of the community of their board.

I am puzzled about the kind of situation that was contemplated by that very, very large loophole, and what otherwise seemed to me a progressive advance toward national uniformity.

MR. HARRINGTON. So far as the universities are concerned, we are not asking for occupational deferments. We are not interested in having various parts of the university cut up, and some designated as those that should have deferments.

MRS. GREEN. Did you want to comment on this, General Hershey?

GENERAL HERSHEY. I think not.

In the first place, of course, we are assuming, I believe, that because somebody got on the critical list that they got deferred, which isn't so.

We didn't want to see all the occupational deferments canceled. We are over that. I don't think it has happened.

I would not argue with a lawyer, which I am not, about the legal part of it, even though he was a great educator.

MR. BREWSTER. My disguise as a lawyer is even more fraudulent.

MRS. GREEN. One final point.

MRS. VETTER, would you want to make any suggestions of an alternative procedure, and where we go from here, in the recommendation to this committee as to what we should be doing?

MRS. VETTER. I believe there is an alternative plan to the one we will carry out, if we don't do anything to change it.

If the current situation in Vietnam is viewed as a part of a long-term commitment in which our Nation can be expected to be involved to a greater or lesser degree for many years to come, then we must include long-range manpower planning and utilization as an objective in this decision.

This means that we must continue the training of at least a substantial segment of our graduate school population until they reach their terminal degree. However, we must insure that the delay in their service will not provide them sideways exemption.

Congress already took care of this by providing that no man deferred as a student after June 1967, is permitted to be deferred for fatherhood. Additionally, his liability under the prime age group provision includes no magic line at age 26. Therefore, students completing their graduate degrees are still available for service.

The areas of graduate study for which deferment is needed must be fairly broad. This is because we are not smart enough to look ahead 5 years and know with certainty which special disciplines will be most needed at that time.

It is important, then, to continue advanced training for this small segment of our population capable of such training in a variety of disciplines.

The Inter-Agency Committee, asked to evaluate this problem by the National Security Council, is said to have made the same finding, after intense study of all the available data.

However, this advanced college training must be accompanied by an ongoing assessment of manpower needs and supplies at all times. I believe that 4,000 local boards should not be expected to maintain such continuing surveillance on a national scale, and that even a body such as the National Security Council cannot be expected to keep fully abreast of this picture in addition to its other extensive duties.

A special group devoting itself to manpower planning and resources—either a new one, or our present Office of Emergency Planning, or a similar body, should be constantly concerned with national manpower needs and supplies in all activities.

There will be men completing advanced degrees whose skills and training are, at that moment in time, needed more by the Nation in a civilian post than in a military one.

While the military should always have first call, as it does for doctors, on men with such special training, the national need will dictate the use of some men in nonmilitary service, just as men are now exempted because they are found unfit for duty.

However, college-trained men at all levels who are not essential elsewhere to the Nation at the time they finish their training, or later, will fall back into the available draft group.

The order of call of men when more are available than are needed could be solved in several ways, and many have been suggested.

Perhaps the one with the least inequity is the 2-year combination which would call by proportional age groups for 1 year only, and then revert to the prime age group pattern provided for in the Military Selective Service Act of 1967.

If you go to the prime age group immediately, you have skipped all the men in between, mostly the 20- and 21-year-olds. You have reduced your pool from 1.2 million men available to a pool that is 18,000 from which you will make the calls, and all the people who are 20 concerned with equity surely will be concerned with that.

The call, however, for the first year could run across the range, and it does not have to be done in several age groups. You could declare that one age group, 19 to 26 shall be considered to be the same age, just as in the prime group, and call them by birth dates, so you could take all the January birth dates, for example, in the first call.

This would provide for a ratio of calls, because the men certainly have birth dates in approximately the same ratio across the year.

This plan would spread the call among all age groups for the first year, and then concentrate for future years on the approximate 19-year-old group, plus the men who had been deferred for education.

A lottery of each prime age group might be an acceptable way of determining which available men were inducted.

An oldest first call in the prime age group would seem to offer one advantage—men with birthdays early in the year could be sure for several years in advance that they would enter service, and could make plans accordingly. If a new birth date lottery occurred each year, each individual would continue to be uncertain of his relative place in the line until a few months before his year of maximum vulnerability began.

This proposal, then, requests a change in the order of call on a 2-year pattern, leading to the establishment of a prime age group. It requests the deferment of full-time graduate students across quite broad disciplinary categories, and it provides for a continuously monitored advisory list of critical occupations and essential activities.

Mrs. GREEN. Thank you very much.

Does any other member of the panel have any other comment they would like to make at this point?

I ask unanimous consent at this point to insert in the record approximately a hundred telegrams and letters that I have received from college presidents and university presidents across the country.

I would ask unanimous consent to include articles which I have on this particular subject, and also to include the speech which was made by Senator Ted Kennedy yesterday on the Senate floor in regard to his proposal for the draft.

Without objection, it will be in the record at this point.

(Documents to be furnished follow:)

S. 3052—INTRODUCTION OF BILL TO REVISE THE SELECTIVE SERVICE SYSTEM

Mr. KENNEDY of Massachusetts. Mr. President, I send to the desk a bill to revise the Selective Service System and I ask that it be received and appropriately referred.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 3052) to amend the Military Selective Service Act of 1967 to provide for a fair and random system of selecting persons for induction into military service, to provide for the equal application of deferment policies, to authorize an investigation of the feasibility of establishing a volunteer army, and for other purposes, introduced by Mr. Kennedy of Massachusetts (for himself, Mr. Case, Mr. Hart, Mr. Kennedy of New York, Mr. Mondale, Mr. Nelson, Mr. Tydings, and Mr. Yarborough), was received, read twice by its title, and referred to the Committee on Armed Services.

Mr. KENNEDY of Massachusetts. Mr. President, the hallmark of a free society is a pervasive spirit of individual freedom and choice. In contrast, the hallmark of a closed society is compulsion. We must, then, be ever alert when our free society demands for its survival some constrictions on individual freedom and choice.

The survival of the United States depends in part upon an effective armed force. To maintain that effective force, our military services today rely on the draft to supply them with a steady flow of qualified young men. We must recognize that the draft is inherently a constriction on individual freedom and choice, as it relies upon compulsion to accomplish its purposes. Because it does rely on compulsion, we must be certain that its operation diminishes individual freedom and choice as little as possible. If we do not, if we are not certain that our draft is as fair as we can make it, then we have curbed the pervading spirit of a free society unnecessary.

There are other powerful reasons for demanding that our method of military conscription be fair. Draftees are about 16.5 percent of total military strength. Draftees are 37 percent of total Army strength. They are 31 percent of Army strength in Thailand, and 42 percent of Army strength in South Vietnam. Draftees account for 41 percent of Army fatalities in South Vietnam. Draftees, then, account for less than 2 out of every 10 military men; but they account for 4 out of 10 Army combat deaths in Vietnam. Any system which must choose among equally qualified young men—some to be drafted, some not—must be as fair a system as we can devise.

The Vietnam war only serves to sharpen the focus on the draft. In past weeks draft calls have been revised upward. With the termination of graduate school deferments, the young men inducted to meet these higher calls will represent an entirely different cross-section of skills and motivations than has ever before confronted the military services. And as the intensity of the war increases, more and more draftees will wind up as war casualties. Consequently, I would expect the focus to get even sharper in the coming months.

In an effort to make our draft law fairer, I am today introducing a thorough revision of the law amended by Congress last June. The law now in effect is a patch-work of piecemeal additions and alterations. It satisfies no one. We must rewrite it, and must rethink its underpinnings, if we are to have a law which fairly reflects the spirit of our free society.

Before I outline my bill's major provisions, let me set out a brief outline of what took place last year. The Universal Military Training and Service Act, the successor to 1940's Selective Training and Service Act, was due to expire June 30, 1967. In preparation for congressional debate over draft law revision and extension President Johnson appointed a National Advisory Commission on Selective Service, chaired by former U.S. Assistant Attorney General Burke Marshall. The chairman of the House Armed Service Committee, Mendel Rivers, appointed a Civilian Advisory Panel on Military Manpower Procurement, chaired by retired Army Gen. Mark Clark.

After these two groups had made their reports, the President on March 6 sent to the Congress his message on selective service. This message recommended adoption, either legislatively or by executive action, of the major reforms proposed by the Marshall Commission. I had introduced a concurrent resolution on February 23, which would have declared it to be the sense of the Congress that these reforms were necessary and that the President should institute them by executive action.

During March, April, and May, three congressional committees held hearings on draft reform: the Senate Subcommittee on Employment, Manpower and Poverty, the Senate Armed Services Committee, and the House Armed Services Committee. On May 4, the Senate Armed Services Committee reported out an extension and revision of the draft law. This bill would have left wide discretionary authority with the President to institute the reforms recommended both by the Marshall Commission and the President himself.

The House Armed Services Committee, however, greatly changed the Senate-passed bill, adopting many punitive and restrictive provisions not in the Senate bill. The House adopted its committee's bill with little change. Virtually all of these provisions were adopted in the Senate-House conference, and this conference bill was accepted by the Senate on June 14 by a vote of 72 to 23. It was signed by the President in this form on June 30, 1967.

The bill I am introducing today is a complete revision of the law now in effect. This law now in effect is, as I have said, a product of the 1967 amendments being grafted onto the old law. My bill would repeal the law now in effect, and be a substitute for it.

Let me describe my bill's major provisions.

RANDOM SELECTION

In any situation short of total mobilization, only some men out of many must be involuntarily inducted for military service. This one simple and overriding fact precludes the draft from being completely fair and equitable.

But within the confines of this inherently inequitable framework—the necessity of choosing some men from among many—we can make drastic improvements over the system we have in effect now. The basis for this improvement is an impartial random selection system. This random selection system would be nothing more than a technique for determining, in as impartial a manner as possible, an order of call among those already determined qualified and available for service.

In the next few years, about 1,900,000 young men will reach age 19 each year. Thirty percent of these men, or 570,000, will be disqualified because they fail to meet the physical, educational, or moral standards of the Department of Defense. Another 30,000 will receive hardship deferments or legal exemptions. There will, consequently, be about 1,300,000 19-year-olds qualified and available for service each year. Based on past experience, some 570,000 young men will voluntarily enlist in a regular or officer program, leaving 730,000 qualified and eligible 19-year-olds who do not volunteer. Since the military requirements for new men might amount to 680,000 men, and 570,000 will volunteer, about 110,000 must be involuntarily inducted. And they must be inducted from among the 730,000 non-volunteers. This is the imperative of numbers: that our draft system must somehow choose the one young man out of seven qualified and available who will be involuntarily inducted into the military service.

These figures relate to a non-Vietnam situation, when our military strength reverts to its peace-time level of about 2.65 million men. This was the July 1965 level. Now, as the force level approaches 3.5 million men, more and more of the qualified and available men voluntarily enlist, and more and more must be involuntarily inducted. Thus, the problem is today not so much picking one man out of seven, as it is being sure that the one out of two picked and sent to Vietnam is picked in the fairest possible way.

In sum, then, there are two compelling reasons for adopting a random selection system of determining the order of call. The first is the desire to raise the element of equity to as high a degree as possible. The second is the imperative of numbers, of choosing one man out of seven.

My bill would require that the determination of order of induction be made by random selection. I have not written into the bill itself a specific plan for a lottery, as I prefer to give the President a measure of discretion in drawing up a plan and modifying it as conditions dictate. It is my understanding that a number of alternative random selection systems have been prepared by the executive branch, although they are not available for discussion publicly.

I have in the past proposed a specific plan for a random selection system. Under this plan, the Director of Selective Service would publish each month a list of numbers corresponding to the days in that month. Thus, there would appear on the list the numbers 1 to 31 for January, 1 to 28, or 29, for February, and so on. But these numbers would be arranged in a random sequence, which had been determined by a computer or some other means. The numbers for January, in this example, might read 11, 22, 7, 18, and so forth.

The Director of Selective Service would also set monthly quotas for each State, as he does now. Each State would set quotas for each local board in the State, as it does now. These quotas are based on proportionate formulas which involve the number of qualified and eligible registrants in a specific jurisdiction related to the number of such registrants in the Nations or State as a whole.

Each local board would also have, for each month, a pool of eligible young men. These men would be either 19-year-olds or constructive 19-year-olds, as I will later explain. In a non-Vietnam situation, this pool would have seven times as many men in it as are needed to meet the quota. Under the pressures of today's Vietnam requirements, the pool might have two or three times as many men as are needed to meet the quota.

If a local board, under this proposal, had a quota of 10 men for January, it might have 70 men eligible for induction. To choose the 10, it would refer to the list published by the Selective Service Director for January. Under this example, the first number was 11, the second 22, the third 7, and so forth. The local board selects first the man or men born on the 11th of January, next the man or men born on the 22d, and so forth until the quota of 10 men had been reached. These 10 would then be inducted. The remaining 60 men would not be called, but would, of course, continue to remain liable in the event of a national emergency. But these 60 would not be called until the pool of men in the following month had been exhausted. Thus, once the selection for a given month, had been made, those not selected could be reasonably certain of their status and make their plans accordingly.

Some local boards might face the difficulty of choosing between different men born on the same day. This apparent problem could be easily solved by arranging the letters of the alphabet in a random sequence for each month, and then choosing on the basis of the first letter of the last name.

I want to emphasize that the plan I have just outlined is intended only as an illustration of the feasibility of a random selection system. Under the actual term of my bill, local and State quotas would be replaced by regional quotas, or by a national quota, depending upon which organizational alternative the President actually instituted. A national system would be the most equitable, and I would personally favor it. The Marshall Commission report describes how a random selection system based on national quotas would work.

In short, random selection is workable. I hope that we can have some definite action, and action soon, to permit the introduction of a random selection system. In this regard, let me quote from Senate remarks by the distinguished chairman of the Senate Armed Services Committee, Senator Richard Russell, during the June 14, 1967, debate on the conference report on the Selective Service bill:

"The President has stated that the random system should be started before the first day of January 1969; and if he will propose, or the Senator from Massachu-

setts, or any of the other advocates of the random selection system, will introduce a bill that is reasonable and provides for a fair and workable random selection, we can get a law long before the first day of January 1969 . . . We had a firm agreement with the conferees of the other body that if the President would propose something definite that deals specifically with the subject of random selection, when and how it shall be applied, we would give it immediate consideration. I am not opposed to random selection. I have said that all the way through."

There is very little which can be added to that statement.

YOUNGEST FIRST

Today draft-eligible young men between 19 and 25 years of age are called in reverse order of age, the oldest man first. When draft calls are low, this policy has driven the average age of the involuntary inductee, at induction, to nearly 24 years. When draft calls are high, as they now are, the average age drops to about 19½ years, but when the draft calls are reduced the age will inevitably rise once more.

In 1966 the Defense Department reported to the Congress that a thorough study of the effects of this oldest-first procedure "clearly revealed that this policy was not desirable from any standpoint." Among the problems of oldest first pointed out in this Defense Department report were:

The uncertainty it generated in the personal lives of the draft-liable men, who lived "under the gun" of the draft for 2 or 3 years. In fact, 39 percent of draftees in the 22 to 25 age bracket were told at least once by a prospective employer that they could not be hired because of their draft liability. The comparable figure for those entering in the 19 to 21 age bracket was 27 percent, and for those entering in the 17 to 18 age bracket was 11 percent.

The incidence of deferment rises sharply with age. At age 19, only 3 percent of classified registrants had dependency deferments and only two-tenths of 1 percent had any form of occupational deferments. But at age 24, nearly 30 percent of all registrants were in just these two deferred categories. Consequently, a rising average age of induction multiplies the number of deferment decisions each local board must make, while compounding the uncertainty each registrant faces.

Combat commanders have consistently preferred 19- or 20-year-old recruits. These younger men are considerably more adaptable to combat training routines. Further, problems associated with dependents are less frequent, and the costs of dependents' care are lower, for the younger men.

This Defense Department recommendation has had unanimous support in the last 12 months, and the only matter of concern is why it has not been instituted. The Marshall Commission, the Clark Panel, the President's message, the Senate and House Armed Services Committees' reports—all these have urged adoption of a youngest first procedure.

My bill would require that the selection and induction be made from among the youngest qualified and available registrants, the 19-year-olds, and not leave this matter to Executive discretion.

STUDENT POSTPONEMENTS

The Marshall Commission was divided over the issue of deferments for undergraduate students. A majority recommended that no new student deferments be granted in the future, with certain exceptions. A minority felt strongly that student deferments be continued, but so administered to guarantee that the deferments in no case became exemptions. The Clark Panel recommended, in effect, that undergraduate deferments be continued.

The President's message contained no recommendation on undergraduate deferments, instead waiting for a public discussion of the issue. The Congress responded by guaranteeing undergraduate deferments for students in good standing, until their graduation or age 24, whichever came first.

One of the gravest inequities in our draft system—an inequity which was not corrected in last year's amendments, despite assurances to the contrary—is that what begins as a temporary deferment for college enrollment is easily extended into a de facto exemption. This happens through putting an occupational or some other deferment on top of a college deferment. Ultimately time and advancing age make the temporary deferments exemptions in fact.

Consequently, my bill makes a number of changes in provisions governing student deferments.

Under its provisions, high school students would be deferred until they finish high school, as the law now provides. The draft law should in no way contribute to the already severe high school dropout problem. If, however, a student did not finish high school until after his 20th birthday, he would upon graduation—or dropping out—be considered a 19-year-old for draft purposes, and be put into the pool of those qualified and available for selection. He would, consequently, be a “constructive 19-year-old.”

My bill would give a high school graduate another choice than facing exposure to the draft. He could choose to go on to college instead, thus postponing his entry into the pool of 19-year-old draft-eligibles and consequently his exposure to the draft. He would keep this postponement until he finished college or dropped out as the particular case might be, and would at that point be a “constructive 19-year-old.” Under no conditions could this postponement extend beyond the 26-year-old cut-off date for determining draft eligibility.

Thus, everyone who did not voluntarily enlist would at some point in his 19 to 26 year span be exposed to the chance of being drafted, equally with this contemporaries.

This system offers a high degree of flexibility to each individual in setting out his education and career plans. It offers the military a broad mix of inductees—most would get in after high school, and some after college. Thus the wide-ranging skills the military needs would continue to be made available to it.

Further, this system assures the military of a continuing supply of officers. Nearly 80 percent of each year's new officers enter military service from college sources. About half are ROTC students, and the other half enroll in a wide variety of other officer-training programs, either during college or upon graduation. There is some concern that ending undergraduate student deferments would greatly reduce this flow of new officers into the military services, with their obvious broad range of backgrounds and educational training.

Thus, this new optional feature would enhance individual flexibility and assure the military of a continuing flow of officers. But some experts have criticized this plan by pointing out that it offers those who can afford college the choice of postponing military service during times of a shooting war, like Vietnam. Most individuals would today certainly choose to go to college for 4 years, if they could, rather than be drafted and perhaps be sent to Vietnam. To meet this valid criticism, while retaining the high degree of flexibility, my bill provides that the optional student postponements be discontinued when casualties reach a certain point. It will describe the operation of this discontinuance below.

My bill would also broaden the definition of “student” to make clear that all bona fide students receive equal treatment under its optional postponement feature.

Unfortunately, today students in junior and business colleges, and students in apprentice and vocational courses, are given a different draft classification than students in colleges, in plain contravention of congressional intent. This 2-A classification makes them more liable to the draft than the 2-S college deferment. Quite rightly, these junior college and other students claim that the draft treats them as second-class students.

Secretary of Labor Willard Wirtz put the issue succinctly, as he usually does, when he testified on the manpower implications of Selective Service, on March 21, 1967:

“The question will be pressed more and more strongly of why and whether there should be any different treatment of young men who are in occupational training programs. My own answer is that there cannot justifiably be any such distinction made. It would be hard to prove, and it hasn't so far, that there is a larger value—either to the public or to the individual involved—in letting Bob finish college than in letting Jim complete his apprenticeship as a carpenter or letting John work his way up the unskilled steps toward a skilled job as a punch press operator.”

It is clear that junior college and business college students should be treated similarly, and not exposed to the draft in any higher degree than college students. There may well be administrative or management difficulties when dealing with the problem of less-than-full-time students, but the principle of equality of treatment must be held to be paramount.

The Senate Armed Services Committee made its feelings plain on the subject of apprentices, in its report on the draft law extension last May:

"If student deferments are to be continued, the Committee believes that apprentices should be permitted to qualify for deferments under conditions no more restrictive than those applicable to undergraduate college deferments . . . If an apprentice is full time, satisfactory, and making normal progress, he should be eligible for deferment as an apprentice in the same manner as a college student."

Once again, though the legislative history is very plain, the operation of the draft system is at odds with it.

My bill would give each bona fide student the same option: he could enter the draft pool after high school, or after his college or occupational training was completed. The GI bill, liberalized only recently, should spur many individuals to enlist or enter the draft pool right after high school, so that their education costs would be assisted in part under its provisions. But some proportion would undoubtedly prefer to wait until after college, and my bill gives them this flexibility while enhancing the overall equity of the system.

STUDENT POSTPONEMENT DISCONTINUANCE

I have already mentioned that the "timing" argument of offering optional postponements to students for draft purposes requires some mechanism to prevent discrimination against those who do not have the option of going to college or graduate school, for economic or other reasons. This mechanism is a discontinuance of the option whenever Armed Forces casualties reach a certain percentage of the monthly draft call.

During any period when our Armed forces are sustaining combat casualties, the President would be required to determine the total number of combat casualties each month. He would then put this figure beside the total number of registrants drafted that month. If the number of casualties reached 10 percent of the number of draftees, then the operational student postponement would be discontinued. But the discontinuance would take place only when the 10 percent figure was exceeded for 3 consecutive months. And when the discontinuance did take place, it would stay in effect for the following 12 months.

This discontinuance will insure that when draftees face an appreciable risk of being sent off to a shooting war, all young men must stand as equals at that particular time before the draft process. To permit some to elect to enter college, thus postponing exposure to the draft for 4 years, while denying this election to others, would be to continue one of our present system's worst features.

It is important to note that the discontinuance would not apply to students already in college or occupational training when the 10-percent figure was reached. These students made their choice to enter college or training not out of a desire to avoid being drafted into a shooting war, because the shooting had not reached an appreciable extent when their decisions were made. Thus, it would apply only to those whose decisions on whether to take up the option was made in the light of combat casualties.

It is also important to note that even when the 10-percent limit has been reached and the option discontinued, those not actually selected for induction would be free to go on to college, school, jobs, or whatever.

Casualties in Vietnam are running above 10 percent of the draftees. In the first 6 months of 1967, draftees totaled 87,600 and casualties 37,500—or over 40 percent. Consequently, my bill would discontinue the granting of student postponements during the Vietnam war.

This discontinuance provision insures that the option feature is fair.

CONSCIENTIOUS OBJECTORS

That there exists in our draft statute a formal provision exempting conscientious objectors from combat duty is a credit to our democracy. It is legislative recognition that our society is strong enough to accommodate those who cannot in conscience participate in the killing of other men.

Conscientious objection can take either of two forms under the statute, depending on the nature and extent of the objection. A conscientious objector may be assigned to noncombat service in the military, such as in hospitals or in administrative work. Or, he may be assigned to 2 years of civilian work, if he objects to both combat and noncombat military service. A number of this latter group are serving as civilians with voluntary agencies in Southeast Asia.

Until last year, the law on conscientious objectors was quite clear, the Supreme Court in the 1965 case of *United States against Seeger* having interpreted the law and laid down some guidelines. But last year's amendments overruled the *Seeger* case, in effect, by eliminating the language on which the decision rested.

The old law granted conscientious objectors status to an individual who "by reason of religious training and belief is conscientiously opposed to participation in war in any form. Religious training and belief in this connection means an individual's belief in a Supreme Being involving duties superior to those arising from any human relation."

In the *Seeger* case, the Supreme Court interpreted this language to mean "a given belief that is sincere and meaningful and occupies a place in the life of its possessor parallel to that filled by the orthodox belief in God of one who clearly qualifies for the exemption."

The new law eliminates the Supreme Being clause, thus implying that only an orthodox belief in God will qualify an individual for conscientious objector status. This apparently overrules the *Seeger* case. The Selective Service System has told its State and local boards that the change means a narrower definition of conscientious objector. This accords with the views of a majority of local board members in one State who, according to the Marshall commission report, feel that conscientious objectors should not be deferred at all. On the other hand, a number of lawyers experienced in this field believe the courts will still uphold *Seeger*, on the other grounds. But this important subject will be unclear until eventually resolved by the courts.

My bill would restore the language of the statute as in effect before the 1967 amendments. This would have the effect of reinstating the *Seeger* case as the controlling precedent.

UNIFORM NATIONAL STANDARDS

A consistent criticism of our present draft system is the utter lack of uniformity in its interpretation. The basic cause of this lack of uniformity is the wide variance in guidance the local boards receive.

That guidance comes in the form of the statute itself, regulations, operations, bulletins, local board memoranda, directives, and letters of advice. The State directors also may issue instructions to the local boards. As a result, local boards across the country receive varying amounts of guidance on the same subject and the guidance is often conflicting.

In 1966, 39 State directors issued 173 bulletins, directives, or memorandums to their local boards dealing with deferment policies. Some State headquarters sent no guidance; one headquarters sent 13 separate sets of instructions. The resulting potpourri of deferment policies should surprise no one.

Alabama and New York treated the results of the college qualification tests as mandatory; Idaho and Texas said they were only advisory.

New York City and Oklahoma defined "full-time student" as one taking 12 semester hours; Oregon and Utah used 15 hours; Florida adopted the definition of each individual college or university; Kentucky classified any registrant attending school "below college level" as 2-A—occupational deferment; Arkansas classified registrants in "business school or similar institution" as 2-S—student deferment; Kansas classified registrants in a "vocational, technical, business, trade school, or any institution of learning below college" level as 2-S;

Missouri and Illinois would not cancel induction orders if the registrant submitted a "pregnancy statement." New Mexico would;

Three civilian pilots doing the same job for the same airline were called for induction; one board deferred two of them, while another board classified the third as 1-A; and

Returning Peace Corps volunteers are put at the top of the list in some States, while others put them at the bottom.

Further examples of the variability of local board performance in applying our draft law are as numerous as there are boards making decisions. This variability is one clear reason why cynicism about the system is so rampant.

Dissatisfaction about the lack of uniformity is not limited to the registrant themselves. The Marshall Commission reports that 46 percent of local board members believe that more specific policies on occupational deferments are needed, and 40 percent believe that more specific policies on student deferments are needed. Once again, we find an anomaly in the operation of our draft system: The President has proposed "that firm rules be formulated, to be applied uni-

formly throughout the country," the Marshall Commission has so recommended, fairness and commonsense so demand, and nearly half of local board members themselves so believe would be an improvement.

The 1967 amendments permit the President to establish national standards for classification, and to require that these standards be uniformly administered throughout the country. My bill would make the adoption of national standards and criteria mandatory, and would require that they be administered uniformly.

I should point out that these national standards would not be utterly inflexible, because they deal not with mathematical measurements but with human beings. The point is simply to be as sure as we can that a young man in one part of the country faces the same exposure to the draft as in another part of the country.

Accidents of geography should not determine who goes to war and who does not.

HARDSHIP DEFERMENTS

Hardship deferments must be continued. There are many individual cases where drafting a young man would cause a severe hardship either to him or to his family. One case often cited as an example is that of the 19-year-old boy who works to support his widowed mother and his brothers and sisters. Taking the wage earner away from his family for 2 years in this instance is an undesirable hardship.

Under my bill, the initial hardship deferment classification would be made by an area Selective Service office, instead of by local boards as is now the case. Appeals regarding this initial classification would be presented to local boards. This combination will assure a greater uniformity than presently exists in conditions governing hardship deferments, but at the same time retain the familiarity with local problems which is potentially a distinguishing mark of the local boards.

OCCUPATIONAL DEFERMENTS

When he testified on the Manpower Implications of Selective Service, Secretary of Labor Willard Wirtz said:

"It is my position that there is little basis in the present or prospective manpower situation for any 'occupational deferments' from military service—especially if the draft call is concentrated on the 19-year age group."

He made this unequivocal statement from a unique vantage point: Secretary Wirtz is this Nation's chief manpower specialist. In the past, he was charged with determining which "critical occupations" should be deferrable. So he made that statement with a broad background of expertise. He also pointed out that more than half of those with occupational deferments were in jobs classified as neither essential activities nor critical occupations.

The Marshall Commission made a similar recommendation, saying that "no new deferments for occupation should be granted in the future." In the 1967 amendments to the draft law, Congress directed the National Security Council to recommend policies on occupational deferments. Pursuant to this directive, the National Security Council recommended on February 16, 1968, that occupational deferments be discontinued. Its memorandum of advice said in part:

"The National Security Council advises that the Secretaries of Defense, Labor and Commerce should maintain a continuing surveillance over the nation's manpower needs and identify any particular occupation or skill that may warrant qualifying for deferment on a uniform national basis. When any such occupation or skill is so identified, the Council will be notified so that it may consider the need and advise the Director of the Selective Service System accordingly.

This recommendation is based on these considerations:

The needs of the Armed Forces do not now require such occupational deferments.

The needs of the civilian economy do not now require such occupational deferments.

The inherent inequity, at a time when men are called upon to risk their lives for the nation, in any such occupational deferments from military service which may in practice turn into permanent exemptions."

That, too, is an unequivocal statement.

But the advice transmitted to State directors of the Selective Service, and to local boards, varies widely from that advice. General Hershey's telegram to State

directors, pursuant to this National Security Council memorandum, states in part:

"Each local board (is left) with discretion to grant, in individual cases, occupational deferments based on a showing of essential community need."

This is clear evidence that occupational deferments are not ended at all—rather, they are continued, and left to the discretion of the 4,084 local boards. There will, consequently, be 4,084 different sets of rules governing occupational deferments. This may well be a step backward: in the past, only half of those with occupational deferments received them based on the unguided judgment of local boards; the other half were in jobs listed as essential or critical. Now, however, there is no national guidance, in direct opposition to the National Security Council recommendation.

The effect of this broad discretion is clear. A high-ranking officer of a defense contractor said this week that about 800 of his company's 90,000 employees were affected by the new rules. But he added that he expected the local draft boards to continue the deferments of many of these affected employees.

Part of the reason for this officer's assurance is a little understood quirk in the way the system today operates. Although a registrant cannot change his local board if he moves, a man with an occupational deferment can use the appeal board in the area where he is employed. It is very easy to visualize this picture: a man now living and working in another city is denied an extension of his occupational deferment by his own local board. He then takes his case to the appeal board serving his new community. Because the appeal board is sensitive to the economic needs of its own area, it would probably view of the continuation of the occupational deferment as essential to its own community need. Statistically, appeals boards in industrial areas reverse local boards by reinstating occupational deferments taken away by the local boards far more often than any other reversal action.

In sum, there can be only one conclusion: so long as we continue occupational deferments, special privileges granted to some individuals but not others will protect the former from equal exposure to the draft.

One other important factor militates against continuing occupational deferments: they can be the vehicle for pyramiding deferments into exemptions. This loophole exists right now, as it has in the past. Until it is corrected, we will not have a fair draft system.

My bill would discontinue occupational deferments, except upon a Presidential finding that a particular skill or occupation warrants deferment on a uniform national basis. This would preclude the occupational deferment from becoming the protected haven it is to day.

MILITARY YOUTH OPPORTUNITY SCHOOLS

Each year, some 700,000 young Americans are found unfit for military service. This is about one-third of all the young men examined. About half are disqualified because of health deficiencies, and the other half because of educational deficiencies.

The Marshall Commission called these "alarming statistics, affecting directly our national security." Few could or would question that judgment.

These failures reflect inadequate education, poor medical facilities, poverty, discrimination—the litany of social ills which we as a Nation are committed to overcome. The problem we face is eliminating the conditions causing the reasons for rejection. To do so, we must reach far back into each individual's years of development and training. We cannot expect the military services to do this.

But the Department of Defense is making determined efforts to reduce the number of rejectees. Foremost among these efforts is Project 100,000. Assistant Secretary of Defense Thomas Morris described Project 100,000 in these terms when he testified on the manpower implications of the Selective Service:

"Under this program, we have made revisions in our mental and physical qualification standards. Under these standards, our objective is to qualify 40,000 men in the 12-month period ending September 1967, and 100,000 per year in subsequent years. These men would not have been accepted under the draft standards or enlistment policies previously in effect. They are, typically, men who, because of lack of educational opportunity or incentives, have done poorly in formal classroom achievement. It is our judgment that these men can best be trained, therefore, in our established training centers and schools, along with

other new recruits to service. All but a small fraction of these men, we believe, will require no special assistance to complete their basic training."

Project 100,000 completed its first year on September 30, 1967. Its goal was to take 40,000 rejectees; it actually took 49,000. About 85 percent would have failed the educational tests, and 15 percent the physical tests without a revision in the standards. About 60 percent were volunteers, and 40 percent came through the draft. Sixty percent were white, and 40 percent Negro or other nonwhites. The average age was 21. Thirty percent were unemployed, and another 26 percent earned less than \$60 a week. The average reading score is barely at a sixth grade level; 14 percent read at third grade level or less.

Secretary of Defense McNamara has said that the Defense Department began Project 100,000 because it was convinced that "given the proper environment and training, they can contribute just as much to the defense of their country as men from the more advantaged segments of our society."

The results of Project 100,000 bear out this conviction. Ninety-eight percent of traditional categories of recruits finish basic training: 96 percent of Project 100,000 men graduated—only 2 percentage points less than the traditional recruits. Many military commanders report that these men turn out "to be even more highly motivated than some servicemen with a much more privileged background," to quote Secretary McNamara. This is evidence that Project 100,000 has in no way caused a dilution of our actual military performance standards, and has in fact augmented these standards.

At this point, I should note that Project 100,000 has done considerably more than augment our military performance standards. Because it takes a large number of volunteers—60,000 this year—who previously would have been rejected, it reduces the number of men who must be drafted. And because it gives skill and occupation training to young men previously classified as dropouts from society, it has reduced welfare burdens and increased job opportunities.

Project 100,000, then, is a marked achievement, and its accomplishments deserve acclaim.

But there is more the military services could achieve. To quote the Marshall Commission:

"The Commission feels that any American who desires to serve in the Armed Forces should be able to serve if he can be brought up to a level of usefulness as a soldier, even if this requires special educational and training programs to be conducted by the services."

The Department of the Army made a limited attempt at a program of this type in 1964, and called it the special training enlistment program—STEP. It was designed as an experimental program of military training, educational and physical rehabilitation of enlistees who fell short of regular standards, but who could be brought up to these standards with short periods of educational training or medical rehabilitation. Normal basic training costs about \$3,800 per trainee; the additional cost per trainee in the STEP program was estimated at \$2,100. The program was to be made available to 15,000 enlistees a year. The project was never actually undertaken because of a specific objection to it contained in the Defense Department appropriation bill.

My bill would require the Secretary of Defense to study and investigate the feasibility of military youth opportunity schools. These schools would offer special educational and physical training to volunteers who did not meet the current induction standards. The Secretary of Defense would report to the President and the Congress on the results of this 1-year study and is given considerable latitude in making the study.

These schools are a logical extension of the successes of Project 100,000. They could further increase the percentage of volunteers in service, and further reduce draft calls. They would produce highly motivated, all-volunteer servicemen, and they would help correct the social imbalance afflicting our society while increasing our military capabilities.

STUDY OF VOLUNTEER ARMY

Public figures with as widely divergent views as Barry Goldwater and John Kenneth Galbraith and associations as diverse as the Ripon Society and the New Left have urged that the draft be scrapped in favor of an all-volunteer army. Sixty-one percent of students polled at the U.S. Youth Council favor a volunteer army.

An all-volunteer army would certainly be closer to the spirit of a free society, as it would require no compulsory service. It would reduce turnover in the serv-

ices, and thus reduce cost. It would probably raise the level of skill of each individual serviceman. It would eliminate the problem of the conscientious objector. And it would remove all problems of uncertainty.

But at least one problem with an all-volunteer army is illustrated by the same U.S. Youth Council poll which showed 61 percent of the students in favor of an all-volunteer army: 58 percent of the students said they personally would not volunteer. There are as well a number of other problems. The estimates of the cost of an all-volunteer army—primarily in higher salaries—range from \$4 billion to \$17.5 billion. Some experts have claimed that an all-volunteer army would be largely Negro. An all-volunteer army may not have the flexibility we need to meet widely changing manpower needs. Finally, there is some danger that an all-volunteer army of professionals, together with the military-industrial complex which would support it, would represent an ever-present threat to political freedom.

At present, we do not have enough specific information to decide whether these problems are more apparent than real. For that reason, my bill requires the President to conduct a 1-year study of the costs, feasibility and desirability of replacing our present combination of voluntary and involuntary inductions with an entirely voluntary system of enlistments. The President would report to the Congress on his findings and recommendations.

The voluntary army concept is of high importance. But we need considerably more information than we now have to determine whether it is the right system for our society. My bill would provide us with this information.

STUDY OF NATIONAL SERVICE ALTERNATIVE

A subject much discussed in the past few years is whether we can devise some form of nonmilitary national service as an alternative to military service. A corollary subject has been the feasibility of compulsory national service for all young Americans, including both military and nonmilitary service.

Both subjects have much merit. Many young people in this country feel a strong obligation to serve their country or their fellow man through some form of public service. Many of these same young people, however, feel strongly that they can make more substantial contributions in nonmilitary service. The overwhelming response from all across the country to the Peace Corps, to VISTA, and to the Teacher Corps indicate that our young people are committed and willing to serve their country.

A number of different specific proposals for national service have been put forward.

Gen. Dwight Eisenhower has suggested that we adopt a system of universal training for all young men. It would be a system of military, physical and remedial training, administered by the Department of Defense. Only those with serious physical and mental defects, and those who volunteered for military service, would be exempt. General Eisenhower's proposal would be designed to promote physical fitness and self-discipline among America's young men.

Some have suggested a system under which all qualified young men would serve in the military or in a variety of civilian programs for 2 years. Those who elected military service would receive either higher pay, or serve a shorter period of time than those in civilian programs. Because this is a compulsory program for all young men, it would reduce the present draft inequities.

Others have suggested a system of voluntary national service. Under this proposal, those who did not want to enter the military services could instead elect an alternative form of service, and they would in this way satisfy their draft obligation. They would serve longer or receive less pay and other incentives than those in the military services, in an effort to equate the two different forms of service. Clearly, this system would have to be discontinued in times of a shooting war, to prevent some young men from opting their way out of the risks of being sent into combat.

All of these proposals have obvious merit. Youths in national service here at home could help solve some of the major problems confronting our society, such as education, conservation, housing, medical care and others. They could do so by providing manpower for neighborhood health centers, legal aid, managerial assistance, a "disaster corps" to help victims of earthquakes, floods and other disasters. Overseas, as the Peace Corps has illustrated, the needs are just as great. In short, there are vast numbers of jobs to be done, and we are now making the manpower we potentially can available to get the jobs done.

My bill would require the President to make a study of the feasibility of a National Service Corps in which individuals seeking nonmilitary service could fulfill their obligation of service to the country. The President would report to the Congress on the results of his 1-year study.

DRAFT AS PUNISHMENT

Mr. President, military service is and should be an honor and a privilege. It should in no way be considered a punishment.

For that reason, my bill would prohibit local boards from reclassifying draft protestors as delinquents and subjecting them to immediate induction. Instead, whenever a protestor took part in any illegal activity, he would be prosecuted under the law's criminal provisions and, if found guilty, be punished accordingly.

We should in no way protect draft protestors from the processes of the law. But neither should we draft them and send them off to serve beside men who are proud to be serving their country. My bill would prohibit using the draft as a punishment and would instead rely upon the U.S. attorneys and the courts to enforce the provisions of the law which govern illegal activities.

SELECTIVE SERVICE DIRECTOR TERM

Most Presidential appointments carry a fixed term of service, and are not open-ended. My bill would conform the Selective Service law to most other Federal statutes, by requiring that appointment as Director of the Selective Service be for a 6-year term, and that at the end of the 6-year term the President must make a new nomination and the nomination must be confirmed by the Senate. There is no prohibition against renomination of the same individual as many times over as the President requires. This new provision would not apply to the current Director, General Hershey.

ALIENS

Under our draft law, aliens are subject to confining, confusing, and discriminatory treatment. For example, when the law was written, the NATO countries required 18 months' service. The law consequently provides that an alien in this country who has served 18 months in the military service of a nation with whom we are allied, is not subject to draft in the United States. But since this provision was written into the draft law, the NATO countries have lowered their service requirement to 16 months. Thus, aliens who have fulfilled their military service in their own country, and are now in this country, find themselves subject to our draft. This is in direct contravention to a number of treaties in force between this country and our allies.

Numerous other examples of the need to revise our draft policies toward aliens were made by the Department of State to the Marshall Commission.

By bill adopts the recommendations of the Department of State with regard to aliens and the draft. These are:

That all nonmigrant aliens should be exempt from military service.

That resident aliens should not be subject to military service until 1 year after their entry into the United States as immigrants.

That 1 year after entry, all resident aliens should be subject to military draft equally with U.S. citizens unless they elect to abandon permanently the status of permanent alien and the prospect of U.S. citizenship.

That aliens who have served 12 months or more in the Armed Forces of a country with which the United States is allied in mutual defense activities should be exempted from U.S. military service, and credit toward the U.S. military service obligations should be given for any such service of a shorter period.

These changes can assure that our draft policy toward aliens is coherent, and rational, and that it comports with our international treaty obligations.

JUDICIAL REVIEW

The 1967 amendments added a provision to the law which denies judicial review of any draft classification and processing action, unless the registrant is a defendant in a criminal action. In other words, the decisions of the Selective Service System are insulated from the reins of Federal Court review unless one desiring to challenge the decisions accepts the stigma of being charged with a criminal violation of the draft law. This is surely an extraordinary interpretation of the process.

This provision was intended to prevent cases similar to Wolff against Selective Service Local Board 16. In that case, the U.S. Court of Appeals for the Second Circuit held that by reclassifying participants in a demonstration against the Vietnam war as "delinquents" and subjecting them to immediate induction, the local board had both exceeded its jurisdiction and had caused an immediate and irreparable injury to the participants' constitutional rights. Consequently, the suit was sent back for further hearing by the district court.

In its opinion, the second circuit noted that:

"Normally it is desirable not only that the administration (of the draft law) function with a minimum of judicial interference but also that, when the administration does err, it be free to work out its own problems. But, as noted above, there are competing policies and when as here a serious threat to the exercise of First Amendment rights exists, the policy favoring the preservation of these rights must prevail."

The court pointed out that the National Appeal Board had concluded unanimously that the reclassifications were valid, and that General Hersey had stated repeatedly that the reclassifications were proper. Thus, it would have been a futile recourse to pursue the normal appeal procedure, and the Federal court thus accepted jurisdiction.

Now, that is all changed. If the same demonstrators were today reclassified, they could seek judicial review only when they had been through the entire appeals process, and only after they had been inducted—when the reclassification would be moot; or had refused induction—when they would be charged with a criminal violation of the law. Further, the courts would be virtually prohibited from considering the question of the local board's exceeding its jurisdiction in the reclassification proceeding.

I think this is an unprecedented attempt to work mischief with constitutional rights, and that it should be stricken from the law. Accordingly, my bill would strike it.

PROSECUTOR'S DISCRETION

The 1967 amendments require the Attorney General of the United States, on the request of the Director of Selective Service, to prosecute a given selective service case or to advise the Congress, in writing, of the reasons for his failure to do so. This is a virtually unprecedented provision, and goes against the grain of our long established legal protection. Only experienced prosecutors have sufficient judgment to determine whether a given case merits the expenditure of public funds, or whether a case would not merit such an expenditure.

My bill restores the provision of the old law, giving prosecutorial discretion back to the prosecutors.

LOCAL BOARD DISCRIMINATION

The present draft law prohibits discrimination in determining the composition of local boards—but only discrimination on account of sex. Despite the fact that the racial discrimination issue has already been raised in court cases, the law nowhere prohibits discrimination on account of race, religion, or creed. Should we interpret the explicit mention of discrimination by sex to mean an implicit acceptance of discrimination on other grounds? I, for one, would hope not.

But to be sure, my bill would explicitly prohibit discrimination by race, color, creed, or sex in determining the composition of local boards.

My bill makes another change in the law governing the composition of local boards: it requires the membership of a local board to represent all elements of the public it serves, insofar as practicable. The Marshall Commission developed statistics which clearly reveal how unrepresentative local boards are in many instances. At the time the Commission report was issued a year ago, Alabama had no nonwhite local board members, yet more than 30 percent of the State's population was Negro. In New York City, 4.6 percent of the local board members were nonwhite yet 14.7 percent of the city were nonwhite. In the District of Columbia, 36.2 percent of the board members were nonwhite, while 54.8 percent of the District were nonwhite. And in Massachusetts, six-tenths of 1 percent of board members were nonwhite, while 2.4 of the State were nonwhite.

The statistics are a cause of great concern, and the President has requested General Hershey and the State Governors to bring local boards more in line with the population they represent. My bill would require that the boards be so constituted, and not leave it to the discretion of the Director of the Selective Service and the State Governors.

REORGANIZATION OF THE SELECTIVE SERVICE SYSTEM

The Marshall Commission concluded that "the United States has outgrown its Selective Service System." It presents a wealth of logic, statistics, facts and findings which reinforce this conclusion. This information also justifies a second conclusion: that the System has operated for 25 years with dedication and selfless patriotism on the part of those officials charged with its administration.

Today's structure is built on the concept of the local boards, which the Selective Service characterizes as little groups of neighbors on whom is placed the responsibility to determine who is to serve the Nation in the Armed Forces and who is to serve in industry, agriculture, and other deferred classifications.

In point of fact, this characterization is inaccurate. The Marshall Commission points out that "the 'neighborly' character of local boards seems to exist more in theory than in fact."

There are a number of reasons for this. Most boards in urban areas operate in anonymity. More than half of metropolitan local boards are centrally located and operated. A large percentage of local board registrants have not lived in the local board area for years. Local board clerks perform a great deal of the work—to such an extent nearly 20 percent of local boards report that nine out of ten classification decisions were virtually automatic.

Based on these facts, the Marshall Commission recommended a restructuring and consolidation of the Selective Service System along these lines:

A national office, similar to that now existing;

A series of regional offices, perhaps eight in number, corresponding for national security reasons to the eight regions of the Office of Emergency Planning;

A series of area offices, numbering 300 to 500, corresponding to the 231 standard metropolitan statistical areas, the 149 cities over 25,000 outside these SMSA's at least one area office in every State;

Appeals boards operating contiguous to these three types of offices.

Under this plan, registration and classification would be handled at the area offices. Local boards would be retained, but their function would be changed. The local boards would become the registrant's court of first appeal, and they would have the authority to sustain or overturn classifications made in the area offices. This insures that the great strength of the local boards—a group of citizens divorced from the Federal system—would be applied where it is most critical.

My bill would change the present law by requiring that the system be reorganized as proposed by the Marshall Commission. President Johnson indicated a year ago that he was establishing a task force within the Government to review the Marshall Commission recommendations, to determine their "cost, the method of implementation, and their effectiveness." I am sure that by now this task force has completed its work, and that its findings can speed development of the new structure.

This new structure can increase the likelihood that the draft law will be administered not by a rule of discretion, but by a rule of law.

CONCLUSION

I have outlined above a brief explanation of the major changes my bill would make in our selective service laws. These changes are badly needed.

The recent announcement regarding the termination of graduate school deferments is yet another illustration. That action will make about 225,000 graduating college students and first year graduate students immediately eligible for the draft in June. The draft call for the year beginning July 1 is expected to be about 240,000. In other words, nearly all the draftees will be graduate students and recent college graduates.

The army is not happy with this fact. Neither are the graduate schools whose enrollment will be drastically reduced. And neither are the graduate students whose course of study will be interrupted. It has been reported that other methods of handling the transition between blanket graduate student deferment and prohibition against graduate student deferment were recommended. One of the fairest of these was made by Nathan Pusey, president of Harvard University. It has also been reported that the Selective Service System advised that it did not have the management skills to put any of these alternative recommendations into effect.

That is, to my mind, a serious indictment of our Selective Service System. Because of its archaic structure and procedures, we were forced to adopt a mechanism which satisfies no one.

We need draft reform today, just as we did last year and the year before. We have not been protecting our individual freedoms as jealously as we might in our draft law, and for that reason alone we must change it.

Mr. GRUENING. Mr. President, will the Senator from Massachusetts yield?

Mr. KENNEDY of Massachusetts. I am happy to yield to the Senator from Alaska.

Mr. GRUENING. I applaud the efforts of our distinguished colleague the senior Senator from Massachusetts to reform the draft. It has been full of inequities and injustices which are widely known, but nothing has been done about. Particularly do I applaud his thinking about the desirability of a volunteer army. I would go a little further than he has because in this particular war I think the draft itself is most unfortunate and indeed is a major inequity. We have had it before in previous wars, but I think more widely spread throughout our land in regard to this particular war is the feeling that there is less justification for it than for our previous wars in which the elements of national danger or national security were evident; whereas, in my view, these factors are not present at all in this war in Southeast Asia for reasons which I have frequently stated.

Let me say that we should consider very seriously eliminating the draft to this extent; namely, that we should allow draftees to choose whether they wish to serve in Southeast Asia or not. The reason for that is—and I think it is amply justified—if a man enlists in the regular Armed Forces, whether it be the Army, Air Force, the Navy, or the Marine Corps, he knows when he takes his oath of enlistment that he has got to go where the Commander in Chief sends him. He may not like this war. He may feel that it is wrong, but he has made a commitment. The draftee, on the other hand, does not have that choice.

I am convinced that the amendment which I have sought twice previously to introduce, without success so far, if adopted, would perhaps result in half the volunteers going to Southeast Asia for one reason or another. I can document that estimate by citing a specific example.

I have a grandson who volunteered for service in Vietnam. He is a 19-year-old. He is in the paratroopers. He believed that he should go. I think that if such an amendment were enacted perhaps half of the draftees would go to Southeast Asia and perhaps half would not.

It certainly would be a good affirmation of the principles of freedom which we allegedly espouse if that were to be done. It would strengthen support for the war in Vietnam.

I feel definitely that a volunteer army is and should be a thing of the future, that we should have a professional army composed of volunteers, adequately paid, and adequately compensated in case of injury, and so forth; but to conscript our boys to go down there and fight, in many cases against people against whom they feel they have no grievance, and perhaps die in the process, particularly when we think of the terrific corruption which the Senator from Massachusetts has recently so ably called attention to, is in my view unjust and indefensible.

Our boys are dying in Vietnam to help keep in office a corrupt regime, a regime which freely permits draft evasion of its own boys. Desertions from the South Vietnamese Army are tremendous. There were 96,000 of them in 1966. In 1967 that number rose to 110,000.

Therefore, I hope that when this proposed legislation is heard in committee and debated on the floor of the Senate, the Senator from Massachusetts will consider a modification which will make it possible to allow draftees to choose whether they will or will not go to Southeast Asia.

Mr. KENNEDY of Massachusetts. I appreciate the comments of the Senator from Alaska. I know that he has been long interested in a volunteer army, along with other Members of the Senate. He has made his case with great eloquence and great feeling. I also know that in the course of any kind of study concerning a volunteer army, the views and comments of the Senator from Alaska would be extremely valuable and will be weighed by the Members of this body.

Mr. GRUENING. I would be most happy, when the Senator holds hearings, to present my views. This is such a burning question and goes so deeply to the hearts and minds of our younger generation—as well as the older generation, for that matter, the parents of these boys—that I think we should have full discussion and exploration of the subject.

Mr. KENNEDY of Massachusetts. I very much appreciate the comments which the Senator from Alaska has just made.

STATEMENT ON SELECTIVE SERVICE

(Statement by executive committee of the National Association of State Universities and Land-Grant Colleges)

1. The recently announced Selective Service regulations will have their major impact on the oldest eligible young men. We consider this impractical.
2. If these regulations prevail, universities will be unable to fill their responsibilities to the nation. This is not in the national interest.
3. In other than the medical, dental, and allied specialties, blanket deferments for graduate students are not now necessary.
4. Universities *can* perform the services the Nation expects if selection falls equitably on all ages in the eligible pool. This we recommend.

The statement is consistent with the statement of policy adopted by the full Association at the annual meeting in November, 1967, and subsequently transmitted to President Johnson. Information before the committee was to the effect that implementation of this recommendation can be carried out administratively within existing law. Although the law requires that, within designated age groups, the order of call be oldest first, the law also authorizes designation of age groups from which monthly induction calls shall be filled; and spreading of impact of induction calls "variously among the age groups designated."

NATIONAL ASSOCIATION OF
STUDENT PERSONNEL ADMINISTRATORS,
February 20, 1968.

HON. EDITH GREEN,
House of Representatives, Committee on Education and Labor, Special Subcommittee on Education, Rayburn House Office Building, Washington, D.C.

DEAR MRS. GREEN: Enclosed is a copy of a statement from the Executive Committee of the National Association of Student Personnel Administrators concerning the potential detrimental effect of present Selective Service regulations for graduate students on the undergraduate student at the colleges and universities in the United States. The statement, I believe, expresses our real genuine concern for how these regulations may affect the undergraduate student. The Executive Committee sincerely hopes that the potentially destructive effect can be minimized.

Sincerely yours,

CHESTER E. PETERS,
Director of Professional Relations and Legislation.

POTENTIAL DETRIMENTAL EFFECT OF SELECTIVE SERVICE REGULATIONS FOR GRADUATE STUDENTS ON THE UNDERGRADUATE STUDENT

The members of the National Association of Student Personnel Administrators are committed to facilitating the growth and development of students in the most effective ways known. Increasing efforts are being made to expand the opportunities of college youth to have and profit from significant encounters with responsible adults.

Educational institutions are being pressed very severely to stretch the educational dollar. The result is an ever-increasing student-to-faculty ratio. With this ratio rising, the demand for research increasing, the opportunities for obtaining research dollars increasing, and the "publish or perish" demands for promotion and recognition, the student is in danger of becoming the forgotten man. His needs will be met less effectively as concerns of the nation focus increasingly on other problems.

What will happen to the university student if an important segment of the teaching or teacher facilitating faculty (graduate student teacher, or teacher aides) are withdrawn from the university at one time (namely at the close of the spring term, 1968) because of the present Selective Service regulations? The implications of the full power of the Selective Service Act upon the graduate student means that the enrolled undergraduate student will be taught in larger

classes, will be able to have less contact with remaining faculty, will be more isolated from significant encounters with adults or at least will have less opportunity of having these encounters.

The Executive Committee of NASPA recommends that serious consideration be given to the implications of the new Selective Service regulations as they relate to the graduate students and the concurrent effect on the welfare of the undergraduate student body of the colleges and universities of higher education in the United States.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., February 29, 1968.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: This afternoon at your request we delivered to your office a four-point proposal for a solution to the Selective Service problem. This proposal was adopted unanimously by our Commission on Federal Relations at its meeting on November 27, 1967.

Two things have occurred since we issued our four-point program. One is the reaffirmation by the National Security Council that no change should be made in Selective Service induction as it then existed. The second is that there has been increasing discussion of what Chairman Mendel Rivers refers to as the "modified young age system" in his letter of February 20 to General Hershey.

As we understand this system, it would provide for the induction of men of each given age group in proportion to the number of eligible men in each age group. This would have essentially the same effect as our proposal number one—in that it would spread vulnerability to induction proportionately, by age, to all those available for military service. It would, therefore, be entirely consistent with the position we took on November 27, 1967.

Sincerely yours,

JOHN F. MORSE,
Director, Commission on Federal Relations.

PROPOSAL BY AMERICAN COUNCIL ON EDUCATION

The Council's Commission on Federal Relations, meeting in Washington this week, urged the adoption of four steps to meet projected problems in the field of graduate study created by the new draft law. Commission Director John F. Morse emphasized that the commission does not favor broad deferments by special category for graduate students, but that it recommended to high government officials the adoption of steps that would subject such students to the draft on an equitable basis.

Commission studies show that, under the new draft law, which eliminates all deferments of graduate students except in certain medical fields, graduate school enrollment next year will be limited in the first two years to women, veterans, men physically disqualified, and those over 25 (see *Bulletin*, Vol. XVI, No. 35).

The four steps were drafted by the commission under the chairmanship of Indiana University President Elvis Stahr and are as follows:

1. That for the immediate future a prime age group (age 19) be designated as first to be inducted and that those past age 19 without military service and not entitled to deferment be treated as if they were 19. The order of call within this pool would then begin with the oldest first, by month and day of birth.
2. That legislation be introduced to provide a random selection system as a long-range solution.
3. That deferments in additional fields of graduate and professional study be provided only in narrow and critically needed specialties such as metallurgy, for example, if there is a severe shortage in that field, rather than in the broad field of the physical sciences.
4. That local boards be urged to postpone the induction of students and teachers classified I-A until the end of the term in which they are studying or teaching. By term is meant a quarter, a semester, or a trimester—not an academic year.

NATIONAL ACADEMY OF ENGINEERING,
Washington, D.C., March 1, 1968.

Subject: Impact of the Military Selective Service Act of 1967 on Graduate Education.

HON. EDITH GREEN,
Chairman, Subcommittee on Education, House Committee on Education and Labor, Rayburn Building, Washington, D.C.

DEAR MRS. GREEN: In conjunction with the hearings of your subcommittee, we would like to bring to your attention the statement we recently forwarded to the National Security Council. We understand that our contribution as well as that of many other groups making similar observations does not appear to be reflected in the recent statements from the National Security Council or the Director of Selective Service.

We hope that the views expressed in our letter be of some value in the hearings you are now conducting. If we can be of more direct assistance to you, please call us.

Sincerely yours,

CHAUNCEY STARR, *Chairman.*

NATIONAL ACADEMY OF ENGINEERING,
Washington, D.C., February 12, 1968.

Subject: The Military Selective Service Act of 1967.

NATIONAL SECURITY COUNCIL,
Washington, D.C.

GENTLEMEN: The Committee on Public Engineering Policy of the National Academy of Engineering has become concerned about the possibility of serious impact of the new Selective Service Act on our nation's resources of personnel trained at the highest academic levels.

During the past two decades, the federal government has sponsored graduate education with emphasis on such fields as science and engineering, in order to increase the availability of specialists who would be able to deal with the social, technical, political, and economic problems of our nation. The national assets created by this public investment are worthy of enlightened stewardship and further development.

Present laws and regulations regarding the eligibility of graduate students for military service are likely to produce a catastrophic reduction in the number of graduate students at our colleges and universities after the middle of 1968 and may also reduce the flow of eligible candidates to our educational institutions in future years. The consequences of these impending temporary as well as long-term effects are of deep concern to us.

From the point of view of national interest, it would seem desirable to seek out alternatives that would continue to encourage the most intellectually able individuals to be trained through graduate education to fulfill an essential function in our society. Furthermore, an inventory of trained faculty and research capability has been built by our educational system to provide advanced educational experience of the highest quality for the considerably increased numbers of qualified graduates. This educational system and that inventory should not, if at all possible, be subjected to highly fluctuating demands since this results in inefficient use of limited resources.

We recognize the need to have an equitable system for selecting those who are to serve the nation's military needs but trust that this can be done in the context of an overall appraisal of the nation's best interests. As a first step, in order to reduce the current uncertainties in the plans of graduate students and graduate educational institutions, it would seem desirable to delay for one more year the induction of graduate students so as to permit more extensive research and analysis on the impact of the new law on the graduate schools and the nation's intellectual resources.

If, after additional analysis, it is found desirable to maintain graduate students fully eligible for the draft, it is hoped that a way may be found to make the necessary draft calls in equal proportion across the age group suited to military service rather than demanding heaviest contributions from the age group that has already received the heaviest investment in intellectual skills.

Our Committee would be pleased to assist in any way possible in the consideration of alternatives that would meet the military personnel needs as well as make optimum use of our most highly trained personnel.

Sincerely yours,

CHAUNCEY STARR, *Chairman.*

[From the New York Times, Feb. 17, 1968]

BLOW TO THE UNIVERSITIES

In the name of greater equity—which was long overdue—the Selective Service System has dealt a crippling blow to the nation's academic community, and perhaps also to the armed services which it is supposed to support.

There can be no question that the decision to end most graduate school deferments, except in the fields of medicine, dentistry and allied medical specialties, eliminates an escape hatch that has unfairly permitted thousands of young men from privileged backgrounds to elude a burden of service that has fallen disproportionately on those less fortunate.

But if this abrupt change in policy is carried out with no change in the present rule of inducting the oldest first, the nation's graduate schools next fall will be decimated, with serious academic and educational consequences. Educational authorities estimate that more than 200,000 graduating seniors and first-year graduate students will suddenly become eligible for induction and, at present and estimated induction rates, will be thrust into the armed forces before the year is out.

This will, in the words of one university president, limit next year's graduate classes to "the lame, the halt, the blind and the female." It will complicate administrative problems, cripple university budgets and create a serious gap in future teacher material. It will also affect undergraduate studies, by drastically reducing the number of available teaching assistants.

The induction of this large body of older, articulate students will also create serious problems for the armed services, which have found such older draftees less viable and more difficult to assimilate into military routines than younger men. It may create serious problems for Selective Service itself because a much higher percentage of war and draft objectors is found among graduate students.

These bitter fruits are the inescapable price of the failure of Congress last year to rewrite a fundamentally bad draft law. Equity and the broader interests of the nation simply cannot be served by tinkering with a basically inequitable act. The law should be revised in general accordance with the recommendations of the President's Advisory Commission on Selective Service, which Congress ignored last year. Meanwhile, the impact of the graduate studies ruling could be eased by modifying the "oldest first" order of induction.

[From Life magazine, Mar. 8, 1968]

THE DRAFT MUST BE MADE FAIRER

At a moment when the war in Vietnam is in so discouraging a state, and many more troops are being talked of, it is tragic for the nation to be saddled with an unfair draft law. Yet every time somebody sets out to improve the draft it ends up worse than it started.

In the past the inevitable inequities, though cruel to individuals, were such that we could live with them as a nation. But in this agonizing moment, grossly unfair draft rules add a tragic dimension to our problems. Snared in a war whose purpose many questions and that is something short of national survival, we must ask of the draft that it treat with complete impartiality the men whose lives it may take. With such stakes there is no room for politicking or for satisfying grudges against more privileged young men. But these have been a part of the latest rewriting and interpretation of the Selective Service Act.

The old regulations badly needed rewriting. Their provisions allowed men with above-average cash or intelligence to parlay a college education into prolonged graduate studies and virtual exemption from the draft. The new rules, which will take effect in June, will not simply plug that loophole. They will completely reverse the inequity. From a situation in which few graduate students ever saw service, the next year will see the draft calls primarily filled by graduate students while nonstudent youths are spared.

When the President last spring suggested a revision of the system, one of his

key proposals would have reversed the order of callup—by inducting 19-year-olds first, then working up to older men if necessary. Since we would seldom need all eligible 19-year-olds, the President also suggested a form of random choosing, or lottery, as the only fair way to decide who would serve.

Under such a plan there would be no need to continue deferments for graduate students since by the time they reached that point in their education, youths would already have served—or been assured that they would not be called except for a major emergency.

The Congress bought only a small part of the President's proposal. It agreed to the abolition of graduate deferments for all but medical trainees (who are liable after graduation to their own "doctors' draft"). But the congressmen specifically ordered the President not to institute any form of lottery, and thus set the stage for more trouble.

The new rules allow continued deferments only for men in their second year of graduate school or beyond. Those who will finish their first year this spring, and seniors graduating this year who had planned to go on to graduate school, are now draftable. And since President Johnson has unaccountably decided not to institute his own plan to call 19-year-olds first, the two-year group of graduate students will supply most of the manpower for the nation's draft boards.

Of the approximately 300,000 male students in the two classes, it is estimated that the draft will take about 60%. And others will likely enlist to exercise a choice of service. The graduate schools will be left, in the words of Harvard President Nathan Pusey, with "the lame, the halt, the blind and the female."

Dragooning most of the men from two full years of the education cycle in America is a matter of importance to more than just those students who lose deferments. Graduate assistants do much of the classroom teaching at universities—and some schools will lose half of these instructors. Under the new rules, no graduating college senior will know exactly when he will be called—and whether he should chance starting a year of graduate study. The some uncertainties are playing havoc with the universities which are already committed to overhead expenses for next year—with no idea of the size of their student bodies.

As long as the draft needs fewer than half the men who become available each year, then the country needs a selective service law that will take them with some even-handedness from among the wealthy and the poor, the intelligent and the average. The President should revive his own plan to draft the 19-year-olds first. That age falls early enough to prevent much disruption of career of school plans. And we still think some form of random lottery is the fairest way to choose the 19-year-olds who will serve.

INDIANA UNIVERSITY,

Bloomington, Ind., February 26, 1968.

HON. EDITH GREEN,

Chairman, Special Subcommittee on Education, House Office Building, Washington, D.C.:

Please permit me to convey my endorsement of American Council on Education suggestion that reexamination of selective service law include consideration of pooling age groups. In addition to a reduction in tremendous impact upon graduate education, the wisdom of this course is supported by considerations of equity between college and noncollege male vulnerability to draft, the crying need for personnel to teach undergraduates, and better distribution by age group in the Armed Forces themselves. Our concern in higher education is not to reduce any individual's obligation to his country nor to work any disadvantage upon the person whose resources do not permit the pursuit of higher education, but is rather in support of the national interest in avoiding a truly drastic interruption in the flow of educated manpower into the society and a major blow to our already hard-pressed institutions.

ELVIS STAHR,

President.

PRINCETON UNIVERSITY,

Princeton, N.J., February 29, 1968.

HON. EDITH GREEN,

Chairman, Special Subcommittee on Education, House of Representatives, Washington, D.C.

DEAR MRS. GREEN: The recent reaffirmation of the President's Executive Order 11360, ending deferments of graduate students except those in the health sciences, has serious consequences for the nation generally, including the well-being of its

educational system. I am writing to urge the need for new legislation which, on the one hand, would properly make all undergraduate and graduate students as liable to military service as their fellow citizens and, on the other, would minimize the adverse national consequences that will follow from the present situation.

An attachment to this letter summarizes the consequences for Princeton of Executive Order 11360 and some of those alternatives which we believe the Congress should consider.

The immediate effect of the prevailing legislation would be to reduce total enrollment in the Princeton Graduate School by 470 students who constitute 31% of the total graduate student body. More significantly, it would reduce the number of first- and second-year students by 50% and consequently the entire student body by 50% in a few years, were the present law to continue in effect. This precipitous drop in enrollment will cause a comparable reduction in the flow of monies to the University's operating budget at a time or great financial strain. The estimated loss of income (\$700,000), to our annual operating budget is, moreover, not something which a university can offset in any prudent way by economies, as faculty cannot be discharged, and the costs of maintaining and operating basic facilities (library, laboratories, and the like) remains high and unchanged when the number of students normally utilizing them suddenly drops. The present situation also raises very substantial problems for the research and teaching functions of the University because it cuts by over one-third the pool of graduate students available for research and teaching assistantships.

The most important consequence of the present law is, however, one that transcends Princeton as a single institution. There will necessarily be a sharp and, in my judgment, very deleterious drop in the supply of highly trained personnel—a supply already inadequate to meet the national demand. As you doubtless know, U.S. Office of Education projections indicate that the existing system of higher education is inadequate to meet the national need of highly trained personnel. Projections indicated a need in 1971-72 for 39,000 new Ph. D.'s but a supply of only 26,800 (without reference to the consequences of Executive Order 11360). The effect of the present draft ruling will be to cut that supply to 16,080, which is less than half the demand and amounts to a 7-year setback with serious consequences not only for the educational system itself, but for government and industry too.

I wish to emphasize that many of us involved in higher education were very dissatisfied with the selective service system prior to the Military Selective Service Act of 1967, and recognized fully the social inequities it involved. We believe that all students—undergraduate and graduate alike—should share with fellow citizens in their age group liability to military service. However, were their liability to service proportionate to their frequency in the total pool of draftable men, the serious disadvantages inherent in the present legislation would be largely removed. The attachment to my letter indicates for example that none of the several schemes involving draft liability of *all* students (19 to 26 years old) would cause more than a 12% drop in graduate school enrollment and ultimate Ph. D. productivity, and some of them cause no more than a 3% drop.

There is no doubt that new legislation could create a selective service system that ensured social equity without entailing the generally adverse effects of the 1967 Act and the subsequent Executive Order based on it. I hope that your Committee will give careful consideration to this urgent matter.

Sincerely,

ROBERT F. GOHEEN.

UNIVERSITY OF MICHIGAN,
Ann Arbor, Mich., February 23, 1968.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education, House of Representatives, Washington, D.C.:

I am convinced that the National Security Council's decision to sweep aside graduate deferments in all but medicine, dentistry, and related specialties will bring future disturbing and detrimental effects to our educational system at all levels and to our Nation. Vital needs in cities, in schools, and in research will go unmet because trained minds are not available; such an abrupt shift in present policy must create gaps in plans and progress for years to come. After study I

heartily support the American Council on Education's request for a system of random selection. Such pooling of sources can provide the required manpower while drawing properly but not unduly from the limited ranks of those we have educated. Let me urge you to examine the National Security Council's decision.

R. W. FLEMING,
President.

NORTHWESTERN UNIVERSITY,
Evanston, Ill., February 23, 1968.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: The recent change in selective service practices falls heavily on those universities that justify their existence in great measure by their post-baccalaureate efforts. Those forty-odd universities that bear the major responsibility for training at the highest level, the doctorate, stand to sink back to their level of operation of a decade ago, and another sixty or so that had responded to the challenge to play a more important role in the production of badly needed doctorates will be frustrated in their purpose, crippled for lack of students and finances to the point of doubting societies' will and wishes for an elite of highly educated and creative people.

The educational community, neither through the presidents of universities nor the graduate deans, has asked for deferments for graduate students as a class. Rather, they have repeatedly asked that graduate students stand as ready as laborers, artisans, and others to bear their part of the military effort. We had expected to lose in this way possibly one of five of our students, but we counted not upon the loss of four out of five that the accident of "oldest go first" imposes upon us. We thought we could nearly fulfill our mission under the minor loss but we know we must fall with the major one.

We here, like other major universities, have launched heroic plans, plans that tax our utmost efforts, to increase our stake in graduate education. We had responded to the understood needs to raise the population of Ph.D.'s above the one-in-a-thousand of our people. We are proud to have been a part in the increase of annual production from 10,000 in 1960 to the 17,500 mark in 1966. We had expected to play our role in helping to reach 25,000 by 1972, but if the draft of potential Ph.D.'s runs unabated we and our sister institutions will surly drop down to the 1960 mark by 1971. This first class of 10,000 will be composed largely of women, students of foreign origin, and those physically unfit for military duty. Such a situation must obtain until some of the draftees return to the halls of learning, but the losses will not be recouped immediately and certainly we stand to miss our national goals by 45,000 during the slack time.

The loss of such a large group from the very top of the educational system is incalculable. It will, at the least, move us backward toward the simple agrarian society from which we sprung and at the same time it denies us the benefits of the modern counterpart of the pioneers. It will dismay our friends in the world and cheer our enemies. I hope to have your support in helping us to avoid this backward step.

With kind regards, I am
Cordially,

J. ROSCOE MILLER,
President.

RUTGERS UNIVERSITY,
New Brunswick, N.J., February 26, 1968.

Representative EDITH GREEN,
Chairman, Special Subcommittee on Education, House of Representatives, Wash-
ington, D.C.:

I agree with the general position taken by the American Council on Education and the National Association of State Universities and Land-Grant Colleges. We have not opposed the abolition of deferments for graduate students so long as it is not combined with the ruling calling for drafting older people first. Since this would mean the sudden disappearance of approximately 40 percent of our graduate students it would have a very serious effect upon our teaching and research activities and would definitely not be in the national interest. Hope very much that you can be of some help.

MASON W. GROSS,
President.

THE UNIVERSITY OF ARIZONA,
Tucson, Ariz., February 24, 1968.

HON. EDITH GREEN,
House of Representatives,
Congress of the United States,
Washington, D.C.

DEAR MRS. GREEN: The critically serious consequences of the administration of the Selective Service Act as announced by General Hershey following the recent decisions of the National Security Council will be so crippling to the University of Arizona and to higher education nationally that I am impelled to seek your assistance and urge your support of congressional action designed to avert what could well be national disaster.

The recently circulated position paper of the Council of Graduate Schools in the United States summarizes accurately the disruptive effects of the present scheme. We concur with it completely. Reliable statistics prepared by the Scientific Manpower Commission show clearly that the pattern of drafting men in the presently stipulated age sequence (which makes prospective and first-year graduate students the most available of all eligible men) could reduce the number of first- and second-year graduate students by 40 to 50 per cent. This could have such a disastrous effect on the production of doctorates (for education, government service, and industry) five years hence as to undo in great measure the substantial improvement in advanced degree production brought about by the past and present massive federal support of capable students through the National Defense Education Act, the National Science Foundation, the National Aeronautics and Space Administration, the National Institutes of Health, and others.

Our own statistics show that we shall likely lose 38.5 per cent of the full-time first- and second-year graduate men normally expected for 1968-69. These men constitute some 28 per cent of our anticipated group of about 1,250 graduate assistants. In common with other large public universities, virtually all of our elementary classes in English, foreign languages, mathematics, and science laboratories are taught by graduate assistants. As our undergraduate enrollment increases by another 8 to 10 per cent next year, the loss of about one-fourth of our graduate assistant instructors could mean almost complete breakdown of this segment of our undergraduate instructional program.

We think it unrealistic and quite improper to suggest blanket deferment of graduate students or even categorical deferment beyond that of the health professions specified in the present law, and we would support no such proposal. But the present policy of drafting the oldest first seems equally unfair in its virtual guarantee of drafting all able-bodied, unmarried non-veterans and so disruptive to higher education that a middle ground must be sought.

Random selection within the 19 to 26 year age group not only seems eminently fair to all men concerned (both those normally headed for graduate school and those not so inclined); it would also decrease the disastrous consequences of the current scheme by approximately two-thirds. *We urgently request the Congress to provide for a random selection procedure.*

Sincerely yours,

RICHARD A. HARVILL.

LEXINGTON, KY.,
February 26, 1968.

Representative EDITH GREEN,
Chairman, Special Subcommittee on Education, Committee on Education and Labor, Rayburn House Office, Washington, D.C.:

Recently announced selective service regulations will have major impact on the oldest eligible young men. If these prevail the University of Kentucky along with other universities with strong graduate programs will be unable to fulfill its responsibilities to the Nation in other than the medical, dental, and allied specialties. We do not deem blanket deferments for graduate students necessary at this time. University of Kentucky can perform its service to the Nation if selection falls equitably on all ages in the eligible pools. We strongly recommend this course of action.

JOHN W. OSWALD,
President, University of Kentucky.

UNIVERSITY OF WASHINGTON,
Seattle, Wash., February 26, 1968.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education, Rayburn House Office Building,
Washington, D.C.:

The U. of W. is deeply concerned about the impact of current military service policies on graduate school enrollment. We strongly urge consideration by the Congress on establishment of a system to pool age groups or other appropriate action to reduce impact on graduate enrollment.

F. P. THIEME,
Vice President.

COLUMBIA UNIVERSITY,
New York, N.Y., February 26, 1968.

Representative EDITH GREEN,
Special Subcommittee on Education, U.S. House of Representatives, Washington, D.C.:

On behalf of President Grayson Kirk I wish to express Columbia's serious concern over the impact of the current draft regulations on graduate education and to state our support of the proposal, suggested by the American Council on Education and others to pool age groups for purposes of selection. We do not ask, and do not favor deferments for graduate students. We do view with alarm the consequences for the country of placing on the graduate schools the full impact of the altered draft policy.

DAVID B. TEUMAN,
Vice President and Provost.

NEW YORK, N.Y.,
February 26, 1968.

HON. EDITH GREEN,
U.S. House of Representatives,
Washington, D.C.:

The President's action in eliminating draft deferment for graduate students and those in essential occupations and drafting oldest first "is a potential disaster for the Nation."

Universities will soon have no eligible male graduate students in first and second year study.

While no nineteen and twenty year old students will be drafted. It surely cannot be in the national interest that most of the people drafted in 1968 should be in occupations that were considered essential until this week.

We expect to lose about 2,000 students next year although this will reduce our income by about \$4 million at a time when teaching and other commitments have already been made for the next year.

The major effect will be the serious disruption of our educational program for undergraduate and professional work.

Nationally this policy will drastically reduce the flow of skilled manpower into essential occupations in 1970 and later years.

We do not ask for complete deferment.

We urge either that the law be amended to allow a lottery to choose from among those eligible.

Or that you request the President to set up age polls so that there will be a proportional drafting from all eligible age groups.

ALLEN M. CARTTER,
Chancellor, New York University.

NEW HAVEN CONN.,
February 23, 1968.

HON. EDITH GREEN,
House Office Building,
Washington, D.C.:

Urgently urge resolution of mess left by termination of all graduate and professional school deferments. While abrupt in its timing the policy is wholly uncertain in its impact. Present limbo makes it extremely difficult for either students or institutions to plan constructively for graduate and professional study. Yale is grateful to her honorary alumna for anything she can do to improve situation and would be glad to help the effort in any way you suggest. Subject to better advice I would work for apportionment of draft liability evenly among age

groups with some assurance that once a student was admitted to and accepted enrollment for study in the spring he would be allowed to complete at least the full academic year following, respectively.

KINGMAN, BREWSTER, Jr.

WASHINGTON, STATE UNIVERSITY,
Pullman, Wash., February 23, 1968.

Hon. EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: We know that you are aware and concerned about the effect of current Selective Service procedures on our Universities, particularly on our graduate schools. We have made a survey of their potential impact at Washington State University, and we thought you might be interested in our findings.

Our study suggests that, under present procedures, about 225 of the physically qualified young men who are temporarily deferred as first-year graduate students will be subject to induction. In addition, we estimate that about 250 physically qualified graduating seniors who would normally enroll in our graduate school next year will fail to do so. This total of 475 represents about one third of our graduate students. Their absence will be felt in many ways. There will be a considerable reduction in available Teaching Assistants upon whom we depend to help us maintain quality undergraduate instruction, and a reduction in available Research Assistants will be a severe blow to senior investigators who depend upon them to help compile the data and otherwise aid in the conduct of numerous important research projects.

Perhaps more important in the long view will be the effect of a two-year lag in the production of the most highly educated segments of our society—our future teachers, scientists, humanists, and public servants.

We are convinced that these effects are not in the best interests of education, and we do not believe that they serve well the best interests of our nation. We trust that you share these convictions and urge you to take whatever action you can to achieve a more equitable solution to the Selective Service problem. We believe a system which pools all eligible age groups and chooses randomly among them would achieve this purpose and would substantially reduce the impact on graduate education.

Sincerely yours,

GLENN TERRELL,
President.

PITTSBURGH, PA.,
February 23, 1968.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education, Longworth House Office Building,
House of Representatives, Washington, D.C.:

Revision of Selective Service Act and recent presidential decision to draft college graduates except for those engaged in graduate study of medicine and dentistry could have disastrous consequences for graduate education in the U.S. if Presidential directive is unchanged. This action could result in reduction of male post-baccalaureate students at this university by 50%. Strongly urge your support for system of random selection based on pooling age groups in order to reduce impact. Failure to do so can have most serious consequences for production of graduates at masters and doctoral levels in the next several years.

WESLEY W. POSVAR,
Chancellor, University of Pittsburgh.

GAINESVILLE, FLA.,
February 26, 1968.

Congresswoman EDITH GREEN,
House Office Building,
Washington, D.C.:

University of Florida believes all baccalaureate graduates should be placed in age group pooling system for draft rather than singled out as especially vulnerable to draft. To place baccalaureate graduates at top of draft-eligible lists is to say, in effect, to all 18-year-old males "those who go to college are certain to be

drafted when they graduate; those who stay out of college can play the odds, and have a reasonably good statistical chance of not being drafter." Such a policy is unjust, inefficient, and will result in serious damage to both undergraduate and graduate education in America.

There is only one question to be answered in any consideration of the draft problem: "What is best for the nation?" To discourage young men from enrolling in college and thus to undermine the country's whole system of higher education is not what is best for the Nation. Yet we believe this would be the result of a policy which placed baccalaureate graduates at the top of draft-eligible list. Such a policy encourages wastefulness of our most precious national resource, the generation of Americans who are 25 or younger.

STEPHEN C. O'CONNELL,
President.

NEWARK, DEL., February 22, 1968.

HON. EDITH GREEN,
*Chairman, Education Subcommittee,
Rayburn House Office Building, Washington, D.C.:*

Recent administration decision regarding drafting of graduate students will reduce our graduate college enrollment by one-third, lead to loss of income of more than \$150,000.00, endanger quality of undergraduate instructional program, and jeopardize critical research. Strongly urge adoption of alternate approach which would not single out those in 25-26 age group but which would pool all draft age youth, thereby greatly reducing immediate impact on graduate education.

JOHN W. SHIRLEY,
President, University of Delaware.

ATHENS, GA., February 26, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.:*

I respectfully urge you to seek changes, either by legislation or by executive order, announced policy to draft graduate students. Such change is essential not only to universities but to the long range security and welfare of the entire country.

Experience shows that it is best for a person to continue his graduate education immediately after completing his undergraduate, and that it is best for one to continue to the doctorate upon completing the master's degree. Any delay makes a return to advanced study difficult.

Unless a change is made, the teaching and research programs of the University of Georgia will be seriously affected by the resulting shortage of qualified personnel. Also, the University is not now producing the number of persons with advanced degrees needed in education, industry, and government in this State and section. Although the University has made great progress in recent years, the expected curtailment of enrollment could set the development of our graduate program back at least 10 years.

I also foresee critical shortages in the years ahead of scientists, engineers, economists, and other social scientists, and also other highly educated manpower. The Nation's reservoir of such manpower stands to be seriously impaired. I urge these points for your consideration.

FRED C. DAVISON,
President, University of Georgia.

HONOLULU, February 24, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.:*

University of Hawaii estimates that anticipated enrollment of fall 1968 entering male graduate students will total 450 instead of 900 and continuing first year to second year male graduate students 400 instead of 800. Total enrollment impact will be to reduce by about 20 to 30 percent total anticipated enrollment 1968-1969. Impact on graduate assistants will be to create shortage of about

thirty percent above usual annual number of replacements. Five to seven years from now there will be serious shortages nationally in supply of collegiate level teachers.

THOMAS H. HAMILTON,
President.

ST. LOUIS UNIVERSITY,
St. Louis, Mo., February 22, 1968.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: AS I am sure you know, the selective service legislation of 1967 will have damaging effects on the nation's manpower, civilian and military. As it now stands, this program will seriously limit our trained men in non-military professions.

After studying the impact of the current legislation on Saint Louis University, I have asked the dean of our Graduate School, Dr. Edwin G. Egel, Jr., to write you and present relevant data.

From statistics here it now appears that we will lose some 47 per cent of our full-time male graduate students in their first two years of graduate study. Further, the present legislation will seriously jeopardize the educational program of 6,000 undergraduates at Saint Louis University. In certain departments, notably English, mathematics and philosophy, we have an elaborate graduate program in which teaching of undergraduates is an important part of the total Ph. D. program. This is a well-supervised and structured program and is beneficial both to these future professors in our colleges and universities and also to our undergraduates. These teaching fellows in these three departments alone supply one-third of all the student credit hours taught by these departments. The present draft legislation may well leave us with no one to teach some 2,000 undergraduates in these departments. We also depend heavily on graduate fellows in biology, physics, and chemistry to handle the laboratories. In these departments also our future science potential as a nation could be seriously affected by the present draft legislation.

I am writing to encourage an amendment and to support the American Council on Education in strongly urging that if graduate deferments were ended, a random system of selection be adopted. A system such as the ACE program would seem to provide three advantages:

- (1) It would produce for the armed forces a more desirable age mix.
- (2) It would reduce enrollment in graduate and professional schools by only about one-third, thus assuring the nation a steady flow of highly educated manpower.
- (3) It would make college and non-college educated men and almost equally vulnerable to the draft.

I would also like to comment that the present legislation must be amended very soon if we are to remove the present uncertainty among our seniors. We have an unusual record in that 86 per cent of our male seniors go on to graduate or professional school. At present all they can do is apply, but cannot make certain their plans for the future. Neither can the graduate or professional schools who are uncertain whether they will have these applicants as students even if they do not accept them.

I sincerely hope that the Congress will address itself to the immediate need of correcting this most undesirable and distressing situation and that you will do everything you can to help in this matter.

With warm personal regards, I remain

Sincerely yours,

PAUL C. REINERT, S.J.,
President.

UNIVERSITY OF MARYLAND,
College Park, February 23, 1968.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education, Congress of the United States,
Washington, D.C.

DEAR CONGRESSWOMAN GREEN: The situation confronting the graduate student population which will be precipitated by the vulnerability of all graduate male students to the draft beginning with the Fall 1968 semester, is very grave. The

seriousness of the situation has been called to the attention of the President of the United States by many national organizations including The Council of Graduate Schools in the United States, the American Council on Education, The National Association of State Universities and Land-Grant Colleges and others. As of this date, there has been no indication that the President or the Department of Defense will seek changes either by legislation or by regulation in the current Selective Service Act.

I am, therefore, asking for your consideration of the problem. I urge that you reconsider the existing Selective Service Act. Hopefully, you may conclude that certain modifications of this legislation are required; otherwise, our graduate student enrollment will be cut by drastic proportions.

Please allow me to briefly summarize how the current legislation is likely to affect enrollment of graduate students at the University of Maryland.

Current graduate student enrollment (males, 4,942; females, 2,487) -----	7, 429
Projected 1968-69 graduate enrollment based upon a normal growth pattern -----	8, 320
Anticipated 1968-69 graduate enrollment under present draft law -----	6, 202

The number 6,202 was arrived at as follows:

Returning male graduate students composed of the physically disqualified -----	1, 260
Veterans -----	600
Those over 26 years of age -----	1, 300
Graduating male seniors (using University of Maryland figures) who may go on to graduate school by virtue of being physically disqualified for the draft or being a veteran -----	442
Female students -----	2, 600
Anticipated 1968-69 graduate enrollment deficit if present draft law remains unchanged -----	2, 118

The current draft legislation will, as can be seen by the foregoing figures:

(1) Reduce our projected male graduate enrollment by about 40 percent.

(2) Alter the graduate student population so that 63 percent will be women, men over 26 years of age, and persons physically disqualified for service.

Although I am presenting data reflecting the situation at the University of Maryland, this is, of course, a national phenomenon. A disruption of graduate education of the order inherent in the new draft legislation will seriously curtail the national movement and the growing need for more advanced education. In addition, it will result in a depletion in the ranks of graduate research assistants and graduate teaching assistants. Both of these categories of graduate students are central to the achievement of the objectives of graduate education.

It is my firm belief that it is essential to the welfare, not only of the universities, but of the nation as well, that every effort be made to persuade the Congress to reconsider the existing Selective Service Act. We shall appreciate your thoughtful consideration of this important matter and it would be helpful if we could have your reaction to the current outlook.

With kindest regards, I am,

Sincerely yours,

WILSON H. ELKINS,
President.

WASHINGTON UNIVERSITY,
St. Louis, Mo., February 26, 1968.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE GREEN: I would like to share with you my deep concern over the affect of the recent administrative rulings on the Selective Service Act of 1967 on military manpower needs, on the national pool of skilled manpower, and on the nation's colleges and Universities.

The Selective Service legislation, as it is now administered, leads to the drafting of older men to a degree that is surely greater than the armed forces desire. It creates an unrealistic unnecessarily drastic reduction in the number of well trained men entering the non-medical professions—law, engineering, business, teaching—for years to come.

According to the Scientific Manpower Commission, it appears that a pool of some 226,000 physically qualified college graduates, first year graduate students, and new winners of Master's Degrees will become available for induction by next July 1. The Scientific Manpower Commission and the American Council on Education estimate that almost all of them will be drafted. Given the total expected draft quota for the year beginning July 1, 1968, this pool of 21 to 26 year olds will probably constitute two-thirds of all men inducted in that year. No more than one-third of the inductees will be 19 or 20.

Civilian manpower needs are adversely affected by the draft's concentration on the present college seniors (149,000 available for induction) and present first year graduate and professional students (69,000). This means that two years from now, and for several years thereafter, the country's universities—their graduate and professional schools—will produce only about *one-third* of the trained men whom they would otherwise produce. As an example, I am attaching a careful analysis done at Washington University estimating that at least 61% of the men who would otherwise be first and second year graduate students will be drafted, and I believe this situation is typical.

I believe that the Congress should address itself swiftly to the correction of this undesirable situation, and hope that you can take effective action to help to correct it.

Sincerely yours,

THOMAS H. ELIOT,
Chancellor.

EFFECT OF 1967 CHANGES IN STUDENT DEFERMENT UNDER SELECTIVE SERVICE IN GRADUATE AND PROFESSIONAL (POSTBACCALAUREATE) SCHOOLS, EXCEPT MEDICINE AND DENTISTRY, WASHINGTON UNIVERSITY

Male enrollment	Graduate school of arts and sciences	Law	Business	Engineering	Social work	Fine arts	Architecture	Total
1968-69 estimated (under pre-1967 selective service provisions).....	900	250	325	435	100	10	60	2,080
1st year.....	300	100	195	145	50	5	24	819
2d year.....	225	62	100	109	40	3	20	559
Subtotal.....	525	162	295	254	90	8	44	1,378
Less estimated 25 percent physically disqualified.....	131	40	74	63	22	2	11	-343
Subtotal.....	394	122	221	191	68	6	33	1,035
Less veterans and over 26 (percent varying by school).....	153	116	274	125	19	11	15	-183
Selected for service (drafted)....	341	106	147	166	59	5	28	852
Percent of 1st and 2d years drafted...	64.9	65.4	50	65	65	62.5	63.6	61.8

¹ 10 percent.

² 25 percent.

GEORGETOWN UNIVERSITY,
Washington, D.C. February 23, 1968.

HON. EDITH GREEN,
House Office Building,
Washington, D.C.

DEAR MRS. GREEN: I am writing to you concerning the matter which I know is of great concern to you in your work in Congress. I am referring to the effect of our present Selective Service Law on graduate and professional education.

The regulations, which have been recently approved by the National Security Council and General Hershey, very properly exempt students who are in Medical School, Dental School, and in the allied health sciences. I think there can

be no doubt about the wisdom of this decision and it is important for our Armed Services and the entire nation.

The other recommendation, which will touch graduate students and students in professional schools, other than those mentioned, will, I believe, do a serious injury to the schools and to the future of our educational enterprise during possibly the most crucial period in our history. I do not argue that all of these students should automatically receive a deferment, which would in effect, remove from them the possibility that they would ever be called upon to serve in our Armed Services.

During our present crises and with out present levels of military requirements, I believe that such complete deferments would lead to serious inequities, especially toward those who are unable to afford graduate education.

I do, however, subscribe to the suggestion that random choice of manpower from the total of those eligible within the stated age groups will insure equitable treatment for all concerned, and will, at least, alleviate some of the adverse effects which might be visited upon our educational institutions.

At Georgetown, we have been trying to determine just how many of our students in our Graduate School of Arts and Sciences and in our Law School might be drafted under the present regulations. Our information is incomplete at the present time, but the trend of responses to our requests for information indicates that 30% or more may be eligible to be drafted after the end of this academic year. One set of incomplete statistics, which we have received from one of our divisions, indicates that of the sample replies, approximately 60% are vulnerable to be drafted after the present academic year. The plain fact is that no one really knows how many of these students are eligible for the draft and how many of those eligible for the draft might be called up by their local draft boards.

I believe, however, that it is safe to say that even conservative and optimistic estimates point to the distinct possibility that there will be serious inroads on the first and the second year classes in these schools. It is quite probable that not all of these consequences can be avoided, but I sincerely believe that a random choice system would, at least, reduce their effect significantly.

Georgetown, in particular, will be apt to suffer a serious financial loss, because of a loss in tuition from the students, who will not be able to enroll or who will be forced to withdraw at some time during the coming year. This type of loss comes at the worst possible time in our history. Our financial problems are already severe and this type of financial reverse could have the most drastic effects upon us.

Of necessity, we have had to make our commitment to faculty and staff, even though we are faced with this terrible uncertainty. We are, of course, going to lack many of the graduate assistants, who would normally be of great benefit in staffing our undergraduate science laboratories and in assisting professors in non-scientific disciplines. The loss of so many students in our graduate schools cannot but have a serious effect upon our future supply of highly educated people to work in education, in government, and other public service.

I was impressed by a remark attributed to you in the press, during a recent hearing. It was reported that one of the representatives indicated that he thought it would not be as harmful if a history major was not deferred, as it would be if the person were taking physics or engineering. You were reported to have replied that you thought it might be even more important to have the person who is trained in history than in the other disciplines.

I agree with you for two very special reasons. First, and least important, is because I myself was a professional historian before I assumed my present position. Secondly, I think our problems today are of such a magnitude that we desperately need people who have a training in history, as well as the other social sciences, if our country is to come to a solution to our unprecedented domestic and international problems.

Your many services to education in the past are very well known to all of us and I can only close by asking you most sincerely to use your good offices to assist in what promises to be a very important crisis.

With best personal wishes, I am

Sincerely yours,

GERARD J. CAMPBELL, S.J.,

President.

DUKE UNIVERSITY,
Durham, N.C., February 23, 1968.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: I am writing to you about current draft regulations as they affect graduate students. I hope you and your committee can still do something about them. Please forgive me for writing a long letter. It seems to me you will better understand the plight of graduate schools if I spend my time describing how the regulations affect us rather than denouncing them in the abstract. Let me assure you that nothing said below is meant to imply that the old regulations were fair. I would only contend that the new ones are not the best way of correcting the inequities of the old.

For nearly a year American graduate schools have been living under a double threat: that of sharply reduced federal financing and that of student bodies gradually reduced by the operation of the draft. Both of these threats have now become firm realities. Unfortunately there is no present possibility of using the second to alleviate the first. In other words, graduate budgets cannot be safely shaped to the size of student bodies, because budget planning must be completed before the major effects of the present draft regulations can be known with any degree of accuracy.

Since you are entirely familiar with what has happened to federal support of graduate education, I will not review that; but I do want you to see how difficult it is for a graduate school to plan intelligently for the coming year even if it is able and willing to sacrifice some other worthwhile activity to maintain the operation of a high-quality graduate school. Let me review the probable operation of the draft.

Present Draft regulations expose all able-bodied male graduating seniors and all able-bodied first-year graduate students to the possibility of being drafted at any time after the first week or two of June. Both groups are automatically deferred until the end of the current academic year, but both become eligible for the draft at that time. What this means is that graduating seniors desirous of entering graduate school and first-year graduate students wishing to continue in graduate school may apply in the usual way for admission and support. For their part, graduate schools may follow their usual procedures in screening and admitting students and in awarding available fellowships, traineeships, and assistantships. By some time in the late spring this process will be completed, budgets will be firmed up, and then in the summer the operation of the Draft on the two eligible groups will begin to undo what was so carefully done during the winter and spring. One can make some kind of estimate as to the number of graduate students who will eventually be lost to the Draft, and one can be quite sure that the losses will be spread out over many, many months. What cannot now be predicted is the date by which most of the attrition will have occurred. A fair guess might be that the heaviest losses will not begin until mid-fall or later. Obviously this guess will be rendered hopelessly wrong if the Vietnam War takes a radical turn for the worse or for the better. Under such conditions as these, how can a university wisely determine how many of its scarce resources to allocate to the uncertainties of graduate education? But if it skimps on graduate education, who will teach its classes three, four, and five years from now?

My last question suggests that more is at stake than graduate education. Many universities use a large number of graduate students to teach elementary and intermediate undergraduate courses. This is not so true of my own university as it is of the large state universities, but even at Duke we would be hard pressed to man our freshman science labs if we could not recruit an adequate number of graduate assistants. Present prospects look dim.

Then there is the matter of housing. If we knew the number of graduate students we will lose to the Draft, we could admit more of the undergraduate students who have applied but cannot be admitted for lack of dormitory space.

I could extend this discussion of the unsettling effects of current draft regulations to other areas of university planning, but I have tried your patience enough. Let me make just one positive suggestion. Even in the present national emergency, I see no reason why the required number of students couldn't be drafted at logical intervals in their schooling, so both they and their schools could make intelligent plans. I am not suggesting that they be allowed to escape the Draft

but only that they be allowed to finish whatever academic unit they are engaged in at the time their Draft Boards notify them that they have been chosen for service. In the long run, I think a lottery would be the fairest way to handle the Draft, but the one change I have mentioned would be of considerable help.

If there is any way I can help you and your committee to improve the conditions I have been discussing, please let me know.

Sincerely yours,

R. L. PREDMORE,
Vice Provost and Dean.

KANSAS STATE UNIVERSITY,
Manhattan, Kans., February 23, 1968.

HON. EDITH GREEN,
*U.S. House of Representatives,
Rayburn Building,
Washington, D.C.*

DEAR CONGRESSWOMAN GREEN: We share the deep concern which has been expressed by a number of academic institutions and educational associations regarding the recent ruling of the National Security Council on the Selective Service status of graduate students.

The ruling's abrupt impact on the Nation's educational effort and upon the continuity of supply of highly educated individuals is the main question, for we do maintain that the individual should be prepared to answer a call to the Nation's service. The issue is one of timing and orderliness. Thus, a more gradual adjustment of certain prior inequities in deferment policies ought to be possible so that serious new imbalances and sudden disruptions are not created. Nevertheless, the recently announced policy will virtually deplete schools of healthy American males enrolling for their first or second year of graduate work. At Kansas State University we estimate that, from a previously projected graduate enrollment of about 1,560 students for Fall, 1968, about 320 will be qualified for induction. The effects of such an immediate and exhaustive loss upon teaching and research programs have been widely commented upon, but, multiplied across the country, the effect on the more distant future is likely to be more serious.

Time is short and the problem is complex; but the Nation's future is as deeply dependent on the long-term responsibilities that must be met by educated citizens as on the more immediate requirements of its military commitments. I believe that current circumstances and available ingenuity are such that neither obligation need be jeopardized, and I hope that the House Committee on Education and Labor can recommend improved alternatives to the present Selective Service policy.

Sincerely yours,

JAMES A. MCCAIN,
President.

THE JOHNS HOPKINS UNIVERSITY,
Baltimore, Md., February 23, 1968.

HON. EDITH GREEN,
*Member of Congress,
House Office Building,
Washington, D.C.*

DEAR MRS. GREEN: I am writing in connection with the recently announced decisions of the National Security Council and the Director of Selective Service concerning the application of the draft to graduate students. In the absence of some form of prompt corrective measures, either through executive action or through legislation, the predictable result of these decisions is a massive depopulation of the graduate and professional schools (other than medicine and dentistry) for the next two or three years. This will create seriously adverse effects on the supply of future teachers, scientists, and other urgently required skilled manpower; it will entail severe financial and manning difficulties for the universities extensively engaged in graduate education; and it will produce unnecessary inequities in the operation of the Selective Service System.

Let me make clear that neither I nor my fellow-administrators have sought or now seek a continuation of the past policy of blanket deferment for graduate students. That policy has created real inequities in recent years, and we agree with the decision of the Congress last June that it should be discontinued. We also heartily endorse the decision of the National Security Council against the blanket deferment of graduate students in particular fields, such as science and engineering.

What we do strongly oppose is the maintenance of the present sequence of filling calls, starting with the oldest eligible age group (twenty-five to twenty-six) and working down. This will have the practical effect in the coming months of concentrating the draft very heavily on this year's college graduates and present first year graduate students.

The ideal, in our opinion, would be some form of national lottery at age eighteen or nineteen as recommended by the President last March, with the young men being enabled to complete their then phase of education (high school, college, or first graduate degree) before actually serving. This would require legislation. Short of this, and entirely in the range of executive discretion under the present law, would be a policy of taking a proportionate fraction from each of the seven eligible age groups (nineteen through twenty-five). This would better meet the needs of the armed forces, would avoid inequitable discrimination in favor of or against any particular group, and would reduce to tolerable dimensions the impact on graduate studies and on the universities.

The President's message of March 6, 1967 stated clearly the reasons for altering the policy of selecting the oldest eligible age group first, as did the Burke Marshall Commission and the Clark Panel. The House Armed Services Committee endorsed such a change of policy, and the Conference Report on the Bill as enacted in June stated that it "will in no way proscribe or inhibit the President in changing the priorities of various age groups for induction, nor will it preclude him from adopting the so-called modified young age system which would involve identifying the nineteen to twenty year age group as the 'prime age group' for induction."

To indicate the seriously detrimental effects of the recently announced decisions, I can summarize for you our analysis of the consequences for the Johns Hopkins faculties of arts and sciences and advanced international studies. Under normal conditions, we would have 800 first and second year graduate students in arts and sciences in the next academic year. Of our present first year students, about 30 percent are women and foreign nationals, small number are veterans, and 8 percent are physically unfit for military service. Upwards of 50 percent would therefore be eligible for the draft and the vast majority of these would presumably be drafted under the present policies.

This would entail a gross financial loss of \$800,000, partly offset by savings in financial aid to students from general university funds; we estimate the residual net impact at about \$550,000. This is 12 percent of our core expenditures for instruction and unsponsored research in arts and sciences, and is more than we have been able to allocate in normal years from either endowment income or from current gifts.

There are no obvious alternative sources to replace such lost income. Moreover, the loss of so large a fraction of the normal complement of first and second year graduate students would have severely unfavorable effects on undergraduate teaching arrangements and teaching quality. Presently some 200 graduate students in arts and sciences hold part-time teaching appointments. They handle the laboratory sections in natural sciences, the bulk of the elementary language instruction, much of the undergraduate mathematics teaching, and some part of the teaching load in other fields.

Few of the foreign and female graduate students are in this teaching group, so we estimate that the draft policy might reduce junior instructors by 75 percent or more. Since the undergraduate needs for teaching will be unchanged, this loss of graduate student instructors would require a vast increase in the size of class sections or the total abandonment of personal instructional contact, with highly detrimental effects on the quality of undergraduate education. At the same time, many on-going research projects of great significance would be curtailed or postponed, especially in the natural sciences and certain areas of social science which depend on organized team efforts to carry through the research projects.

Any effort to compensate for these effects by massive "over admission" would mean a general lowering of standards for several years to come, with adverse effects all around.

At our School of Advanced International Studies in Washington, the proportion of potentially affected students is even higher, amounting to about 63 percent. That student body consists of future foreign service officers and future teachers of international affairs, groups whose importance to the national welfare has been emphasized by the Congress in passing the Act for International Education.

A further defect of the policies so far announced is the absence of any provision to permit a graduate student to complete a full year of studies once he

has been admitted to graduate work. This could also be corrected by executive action. The present situation creates additional uncertainties and confusion for both students and institutions. It makes it simply impossible for us to carry on any rational admissions policy or to plan properly for next year's teaching and research activities.

I should warmly welcome any action which you and your colleagues might take to rectify these unnecessary and highly damaging consequences to the nation's entire system of higher education. Since the normal season for making graduate school admissions and budgetary and academic plans for next year is already well advanced, remedial action is required with urgency.

Sincerely yours,

LINCOLN GORDON.

SOUTHERN ILLINOIS UNIVERSITY,
Carbondale, Ill., February 23, 1968.

Hon. EDITH GREEN,
House Office Building,
Washington, D.C.

MY DEAR CONGRESSWOMAN GREEN: I am writing to ask you to use your good offices to assure that there is a careful and thoughtful re-examination of the present policies of the Selective Service System of the United States as related to the deferment of students engaged in graduate education. I am sure that you are aware of the basic problem involved, and I therefore will not belabor you with a recapitulation of the facts.

It is the opinion of myself and my associates in the administration of the Southern Illinois University that unless major changes are effected in the current policy a very sharp reduction will be effected in the number of graduate students entering in the Fall of 1968 and probably for two or more years thereafter depending upon circumstances which are not presently discernible. This in our opinion may not be appropriate for the national well being or welfare and certainly will have serious impact upon the particular institution which is at the heart of our educational system, the multi-purpose, comprehensive university both public and private.

We have not been altogether satisfied with the practice of deferring individuals on the basis of specific occupations or preparation for specific occupations and therefore are not dissatisfied with the decision of the National Security Council to essentially equate all occupations as having equal value in the American system. We certainly do not pretend to know which of the various occupational and vocational programs for which we prepare students are either in the short-term or long-term national interests and question whether a procedure which encourages students to enter certain occupations for the wrong reasons is in the interest of either the individual or the nation. Unless we have a full-scale mobilization, we would therefore feel that the present position of the National Security Council is a proper one.

On the other hand we seriously question the validity of preferential drafting of individuals at older age levels when younger individuals are in the draft pool and are classified at 1-A. It would seem to us that the repeated suggestions of various educators and other groups that individuals be placed in the total pool by age groups with each age group making its proportional contribution to the monthly levy would be a procedure which would be both equitable and would reduce the impact of the current policy on the graduate and professional segment of higher education and in turn on the production of this segment of higher education of highly qualified people for the national needs of the short-term future.

I know that this is an extraordinarily complicated problem and that we are aware probably of only certain aspects of it. Nonetheless, we feel that the matter is of sufficient urgency that it requires a thorough re-examination and reappraisal, and we ask that you do everything you can to assure that such a reappraisal is in fact effective. We hope that the outcome of this reappraisal will be new regulations along the lines suggested above; but if in the last analysis the decision is to remain with the present policy, we can assure we will do everything we possibly can as a university to work within the guidelines, whatever they may be.

Very sincerely yours,

DELYTE W. MORRIS,
President.

UNIVERSITY OF PENNSYLVANIA,
Philadelphia, February 16, 1968.

HON. EDITH S. GREEN,
Rayburn House Office Building,
Washington, D.C.

DEAR MRS. GREEN: We share the concern of the House Special Subcommittee on Education on the drastic effect that the current draft law will have on graduate schools throughout the country. Aside from the undesirable effects of interrupting the training of present graduate students and the failure to offer the opportunity of graduate training to those who will receive their baccalaureate this coming June, there is the devastating effect that the draft law will have in reducing the number of young men who are so necessary for our undergraduate teaching programs and for our research programs in all fields and disciplines.

Very sincerely,

GAYLORD P. HARNWELL.

UNIVERSITY OF COLORADO,
Boulder, Colo., February 22, 1968.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.

DEAR MRS. GREEN: We are of course deeply concerned about the impact on graduate education of the recent decision of the administration concerning graduate deferments.

Like every other Graduate School, we are even now faced with substantial uncertainties, not only as concerns our enrollments, but particularly our fellowship awards and our staffing of many introductory courses and laboratories. It appears from reports in the local press that virtually all eligible June male graduates in Colorado as well as those finishing their first year of graduate work will be drafted.

It is my view, which I feel certain is widely shared, that a pooling of eligible males by age groups would go far toward reducing the serious impact that current regulations make inevitable. I am personally deeply concerned by the whole matter of student deferments, since it so obviously militates against those who do not or cannot attend college. I hope that you and your special Subcommittee will do all you can toward changing the decision of the administration by favoring the age group pooling concept.

With best personal regards,

Cordially yours,

J. R. SMILEY, *President.*

HANOVER, N.H.,
February 26, 1968.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.:

Announced selective service policy expected to reduce graduate enrollments at Dartmouth by 25 to 40 per cent. This would have drastic impact on both academic programs and finances of institution. In short time it will also lead to a national shortage of highly trained people. Urge congressional action to reconsider present policy. Either a random selection system or a pooling of age groups would relieve potentially disastrous impact and still provide fair basis for military service. If reconsideration of draft policy impossible urge immediate study of ways to mitigate financial impact on institutions to protect faculties research and future strength.

JOHN S. DICKEY,
President, Dartmouth College.

UNIVERSITY OF ILLINOIS,
Chicago, Ill., February 23, 1968.

HON. EDITH GREEN,
House of Representatives,
Washington, D.C.

DEAR MRS. GREEN: I understand that your Committee on Education may be considering the impact of the new Selective Service regulations as they apply to graduate students.

For your information, I enclose a copy of a statement which was reported recently to the governing board of the University of Illinois.

I would add that if any changes are made in the regulations, it is my view that they should not be pointed toward exemptions or any general group deferments by field of study. The most equitable plan, with minimum hardship on individuals and institutions, would be to establish a pooling system of all age groups with some kind of proportionate goals within those groups. An additional desirable provision would be to permit a student to finish an academic year if he entered that year before he was called to service.

Sincerely,

DAVID D. HENRY, *President.*

STATEMENT, FEBRUARY 21, 1968

Any statement as to the effect of Selective Service Regulations on enrollment must be predicated on an understanding that current information is not precise.

It is difficult to know how the expectation of being drafted will affect (1) the number of applications for graduate study at Urbana-Champaign and (2) the individual career decisions which students will make. Further it is difficult to estimate how many students *eligible* and *fit* actually will be called to service in the next academic year.

Based on the best information presently available, it would appear that approximately 20% of the total number of graduate students (about $\frac{1}{3}$ of the male graduate students) who are expected to enroll at the Urbana-Champaign campus in September 1968 will be eligible and fit for the draft.

This number, totalling 1,600 male students, consists of about 1,100 presently enrolled and continuing graduate students and 500 new applicants. It is hoped that the actual reduction can be kept below this total.

The impact of the nation's supplies of teachers and educated man-power will be felt throughout the academic year and thereafter. The cumulative impact of continuing disruption of education for individual graduate students also is a matter of utmost concern.

We will, of course, make additional reports as the situation is clarified.

J. W. PELTASON,
Chancellor, University of Illinois.

VANDERBILT UNIVERSITY,
Nashville, Tenn., February 23, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education,
Committee on Education and Labor,
House of Representatives, Washington, D.C.*

DEAR MRS. GREEN: Vanderbilt University's position on the difficult question of draft deferments for graduate students is not, I am sure, unlike that of many other American universities, but the question is of such grave importance that I would not want to fail to inform you of just what changes we would like to see effected in the current Selective Service procedures.

We do not seek any broadening of present deferment categories.

We do urge that most careful consideration be given the plan that would create a general pool of all draft-eligible men from which monthly quotas would be drawn in a way that would call up men from each eligible age group in numbers proportionate to that group's representation in the total pool. We at Vanderbilt are convinced that such a plan would allow more equitable treatment of the graduate student and would also represent an improved approach to present and anticipated manpower needs of the country.

Sincerely,

ALEXANDER HEARD.

NEWARK, N.J., February 26, 1968.

EDITH GREEN,
*Chairman, Special Subcommittee on Education,
House of Representatives,
Washington, D.C.:*

Critical shortage of engineering manpower already forecast for 1970 and beyond. Recent administrative decision affecting draft status of qualified graduate students will compound this problem. Severe impact upon graduate schools

of engineering and upon manpower supplies might be lessened if some plan such as pooling of age groups were instituted.

NEWARK COLLEGE OF ENGINEERING,
ROBERT W. VANHOUTEN,

President.

AUBURN, ALA., February 27, 1968.

Representative EDITH GREEN,
Chairman, Special Subcommittee,
Rayburn House Office Building, Washington, D.C.:

Approximately thirty percent of the twelve hundred graduate students currently enrolled Auburn University subject to draft under new selective service regulation. Drafting these would result in loss of equivalent of one hundred twenty full time faculty from universities teaching and research programs considered essential to national interest.

Problem will be magnified if reserve units are activated. We urge consideration by the Congress of system pooling by age groups as proposed by American Council on Education and Council of Graduate Schools in U.S.

HARRY M. PHILPOTT,
President, Auburn University.

CAMBRIDGE, MASS., February 27, 1968.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives,
Washington, D.C.:

The Administration's decision to provide discriminatory priority in drafting 25 year old men will create a serious depletion in the graduate student teaching and research commitments of MIT. A system of pooling age groups would greatly reduce the impact on our graduate student teaching and research assistant staff and I urge careful consideration of all such proposals.

HOWARD W. JOHNSON,
President, Massachusetts Institute of Technology.

MINNEAPOLIS, MINN., February 26, 1968.

Representative EDITH GREEN,
Chairman, Special Education Subcommittee,
House of Representatives,
Washington, D.C.:

The current selective service law and related policies of implementation pose serious problems for graduate school and ultimately for all of education. Am especially concerned about plans to draft older age groups first. Urge your efforts to secure pooling of age groups for draft purposes. Further urge your efforts to gain review of longer run impact of present dropped policy on education and the related implication for our economy.

MALCOLM MOOS,
President, University of Minnesota.

KNOXVILLE, TENN., February 24, 1968.

Chairman EDITH GREEN,
Special Subcommittee on Education,
House of Representatives,
Washington, D.C.:

If the present selected service regulation prevails 750 existing and new graduate students at University of Tennessee will be affected seriously handicapping teaching and research programs this fall and the following period. We plead not for wholesale graduate deferment or for categorical deferment but for some method of age pooling selection to prevent the drastic impact on any one age group.

A. D. HOLT,
President, University of Tennessee.

WASHINGTON, D. C., *February 23, 1968.*

Hon. EDITH GREEN,
Washington, D.C.:

The present administrated decision on selective service is expected to reduce full time graduate enrollment at American University by 30 to 50 per cent for fall of 1968 graduate students drafted will deprive the country of trained service in teaching, contributions to natural and social sciences, skilled work in government and international affairs, and the humanities full losses will not be felt by society for two or three years. Since major enrollment drop will accrue at masters and early doctoral levels. This university joins American Council on Education in requesting a system of pooling age groups in order to reduce impact on graduate education.

HURST R. ANDERSON,
President, the American University.

NEW YORK, *February 23, 1968.*

Representative EDITH GREEN,
House of Representatives,
Washington, D.C.:

The administration's decision regarding draft and graduate students is producing chaos among both students and schools. Soon the consumers of highly trained manpower that government industry schools and colleges—will become aware of the present short-sighted policy is it not possible to have a fair system of pooling age groups? The present system is clearly not in the best interests of any productive segment of the country, an age pooling system would reduce the number of graduate students but it would not be so drastic as to seriously affect the efficiency of graduate schools and the consumers of highly trained talent.

JOHN R. EVERETT,
President, The New School.

ATHENS, OHIO, *February 26, 1968.*

Mrs. EDITH GREEN,
House of Representatives,
Washington, D.C.:

Request that careful consideration be given to American Council on Education proposal concerning draft procedure for graduate students. Recently announced policy could have detrimental effect on graduate education. Important to avoid wholesale drafting of graduate students.

VERNON R. ALDEN,
President, Ohio University.

LAWRENCE, KANS.,
February 26, 1968.

Hon. EDITH GREEN,
House of Representatives,
Washington, D.C.:

Recently announced selective service regulations will make it largely impossible for universities to plan for the graduate schools as students are unable to plan ahead, pending decision on each individual case by local selective service boards. Universities will be unable to fulfill their responsibilities to the Nation as the supply of future teachers and scientists is thus curtailed. With other university presidents I urge, not blanket deferment but, equitable distribution of the incidence of the draft. This can be accomplished if all ages in the eligible pool are treated and selection within this pool follows a predictable order. This I strongly recommended.

W. CLARKE WESCOE,
Chancellor, University of Kansas.

BOSTON, MASS.,
February 26, 1968.

EDITH GREEN,
*Chairman, Subcommittee on Education, U.S. House of Representatives, Wash-
ington, D.C.:*

Urgently request you work for draft by pooling age groups rather than barring
all graduate education.

Rev. MICHAEL P. WALSH, S.J.,
President, Boston College.

COLUMBUS, OHIO,
February 26, 1968.

Hon. EDITH GREEN,
*House of Representatives,
Washington, D.C.:*

Selective service decision will have serious impact upon teaching and research
activities of the Ohio State University and potentially serious academic and
economic impact upon faculty recruitment two years hence. While agreeing
with general policy, we urge adoption of some system to phase into this policy to
reduce extent of immediate impact.

NOVICE G. FAWCETT,
President, Ohio State University.

HOUSTON, TEX.,
February 26, 1968.

Hon. EDITH GREEN,
*Chairman, Special Subcommittee on Education, U.S. Office of Education, Wash-
ington, D.C.:*

The decision of the President of the United States regarding the draft act,
wherein requests would not be made for graduate deferment, will have a serious
impact on graduate education. If this is not changed but if allowed to stand for
any period of time, however short it might be, irreparable damage will be
done to graduate school enrollment.

H. HADLEY HARTSHORN,
Chairman, Interim Executive Committee, Texas Southern University.

GRAND FORKS, N. DAK.,
February 26, 1968.

Representative EDITH GREEN,
*Chairman, Special Subcommittee on Education, U.S. House of Representatives,
Washington, D.C.*

Administration decision regarding drafting graduate students would have seri-
ous consequences not only upon graduate enrollments and graduate college but
upon total university urge you consider some fair system for pooling age groups
to reduce the effect upon graduate education and hence upon the Nation urgently
demanding more personnel educated to graduate level.

GEORGE STARCHER,
President, University of North Dakota.

LAFAYETTE, IND.,
February 26, 1968.

Hon. EDITH GREEN,
House of Representatives, Washington, D.C.

Purdue University, the land-grant institution of the State of Indiana, with
total enrollment of twenty-three thousand, of which more than five thousand are
regular graduate students, supports appropriate and immediate action on the
part of the House Subcommittee on Education for the Selective Service System
to adopt procedures under which all men in the total pool of eligibles (18-26) be
called for military service in the same ratio as the number in each age group
bears to the total pool thus, in effect achieving in practice the principle of equal

exposure to military service by all eligible men. In our view it is unfair, unwise, and impractical to meet all immediate draft calls from the older age groups since this places a greater exposure on the older age groups than the younger age groups.

FREDERICK L. HOVDE,
President, Purdue University.

PROVIDENCE, R.I.,
February 26, 1968.

Mrs. EDITH GREEN,
*Chairman, Special Subcommittee on Education, House of Representatives,
Washington, D.C.*

I strongly urge consideration of Selective Service policy requiring selection of oldest eligible males first continuation of this policy will have an immediate bad effect on planning granduate schools but a more important bad effect on the orderly supply of educated people for the professions ending of deferments for graduate study was need for equity but previously deferred students should be placed in a pool with nineteen year olds, not all taken first.

RAY L. HEFNER,
President, Brown University.

HOUSTON, TEX.,
February 26, 1968.

Mrs. EDITH GREEN,
House of Representatives, Washington, D.C.

Respectfully urge that your sub-committee consider system of pooling age groups so as to reduce the clear danger of a further drop in graduate school enrollment that will imperil the orderly preparation of needed specialists in many academic disciplines. Note that pooling of age groups does not constitute overall deferment but is a system protecting the national interest and rights of all concerned. Kind regards from a former Oregonian.

H. PHILLIP G. HOFFMAN,
President, University of Houston.

ALBANY, N.Y.,
February 26, 1968.

HON. EDITH S. GREEN,
*House of Representatives,
Rayburn House Office Building,
Washington, D.C.:*

I strongly urge the Special Subcommittee on Education of the Congress to advise the President of the dangers inherent in the recent changes in Selective Service Regulations and ask that you recommend to him a change in the law which would provide for an impartial selection within the total draft eligible pool as a better way of serving the national interest.

To meet present and future needs of this Nation for educated manpower in these times of rapid change, it is imperative that efforts be made to avoid decimating the ranks of those students who are the brain power potential of the United States. To do otherwise would reduce the capacity of universities to serve the national interest and deprive government, education and industry of strategic manpower necessary for the immediate future. Should these new regulations prevail at this critical period in our history, our progress in meeting national needs would be seriously arrested and it is likely that an actual set back of 10 years would occur in certain areas. In brief, the Nation must not be put in the peril educationally, economically and internationally.

To underline my statements, I am presenting the following information about the State University of New York which is comprised of four university centers, two medical centers, twelve liberal arts colleges, six agricultural and technical colleges, and thirty community colleges. Unfortunately, at this time, estimates of the effects of the new regulations are available for only the university centers and the community colleges, as well as the agricultural and technical colleges.

According to estimates, graduate school enrollments will drop about 40 per cent at university centers; the drop in enrollments of male students at the six agricul-

tural and technical colleges will average over 80 per cent; and the drop in enrollments of male students of the 28 community colleges reporting will average over 50 per cent.

To lessen the loss of educated manpower at this critical juncture and enable the State University of New York with the other universities to fulfill commitment to the United States, I urge the solution of initiating the system of selection which fall equitably on all ages in the eligible pool.

SAMUEL B. GOULD,
Chancellor, State University of New York.

PASADENA, CALIF.,
February 27, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education, House of Representatives,
Washington, D.C.:*

Respectfully urge you to explore the possibility of revising the Draft Act of 1967, first, to provide for a random selection of draftees irrespective of age within the present accepted range, and second, to time the drafting of students at all levels to the normal periods when their immediate degree objective is reached. Do not ask for special deferments for graduate students, but only that all young men be treated alike and that schools years not be disrupted.

L. A. DUBRIDGE,
President, California Institute of Technology.

BANGOR, MAINE,
February 26, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education, House of Representatives,
Washington, D.C.:*

The University of Maine confirms the principle that National Manpower needs have priority over a university's needs. The recently announced policy on the draft of graduate students will have a serious detrimental impact on total university responsibility because of the contribution of graduate students in undergraduate instruction. We believe that all able bodied citizens have a responsibility for completing their military service obligation; further it is not reasonable to insist upon deferment of graduate or professional students in other than the medical, dental, and allied specialty fields. This nation should have the human resources to make possible the development of a system of intelligent selection which will distribute the service responsibility equitably across all the age groups currently available. We would also like to recommend that an enrolled student selected for draft be given a delay in reporting for duty until the completion of his academic year program.

EDWIN YOUNG,
President, University of Maine.

FORDHAM UNIVERSITY,
Bronx, N.Y., February 26, 1968.

HON. EDITH GREEN,
*House of Representatives,
Washington, D.C.*

DEAR CONGRESSWOMAN GREEN: In writing to you about the recently announced new Selective Service procedures, I know that I am speaking for the students, faculty, and administration of Fordham University. These new procedures will raise havoc in graduate school education.

I really believe that all graduate schools are severely threatened by these new regulations. It is practically impossible to know how many students will be in graduate and professional schools next Fall and our plans are not even educated guesses. It seems to me that there is a strong likelihood that the number of students in graduate schools will be reduced in a drastic fashion.

I am writing to you because I am well aware of your interest in American education and if we talk of education without teachers, we are talking nonsense. But the new procedures are very likely to cut off the supply of teachers.

It is quite evident to all of us that draft inequities have existed. There has to be some solution but I hope you agree that the solution does not lie in procedures which will cut off the supply of future teachers for American education.

It is quite obvious that some action must be taken. I feel that one equitable solution lies in a random selection method based on the total pool of physically and mentally qualified men (age 19-26) available for induction. In this way, the military service could be drawing equally from the college graduate group and the non-college group. Such a system would:

1. Save the armed forces from trying to cope with an incredibly large number of potential and actual graduate students ready to argue about every command.
2. Produce a more desirable age mix for the armed forces.
3. Allow the graduate and professional schools to function and to render service to the nation.
4. Expose college and non-college men almost equally to the draft.

Please accept my most sincere thanks for all you have done for American education.

Sincerely yours,

LEO McLAUGHLIN, S.J.

MIAMI UNIVERSITY,
Oxford, Ohio, February 29, 1968.

Hon. EDITH GREEN,
House of Representatives,
House Office Building,
Washington, D.C.

MY DEAR MRS. GREEN: In re special subcommittee on education.

On behalf of the faculty and administration of Miami University I wish to support the position of the American Council on Education in recommending a system of pooling of all students in the draft age group, followed by random selection, to reduce the impact on young men at the upper age levels. Since it seems apparent that the draft requirements will call only a minority of the eligible students, it would appear to be in the national interest to select from all eligible students and thereby reduce the impact on graduate education.

While we certainly do not wish to put the interests of universities above those of our nation, the present regulation will seriously impair the ability of higher education to prepare sufficient numbers of graduate students for future positions in our colleges and universities. On the other hand, we believe we can continue to perform our vital services to the nation if draft selections fall equitably on all age groups in the eligible pool.

While I understand that your education subcommittee does not have jurisdiction in this matter, I appreciate and wish to support your actions to spotlight the consequences of this present policy.

Sincerely yours,

PHILLIP R. SHRIVER,
President.

PENNSYLVANIA STATE UNIVERSITY,
University Park, February 23, 1968.

Hon. EDITH GREEN,
House of Representatives,
Rayburn House Office Building,
Washington, D.C.

DEAR MRS. GREEN: May I add the voice of Penn State to those from whom you must have heard concerning Selective Service Director Hershey's recent ruling on the deferment of graduate students.

Let me make quite clear at the beginning that I do not propose the indefinite continuation of draft deferments for graduate students. That system is patently undemocratic. Rather I propose that the Selective Service System take men at an earlier age so that their professional development need not be interrupted once it has begun.

If Mr. Hershey's current ruling stands, we will experience severe dislocations: not just in the graduate school but throughout the total University. I quote from M. Nelson McGeary, Dean of Penn State's Graduate School:

"As presently constituted the draft system will impose a number of dislocations in the structure of graduate education here at The Pennsylvania State

University as well as at most other colleges and universities offering graduate work. At Penn State we do not expect graduate student draft losses to be offset by increased applications by degree candidates who are over draft age, are veterans, are physically disqualified for military service, or by women applicants. We do not plan moreover, on increasing the number of foreign national graduate students. Under these circumstances, undergraduate instructional programs will require reallocation of faculty time because of the major role played by graduate teaching assistants. Some research programs will also be curtailed as more faculty time will have to be given to teaching in conjunction with fewer student research inquiries and less student research assistance."

From a national point of view, I am concerned about losing some of our best scientists, liberal artists, and professionals. I fear their disciplines may pass them by during their years of service. Many will not have the initiative to begin again.

I propose that graduate students be retained as draft-eligible until they complete work toward their advanced degrees. In the meantime, begin drafting men upon high school graduation. Within a few years, the nation's eligible graduate students will be veterans. The problem will have solved itself.

We are indebted to you, Mrs. Green, for your concern about this matter.

Sincerely,

ERIC A. WALKER,
President.

WICHITA STATE UNIVERSITY,
Wichita, Kans., February 26, 1968.

HON. EDITH GREEN,
*Chairman, Special Subcommittee on Education,
House of Representatives,
Washington, D.C.*

MY DEAR MRS. GREEN: I take this opportunity to add my comments to those which you are receiving from other university presidents with regard to the impact on graduate education of the present selective service requirements. This statement has the benefit and insight of Dr. John Breazeale, the Dean of our Graduate School. Before commenting on this impact, may I first make clear that this University shares with the American Council on Education and the Council of Graduate Schools, the following convictions:

1. That the national security transcends the interest of any individual or group of individuals, and that the obligation of military service should be borne by all citizens with neither graduate nor undergraduate students being exempted from such service.

2. That the system of selective service should create a minimum of disruption and uncertainty in the lives of those eligible for induction, and that, therefore, the selection process should take place at a natural time of transition in the education process of the student.

The Graduate School of Wichita State University will be affected in the same way as other graduate schools are affected by the present selective service regulations. Since our graduate program is primarily at the Masters level, the loss of a significant fraction of the first year graduate class for a period of two years will result in a severe disruption of continuity in these Masters programs. This University would also feel the impact of the present requirements in its undergraduate programs since the University uses approximately 130 graduate teaching assistants, most of whom are normally drawn from the first year graduate class. Inability to fill these teaching assistantships would have the greatest impact in science areas since laboratory sections of most of the science courses are taught by these assistants.

Because of the urban nature of Wichita State University, a sizable number of our graduate students are employed and pursue their graduate work on a part-time basis. Since many of these students are older, or are deferred on other than a student classification, the impact of the current selective service requirement on our Graduate School may be somewhat lighter than on more typical graduate schools. Nevertheless, I felt it appropriate that this University express its alarm at the consequences for graduate education of the present selective service regulations. We would strongly support efforts to reduce the impact of these regulations by pooling eligible men in broad age groups rather than

adhering to the present practice of inducting the eldest registrants first. We believe that this action would be compatible with the two points endorsed above, and at the same time would help preserve the continuity and vigor of the educational programs of the University.

Sincerely yours,

EMORY LINDQUIST.

COLUMBIA, Mo., February 26, 1968.

Mrs. EDITH GREEN,
*Chairman, House Subcommittee on Education,
House of Representatives, Washington, D.C.:*

The executive decision with respect to draft calls will cause serious problems for the universities in the loss of graduate students and for the Nation in the loss of specialized manpower. I would like to urge that you institute congressional hearings on this entire matter.

JOHN C. WEAVER,
President, University of Missouri.

SALT LAKE CITY, UTAH,
February 27, 1968.

EDITH GREEN,
*Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.:*

Recent decisions by the Director of Selective Service in regards to graduate student deferments will have a most serious impact on the University of Utah. Our records indicate that 635 of our 1419 graduate students will now become eligible for the draft as will 110 of our 305 students in the college of law. These students teach large numbers of our freshmen and sophomore students and play a most significant role in our research projects. Removal of these students from their present academic positions will cause a major disruption of personnel on our campus. We are taking steps to recruit townspeople, faculty wives and others to help fill the gaps in the teaching program but it will be most difficult to replace those students engaged in our twenty million dollar research projects.

We believe these students should meet their commitments to the country's Armed Forces but the present system has very great impact on our graduate students while allowing under-graduate students to remain in school almost indefinitely.

JAMES C. FLETCHER,
President, University of Utah.

SCHENECTADY, N.Y.,
February 26, 1968.

HON. EDITH GREEN,
*House of Representatives,
Washington, D.C.:*

Respectfully urge you to press for revision of selective service deferment plan to distribute draft calls equitably over all age groups so as to lessen impact on graduate and professional schools. Letter follows.

HAROLD C. MARTIN,
Chancellor of Union University.

COLUMBIA, S.C.,
February 26, 1968.

Representative EDITH GREEN,
*Chairman, Special Subcommittee on Education, House of Representatives, Wash-
ington, D.C.:*

Please add my concern regarding new draft regulations to those already received. National health and safety requires a more effective procedure to achieve a wider distribution in ages of draftees.

THOMAS F. JONES,
*President of University of South Carolina, Member of National Science
Board.*

COLLEGE STATION, TEX.,
February 28, 1968.

HON. EDITH GREEN,
Chairman, Special Subcommittee on Education, House of Representatives, Washington, D.C.:

Present administrative decision regarding draft status of graduate students portends to reduce fall 1968 enrollment of first and second year graduate students by 40 percent at Texas A. & M. University.

Urge you support act to not request graduate deferment but system pooling age groups and thus reducing potential impact on graduate education.

EARL ADDERS,
President, Texas A. & M. University System.

CAMBRIDGE, MASS.,
February 26, 1968.

HON. EDITH GREEN,
U.S. House of Representatives, Washington, D.C.:

Effect of administration decision on the draft estimated to reduce number of graduate students at Harvard in the first year 10 percent to 35 percent depending on particular faculty. Loss of teaching fellows and research assistants estimated to be more than 100 in the first year. These losses obviously cumulative in succeeding years. Some system of pooling age groups would substantially reduce the losses expected under the present system.

NATHAN M. PUSEY.

BATON ROUGE, LA.,
February 26, 1968.

Representative EDITH S. GREEN,
Rayburn House Office Building, Washington, D.C.:

Estimate from fifteen to twenty percent of entire graduate student body of 2800 at Louisiana State University would be affected by recent National Security Council ruling concerning draft deferment concur in opinion expressed by many colleagues. This policy will seriously affect already critical short supply of faculty and not serve best interests of national generally. Wholeheartedly support and urge adoption some method of random selection from pool of eligible men as proposed by American Council of Education and Association of American Colleges.

JOHN A. HUNTER,
President, Louisiana State University System.

LEWISBURG, PA.,
February 27, 1968.

HON. EDITH GREEN,
Special Subcommittee on Education, House Office Building, Washington, D.C.:

Bucknell University like others faces severe dislocations as result of new draft deferment directive on graduate students, and urges change to pool age groups. Your support of this change is requested.

CHARLES H. WATTS,
President, Bucknell University.

YESHIVA UNIVERSITY,
New York, N.Y., February 26, 1968.

HON. EDITH GREEN,
Chairman Special Subcommittee on Education, House of Representatives, Washington, D.C.

MY DEAR MRS. GREEN: We at Yeshiva University are very much concerned over the new Selective Service regulations under which graduate students, with few exceptions, are subject to draft. We feel most strongly that this is a very shortsighted policy, one which will not only hurt American education, but which fails to take into account our acute needs for specialized manpower and goes against the national interest.

Under the new regulations the academic community will be faced with a very serious problem: an increased shortage of qualified teachers for the increasing number of students who are seeking undergraduate training on the one hand, and the shortage of people qualified to carry out advanced research and scholarly activities on the other. These two areas are inter-related. We have been able to meet some of the pressures in undergraduate education by using graduate students as assistants both in teaching and in research activities. With this pool of additional personnel dried up we will not only lose future scholars and leaders, we will do direct and recognizable harm to undergraduate education.

I am not interested at present in putting forth specific alternatives. I would only urge upon you to use your good offices to have these Selective Service regulations re-studied in the light of the danger which the present regulations pose not only for the academic community, but for our nation's future and welfare. It is imperative that the Selective Service System be altered to permit a more equitable selection among undergraduate and graduate students to help insure the continued development of highly trained people whose loss would pose a grave danger to our growth and survival in future years.

Sincerely yours,

SAMUEL BELKIN,
President.

BLACKSBURG, VA.,
February 26, 1968.

HON. EDITH GREEN,
*House of Representatives,
Washington, D.C.:*

This is to express grave concern by the administration of this university about the administration decision on the draft of graduate students for service in the military forces the effectiveness of service to the Nation by this university, which offers doctorate degrees in 26 fields and masters degrees in more than 50 fields, would be severely harmed, both in graduate and undergraduate education by the wholesale draft of graduate students. We concur with the position of the American Council of Education which as you know does not request deferment of graduate students but rather a system which pools the various age groups, thereby softening the harmful impact that the present decision would have on graduate education both here and other universities through the Nation.

Sincerely,

T. MARSHALL HAHN, Jr.,
President, Virginia Polytechnic Institute.

AMHERST, MASS.,
February 26, 1968.

Representative EDITH GREEN,
*Chairman House Special Subcommittee on Education,
Washington, D.C.:*

The interests of the Nation oppose the proposed priority drafting graduate students. Strongly urge draft apply equally to all draft eligible age group.

JOHN W. LEDERLE,
President University of Mass.

MORGANTOWN, W. VA.,
February 26, 1968.

Representative EDITH GREEN,
*House Office Building,
Washington, D.C.:*

Strongly support your stand in opposition to wholesale abandonment of graduate student deferment. Hope your good offices can be used to support the ACE proposal to pool age groups thus reducing direct impact on graduate education.

J. G. HARLOW,
President, West Virginia University.

Mrs. GREEN. Then, finally, may I express my great thanks to you, President Brewster, President Harrington, and Dean Miller. I think your willingness to come today on such short notice reflects your great concern about the current policy.

I may say to both of you that your views are shared by me, and I am sure the majority of the members of this subcommittee. I suspect it is even unanimous.

May I express my sincere thanks to you, Dr. Trytten, and to you, Mrs. Vetter, for the help you have given, and your willingness to be here.

And, General Hershey, to you and the two gentlemen who accompany you, may I also express my deep thanks.

This has been a long session.

I think that I would say that you hold a very difficult position in this country in time of war, and none of the decisions are easy, and none of them would receive the unanimous applause or unanimous approval of the people across the land, so we are sympathetic to the problems you face.

We did want to call your attention to some of these problems. We did want clarification so that we could arrive at some better informed judgments.

May I say also that with the approval of my subcommittee, I will certainly make the minutes of this hearing and the record available to the Secretary of Defense at the earliest possible opportunity.

Thank you again.

(Whereupon, at 2 p.m., the subcommittee adjourned, to reconvene at the call of the chair.)

HIGHER EDUCATION AMENDMENTS OF 1968

MONDAY, MARCH 4, 1968

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2257, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Brademas, Hathaway, Burton, Quile, Reid, and Erlenborn.

Mrs. GREEN. The subcommittee will come to order for further consideration of H.R. 15067, the Higher Education Amendments of 1968.

STATEMENT OF CHARLES E. WALKER, EXECUTIVE VICE PRESIDENT, AMERICAN BANKERS ASSOCIATION; ACCOMPANIED BY JAMES E. SMITH, ASSOCIATE FEDERAL LEGISLATIVE COUNSEL; EDWARD GANNON, A SPECIAL ASSISTANT TO THE EXECUTIVE VICE PRESIDENT; AND LAWRENCE BANUS

Mrs. GREEN. This morning the first witness to comment on H.R. 15067 are representatives of the American Bankers Association.

Dr. Walker, we are delighted to have you back before this committee this morning. Are you accompanied by others?

Mr. WALKER. Yes, Madam Chairman, Mr. James E. Smith, associate Federal legislative counsel; Mr. Edward Gannon, a special assistant to me in New York, who has worked very much on the program; and Lawrence Banus, who has done mathematical computations for our statement.

Mrs. GREEN. Would you like the other two gentlemen to sit at the table?

Mr. WALKER. I think this is satisfactory.

Mrs. GREEN. Then would you proceed as you wish, Mr. Walker.

Mr. WALKER. Thank you very much.

Madam Chairman and members of the Special Subcommittee on Education; the American Bankers Association is grateful for this opportunity to testify again with respect to the administration's proposals to strengthen and improve the guaranteed student loan program.

On December 31, 1967, the guaranteed student loan program had completed approximately a year and a half of activity under the Federal-State-private partnership authorized by the Higher Education

Act of 1965. In that 18 months the program generated 685,000 student loans with an aggregate dollar value of \$558 million. In the current fiscal year, the program's second full year of operation, we estimate that the program will produce approximately one-half billion dollars in student loans.

This performance record certainly indicates that if the program is improved so as to make it fully sustainable, it has immense potential to make a most significant contribution to our Nation's student financial needs. However, unless the necessary improvements are made, we are not optimistic about the program's future.

In fact, the guaranteed student loan program is at the crossroads—and whether the correct path is taken depends heavily on the decisions made by this subcommittee.

Placement and conversion fees: One of the major weaknesses of the guaranteed student loan program at the present time is that lending institutions are suffering out-of-pocket losses in extending loans at the permissible 6-percent simple interest rate. It is wholly unrealistic and unfair to expect banks or other private lending institutions to maintain active participation in any program which results in net losses to these institutions. The member banks of the American Bankers Association do not seek to have the guaranteed student loan program placed on a full profitmaking basis; but they do believe that the program should permit them at least to break even in the extension of these loans.

In an effort to solve this income problem, the administration has recommended that placement and conversion fees be paid by the Federal Government to lenders. Under this system a so-called placement fee, not to exceed \$35 per year, would be paid to the lender at the time of each annual loan disbursement. The conversion fee—again not to exceed \$35—would be paid at the time that the interim loan notes are converted into a repayment agreement. The exact amount of these fees would be determined by the U.S. Commissioner of Education after consultation with the Secretary of the Treasury as to the prevailing money market conditions.

It was quite clear that the purpose of the variation in the fee would be to reflect variations in the cost of money to commercial banks, savings and loan associations, credit unions, and other lenders.

The American Bankers Association believes that such a system of adjustable fees could be easily and effectively administered by the Commissioner of Education so as to produce a return to lenders that would permit them at least to break even in the extension of student loans. We strongly urge the members of this subcommittee to recommend approval of this administration proposal.

Since our prior appearance on this proposal last August, we have run some interest rate computations involving the inclusion of these proposed fees. The results of these computations—which we believe the subcommittee will find of interest—are presented in an appendix attached to this statement. Each of the examples presented involve four loans—one in each college year—with assumed principal amounts of \$750, \$900, and \$1,000. The \$750 minimum loan figure seems reasonable, inasmuch as the average annual loan under this program has already risen above \$800.

In each example, we assumed a grace period of 1 year after graduation before repayment. We used three different repayment periods of 6, 8, and 10 years with each of the three different loan amounts, thus thus producing nine separate examples. We also used the highest permissible fee of \$35 for the four placement fees, as well as the conversion fee, so as to demonstrate the highest gross interest yield for each of these nine examples. Last summer the Treasury went on record as saying they thought the fees should be in the general range of \$25 under existing conditions at that time.

As is made clear in the appendix, in only one example—the one involving four annual loans of \$750 with a 6-year repayment period—would the \$35 fee yield a gross return to the lender in excess of 7 percent. And in that example the yield is only 7.11 percent.

The results of these computations seem significant to us for the following reason. The Higher Education Act of 1965—section 427 (b)—authorizes the Commissioner of Education to increase the permissible interest rate on loans directly insured by the Office of Education to 7 percent per annum if he finds that a higher return to the lender is required for the successful operation of the program. Thus our computations indicate that if the Congress approved the fee system recommended by the administration, it would be merely reaffirming the policy enunciated in the 1965 act with respect to the matter of return to lenders under the guaranteed student loan program.

The significance of this relationship is emphasized by the fact that as of today the Office of Education is directly insuring student loans in 16 States. Presumably, under the provision of the act just referred to, the Commissioner of Education could raise the interest rate in these States from 6 to 7 percent—a rate higher than would be earned on the typical loan under the administration's proposal for placement and conversion fees.

Stated differently, Congress originally, in the 1965 act, approved a gross rate of return to lenders that would be no higher on the typical loan than the highest fee that could be administratively set under the new administration proposal. I am not suggesting the Commissioner of Education is about to raise the rate in those 16 States. It would throw the program into great difficulty since in the other 34 States the 6-percent ceiling would have to remain plus the usury problem in those States with 6-percent limits.

Unfortunately, much of the discussion about the fee approach has become embroiled in a debate as to whether the legislation would merely permit the lenders to break even, or whether—in the words of one witness—the fee approach would represent a “banker's bonanza.”

These charges miss the point. The relevant comparison is not between income and outgo and whether there is a slight profit, a slight loss, or an approximate standoff. The relevant comparison on this or any other socially oriented public-private program is the gross rate of return on other attractive lending opportunities which profit-oriented financial institutions must forgo in order to make student loans.

For example, the gross return on extensions of revolving credit through credit cards can reach 18 percent—three time the student

loan gross rate. The gross return on automobile lending is 10 to 12 percent—about twice the student loan rate. And even the rate of interest to a prime corporate borrower would be higher, all things considered, than the student loan rate.

Again, I want to emphasize that the commercial banking industry is not asking for full-scale profits on student loans—I am simply pointing out the calculations that must go through the chief executive's mind when he takes this money for student loans and does not use it for other types of lending—although precedent surely exists in the federally insured home improvement loans which allow gross rates approaching 10 percent. In other words, there are federally guaranteed programs which are geared to a full-scale profit for the lending institutions.

The American Bankers Association and its members are convinced that loans to needy students are good for our communities, good for our country, and in the long run certainly good for our banks. We, therefore, will strongly promote the program if we can conscientiously make the case that they are not out-and-out loss propositions.

There is still another point which argues strongly for enactment of the fee proposal. When Congress authorized the 6-percent rate in 1965, interest rates—including the rates banks have to pay to attract savings accounts and time deposits—were much lower than they are now. This is quite clear from the reproduced charts from economic indicators published by the Council of Economic Advisers for the Joint Economic Committee which is appended to this statement.

If 6 percent was fair in 1965, then it is manifestly unfair today. The rate should be raised but, because of the complications arising from usury ceilings in a few States, the fee approach is the best alternative—and it places the burden not on the student but on the Federal Government.

The argument that the program's good performance in recent months—which is very gratifying to us—shows that the program needs no shot in the arm is particularly distressing to leaders of the American Bankers Association who have worked long and hard to promote the program. One reason banks have stayed in the program is because ABA leaders expressed confidence that the fee proposal was reasonable, had strong administration support, and would probably pass the Congress, retroactive to June 1, 1967. A number of banks have made loans on the basis of that.

It is, therefore, highly ironical that this argument be turned around as a case against the fee. Indeed, some very significant lenders have recently told ABA officials that in the absence of the proposed fee, they will have to seriously consider dropping out of the program.

State guarantee programs: Amendments to the guaranteed student loan program contained in H.R. 15067 also include two administration recommendations designed to further encourage States to establish programs to insure student loans. The first of these proposals would authorize a Federal "reinsurance program," under which the Federal Government would reimburse State guarantee agencies for 80 percent of the default claims paid by the State agencies. The second proposal authorizes an additional \$12.5 million in seed money

to be disbursed to individual State guarantee agencies on a 1:1 matching basis.

The American Bankers Association—we have commented on these in earlier testimony, so I will simply summarize—believes that both of these proposals have merit and will greatly assist efforts to encourage States to undertake the guarantee function in this partnership program, as originally envisioned by the 1965 act. The additional seed money will not only help to strengthen existing State programs, but should prove to be an important stimulus to action in those 15 States which have not yet authorized guarantee programs. The “re-insurance proposal” should materially strengthen the State guarantee operations, for its practical effect is to multiply fourfold the guarantee capacity created by State-appropriated reserves.

The American Bankers Association continues to believe that the overall purposes of this program will be most effectively achieved if the guarantee function is established at the State level through either State or private, nonprofit facilities. The performance record to date supports this conclusion.

A review of this record reflects that almost without exception the program has performed most effectively in those States where a guarantee program has been established. We, therefore, urge the subcommittee to approve these two administration recommendations with respect to State guarantee operations.

Other proposed changes: We are aware that the subcommittee has received recommendations from outside the administration for certain other changes in the guaranteed student loan program. The two most important such recommendations are (1) a suggestion that the interest cost subsidy paid by the Federal Government be discontinued in the postgraduation period; and (2) the suggestion that the college financial aid officer be given a clearly authorized role in the program with respect to recommending the amount which a financial institution should lend to a particular student.

The American Bankers Association believes that both of these recommendations deserve serious consideration by the subcommittee. Quite obviously, the elimination of the interest subsidy in the postgraduation period would significantly reduce the overall costs of this program to the Federal Government. Much more important from the standpoint of the lending institution, there would be a reduction in administrative costs, for this would do away with the necessity for a lender to bill the U.S. Office of Education on a quarterly basis for a portion of the interest accruing on a student loan during the repayment period. This billing process necessitates additional recordkeeping activity which results in increased administrative costs for the lender.

Additionally, we believe that the elimination of this subsidy after graduation might also help assure that needier students would be fully accommodated. Without the interest subsidy during the repayment period, a guaranteed student loan would produce a less attractive interest rate for the borrower; thus, elimination of this subsidy might tend to reduce requests for these loans from those families in the upper middle income brackets who now seek these loans only because of the highly attractive interest rate.

That is not to suggest that is the only reason these people seek the loan. If you have a very large family and several children enter college at once, even with a high income there can be a pinch.

We are certainly aware of the fact that this recommendation poses a highly important question of public policy for the subcommittee. But for our part we believe that as a result of eliminating the post-graduation subsidy the program would operate more effectively and its availability to students having real economic need would be enlarged.

As to the proposal for expanding the role of the student financial aid officers in the guaranteed student loan program, this recommendation has the full support of the American Bankers Association. Of the several student financial aid programs supported in full or in part by the Federal Government, the guaranteed student loan program is the only one in which the college financial aid officer is not permitted to play a meaningful role. There is no question but that the college financial aid officer is in the best position to determine the real financial needs of a particular student. He does this with respect to all other student assistance programs, and we can see no valid reasons for excluding his important and informed judgments from the guaranteed student loan program.

If I might digress from the statement a moment to give an illustration, only a few weeks ago I was talking to a leading banker from the hinterlands who is almost singlehandedly trying to stay in the program in his own community and making these loans. He is finding it much more difficult to do. He told me an illustration in the city where a branch head of a large national business corporation which keeps a substantial deposit in the banks "leaned on him rather heavily"—in other words, suggested his son ought to get one of these low-rate guaranteed student loans.

It is very difficult for the head of a commercial bank to tell his biggest customers, either in terms of large personal accounts or large business accounts, that their sons or daughters can't have these loans because he is going to accommodate the needy. Despite this, the figures show, by and large, the banks have accommodated the needier borrowers by bringing the student financial aid officers into the picture so he could recommend to the bank this student should get \$500, \$700, or nothing whatever; it maybe would get the banker off of this spot and he would appreciate that very much.

We earnestly hope that this subcommittee will give its most serious consideration to expanding the role and responsibility of the college financial aid officer in the guaranteed student loan program.

Public-private partnership for solving social problems: There are many observers who believe that in the long run our more pressing social problems can only be solved through a workable partnership between the Government and the private sector. The American Bankers Association shares this view. It is for this reason that we are organizing a Bankers Committee on Urban Affairs to evaluate what bankers have already done in this area and to stimulate even greater and more effective action in the future.

This program—which will be described fully in a public announcement later this month—has been most carefully developed during a 5-month planning and staffing period, and we have high hopes as to its ultimate contribution to the public interest.

Signs of progress in the Government-private sector approach to solving social problems have been multiplying rapidly. The establishment of the Urban Coalition, the pledge of the life insurance companies to support federally guaranteed loans for low-cost housing, the newly formed National Alliance of Business Men to provide jobs for the hard-core unemployed—all of these, as well as many other such developments, are most encouraging.

But these signs of progress should not obscure one fundamental fact: The private business community cannot be expected to participate in such programs on a sustained, longrun basis if it is expected to do so, year in and year out, to the detriment of the owners of the business. This does not mean that normal profits have to be made, although certainly profit is a great stimulant to action.

It does mean that programs should be carefully designed to provide what the businessmen deem to be a break-even operation. In most instances this should be easy to achieve and at a modest cost to the Government.

If this view is correct, then it is indeed a pity that one of the first and one of the most promising Government-private sector partnerships is in danger. It can be convincingly argued that the guaranteed student loan program—a major partnership among the Federal Government, State governments, and private financial institutions—stands as a prototype for the development of other cooperative efforts aimed at solving other equally important social problems.

Congress can, of course, dismantle the program—or permit it to die a natural death by refusing to raise the lender's return to a break-even basis—and turn at great costs in terms of current appropriations to a direct lending program. This is Congress' prerogative. But in so doing, Congress will have terminated a most worthy experiment in Government-private sector cooperation—a program that promises to serve as a guide to future programs—without having given the experiment a real chance to succeed.

On the other hand, if the Congress moves rapidly to make this program workable and sustainable from the lender's standpoint, the leaders of the American Bankers Association will work with renewed vigor for the establishment of guarantee programs in all 50 States; for 100-percent participation by all commercial banks; and for increased participation by other lending institutions.

To do these things, however, the income problem for lenders must be remedied. Otherwise we cannot in good conscience continue to tell our members that the program is both fair and workable on a long-range basis.

(The information furnished by Mr. Walker follows:)

RATES OF RETURN TO LENDERS ON GUARANTEED STUDENT LOANS

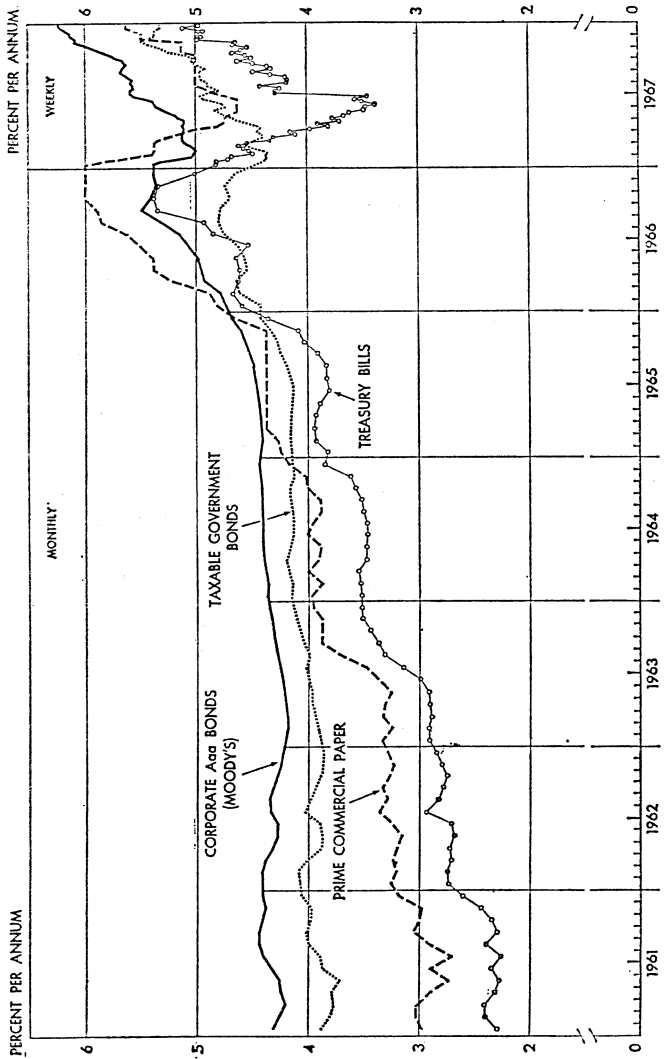
Set forth below are the results of interest rate computations for nine student loan models. The amounts disbursed and the periods of repayment have been varied to produce nine separate examples. In each example we have assumed annual loan disbursements over a four-year period and a grace period of one year prior to the beginning of repayments. We have also used the maximum fee of \$35 for the four placement fees and the one conversion fee. The interest rates are expressed in terms of percent per year compounded quarterly, and represent the average annual rate of interest yielded to the lender over the entire life of the loan.

[In percent]

Amount advanced each year	Repayment period		
	6 years	8 years	10 years
\$750.....	7.11	6.99	6.90
\$900.....	6.92	6.83	6.74
\$1,000.....	6.83	6.74	6.66

BOND YIELDS AND INTEREST RATES

In December, Treasury bill rates and corporate bond yields averaged higher than in November, while Treasury bond yields averaged lower. On a weekly basis, most interest rates and bond yields declined in early January.



[Percent per annum]

Period	U.S. Government security yields			High-grade municipal bonds (Standard and Poor's) ⁴	Corporate bonds (Moody's)		Prime commercial paper, 4-6 months	FHA new home mortgage yields ⁵
	3-month Treasury bills ¹	3-5 year issues ²	Taxable bonds ³		Aaa	Baa		
1961.....	2,378	3.60	3.90	3.46	4.35	5.03	2.97	5.80
1962.....	2,778	3.57	3.95	3.18	4.33	5.02	3.26	5.61
1963.....	3,157	3.72	4.00	3.23	4.26	4.86	3.55	5.47
1964.....	3,549	4.06	4.15	3.22	4.40	4.83	3.97	5.45
1965.....	3,954	4.22	4.21	3.27	4.49	4.87	4.38	5.46
1966.....	4,881	5.16	4.65	3.82	5.13	5.67	5.55	6.29
1967.....	4,321	5.07	4.85	3.96	5.35	6.23	5.10	6.55
1967—November	5,344	5.43	4.74	3.93	5.35	6.13	6.00	6.81
1967—December	5,007	5.07	4.65	3.83	5.39	6.18	5.73	6.77
1967—January	4,759	4.71	4.40	3.58	5.20	5.97	5.38	6.62
1967—February	4,554	4.73	4.47	3.56	5.03	5.82	5.24	6.46
1967—March	4,283	4.52	4.45	3.60	5.11	5.83	4.83	6.33
1967—April	3,882	4.46	4.51	3.66	5.24	6.13	4.67	6.29
1967—May	3,640	4.68	4.76	3.82	5.58	6.26	4.92	6.44
1967—June	3,480	4.96	4.86	3.99	5.62	6.33	5.00	6.51
1967—July	4,308	5.17	4.86	4.05	5.65	6.40	5.07	6.60
1967—August	4,275	5.28	4.95	4.03	6.07	6.72	5.28	6.63
1967—September	4,451	5.40	4.99	4.15	6.19	6.93	5.56	6.77
1967—October	4,588	5.52	5.19	4.31	6.22	6.96	5.63	6.81
1967—November	4,762	5.73	5.44	4.36	6.24	6.96	5.63	6.81
1967—December	5,012	5.72	5.36	4.49	6.20	6.86	5.63	6.81
Week ended:								
1967—Dec. 23.....	5,127	5.68	5.34	4.49	6.12	6.80	5.63	6.81
1967—Dec. 30.....	4,989	5.75	5.34	4.51	6.24	6.97	5.63	6.81
1968—Jan. 6.....	5,103	5.61	5.23	4.46	6.24	6.96	5.63	6.81
1968—Jan. 13.....	5,080	5.48	5.12	4.35	6.20	6.86	5.63	6.81
1968—Jan. 20.....	5,072	5.52	5.18	4.34	6.14	6.79	5.63	6.81
1968—Jan. 27.....	5,068	5.55	5.20	4.30	6.12	6.80	5.63	6.81

¹ Rate on new issues within period.² Selected note and bond issues.³ April 1953 to date, bonds due or callable 10 years and after.⁴ Weekly data are Wednesday figures.⁵ Data for first of the month, based on the maximum permissible interest rate (6 percent beginning October 1966) and 30-year mortgages paid in 15 years.

* Not charted.

Sources: Treasury Department, Board of Governors of the Federal Reserve System, Federal Housing Administration, Standard & Poor's Corporation, and Moody's Investors Service.

Mrs. GREEN. Thank you very much, Dr. Walker.

I am very pleased to see the recommendation by the American Bankers Association that there be a much greater involvement of the student financial aid officers and also very pleased that you are recommending that the subsidy after graduation be discontinued. I agree with you.

Would you outline the collection procedure which you would follow on those loans that would be delinquent?

Mr. WALKER. I will give it in very broad terms and ask Mr. Smith if he wants to supplement the response. The commercial bank, or the savings and loan, or credit union or savings bank lender would take reasonable steps to collect the loan that is delinquent as to payment of monthly principal and interest, but after a certain stage the commercial bank would simply turn over this loan to the guarantee agency, to the State agency, if there is a State plan operating, to the Office of Education if it is directly insured by the Federal Government and the collection problem then would be simply that of the agency, the commercial bank would be reimbursed out of the guarantee funds for the loss on the loan.

Jim, do you want to add to that or correct it if I misstated any part of it?

Mr. SMITH. I think that it is essentially correct. I think each State guarantee agency has certain standards as to when a loan goes into default for the purposes of paying the claim to the lender. I think generally that delinquency period is 120 days—4 months of delinquency; the lender can then assume, for the purposes of filing the claim, that the loan is in default. I think also without exception that your State guarantee agencies in lending student aid funds are very careful about what they do in a followup period. I don't think there is a single case of ever going to court. I think they attempt to sit down with the student and work out a more liberal, stretched-out view of a repayment program to fit his problems.

Mrs. GREEN. Do you think consideration ought to be given to some kind of penalty if the loan is in default, an increase, for instance, in the interest rate after a certain period of time?

Mr. SMITH. Mrs. Green, I would have to check the Federal regulations but I believe today that those regulations do permit the lender to charge an additional fee for delinquent payments just as the lending institutions do on other installment loans, \$1 or \$1.50. The figure does not stick in my mind, but I am certain their regulations do permit it today.

Mr. WALKER. We will check and clarify it for the record.

Mrs. GREEN. Are there precedents for this? Is it something that should be worked out?

Mr. WALKER. Yes; this is quite typical because the cost involved in any delinquency, the administrative costs become very high indeed, particularly in this program when you might lend to a student in New Mexico who after graduation moved to New York or somewhere else, trying to find the student and locate him and getting the collection process going.

Mrs. GREEN. What about the procedure on some kind of incentive for a faster repayment?

Mr. WALKER. The elimination of the postgraduation subsidy should partially provide that incentive.

Mr. BURTON. Getting out of debt is an incentive.

Mr. WALKER. It would be an incentive, if I were a college graduate today and got a job with \$60 or \$70 a month income, if I had a little more to pay off my education as opposed to buying an automobile or house; I would be more likely to get out of debt quicker.

We have not specifically given thought to an additional incentive. The incentive is automatically built into a loan contract. The quicker you pay it off, the less it costs you because of not paying interest.

Mrs. GREEN. You don't think it might be necessary to have an added incentive?

Mr. WALKER. I would like to think about it. We haven't thought of it.

Mrs. GREEN. Do you have any breakdown or any one of the four gentlemen here have a breakdown of the people to whom the loans have gone during the last 2 years? I am thinking in terms of socioeconomic groups and in terms of men versus women.

Mr. WALKER. Do we have any?

Mr. SMITH. The Office of Education does have some statistics. I don't have them with me today. I think the profile runs rather close to the NDEA profile.

Mrs. GREEN. It is my recollection in the NDEA program women get about 52 percent and under the guaranteed program it falls down to about 42. There is quite a marked difference and I wonder if it reflects an attitude on the part of the bankers.

Mr. WALKER. I have talked to bankers throughout the country on this and in testifying before you about a year ago some bankers made comments on this point. All I have talked to emphasized it makes no difference to them whatsoever. There might be something in the nature of the NDEA program versus this program where there would be more applications from young ladies and young men, but that we would have to take a look at.

Mr. SMITH. It is altogether possible that the forgiveness features of the NDEA program with regard to teachers may have some impact on women applying there more than the guaranteed student loan program.

Mrs. GREEN. What about any facts on entrance groups, the loans to various entrance groups? There was fear when this was proposed that the Negro student might suffer under the guaranteed student loan program based on the status of his family and what the bankers conceive as a future financial income for the family.

Mr. WALKER. I have had one interesting spot comment on that and I think the Office of Education, if they have not looked into it, should be looking into it quite closely; but I was talking to a leading banker from the deep mid-South about this program, one of the strongest supporters of the program, a few weeks ago, and he pointed out in his bank over 50 percent of the loans are to colored students.

So I think you have to remember where banks are strongly supporting this program on a loss basis, they are doing it with a deep sense of public and social responsibility and therefore lean over to try to make the loans to those who need them most or might have the most difficulty obtaining them under straight commercial conditions.

Mrs. GREEN. Thank you very much, Mr. Walker, for a very excellent statement. Congressman Quie, will you yield to Congressman Reid?

Mr. REID. I yield to Congressman Quie.

Mr. QUIE. No; I will yield to anybody on the committee.

Mrs. GREEN. All right, we will yield to Congressman Brademas.

Mr. BRADEMAS. Thank you very much, Dr. Walker and Mr. Smith, for your extremely interesting statement. I have two or three questions. One of my major questions touches upon the question of leadership on the part of two groups—the State governments and on the part of the bankers themselves at the State and local levels.

To what extent have State governments been giving cooperative leadership to the banks in making the program work?

Mr. WALKER. Given the relative youth or early age of the program and given the fact that it was put into effect with administrative difficulties as to organization, getting out forms and so on, given the fact that it had some positive disincentives for any particular State government to drag its feet in that if no State program were set up a Federal program would go into operation in the State at no cost to the State, given all of those many factors which we couldn't foresee in 1964-65, by and large the record has been very good.

Several States that did not have plans moved aggressively to set up plans. Other States, in which plans had been in existence, cooperated with this program and adjusted their plans, which they had to do in several legislative ways to make them conform to the Federal program.

Speaking for the bankers, we think that there has been generally good leadership in this area but not anything like we would like to see. The major reason has been that for a period of almost a year and a half there have been discussions as to how to take the loss operation out of this program, to take the disincentive aspect out of the program for the States and to provide the additional seed money and leverage necessary to make the program work.

We simply have not had time to concentrate on giving the sort of support and guidance at State level to bankers we would like to. If this package of legislation were to pass, Mr. Brademas, I can assure you we would be beating the bushes and delighted to cooperate with Congressmen in every district of the country to go to their bankers and get things moving where they need to move.

Mr. BRADEMAS. I know from my own experience, with which you are familiar, that from my own congressional district in Indiana the bankers have displayed great interest in making the program effective.

I have two or three specific proposals I have had advanced to me that might help the program move ahead more effectively and I would be glad if you could give me your comments on them. What would you think about a proposal that would make loans available to students who now find it difficult if not impossible to obtain loans by establishing some kind of central pool of credit that would provide loans to such students so that if a student in one part of the State found the banks or other private lending institutions there were not able or didn't want to participate, he would not be effectively barred because there would be some central pool which could be drawn from other institutions in the State?

Mr. WALKER. I think that plan, that idea has considerable merit, because there are going to be circumstances of that type. However, I would not want to say that in every State of the country they should follow that approach. This is one of the beauties of the approach through the State plans. There has been a complete statewide pool established in North Carolina due to the establishment of a foundation sort of arrangement. Other States might find, like a smaller State like Rhode Island, or one sparsely populated like Montana might find another approach desirable.

I think particularly in the more thickly populated or metropolitan areas, States with large metropolitan areas, your plan might have considerable merit.

Mr. BRADEMAs. What do you think about the proposal to enable the Office of Education to enter into agreements with national insurance companies or credit unions or universities or other nationwide institutions who might be willing to say—

Yes, we will make a commitment to provide a minimum amount of student loan funds over the next 3 years or 5 years or something of that kind.

Mr. WALKER. Yes, this is something that had been kicked around and discussed; it is something which we would be most happy to cooperate in setting up or to promote. It applies not only to insurance companies as national lenders; it would apply to pension funds, labor pension funds, business pension funds, and it applies to one thing we want to get working, what we call the wholesale banks. Wholesale banks are banks that do not deal normally with the general public, do not make consumer loans. There are a few large banks of this type. We would like to see some sort of arrangement where student loans could be packaged in the same way that mortgages could be packaged and sold by the originating bank to a wholesale bank with the originating bank continuing the servicing and collection of the loans just like an originating mortgage broker or lender continues the servicing of loans he sells to insurance companies.

This is the longrun key to a really effective program because you would then have a tremendous volume of financial assets available to support student loans and the burden for any particular lender would not be nearly so great as today.

Let me add in my answer to the preceding question the pooling arrangement might be effective in handling the problem of loans to ghettos and things of that type.

Mr. BRADEMAs. What about another proposal advanced—namely, to stipulate the financial need—as a criterion in the guaranteed loan program?

Mr. WALKER. It has merit, but I am not at all certain you would need to ask any student or family to make this sort of declaration. If you were to take the recommendation of the American council and others, including ourselves, that the student financial aid officer be given a key role to play and actually recommend to the financial institution how much should be lent, even make it illegal for the financial institution to lend anyone eligible for the subsidy over a certain given amount because the financial aid officer knows, he knows whether the student needs it or not and he knows what the other programs are that are available to the student and knows whether he is

trying to borrow money to buy an automobile; so I think you can circumvent the oath that you need it by giving the legal officers some power.

Mr. BRADEMAS. I would hope very much we are able to work out some kind of device, conversion fee or some other, that will promise effectiveness in making the program work. I hope, moreover, that the American Bankers Association could cooperate with the universities, with credit unions, with State agencies, with the Office of Education in organizing statewide conferences and regional conferences at which the program could be discussed and explained and at which efforts could be made to encourage participation and cooperation on the part of all of those concerned and at which model programs, for example the North Carolina pooling arrangement, of which I had not before heard, could be brought to the attention of people elsewhere in the country so that we could get all hands moving to make this program really effective.

Mr. WALKER. I think this is an excellent idea and would be glad to cooperate, and I will ask Mr. Smith if he wants to comment on that.

Mr. SMITH. Mr. Brademas, I might say we did this very thing on a national basis in, I believe, June or July, 1966, here in Washington. We brought together at that time all of the State-plan administrators, we brought together perhaps two dozen college financial aid officers, lenders, not just bank lenders but savings and loan, credit union lenders, and this was sort of the first opportunity for all of us to meet with the Office of Education just after the regulations were finally promulgated. What has been done nationally could be done easily on a statewide basis.

Mr. BRADEMAS. Thank you. I want to say finally, Madam Chairman, it seems to me that if we are serious about getting the bankers and other private lenders into the field of student financial assistance, we have to make it possible for them to do so, and I must say, Mr. Walker, I have found more compelling your statement today than when you were here before and I was quarreling with you somewhat. I certainly don't think banks ought to be asked to take a loss if they participate in this student loan program.

The important thing, it seems to me, is to make it possible for bankers and other lenders to provide the money to the college students with which to go to college; otherwise, we are not meeting the purposes of the program, which is to help young Americans finance their education.

I thank you very much for your testimony.

Mr. WALKER. Thank you, sir.

Mrs. GREEN. Mr. Reid.

Mr. REID. Dr. Walker, I thank you for your testimony. I have just two questions. The first is in your statement and in your remarks you refer to the fact that the loan program could be in danger. Might I ask, what would happen, in your judgment, if there was an increasing shortage of money with a higher interest rate; will the program continue to be able to meet the needs of the students and will the suggestions of the administration for a placement and conversion fee take care of the problem if there is a sharp increase in interest rates?

Mr. WALKER. Yes, sir; I believe it will. If we are talking about anything within reason—and by “anything within reason” I mean short

of a truly crisis condition. I base this upon two or three points. First and perhaps most important, this program was born with a baptism of fire. The really crucial period when this program was getting underway was July, August, September, 1966; if you refer to the reproduction of economic indicators included in my statement and see the peak interest rates in the latter part of 1966, these increases were occurring and your crisis conditions also in the money and capital market just in August of that year.

Mr. REID. Suppose the interest rate were increased.

Mr. WALKER. Putting on my hat as an economist, if 6 percent went to 10, you would have so many problems in your financial system, that I wouldn't think that any sort of credit-granting might be good under those circumstances.

Let me go back a moment. Given the \$35 fee which is adjustable, given the Treasury statement that the fee as of last summer and presumably about now should be \$25 or perhaps \$30, you would still have a leeway of adjustment up to a reasonable level, which is the second factor I wanted to mention.

Beyond that, if we assume that interest rates were to go to 10, 12, or 15 percent, all bets then are off about the sustainability of any type of credit expansion, because you have a crisis situation.

Mr. REID. Thank you. The second question I wanted to ask you, following up my colleague, Mr. Brademas, is: Are the bankers of America providing these loans on the basis of need for the student, more or less regardless of the financial income of the family? In other words, the student could be in clear need where the family might have a gross income of \$20,000, yet there could well be particular expenses, debts such as hospital costs and so on; and what I am asking you is: Are you meeting the needs of not alone the low-income but the middle-income students whose need may be as great?

Mr. WALKER. Yes, sir, I think we are. Unfortunately, there is simply not sufficient data to say just out and out. We do have the sort of illustration I gave of where a customer, a very good customer whose son or daughter does not need the loan could put a great deal of leverage on the financial institution in order to get the loan made.

Mr. REID. I am not thinking about leverage but talking about whether the student comes in, we will say, clearly from a middle-income family but, say, an examination of the facts clearly indicates the student could not go to college without assistance.

Mr. WALKER. But who makes that decision?

Mr. REID. That is what I am asking.

Mr. WALKER. Now, clearly the banker has to make the decision; then it would not be fair to the banker and student, because the banker is not in position to analyze all of the factors. The person best qualified is the student loan financial officer.

Mr. REID. I would not question that as being a useful suggestion, but what I am asking now is whether you are looking almost exclusively at the question of student need or are your thoughts being affected by the income level of that particular family.

Mr. WALKER. I think the banker is trying to do a socially responsible job which, if he is in the problem—and evidently he is—is trying to look at all of the factors. We say the student is qualified for that

purpose, and if you want to be sure we achieve this, I think giving him a larger role is the best assurance.

Mr. REID. What some of the subcommittee increasingly think is, the criterion should be the need of the student, not a particular dollar limitation.

Mr. WALKER. Exactly.

Mr. REID. Why we are concerned about it is to make it possible for any qualified student to go to college irrespective of the financial matter involved.

Mr. WALKER. We agree with that.

Mr. REID. Thank you.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. Doctor, I want to straighten out two points in your statement. First, on page 4, I am not clear from the second paragraph whether you are saying that the loss on these loans is due to comparison or due to the loan itself, thinking of it as an individual entity?

Mr. WALKER. Not as an individual; no.

Mr. HATHAWAY. The relevant comparison is not between incoming and outgoing, whether there is a slight profit, it says, and you want to compare your losing as a result of lending money, is your loss there as a result of higher interest rate or it costs you so much to lend money to the student?

Mr. WALKER. In that second paragraph, I am referring to what the economists refer to as opportunity costs or opportunity forgoing. If you are chief executive officer of a commercial bank, and say, "I think this is a good program," and let's assume it is break even, you don't lose but break even on the whole operation, but the chief executive officer has to compare, in trying to run a successful institution, if he allocates a million dollars to this sort of lending operation with no net rate of return, what is he giving up in terms of rate of returns on other lending and then say, "I can give to my stockholders and justify this because it is for various reasons in the interest of the public."

Mr. HATHAWAY. What I want to know, is it a computed loss or actual loss?

Mr. WALKER. It is an actual loss as to what the bank would be receiving if it had foregone these loans and lent to big business corporations.

Mr. HATHAWAY. I take it that the loss is not computed on the basis of what it cost you or what you make from the loan itself taking it as an individual entity?

Mr. WALKER. It is no loss on the assumption I just made.

Mr. HATHAWAY. Say you are only in the business of loaning money to students going to school and getting 6 percent, you would be making money?

Mr. WALKER. No.

Mr. HATHAWAY. And had no opportunity to loan money to anybody else?

Mr. WALKER. No.

Mr. HATHAWAY. What would your loss be then?

Mr. WALKER. I am trying to speak—our argument is banks are going in the hole out of pocket—that the money they lend at 6 percent costs them more than 6 percent, let's say 6.5 percent, all things considered. This is out-of-pocket loss.

However, there is another sort of loss which is the income that is forgone, the income you don't get because you are not making another more profitable loan.

Mr. HATHAWAY. How much is that other loss reflected in requests for an additional \$35 or up to \$35?

Mr. WALKER. None as best we can estimate. All we want to do is get a flexible mechanism where the out-of-pocket loss on the individual transaction can be overcome and flexibly administered by the Federal agencies so that banks at least break even. That is all we are asking, break even, and we are not asking for profit in the usual sense of the term.

Mr. HATHAWAY. In other words, to isolate this particular type of loan would cost you more than the 6 percent you get back?

Mr. WALKER. That is the judgment we get from bankers throughout the country. That is the best evidence we can get from what cost figures are available in this type of lending and they are sparse because this is a new type of lending. It is reasonable when you look at the cost of money to banks today, when you look at the additional costs in handling and servicing these loans, when you look at all of the factors that enter into the picture.

A reasonable judgment by practically all of the people I know who have studied this is that most banks are probably going into the hole on each loan made. There could be exceptions from very efficient lending operations.

Mr. HATHAWAY. Do you have figures that substantiate this?

Mr. WALKER. Yes, sir; we gave figures.

Mr. HATHAWAY. Have you received them?

Mr. WALKER. Yes, sir; we submitted figures to this effect last August. The Treasury has submitted figures and the General Accounting Office has taken these figures and said on this basis, or because of the fact that this is a new type of lending and there are not many cost figures available, they could not, on the basis of figures alone, say whether or not this particular proposal was reasonable.

But what this second paragraph that you referred to says or is meant to do in this context, is to point out in our judgment to debate whether this program makes the banks a little bit of profit, barely lets them break even, or gives them a little bit of loss, on that one transaction, that out-of-pocket transaction, really misses the point when you are asking these lending institutions to lend billions of dollars on a 6-percent basis, a very expensive type of loan when they could be lending at 10, 12, and 15, and 18 percent.

We are not asking, though, for that sort of return, but saying on the basis of all the best judgment you can get, let's try to set it on a break-even out-of-pocket basis.

Mr. HATHAWAY. Now, another question I wanted to clear up on the same page, you say that the rate of interest for the prime corporate borrower would be higher.

Mr. WALKER. Yes.

Mr. HATHAWAY. All things considered?

Mr. WALKER. Yes; because the rate of interest to the prime corporate borrower today, the so-called prime interest rate happens to be exactly the same as the student loan rate, 6 percent, but that prime corporate

borrower is required by the bank to hold an idle demand deposit that may run 10, 15, or 20 percent of the amount of his loan outstanding. So the effective rate of return on a prime bank loan is considerably higher than the 6-percent evident rate.

In addition, he is a customer of the bank in many other income producing ways which supplement the 6-percent prime interest rate.

Mr. HATHAWAY. Will the proposal that we not subsidize the interest after graduation save you money?

Mr. WALKER. Yes; a great deal—and administrative confusion—I say a great deal of money. It will save some money. How much is involved you really can't tell until you get into the repayment period and see what the costs are.

Mr. HATHAWAY. Presumably it will cut down the \$35 requests?

Mr. WALKER. No, sir; it would not because we are looking at the program now in terms of the loans in the conversion end of the payout period. We are afraid that costs in the payout period are going to go way up because we will have a double billing operation and while the student is in school, one, there is no payout, you don't have to worry about collecting the loan and second, the Federal Government paid all of the 6-percent interest so we are not having to deal with the student and Federal Government in that sense.

On the other hand, when you get to the payout period the student pays a amount of money including half the interest and quarterly we will have to bill, thousands of lending institutions will have to bill, the Office of Education for the subsidized portion and it is almost an administrative nature aside from costs.

We think the costs will be actually higher in the payout period or could be as a result of that arrangement.

Mr. HATHAWAY. You say that the billing process necessitates additional activity as a result of increased administrative costs for the lender on page 7.

Mr. WALKER. Sir.

Mr. HATHAWAY. This is the last sentence of the first runover paragraph on page 7.

Mr. WALKER. Yes, sir.

Mr. HATHAWAY. Where you say "increased administrative costs for the lender," and, presumably, these costs now are charged to the student loans?

Mr. WALKER. There are few loans in the payout period, Mr. Congressman, now.

Mr. HATHAWAY. How are the administrative costs for lender charged?

Mr. WALKER. These are administrative costs for running the banks. If he absorbs them, the fee will help him absorb some of them. The fee is computed on the basis of experience. We do not know how much it will go up in the repayment period because of the cumbersome administrative process in the legislation. We can tell you in 4 or 5 years but can't tell you now.

Mr. HATHAWAY. The fee will absorb some of these future administrative costs and if we eliminate these future costs the fee will not have to be applied to these costs.

Mr. WALKER. The fee is not based on the period but based on the experience in the program in granting the loans, administering while

student is in school, and converting it to a payout operation also. I think if the fee were enacted, it would be quite appropriate for the Congress, the committee, the Office of Education, and others, to keep a very close watch on how this develops and what the costs are.

We will have better cost figures as we go down the pike. We know if it costs x amount to run this now, it will cost x -plus in the payout period because of the double billing operation.

Mr. HATHAWAY. How about the other recommendation that the financial aid officer submit recommendations to you; will that save you any costs in processing the application?

Mr. WALKER. Not a great deal. It will save some mental anguish on the part of the banker in trying to determine how much he should loan. Most of the students ask for a thousand dollars, and who should be cut back on, things of that type.

The really expensive aspect in making the loans involves the complicated process of dealing with, first, a State agency, if there is such; two, with the Federal Government and Office of Education; and, third, the student, the filling out of relatively complex forms having to do with family income, and so on. The most efficient lenders' estimate to put a loan like this on the books it takes officers' time, clerical time, to do this sort of thing, and it is terrifically expensive.

It is reliably estimated to put one of these loans on the books as compared to typical automobile loan or something of that type, where you have one person's security or what have you, is anywhere from 50 percent more or twice the cost of a normal consumer loan acquisition.

Mr. HATHAWAY. Thank you.

Mrs. GREEN. It would be true that you would not have to go to such a long tedious procedure on the second or third loan and would it be reasonable to take up to \$35 on the second loan and then up to maybe \$25 on future loans that are made on the same student or same institution?

Mr. WALKER. I think it is difficult to say in advance if there will be that much difference involved. There is still a lot of checking and recomputations that have to be done every time the student comes in. His family income may have moved out of the class available for the subsidy and things of that type which will require changing.

Mrs. GREEN. If we put in, as you recommend, greater involvement of the financial student aid officers from colleges or universities as to need plus the preceding investigation you have done for the individual making the application, won't it be reasonable to presume that the fee should be less on loans beyond the first one? Maybe \$35 is not correct for the first one, maybe it should be \$50, I don't know, but it seems to me the second and third should be less.

Mr. WALKER. Let me make two comments on it. First of all, I think we have to keep clearly in mind that the basic rationale of this fee is not simply to offset precisely the acquisition cost. People are going to vary all over the lot depending on efficiency of the fee.

Inasmuch as the logical approach of raising the interest rate cannot be taken because of usury laws in various States, then a fee can be paid for the purpose of raising the return to the lender on average to a competitive level. I would say that the fee should be varied depend-

ing on money market conditions, depending on the cost of money and interest rate, not on the basis of whether lenders are more or less efficient in making the loan.

Once we talk about: Does the fee really cost, or does it cost, that much to put the loan on the books; we are getting away from the basic objective of raising the return to the borrower closer to a break-even level.

Secondly, if there is or if the committee said, however, we want to give some recognition to the fact that there might be a lower cost involved to the bank in renewals or subsequent borrowings, I would respectfully recommend you consider approaching it by setting a \$35 fee maximum but making it quite clear in the record and legislation that given some experience, the Office of Education ought to consider a lower level fee for the second, third, fourth loans and/or conversion loans.

I think that administrative flexibility at this stage of the game when we have a promising thing before us is ultimately important to make the program work.

Mr. HATHAWAY. Even on your initial loan, won't the financial aid officer be helpful considerably in the application by asking the same questions you normally would ask?

Mr. WALKER. He will be helping us but I can't see a great decrease to the lending institution because it is mainly the cost taken by high priced employees in going through a processing operation. If it can be shown it will reduce the processing operation I would say "Yes."

Again, I would set it flexibility and if it is demonstrated overtime as we move along to that effect, I would say by all means it should be perhaps done.

Mr. HATHAWAY. I would think so. I don't know to what extent the participation of the aid officer would cut costs but it would lower the basis of what you said, that is one of the factors involved in determining the cost?

Mr. WALKER. Anything that cuts down on the administrative problem will definitely help the program in great proportion.

Mr. HATHAWAY. One last question, if I may, Madam Chairman.

You mention on page 8, "Signs of progress in Government-private sector approach to solving social problems have been multiplying rapidly."

I wonder if you have considered the long-range effect of continuing the program of lending at the 6-percent rate without the additional fee. We already had experience under the GI bill, where we sent the veteran to college and graduate school, and so forth, and thereby increase his income. So the GI bill has paid for itself. As a result of this program you are going to get much more borrowing business in the future.

I wonder how much you have computed that into your thinking?

This is an investment to you in the long-run because there will be additional borrowing of larger amounts of money, say, 4, 5, 6, or 7 years from now.

Mr. WALKER. Yes, this is the only way we can explain the success of the program at the present time. As I pointed out at the beginning, despite the fact this program had a baptism of fire, came into being

under the highest interest rates and tightest money market conditions in 40 years with a great deal of administrative problems, there have been 685,000 loans made to a tune of \$558 million.

I think it is significant that this is exactly the selling point that we took to our membership when we started in 1965-66 so actively promoting the program. I think it explains why 80 percent of lender participation, where we have the figures in the States where you have direct Federal guarantee, comes from commercial banks as compared with other financial institutions.

We have played this aspect to the absolute hilt, that it is good for the bank because it is good for the community, it is good for the country and in the long run it will give you more customers and may even give more recruits for employees and officer trainees in the future.

But this is not a sustainable, or not a way to really get the program going on all fours at the present time if the banker comes back and says, "Yes, but I am losing money on every loan I make."

If we can get the marginal amount there, we can have a tremendous push to the program and will do everything certainly we can to push it.

Mr. HATHAWAY. Do you think that bankers are relying on the expectation that Congress will increase the return of these loans? I notice you state that the number of loans have increased tremendously as we have gone along.

Mr. WALKER. The people closest to this are the people who are in charge of the various State plans whose representative will testify before you this week and I think that he will tell you that in certain States there has been tremendous reliance on forthcoming of the fee on a retroactive basis. I think some of the studies that have been made by college boards and others that are looked into this, support that thesis very, very much. This varies from State to State, but the indication I get from all over the country is the fee has been an important factor.

Mr. HATHAWAY. Relying on the whims of the Congress.

Mr. WALKER. I say at certain stages a person has to stick his neck out and I did.

Mrs. GREEN. Congressman Quie.

Mr. QUIE. What do you mean by the conversion fee? You mentioned there are four \$35 fees, if there are four loans made?

Mr. WALKER. This is when the student graduates and goes into the bank and the loan which has sat there on the books for 4 years is then turned into a payout operation and he is going to say "I want to pay off in 6 years," and you compute what the amount is per month, and so on. There is also administrative cost there so there was to be a conversion fee, too, recommended in the same amount.

Mr. SMITH. Up until that point you were having effect on, let's say, our "for demand notes" laying in the bank and after the year's grace period is run the student comes in and consolidates those and on a payout agreement and decides what the monthly payments will be and how long he wants to take. That is conversion activity.

Mr. QUIE. What of the value of the Federal guarantee of every loan? You are not going to lose on any of those loans. You said that the automobile loan was not as expensive, but really, if you had a

Federal guarantee on every automobile loan, there wouldn't be a high rate of interest either. What value do you place on that?

Mr. WALKER. I have to assess the real impact of that. The real impact of the guarantee is you would have thousands of young men and women that cannot get credit accommodations but will if the loss factor is taken out of the picture.

Mr. SMITH. It eliminates the credit check, the administrative cost.

Mr. QUIE. How much does it usually cost?

Mr. WALKER. Well, on a brandnew raw 18-year-old, it's basically to just see if his character and this and that looks reasonably good and reasonably promising. On a person like you or I, for \$25 or \$30 we can get a credit bureau report because we have a record.

Again, the major reason for the guarantee is not to get the interest rate down but the major reason is that an 18-year-old is not going to be allowed to borrow a thousand and a thousand and a thousand and a thousand, because he does not have the credit rating to do it.

Uncle Sam is coming in and saying, "Don't worry about his credit worthiness, we will take care of that and you take care of the other part."

Mr. QUIE. In other words, you have to make an adjustment for a defaulted loan. Therefore, isn't it really an added expense?

Mr. WALKER. Yes; but you still have the experience if the student defaults, as Mr. Smith pointed out earlier, there will be a period of time where the bank attempts to collect and this runs into expense, any defaulted loan runs into considerable expense to the bank in trying to shake it out. But you can't compare the interest rate on loans that would not be made if you didn't have the guarantee with interest rates on loans with the guarantee.

Mr. QUIE. On page 3 you say there is provision for the Office of Education to go to 7 percent per annum.

Has there been consideration of this in the Office of Education?

Dr. WHITE. No, sir; I don't think so. This was just to indicate that Congressman initially approved the rate ceiling which is basically higher than the implicit ceiling that you would be approving if you enacted the \$35 fee proposal.

Unfortunately, because of some of the disincentive aspects of the program and because of our inability and other inability to move in and see if the other States would set up programs, several States did not act and other States ran out of money which led to a temporary triggering of the direct Federal guarantee program in 16 States.

Now, it would be quite illogical for the Commissioner to consider moving to 7 percent in those States when he could not put a 7-percent rate in the States where you do have good active going-State plans. This was simply an illustration of the fact that Congress has ratified 7 percent as a reasonable rate of interest under these circumstances.

Mr. QUIE. Would we solve the problem if we did go to 7 percent interest instead of 6 percent, except for those States that have usury laws of 6 percent?

Mr. WALKER. Yes; and this would be the approach preferred by bankers according to informations on polls that I have seen. You get into a question there, if you maintain, who pays that extra point,

particularly after graduation; but, in effect, this fee proposal on adjustable basis would not only achieve something like the same thing but would give administrative flexibility depending on the changes in money mortgages.

Mr. QUIE. How many States now have usury laws below 7 percent?

Mr. WALKER. There are at least four, and I think there may be more.

Mr. QUIE. Of those States, how many now have some activity in the works to change them? You know they are all being pressed pretty hard trying to figure out a gimmick in order to make loans anyway.

Mr. WALKER. I think quite a few of them do and those who don't, that have any sort of usury statute, will be moving in that direction as a result of the imminent enactment we presume of the so-called truth-in-lending legislation.

This will give quite a stimulus in straightening out usury statutes in many States. On top of that, with our financial support of the National Conference for Commissioners of Uniform State Laws who are drafting a uniform credit code which if enacted in the various States would eliminate the old once-and-for-all usury statute and apply usury ceilings for different types of credit, for this type of credit would be sufficiently higher for that 7-percent rate to be put into effect.

On the other hand, this is the here and now. In a number of States, you have constitutional provisions that would be very difficult to change and in other State's legislative provisions that will be fought very hard.

Mr. QUIE. In any instance in which the college gives you information in evaluating a loan for students, I imagine there might be some way of absorbing this expense for the college?

Mr. WALKER. They do it now. It is very frustrating. The college financial aid officer sits with the student and goes over the whole income situation, goes over his expensive situation and starts looking at the various alternatives available, that this might be a good student and he can get him a scholarship and this is work-study and all of the various programs, and he comes to the student loan program and the financial aid officer really, legally, has nothing to say about what portion this should be of the student's program.

So it is not really going to increase his expense. Quite the contrary, it will make him and his university credit worthy and is quite happy that finally they are in the program as they should be.

Mr. QUIE. You will be dealing with colleges and universities all over the State, or your bank will be dealing with colleges or universities all over the State or country, if it is a large enough area that you can service. Does this make it difficult since you don't know the presidents and student aid officers, all of those 2,000 or 800, or whatever the number is, that you are dealing with?

Mr. WALKER. First, it makes it no more difficult than it is now and, in fact, it makes it easier because the banker has an expert opinion or recommendation on which to go as opposed to sort of being up in the air. Quite frankly, under the present program I expect there are some informal exchanges of views between financial aid officers and bankers involved.

Mr. QUITE. Thank you.

Mrs. GREEN. Congressman Burton.

Mr. BURTON. How much of the time is spent on this complicated form and at this point I would like made available to the subcommittee members a sample form so we can view firsthand just what the elements are, but how much of the time is taken seeing that the student qualifies under the family income test, seeing if he qualifies?

Mr. WALKER. Mr. Gannon conducted the survey a year or so ago on the cost of this program.

Mr. GANNON. They originally had a very complicated formula to figure our adjusted family income. This has been changed within the last year, reducing it a little bit. The student is asked to figure out the adjusted family income for both the student and parent and this has to be signed by the parents. This is in addition to the application for the loan. A point that I would like to add on earlier discussion here, there forms, the students takes them into the bank, they go to the financial aid officer at the college who has to verify that the student is in fact enrolled and is a student in good standing.

The recommendation is that the same form being handled by the financial aid officer as it is, so it is not more of a burden on him and you are not really eliminating a step so far as the bank is concerned.

Mr. BURTON. What percentage of the students are rejected because they don't meet the income test?

Mr. WALKER. This does not lead to rejection, but the only thing the income test decides is not whether you are eligible for a loan, my son is eligible for a loan, but whether you get the interest subsidy, full interest subsidy in college and 50-percent subsidy while out of college. The son of the richest man in the Nation could get one of these subsidized student loans and I think that is a very significant point.

Does the Congress really want to work that way?

Mr. BURTON. Well, will you respond to that?

Mr. WALKER. I beg pardon. He could get one of these federally guaranteed loans, not with a subsidy.

Mr. BURTON. Well, how much time is spent in this aspect of determining whether or not that student should get the interest subsidy?

Mr. WALKER. Well, it does not take a dickens of a lot of time but is a matter of filling out the form on the part of the student but when you are dealing with a 16-, or 17-, or 18-year-old, you are making computations and checking, and so forth, and the cost of people in the bank with a clerk checking this and a junior officer, and so on, it means it runs into a little bit of time for clerical help, which is costly, it runs into quite a bit of money.

Mr. BURTON. If we accept one of the recommendations you made that we eliminate the interest subsidy after graduation, really how important is it that we hold fast to this requirement that the student must come within some artificial definition of being in a family that otherwise can't meet educational needs before they get the interest subsidy while in school?

Are we spending more money than were on eligibility checks—or are we classifying students in a way not really that relevant?

Mr. WALKER. I think the way you are classifying probably needs another look. However, you get around a lot of those problems by

giving the financial aid officer more power in the program because he is the single best individual to tell you whether a student needs the loan even in relatively high-income families, because of the number of students that might be in college at any one time.

But you still have to take an income sort of test if you are going to have subsidy. Taking it away after graduation will not eliminate it if you have a subsidy before graduation.

Mr. BURTON. What percent of families, in a year for which we have the most recent data, have students where their adjusted gross is \$15,000 or more?

Mr. SMITH. I think 85 percent was our best hunch a year ago, Mr. Burton. Eighty-five percent or more of the families have less than \$15,000 adjusted gross?

Mr. SMITH. Yes, sir.

Mr. WALKER. Still, that can result in quite a bit of leakage lending to people who really do not need it. I would argue even that \$1 of leakage of that type is not in the public interest, not in education's interest.

Mr. BURTON. Well, discounting to whatever extent we find we are then building in some administrative red tape that washes out much of the so-called taxpayer's savings, we gain as a result of an income limitation.

Mr. WALKER. I don't quite follow, I am sorry.

Mr. BURTON. Well, if you spend \$100 in determining eligibility for interest purposes, say, to save \$80 on subsidized interest, you have yourself a bad bargain, don't you, as a taxpayer?

Mr. WALKER. I am sorry, you are talking about just outflow and inflow of the parties?

Mr. BURTON. If he has to pay \$100 to save \$80 from the standpoint of the taxpayer?

Mr. WALKER. Yes; you shouldn't have a program like that if you base it on income and outflow, but what the taxpayer is buying with this and what the banks are buying to the extent we are losing money on the program we have this situation.

Mr. BURTON. If you think there isn't a need for determining whether or not a student is eligible for subsidy on the interest if you did that would it reduce your administrative overhead?

Mr. WALKER. Some, not truly significantly. If you can finish and say that what the taxpayer is getting for his money is a much higher level of education and hopefully citizenship in the country.

Mr. BURTON. Would you distinguish for me the principle or the notion of a tuition-free system of higher education and a Federal interest subsidy for all students who apply for loans?

Are they not quite analagous situations?

Mr. WALKER. They would be similar if you gave the subsidy to all students that applied. But you still have the problem in fact if there is not enough money to go around some will be rejected.

Mr. BURTON. Some States had or used to have that which was the equivalent to tuition-free higher education?

Mr. WALKER. Yes. Some still have very close to it.

Mr. BURTON. Yes. In national terms, won't we be equalizing that consideration by making loans available without an income test?

Mr. WALKER. I think it would be very similar to that, but argued from the standpoint of equity, my son should not be able to get one of these subsidized loans. I don't think it is the way to go about solving our problems and let me qualify myself as an expert on education, which I am not, I am speaking on the financial points but speaking as a citizen I would have reservations about tuition-free colleges for all persons in the United States. That is a personal view. I think I have some responsibility as a parent to give my kids an education.

Mr. BURTON. How do you account for the differing impact institution by institution or State by State for those States that, where the taxpayers have assumed a broader responsibility of having virtually, if not in fact, tuition-free higher education, how do you account for the disparity in treatment looking at it in national terms, that either these students or institutions receive, or looking at it the other way, the obligation of the national taxpayers assuming education of that student?

Mr. WALKER. Talking about the tuition-free approach?

Mr. BURTON. No, talking about the function of student loans, these loans are used to further one's higher education and if you paid \$500 tuition your need for money is going to be greater than if you pay none at all under most circumstances.

Mr. WALKER. I see.

Mr. BURTON. So we find that the national responsibility differs considerably depending on what the State education policy is and to some extent that discriminates unfairly one way or another against political subdivisions that do or don't have what in effect is a tuition-free higher education system.

Mr. WALKER. That is a problem. It seems to me you could only get around it by forcing an education policy on the States or, secondly, not having a State system of government where the States can make decisions as to how they want to go about handling their higher education.

I think the student loan program has to be looked at differently from that as a marginal source of funds which, with the partnership of the Federal Government, the State government, and the private lending institutions can enable some portion of aspiring college students with the ability to get education that could not otherwise if the program did not exist, this is superimposed on the existing system.

Mr. BURTON. Do we have so much in the way of loans in the pipeline that there is a risk that funding to pay the interest are not likely to be available?

Mr. WALKER. I don't think so. It depends, of course, on congressional appropriation but it is not anything of that magnitude. There are now outstanding under the program this much.

Mr. BURTON. Madam Chairman, what I am toying with in my mind is, what in fact is at stake that we have to require this eligibility check, given the testimony of the witness before us that there are instances that the local bankers does become subject to the special pleading of big depositors which is almost inherent in the nature of the relationship of the bank with some of the big depositors; that we may be encouraging an avoidance of full disclosure of family income in some situations families in the \$14,000 to \$18,000 or \$19,000

or for that matter \$25,000 a year adjusted gross who oftentimes are pressed just as badly as families whose adjusted gross is \$14,999. I really doubt that we can at one and the same time construct an effective income test for a family and have it be as simple and inexpensive test to administer, I don't think we can do that, and I think if we had a test that is really relevant, we would build in administrative expenses to the point where the testing of the income eligibility may well outrun or come close to outrunning the actual shortages that this relevant test would have resulted in—if we don't have a relevant test we have an equity test where two families in the same circumstances determine their ability to provide their children with higher education can be treated much differently simply because the test is not that relevant, and to make it relevant would result in an administrative overhead that is on the other hand very costly.

I give up the balance of my time.

Mrs. GREEN. While philosophically, I would like to have the creation of an educational subsidy available to everyone from kindergarten, 5 years on up through higher education, but let's talk about this in terms of amount. Without the need test, I recognize there must be some limitation on the amount of money that the banks are going to give to the program of their total assets. Would not the amount of money that would be required go to astronomical amounts if everyone of the 6.5 million students who are in college today took advantage of the \$1,000 loan that was available with the interest subsidy?

Mr. WALKER. If everybody took advantage and the loans were made?

Mrs. GREEN. Yes.

Mr. WALKER. Yes, everyone theoretically can take advantage now, but it would be a very, very large figure.

Mrs. GREEN. Have you estimated this, do you know of anybody that has? If we don't put in some kind of a control, as I see it, this program could go to amounts we never even discussed.

Mr. WALKER. That is true and we will see if we can develop figures or get figures from experts on the subject. This just underlines the need for a better and frankly fairer system of control than is in the present legislation. Mr. Burton's remarks certainly zeroed in on some of the inequitable aspects of this. We believe that you have to bring judgment and the best man to make the judgment is the college financial aid officer.

Mrs. GREEN. It is also true that under the present law if a student is in the, we will say, above \$15,000 adjusted income group he still would be able to borrow at the 6 percent level and the Federal Government would still be paying for the \$35 fee and the \$35 conversion fee even though he is the son of a millionaire?

Mr. WALKER. Yes, sir, because the purpose of the fee is to raise the rate of return to the lending institution at or close to a break-even level and the cost is the same basically in each case.

Mr. QUIE. Will you yield?

Mrs. GREEN. Yes.

Mr. QUIE. For the guarantee loan program, if it is not subsidized, are you still limited to a 6 percent interest?

Mr. WALKER. If it is under the guarantee program. Banks would much prefer to make it under their own loan program, but you are

at higher rates of interest and if some person with \$30,000 family income and a number of students come in and say, "I want to borrow money because of an educational financial problem," the banks think under those circumstances they ought to be able to lend to him under their traditional program which would be at more than 6 percent. He is going to argue on the other hand he wants the 6-percent loan.

In the \$30,000 income bracket with the deductibility of interest payments for income tax purposes, it is hard to make a case that that particular borrower needs a 6-percent rate.

Mrs. GREEN. We, in effect, require the bank to give the loans, don't we?

Mr. WALKER. No, ma'am, you can't require the bank to make the loan.

Mrs. GREEN. You are saying that any student is eligible for the guaranteed student loan program if the bank is participating in the program, then we are certainly putting the pressure on the bank and putting the bank in a rather difficult position to say, "No, we won't do it."

Mr. WALKER. They depend on the nature of the customer. He will not say to the bank, "If you don't want to give my son a guaranteed loan, I will take my deposit out." I don't think that is right. I think the vast majority of the citizens in these income brackets will not try to play it that way. Some of them could. It is a leakage in the program, but it is strictly voluntary to what extent the loans are made and in what income groups by the lending institutions.

Mr. ERLNBORN. Dr. Walker, it seems to me one of the difficulties we have in the program is legislatively, it has been developed in some way ambivalent; on the one hand it is a student loan and on the other it is a family expense loan and if we determine the eligibility for subsidy on the basis of family income and on the other hand we design the repayment provision of the loan as though it were a student loan, we are really looking at it from two different aspects. It occurred to me after hearing the Treasury talk about how the cost of education could no longer be considered something to be paid out of annual income of the family but as an investment by the family in the student future, is there any justification then for the family in the income bracket above \$15,000 or \$20,000 (wherever the breaking point might be) for these loans not to begin repayment as soon as the loan is made just as you do the commercial loans?

Is there any justification for the 4-year or more grace period of repayment?

Mr. WALKER. Are you talking about the present system?

Mr. ERLNBORN. Yes.

Mr. WALKER. You get into certainly a problem because it is the student that borrows the money and if you say the student should begin immediate repayment with really no source of income except to get it from his parents, you have sort of an inherent conflict in the whole theory and philosophy of the thing.

This is something that people have been talking about in studying these programs and as to whether there is some sort of differentiation that should or should not be made. It is in a pretty early stage of discussion, but I think it is something that probably should and would be on the commission's agenda at one stage of the game.

At the current stage, we would like this to be the position where it is viable to be able to consult as to the financial aspects of the program.

Mr. ERLNBORN. I understand the Treasury last year, when they testified about the annual fee, the conversion fee, and placement fee, talked about a level of \$25 at the present time. This year when they testified before us they didn't mention it, but talked about the maximum of \$35. Do you have any knowledge of as to what figure they would use with the \$35 maximum?

Mr. WALKER. At the present time, no, sir; I don't. I would hazard a guess it would be the \$20 to \$30 range. Actually, if you look at the chart of economic indicators, and this is attached to our statement, several of your interest rate levels are higher now than they were at the peak of the crisis or seriousness, and that is the latter part of 1966.

On the other hand, and this is an unusual situation, even though some interest rates are higher, monetary conditions are easier, it is easier to get a loan now than in August 1966. I would like that the Treasury would probably make a case for something similar to what they talked about before. I would not administratively stint this thing at first. I cannot emphasize how important it is to get this program well accepted in the lender's minds and to get the State agencies to set up operations and get more lenders into the picture.

After a time, over a time administratively you can move as you like and as seems fit depending on how costs develop and interest rates and other aspects of the program.

Mr. ERLNBORN. At the present time, without the student financial aid officer making a recommendation or having any voice in determining who should get a loan and how much, is it possible for the son of a family with an income of, say, \$30,000 or \$50,000 a year to come into the bank and borrow money at 6 percent and buy an automobile?

Mr. WALKER. Yes, sir.

Mr. ERLNBORN. And not have to begin repaying until he gets out of school?

Mr. WALKER. That is correct. If I were the banker I certainly wouldn't make a loan like that.

Mr. ERLNBORN. You wouldn't necessarily know what he was going to use that money for? The money is given to the student. He makes the loan, and he can use it then to purchase an automobile as well as pay for his education?

Mr. WALKER. That is right, and Mr. Smith would like to make a comment.

Mr. SMITH. Mr. Erlenborn, it is not a uniform situation. Under the Federal program this is now operative in 16 States, there is no bar to lending, to borrowing at the 6-percent rate because of family income, however, in the State programs, the minimum requirements for that State program to enter into agreement with the Office of Education only requires that the State program cover families up to the adjusted family income of \$15,000.

Now, how many States permit loans above that, I can't honestly say, but I did want you to understand it is not a 50-State uniform situation.

Mr. ERLNBORN. One last question. Do you feel that the student financial aid officers in the schools are generally fully qualified to make these judgments? I am thinking of some of the testimony we have had before the committee to the effect that many of the student financial aid officers only do the work part time and their full-time efforts, and maybe the majority of their time, is spent elsewhere in the school administration setup.

Mr. WALKER. I cannot speak as an expert but can only pass on first what bankers tell me and they feel in general the student financial aid officers with whom they are so qualified. I feel certain it is true for the larger institutions with thousands of students who probably make up the bulk of the borrowers in the program.

Second, even if only part time and if he is part time he is probably pretty dedicated, he is certainly better qualified to make the decision all things considered than the banker is.

Mrs. GREEN. Thank you very much, Dr. Walker and Mr. Smith.

Your testimony has been very helpful.

Mr. HATHAWAY. Did you say that 7 percent would be better than the fee?

Mr. WALKER. I think there have been some which I have heard of by college boards and others which indicated that more bankers would prefer the 7 percent than the fee. I don't think there is that much difference. I think from the standpoint of the Federal Government having some administrative flexibility, the Office of Education consulting with the Treasury operating in this direction might be preferable from your standpoint, and easier to adjust the fee to an overall rate, but I think more bankers would like it in the traditional sense of the interest rate.

Mr. HATHAWAY. Would you tell me what the interest rate is for nonguaranteed loans for students?

Mr. WALKER. Yes; they are normally to the parent and run probably 10 or 11 or 12 percent.

Mr. SMITH. Not that high. I would say 8 or 9 percent.

Mr. HATHAWAY. Thank you, Madam Chairman.

Mrs. GREEN. Thank you.

STATEMENT OF MRS. JUANITA GREER WHITE, MEMBER, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN AND CHAIRMAN, COMMITTEE ON INTERNATIONAL FELLOWSHIPS AND AWARDS; ACCOMPANIED BY MRS. ALISON BELL, STAFF ASSOCIATE, LEGISLATION

Mrs. GREEN. The next witness to appear will be Dr. White, representing the American Association of University Women and the chairman of the Committee on International Fellowships and Awards, and Dr. White will be accompanied by Mrs. Bell.

You may proceed as you wish, Dr. White.

We welcome you to the committee and are delighted to have your comments on the legislation before us.

Mrs. WHITE. Thank you.

I will leave this development plan for our institution and this may give you some idea later on what we are facing.

Mrs. GREEN. It will be made part of the files of the committee.

Mrs. WHITE. Madam Chairman and members of the committee, I am Dr. Juanita G. White, chairman of the AAUW Educational Foundation's Committee on International Fellowships and Awards. My residence is in Boulder City, Nev. I am here today to represent the American Association of University Women, an association with a membership of 175,000, organized into 1624 branches in the 50 States, and the District of Columbia.

We in the American Association of University Women wish to express our pleasure at being given the opportunity to appear again before this subcommittee. We wish to express our support for H.R. 15067 and to make suggestions which are incorporated in our statement.

Although the American Association of University Women is not an educational institution in the accepted sense, its principal motivation for the past 86 years has been support, by one means or another, for expanding educational opportunities.

It was natural in the last quarter of the 19th century that one of its principal interests was the promotion of greater educational opportunities for women. Our horizons have widened since then, but we do continue our efforts on behalf of women. This year under the AAUW educational foundation's fellowships program we are making awards to 44 fellows from 25 other countries, and to 52 American scholars to complete doctoral theses or undertake postdoctoral work. Last year our members contributed approximately \$707,000 toward these graduate level awards. (Part of this sum was allocated to the foundation's growing endowment fund which now has a book value of roughly \$5 million.)

Each year the quality of the applications we receive goes up appreciably—making it progressively more difficult for our committees to decide which applicants will receive stipends. For several years the ratio of stipends to applications has been about 1 to 7. We can predict from the number of inquiries received in our fellowships office about our program that the percentage of applications from well qualified scholars soon will increase beyond our ability to maintain even this 1-to-7 ratio. For example, this year we are able to award a total of 96 fellowships although we had 679 approved applications.

Because of this experience we wish to comment first upon the amendments to title III of the 1965 Higher Education Act. The importance of education at graduate level has increased dramatically since the middle of this century as a result of the technological, socioeconomic and political revolutions we have been witnessing. Because we believe strong graduate programs contribute to community welfare and also to the national interest, the two proposals in the legislation before you for grants to strengthen and improve graduate school programs are very gratifying to us.

The association, and I personally from my experience as a University of Nevada regent, regret that no increase has been made in the authorization of funds to be devoted to strengthening developing institutions above the \$55 million authorization for the current year for this title.

We have often appeared before this committee in support of authorizations which would permit long-range planning and advance

funding and therefore heartily concur with the proposal for a 5-year extension of the programs authorized under the National Defense Education Act of 1958, the Higher Education Act of 1963, the Higher Education Act of 1965 and National Vocational Student Loan Act of 1965. If year-in-advance funding as well as longer term authorizations are provided, the benefit to both students and institutions in terms of freedom from uncertainty in planning (even for only months ahead), will be inestimable. We speak in particular to the several student financial aid programs. Under the present calendar—as this committee is well aware—the academic year is well underway before Congress has appropriated funds for the scholarship, fellowship, loan, and work-study programs that are being consolidated in this year's higher education amendments.

We in AAUW are aware that many families find themselves unable to meet the financial burden of sending a son or daughter to college at the time he, or she, should be entering. On the other hand the family income is too high to fit provisions of the needs tests that are a part of most student financial aid programs. We believe the guaranteed loan program, with its built-in interest subsidy has substantial merit—if safeguards can be written into it which would prevent the program's use as a source of "cheap money." As an illustration of misuse a parent might find it more expedient to pay for a car and borrow under the program for a son or daughter's education.

We also believe the borrower logically could be expected to assume interest charges beginning in the second year following graduation. We believe such a requirement would be an incentive to earlier repayment.

Title I, the university services program, for which \$10 million was appropriated for the current year, calls for 75 percent Federal and 25 percent non-Federal sharing. We believe some flexibility in this provision might be written into this requirement to good advantage.

The association wishes that more money was being requested for strengthening college and research library resources. Although progress will be made through part C of title II and through the networks for knowledge toward institutional sharing of rare, scarce (and expensive) library resources, we believe easy access to library materials to be an invaluable aid to the college student and therefore wish the authorizations in parts A and B of title II could be larger.

We are pleased with the amendments to the Higher Education Act of 1965 in title VI which will provide grants to colleges and universities for laboratory and other teaching aids. This assistance will contribute to improvement in the quality of education being offered by the participating institutions.

The association has supported and continues to support the Education Professions Act. It also believes that the start which can be made under the limited funds authorized in parts A and B of title XII for project grants and fellowships will launch a much needed program of training for public service.

Up to this point we have not mentioned our support for extension of the guidance counseling and testing titles of the NDEA which we support. The proposed new program of special services for disadvantaged students will act as a natural and vital supplement. It will also

be a complement to other programs, enacted by earlier Congresses, in an effort to increase the number of economically disadvantaged youth who will enter college. We mention such programs as talent search, upward-bound, work-study, and the educational opportunity grant program. The initial lower achievement records in college of many of these students from disadvantaged backgrounds show clearly that provision of special services proposed in part C of title IV will complement educational efforts made at the elementary and secondary level and will enable these students to take fuller advantage of their college educations and thereby increase their contributions to society.

Madam Chairman, your committee has more accurate statistics than we on the percentage of women compared to men earning masters and doctors degrees. We know the gap is widening. We recognize that discrimination against women for equal job opportunities is not legal. But we also recognize that other, unlegislated, and even easily understood discriminations exist—whether a woman is choosing a career or returning to college in order that she acquire or update her skills before entering or reentering a workday world. One reason more women are not entering professional or status occupations is that they are not getting the education they need to enter these fields.

Again we in AAUW speak from a background of experience. Between 1962 and 1965 under a grant from the Rockefeller Bros. fund the AAUW Educational Foundation conducted a pilot project to search out qualified women who might wish to enter college teaching. This small project which enabled women to return to college to qualify themselves for college teaching has been carried on since 1965 by the association's membership. Both the scholarship and employment records of these women have been most gratifying to us.

Although our project has been directed solely at recruiting college teachers, we would like to draw your attention to a relatively untapped source of very able woman power, of which we are aware as a result of this experience. Members of this committee know from their committee work of the increasing number of women, who have been homemakers, or for some reason unemployed, who are now seeking to enter the labor force. To qualify for professional or status positions most of these women, many of whom have had excellent scholastic records, need to build upon their earlier education with refresher courses in their chosen areas of specialization, or possibly simply acquire a basic college education.

Because there are other pressing demands upon family budgets further schooling is a financial impossibility for most of them.

As we said to this committee last year we recognize that most of the avenues of financial assistance open to other students from private sources as well as those listed in these amendments are not closed to such women. But who can blame the admission officer, the student loan officer, or the faculty counselor who selects the student who is just graduating, or who is now at work in a job requiring further training, to someone who has been out of school for some years? We recognize that it is the responsibility of these administrators to be certain that these limited funds are spent where the greatest expectation of return can be anticipated. Therefore we wish to ask this committee to add language in the bill or in the report which would provide for special

consideration for these women who, with financial assistance in the form of both loans and grants, could enter the job market at higher levels. Women still are largely confined to the lowest paying, lowest status occupations. Most women earn just over half as much as is earned by most men.

We suggest if this vast source of womanpower could improve its earning capacity through this proposed opportunity for educational advancement, the Federal Government would soon be reimbursed through the substantial increase in income tax payments which would result.

In conclusion, Madam Chairman, may we say that although we have not spoken to the limitations H.R. 15067 places upon construction of facilities we are deeply concerned over postponement of construction and over the proposed raising of interest rates on facility loans. We fear many institutions will find themselves in the position of being forced by already strained budgets to raise student fees to cover these additional costs.

We thank you sincerely for the privilege of appearing before you.

I am also here because as a university regent and AAUW member, I feel I support the principle of Federal aid to education, and more Federal aid to universities, and colleges and recipient community colleges, and junior colleges.

We actually are at a point now where we are having an explosion in higher education, much worse than we have had in the past 10 to 20 years, and we have reached a point at which the States themselves cannot support the needs in higher education.

I am in particularly good position to note as I am a regent of a State university system in which there are only two higher education institutions in the State, both of which are State supported. We also have one community college and we have taken on programs in the technical educational level of an "AA" degree for technical programs. As a result of this terrific explosion and expansion in developing our higher educational programs we have asked each branch of the university to produce a 10-year development plan.

We anticipate a development of about 17,500; that is, five times as many as we have now, over a period of 10 years, with 950 faculty and a \$33 million annual budget. As contrasted to this year's \$4.8 million.

In 1955 we had a grand total of 357 students, over half of whom were part-time students. In 1967, we had 3,735, over half of whom were part-time students.

I find myself, as I said, in a position of feeling that Federal aid to education in general is important and specifically for small developing institutions.

As you know, the American Association of University Women has over a period of 86 years furnished fellowships to women scholars. The first one was awarded in 1888. At a meeting this past weekend we awarded 45 fellowships to foreign women coming to the United States for training and 54 fellowships to women from the United States who are either teaching or going into teaching primarily.

A few of these are research people, but I assure you that most of the research people are taken care of by NIH and NSF and the other Federal agencies, so we are primarily concerned with training teachers for higher education.

Occasionally, some of these people are interested in elementary and secondary education, but primarily for higher education or for teachers of teachers.

We are under pressure to get sufficient awards for people who are applying. At the present time, we are making one award for every seven applications we accept. We can predict, from our applications, that number is going to get larger and larger as time goes by.

As an evidence of what has happened in our institution, and I am now speaking again as a regent who has been on the board for 6 years now, this past year or rather 2 years ago the comparative costs of our programs went like this: \$725 per student in the 2 first years, that is the lower level, and \$2,800 per student in the second level. The graduate level 2 years ago was costing us \$5,300 a student.

Do you know how much it cost us in Nevada, per student, for a medical student—\$20,000 per year per student. This is what we are facing, ladies and gentlemen; and this is what we are looking forward to having to support.

Now, we admit that being a small developing institution, we are in a particularly peculiar position because of the fact that our costs are necessarily larger when we have smaller graduate enrollments. As our graduate enrollments increased, and this shows from year to year, the cost per student decreases.

To give you a figure for the medical students, the new medical schools with 32 to 40 students are costing per student \$20,000, and the older ones, which have 200 or 300 students enrolled in a medical school are costing around \$12,000 to \$14,000. This is what we can expect over a period of time, a decrease in the per student cost. But somehow or other we have to find the financial means of lifting the level of production in the new institutions to a point where they can operate more economically.

Another item that I feel we must consider in the development of higher education programs is the impact of the GI's who are returning. If you remember way back in 1945, even my husband was one of them, the higher education institutions were completely incapable of taking care of returning GI's.

Some men had to wait 2 and 3 years to get admitted to what we call a retraining program. Therefore, I think in making allocations we should consider what is going to happen to our institutions as the boys return and want more education.

The other thing we need to think about in considering allocations under these bills is the fact that the higher education colleges and universities are experiencing a brain drain by the junior colleges which are developing at the rate last year of 200.

Science and math still take the lead for demand but philosophy and English positions are getting to be increasingly difficult to fill.

In our particular case, we are being drained of our masters degrees with what we call professional training of 1 year beyond masters degrees by a brain drain of faculty into the junior college system. We have only one community college in Nevada and many of these graduates go to California. They don't stay in the valley.

In other words, we are contributing to the total need in the United States.

Enough has been said indeed, I think, by the bankers, about the financial aid programs which are being discussed, but we in AAUW

would hate to see loans supersede stipends. In other words, we must not forget that stipends are necessary, particularly at the graduate level, and if possible some kind of arrangement should be made to take care of this.

I think that the bankers have discussed the financial aid in the form of loans and the possible misuse of them so I don't need to go into that.

I do feel that you have made a great step forward in trying to make it easier to administer the loans. The people who are in the institutions and who have to administer these loan programs, they really have a terrible job because they are put into positions of making decisions against somebody who needs a loan, possibly because of something in the family situation, they do have a difficult job in allocating limited funds. We have actually acquired a staff who do nothing but this.

We also believe that the borrower logically could be expected to assume interest charges beginning the second year following graduation and we believe that the requirement would be an incentive to earlier payment. I have heard the argument against this, but I think it is incentive rather than the other way around.

Title I, the university services program, for which \$10 million was appropriated for the current year, calls for 75-percent Federal and 25-percent non-Federal sharing. We believe some flexibility in this provision might be written into this requirement to good advantage. Actually, it does cost the university more than 50 percent to administer the program.

Funds available under these programs are a tremendous contribution to developing institutions like we have in Nevada. For instance, we have an education building and a physics building which are fire-traps.

There is no question about it. In fact, we just spent \$59,000 fixing the doors so the kids could push them open and out. The floors are made of wood. We are forced to use so much of our money for providing faculty, that we are even, at times, in a position of having to use the local schools at night. The institution which is represented in the 10-year plan to which I referred runs from 8 o'clock in the morning to 11 o'clock at night. I have been by there when the lights were still on at 1 o'clock. People were working here in the early morning hours.

We happen to be in a particularly peculiar situation where we have many part-time students so they can work at night. Nevertheless, even if they weren't, we still have to work at night because we do not have enough classrooms to operate the institution and we don't have enough tax money to buy the classrooms to operate the institution.

Title XII programs were the subject of a whole day's discussion at the recent meeting of the Western Interstate Commission on Higher Education. Men there were pointing out the fact we not only need this in the Federal service, but in State service.

In our State we actually do not have enough money at any level to provide adequate counseling and guidance service. We have a little money each year but it never is quite enough and we end up in the institution with one counselor for 1,500 students and this is really inadequate.

The programs such as talent search, upward bound, work study, and educational opportunities grant programs are extremely valuable; that really offer an opportunity for disadvantaged students to get and educational opportunities grant programs are extremely valuable:

special services that they need in order to get the higher education programs that would make them more valuable as people and increase their contributions to society.

The AAUW statement addresses itself and women returning to college.

In the University of Nevada, speaking again as a regent, we had 225 women in continuing education courses. These are women between 25 and 60. Many of these women are intending to return as teachers in elementary and secondary education.

We find in inquiring of the various superintendents that they prefer these women because their residence is established, they are going to stay there because their husbands are there. So we have built in both college, elementary, and secondary potential faculty.

I would like again to speak as a regent, the University of Nevada has already imposed high student fees in order to be able to build necessary buildings to house its students. It takes a period of years, in fact, from the time that our legislature approves a building, it takes us 3 or 4 years to get the building constructed and in use.

Mrs. GREEN. Thank you very much, Dr. White.

I notice you have your Ph. D. in chemistry?

Mrs. WHITE. Yes.

Mrs. GREEN. How many women Ph. D.'s in chemistry are there?

Mrs. WHITE. Right now I don't know. At the time I graduated there were probably 75 but I graduated many years ago and there are many more now.

Mrs. GREEN. My understanding is there are not very many nationwide. I hope both the AAUW and WICHE will give attention to the "Network for Knowledge," the title of the bill, because it seems to me that particularly for WICHE it offers great potential.

Mrs. WHITE. I would like to enlarge but I realize we were pressed for time. WICHE is very much concerned with all of this type of programing.

As you know, we have a medical exchange program, dental exchange, veterinary medicine, and dental hygiene exchange going. We also carry WICHE lists exchange programs in which students can participate in other areas than WICHE, but not subsidized programs.

Mrs. GREEN. I was talking particularly of what the "Network for Knowledge" offers as an opportunity for WICHE.

Mrs. WHITE. Yes it is marvelous as far as we are concerned. It will help us tremendously because at the present time we are limited by what the State requests and feels they can budget; whereas, if we have this built-in network we can offer a lot more without having it come from below but actually we can impose it from above.

Mrs. GREEN. Congressman Quie.

Mr. QUIE. I want to ask you about this one part where you state that one reason there aren't more women entering the professional or status occupations is they are not getting the education they need to enter these fields. How is it the case when we are not permitting discrimination, that the high school teachers or professors are discriminating against the girls?

Mrs. GREEN. If you yield, I would say it is because we honor it in the breach more than in the observance.

Mrs. WHITE. One of the things that happens is they get married and then they are out for a while.

Mr. QUIE. I know it is our fault.

Mrs. WHITE. And then they go back.

Mrs. GREEN. But you know it is not fair to assume that the same number of men get married as women.

Mrs. WHITE. Yes. And another thing, one of the objections to employing women is the fact they say they drop out. Then when you go up to the employer and say, "Well, what percentage of your men drop out and how many of them change their jobs, too," it is the same percentage. They go somewhere else. Do you see what I mean?

Mr. QUIE. No.

Mrs. WHITE. It is an artificial discrimination against women.

Mr. QUIE. Well, I recognize that the woman bears the child.

Mrs. WHITE. And she has to look after it.

Mr. QUIE. And look after it—so it makes it a little more difficult for her to get an education if she is married before she enters college.

Mrs. WHITE. That is right.

Mr. QUIE. And I assume you recognize that. There is a difference between men and women and will be no matter how long we integrate, but beyond that, you say that women are not getting education they need as though somebody is discriminating against them in a classroom or something.

Mrs. WHITE. No, that is not it.

Mrs. GREEN. May I ask, how many colleges and universities practice some form of discrimination? For example, the University of Oregon will not give a fellowship if the woman is over 35. How many other discriminatory features like that exist across the country?

Mrs. WHITE. Plenty.

Mrs. BELL. Particularly at the graduate level.

Mrs. GREEN. In a graduate school they won't admit a woman.

Mrs. WHITE. They will, but don't want to give loans or stipends or fellowships if over 35. It is difficult for a woman to get them and that is why our AAUW program is postdoctoral.

Mr. QUIE. How about Federal legislation—is that biased as to graduate programs?

Mrs. BELL. There is no discrimination built into the Federal programs but it happens at the admitting officer level. If you only have a limited amount of money to give and I have worked in an admission's office, I do know that you give the money to the person who is most likely to show results for it, who is most likely to get a good scholastic record and to go on and finish his degree or her degree and someone with a current record looks much better than someone that graduated from college 15 or 25 years ago.

Mrs. WHITE. That happened to me.

Mr. QUIE. It is difficult then for the women who became homemakers to return and continue their education.

Mrs. BELL. That is right, those women who have not been working and keeping up their skills. If you graduate in law, for instance, you might badly need a refresher course before you reenter a law office.

Mr. QUIE. Is there something wrong with just the traditional concept of women going on so that they do not postpone that time when they can make full utilization of their mental capacities?

Mrs. WHITE. It is an unusual man who will encourage his wife to go back. I really mean this.

Mr. QUIE. I happen to have a daughter who is a junior in high school now and she will never be a professional person, and I hesitate to say that. She has friends, however, who rank in the top of their

classes, who get mostly all A's and that sort of thing, and some of them whom I talked to are not interested in going on to college. They are only interested in getting married and that kind of disturbs me because I had interested my wife in leaving college in her junior year and I think that women ought to go further in college.

We just don't have enough men with brains in this country to enable us to depend only on them.

Mrs. WHITE. You are going to have to use women, you can't help it. You are going to have such a pressure on your higher education institutions, that the only way you can do it is by using machines and women.

Mr. QUIE. Machines and women.

Mrs. WHITE. Yes, let's face that.

Mr. QUIE. But if you say it is true here that there is some discrimination, and Mrs. Green mentioned some and you brought them out also, I think we ought to specify them, bring them further to light, and make certain that they are eliminated.

Mrs. WHITE. I think we ought to encourage the groups to make awards to women; yes.

Mrs. BELL. Mr. Quie, if I may say something, we in AAUW have had a committee that has been trying to do this for quite a few years and without very much noticeable success. We feel very strongly if a provision is written into the loan titles, the several loan titles of the bill, or if it is in the report, that a university applying for these sums and individuals getting them through the Office of Education, would certainly give consideration to these women. Spelling it out in terms of dollars, in terms of amounts requested is next to impossible, I suppose, but if it could be done that would be the way to do it.

Mr. QUIE. Similar to what we did in the Job Corps, I suppose.

Mrs. BELL. Yes.

Mr. QUIE. All of the men on the committee joined in specifying a percentage of women who had to be included in the Job Corps, although some took a lower percentage than others. Would the same thing be a good idea in the field of higher education?

Mrs. BELL. I don't know. I am not enough of a legislative expert to know, but it seems to me that something of that sort ought to be done or a certain sum allocated but maybe you can do it by saying that special consideration be given to this group, but something has to be done because they are discriminated against.

Mrs. WHITE. I talked with Nevada's presidents and the chairman of the schools of education and we have two very advanced groups working on these new mechanisms for developing new educational programs, and they were both very much interested in getting some money for setaside, which they could apply for higher education projects which would allow them to bring in the women who maybe had not finished their bachelor's degree and some who had already finished the bachelor's degree and wanted to come back in, to run these projects, give these people the necessary retraining in their field, and then put them into what we call intern programs, where they actually got teaching experience and another year of training.

You are going to have to have enough subsidy so that small institutions can have 12 or 14 stipends for this sort of thing, but it would be worth it in the long run. There is no question about that in our minds in Nevada. We are still keeping on women who are 67 and 68 years old

because we need teachers and they are simply tremendous teachers and we just don't let them resign.

We just take them on from year to year. If they retired, we would lose tremendous personalities.

Mr. QUIE. That is all.

Mrs. GREEN. I would suggest that the counsel should draw up an amendment saying there would be no discrimination in granting fellowships or stipends either on the basis of age of an individual or on the basis of need.

Mrs. WHITE. If they qualify they get the job or stipend; yes.

Mrs. GREEN. Congressman Brademas.

Mr. BRADEMAS. I have no questions, because I just glanced at the statement.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. No questions.

I wanted to thank Dr. White for her statement and bringing this to our attention, and I, for one, did not know of this discrimination in graduate schooling.

Mrs. WHITE. I appreciate being allowed to tell you what some of our problems are. For we in Nevada represent what is happening all over the United States.

Mrs. GREEN. I would like to ask Mrs. Bell to define various kinds of discrimination such as the ones mentioned where they would not give a woman over 35 a fellowship while giving it to men. A few years ago we had the health personnel fellowships and stipends before our committee and there was a difference in the amount going to a woman for a health degree in the health personnel field and that for a man.

Thank you very much, Dr. White, and Mrs. Bell, for coming today. You have been most helpful in your comments.

Thank you again; the meeting is adjourned until tomorrow morning at 10.

(Whereupon, at 12:30 p.m., the committee adjourned, to reconvene at 10 a.m., Tuesday, March 5, 1968.)

(The following statement was submitted for the record:)

TESTIMONY IN BEHALF OF THE NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES PRESENTED BY STANLEY J. MCFARLAND

Madam Chairman and members of the committee, I am Stanley J. McFarland, Assistant to the Assistant Executive Secretary for Legislation and Federal Relations of the National Education Association. Another member of our staff, Richard Carrigan, is with me. The NEA, as you know, is an independent association of professional educators. Our membership includes educators in the public and private schools and colleges ranging from pre-school teachers to university presidents. Of our 1,100,000 members, 90% are classroom teachers.

Our testimony on HR 15067 today is based on the policies of our Association as defined by the platform and resolutions adopted by 7,000 delegates at the annual convention of the Association.

While the NEA has had a long and continuing interest in the improvement of institutions of higher education, the broadening of opportunities for students to enroll and complete their studies in colleges and universities is a matter of particular concern to us. Since institutions of higher education produce the necessary instructional and administrative staff for our kindergartens, elementary and secondary schools, and 2-year colleges, the members of our Association are vitally concerned with the quality and quantity of higher education. Our interest is not confined to teacher education institutions, for we recognize that the improvement of all types of institutions of higher education is vital, not only to the well-being of the Nation, but to that of the world. For these reasons, we have in the past strongly supported the National Defense Education Act, the Higher

Education Facilities Act, the Higher Education Act, and the National Vocational Student Loan Insurance Act. Each of these laws has significantly contributed to improving the quality of American education.

We are pleased to express NEA's support for the Higher Education Amendments of 1968 embodied in HR 15067. To the extent that provisions of the new bill are similar to those contained in HR 6232 and HR 6265 introduced during the past session, we respectfully direct your attention to the testimony of Dr. John M. Lumley, NEA Assistant Executive Secretary for Legislation and Federal Relations, presented to the Special Subcommittee on Education on Thursday, April 20, 1967.

Since one of the major goals of the NEA legislative program is to "establish full and early funding of all federal education programs", we strongly endorse the proposed five-year extensions of the National Defense Education Act of 1958, the Higher Education Facilities Act of 1963, the Higher Education Act of 1965, and the National Vocational Student Loan Insurance Act of 1965. We support and commend even more strongly Section 908 of the bill which authorizes appropriations to be made one year in advance of their obligations for use, a provision similar to the advance funding principle so very wisely included in the Elementary and Secondary Education Amendments of 1967. Congress has been consistently late in releasing funds for education, often several months after the beginning of the fiscal year, depriving educational administrators of the opportunity to plan ahead or to make firm commitments for educational expenditures. This has been a particularly serious problem as regards fellowships for teachers and scholarships, loans and work study funds for students since colleges and universities must make commitments in the spring for the academic year starting the following fall. We are indeed grateful to this Subcommittee for clearly pointing out the problems of late funding of educational programs in the excellent and thoroughly exhaustive "Study of the United States Office of Education". We urge you to persuade Congress to provide for this long-range authorization and advance funding to eliminate the waste and confusion caused by late appropriations. We shall be pleased to lend our strength to your efforts.

We support in general the proposal to consolidate the National Defense Student Loans, Educational Opportunity Grants and Work-Study programs into the proposed single Educational Opportunity Act in view of the apparent benefits and advantages of improved administration. The statement of purpose for the proposed Educational Opportunity Act—"to provide educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them"—is strikingly similar to a plank in the NEA platform. We continue to believe however that the National Defense Student Loan program, is, of course, the heart of the student assistance title. We believe there would be merit in the continued separate five-year authorization of each of the three programs. We likewise have reservations concerning the proviso that an institution could transfer up to 20% of its allocation for each program to one or both of the remaining programs. We are concerned that this may be another effort to "phase out" the National Defense Student Loans under the guise of "flexibility" in administration. The technical amendments proposed update the Student Assistance program and seem to represent reasonable improvements. We support the provision that the federal share of the Work-Study program be 90%. We support the Guaranteed Student Loan programs as a complement to the programs of the Educational Opportunity Act. We especially approve the inclusion expansion and extension of the Vocational Student Loan Insurance program.

We note with concern that with the exception of the first year's operation, the bill sets no dollars figures for the various programs it contains. The proposal that specific authorizations be scrapped in favor of the indefinite "such sums as are necessary" phraseology is a cause for real concern to us. Such a proposal surrenders the control of this Committee and of the entire Congress over the future of the programs.

It is with regret also that we must state once again that most of the established programs are too meagerly financed, and consequently too limited. It is apparent to us that this situation is not due to neglect nor to the actions of this Committee, for your recommendations to the Congress have spelled out in crystally clear terms what is advisedly considered to be the reasonable and minimal needs of the educational programs authorized by recent educational statutes. We do not underestimate the international danger confronting us nor the need to provide for the defense expenditures necessary to repel the threat of that danger. We do contend however that the funding of educational programs in the carefully considered amounts authorized by Congress is equally essential to our

National security. We are disturbed by the priorities that have been set in making budgetary appropriations and in applying budgetary cutbacks.

We naturally support the new programs of fellowships and projects to prepare graduate students to enter public service with increased competence, to improve the quality of doctoral programs at "middle-range" graduate schools, to provide special services for disadvantaged college students, and to promote "Networks of Knowledge" for cooperative sharing of technical and other resources among colleges, but we most respectfully inquire whether it is wise to proliferate new and meagerly funded programs when established programs continue to be underfunded and must be implemented at levels considerably below the minimum needs identified and defined by this Committee.

We must repeat an objection which we most recently expressed in testimony concerning the Education Professions Development Act of 1967. As we have indicated on several occasions, we believe a serious departure from acceptable practice appears in Section 107 of this bill. The Commissioner is authorized to contract with profit-making agencies to carry out experimental projects in the fields of community service and continuing education. Madam Chairman, we wish to reemphasize that this effort on the part of the Office of Education to secure authority for the Commissioner to bypass the public and private non-profit education agencies and to deal directly with profit-makers is, in our opinion, as dangerous a proposal today as it was when we first called it to the Committee's attention in 1966. This kind of authority permits the Commissioner to use tax-payers' money to provide profit for private agencies in carrying out activities which are clearly and solely the prerogative of institutions of higher education, public and private non-profit institutions and agencies.

Equally serious is the potentiality for federal control and direction of the entire education effort of this country, in direct violation of the American tradition of state control of public education and language contained in these laws. Profit-making agencies are in business to make a profit. If permission to contract with profit-making agencies is granted, we will run the risk of central federal control over curriculum and instructional materials. It is our conviction that financial agreements with profit-making agencies should remain the responsibility and prerogative of the individual institution in the state or local education agency, to protect the public interest.

May we make it perfectly clear that we are not opposing the involvement of the profit-making sector of our society in the educational enterprise. We believe that situations can arise where it is economical and efficient for public and non-profit educational agencies to contract with industries such as the computer or electronics industry, to provide specialized training or develop machinery for specific parts of a research or demonstration project. Our strenuous objection is to the proposal that the USOE be authorized to contract *directly* with profit-making agencies, with no involvement of the public and non-profit educational sector, in such a manner as to achieve whatever objectives the USOE may unilaterally determine.

H.R. 15067 proposes, on page 86, lines 7 through 10, that the heading of Title III of the National Defense Education Act of 1958 be amended to read "Financial Assistance for Strengthening Instruction in Academic Subjects". This heading is objectionable because in certain states the term "academic subjects" has a special connotation which is quite narrow in scope. We have supported the concept of expanding NDEA categories not restricting them. We believe the bill should clarify such matters as this and not leave the decision to the guideline writers in USOE. Page 88, lines 11 through 19, repeal the provision in Title III of NDEA which has authorized about \$10 million for state supervisory services in the categories enumerated in Title III NDEA. We oppose the repeal of the authority for the states to use NDEA funds for this purpose. Indeed, there is reason to believe that this part of NDEA Title III has been perhaps of more benefit than the equipment provision, especially in what the Office of Education calls the weaker states. We strongly urge that Congress continue to provide state education agencies the opportunity to appoint subject matter specialists to their staffs to assist local school systems in strengthening their curricular offerings. This is further reason for our concern about removing the categories in NDEA Title III.

Madam Chairman, we appreciate the opportunity to present the views of the National Education Association to this Committee. We are confident that this Committee will produce another bill which will continue to improve the quality and quantity of educational opportunity in this country and at the same time preserve the traditional structure and control of education by the States.

HIGHER EDUCATION AMENDMENTS OF 1968

TUESDAY, MARCH 5, 1968

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to recess, in room 2257, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Brademas, Carey, Hathaway, Thompson, Quie, Reid, and Erlenborn.

Staff members present: William F. Gaul, associate general counsel, W. Phillips Rockefeller, minority research specialist.

Mrs. GREEN. The subcommittee will come to order to resume hearings on H.R. 15067, the Higher Education Amendments of 1968.

This morning we are again turning our attention to the student financial aid part of the legislation. The first person to give us the benefit of his views is the very distinguished chairman of the Banking and Currency Committee of the House of Representatives.

Mr. Patman, we are delighted to have you again appear before this committee. We appreciate your work in times past. We are glad for the opportunity to hear your views on this legislation.

STATEMENT OF HON. WRIGHT PATMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PATMAN. Thank you, ma'am.

Madam Chairman and members of the subcommittee, I appreciate the honor and privilege of once more appearing before you to discuss H.R. 15067, the Education Act of 1968.

Last August, the subcommittee was kind enough to invite me to testify on the amendments to the Higher Education Act in general and the student guarantee loan program in particular.

Since your subcommittee is made up of experts on educational legislation and has a far vaster knowledge of what is needed in educational fields than I do, I would like to limit my testimony this morning solely to the question of the conversion fee payments of the guarantee student loan program contained in H.R. 15067.

Last August when you had this bill under consideration, there was a great deal of pressure to quickly enact the conversion fee section into law. It was suggested by witnesses that unless the conversion fee was immediately put into effect and even made retroactive to July 1, the whole student loan program would fold and thousands of college students would not be able to return to school.

Fortunately, Madam Chairman, you and your subcommittee were not taken in by this baseless emotional appeal and the dire consequences predicted by those who were crying "wolf" never happened. Not only did the student guarantee loan program not fold but rather it prospered and now shows every sign of reaching the heights originally predicted for the venture.

During the last fiscal year, there were 328,943 loans made under the program. As of December 31, 1968, the current fiscal year, there were 327,144 loans made.

Thus, in one-half year the program all but equaled its entire output during the previous year and there are indications that in the coming fiscal year 750,000 loans will be made.

Thus, it can easily be seen by even the most casual observer that the program is not on its last legs but rather is doing a brisk business. The gains, of course, have been made without the necessity of paying bonuses in the form of conversion fees to financial institutions.

I feel that one of the problems of the program in its formative stage was that it was being judged solely on the basis of how many loans were made as compared to the number of loans that had been predicted would be made.

It was said that the program was in trouble solely because it had not reached the number of projected loans. Even so, by June of 1967, the program was operating at slightly more than 60 percent of its projected level.

But projections, unfortunately, are not totally reliable, particularly when a new program is born. If newspaper stories had reported that by the end of June 1967 more than 357,000 loans had been made to college students under the student guarantee loan program, this fact would have been widely hailed.

It would have been pointed out that more than one-third of a million students were being helped and that the program was doing a wonderful job. But instead, the program had a projected figure of more than one-half a million loans hanging over its head and the only way it could be credited with doing an outstanding job was to exceed the projected figure.

I feel that the student loan program has performed an excellent service from the very beginning and its record of achievement is constantly increasing.

Perhaps the projection was unrealistic or not enough information was plugged in to the decisions that lead to the projection or, perhaps, as is too often the case, there were too many variables.

New programs must experience growing periods. There has to be adequate time for the word about the program to reach all corners of our country and for students and their parents not only to become acquainted with the program, but to have faith in it. I feel that the experience during this fiscal year shows that the program is now ready to stand on its own two feet.

In my last appearance before you, I felt strongly that the conversion fee, whether it be \$35 or \$25 or whatever the figure should not be allowed. I feel even more strongly at this time that the conversion fee feature of the legislation should not be adopted.

First, let us look at the amount of money it would cost the Government if the conversion fee were adopted. If, as predicted, there are

750,000 loans made during the next fiscal year and a \$35 conversion fee is enacted, it would mean that the cost of paying the conversion fee on that amount of loans would be more than \$26 million.

And, if the Government were also required to pay 6 percent interest on each of these loans, it would mean an additional \$56 million outlay. but since the 6 percent interest would be paid whether or not the conversion fee is adopted, let us drop that figure and consider only the conversion fee payments amounting to \$26 million.

If, for example, we take an average 1-year college loan as being \$1,000, we could send 26,000 deserving students to college for 1 year instead of handing the money to the banks.

As I pointed out last August, if the Government sets up its own loan revolving fund, it would save the 6 percent a year, plus the conversion fee payment or a total of \$82 million. Of course, the cost of obtaining the lending funds would have to be deducted from that amount but there would still be a multimillion-dollar savings.

If instead of operating the student loan program as a basis for further subsidizing the banks, the Government set up its own loan fund, the savings obtained by not paying the bank subsidies each year would equal the initial loan fund investment in 10 years. Eventually, the repayments into the fund would make the program virtually self-sustaining on a monetary basis.

Of course, it would require an appropriation for the first several years to keep the program going. Perhaps the appropriation in the first year would have to be \$500 million but alongside the \$524 million that was spent on small business loans through the Small Business Administration last year, I think the student loan appropriation would be clearly justified.

It must be noted that the percentage of defaults on student loans in the past has been extremely small, less than 1 percent, I believe.

Based on this, I feel that a direct Government lending program would be far more in the public interest than the bank subsidy program being recommended by the American Bankers Association and Under Secretary of the Treasury Barr.

One of the great disappointments of this program to me has been the role played by Under Secretary of the Treasury Barr. He has joined the American Bankers Association in the fight to gain the \$35 conversion fee.

The American Bankers Association is, indeed, fortunate in having such an outstanding individual as Mr. Barr helping, whether intended or not, in its lobbying campaign. But, I am afraid that Mr. Barr is doing a great disservice to our country, to millions of college students, and to thousands of banks across the country.

I do not overlook the fact that Joe Barr has been a valuable man in Government service. He was a Member of the House of Representatives and a member of the Banking and Currency Committee. He has served as Chairman of the Federal Deposit Insurance Corporation Board. He has also been in the Treasury Department and Under Secretary of the Treasury.

He has been a favorite of mine and I have noticed him over the years and I was impressed with his sincerity and honesty of purpose.

In this particular case, I think he has gone far afield. I am sorry

that he is advocating what he is in connection with making this loan program more expensive.

I realize that Mr. Barr testified before your subcommittee that he was a banker. But I certainly hope that he has not allowed his banking background to interfere with his duties as a representative of the Government of the United States. And I am not charging that it has because I know a lot of Members of Congress have banking backgrounds and I do not see any evidence of its interfering with their public duties as Members of Congress.

During Mr. Barr's appearance before your subcommittee in mid-February, it was pointed out by Congressman Hathaway that he had been told by a number of banks in his district that they did not want the extra money but felt that the guaranteed loans should be made as part of the bank's public service program.

I have experienced a similar situation in that a number of bankers have written to me expressing opposition to the conversion fee payments.

These bankers have pointed out that they would rather see a cut-back in the amount of paperwork connected with the loans rather than an increase in the fees paid to the banks. Almost every one of the letters I have received in this regard has touched on the belief that the college loans should be made on a public service basis.

Why then is the American Bankers Association and Under Secretary of the Treasury Barr fighting so hard for the extra payments if, in general, banks do not want the money? Perhaps the answer is contained in a column written by Joseph D. Hutnyan in the February 23 issue of the "American Banker."

The column, for the most part, shills for the American Bankers Association's position of obtaining the \$35 conversion fee.

In discussing the possibilities of the conversion fee's adoption, Mr. Hutnyan, in part, writes:

It also made some American Bankers Association staff members nervous because some banks were enticed into the program with the expectation that the loan fee would be approved by Congress.

Although there is no mention of who the American Bankers Association staff members might be, I am sure the article refers to the bank lobby's hired Ebenezer Scrooge, Dr. Charles Walker, who last summer, told bankers to start making the college loans because the \$35 conversion fee would be retroactive to July 1, 1967.

May I invite your attention, Madam Chairman, to the fact that putting out the word through the Bankers Association, go ahead and make these loans, that we will guarantee that they will be paid back to July 1, was a terrible thing in my book.

If a judge of a court had had a similar case before him and one of the litigants had acted as Dr. Walker acted he would have been fined for contempt. That was a sabotage of this program.

Here we were trying to get a trial run, a test, to see how we could do on 6 percent and they go in there and tell the banker, "Go ahead and make those loans. We will guarantee you it will be dated back to July 1."

In other words, that is a rather arrogant statement, anyway. It is an insinuation that the American Bankers Association has more in-

fluence with this Congress and committees and individuals than they really have, I am sure. And I do not think they had a right to do it. But it was sabotaging the program. There is uncertainty now.

We don't know how many of them made the loans on the basis of getting this back pay. Not knowing that, the only thing we can do now is start again fresh, new, another trial run, in which everybody knows that we are not going to date it back. I hope you consider that.

Of course, Dr. Walker had no basis for such a statement and he later admitted that he had, indeed, crawled out on a limb in making the statement. It would appear now that Mr. Barr is leading the effort to get Dr. Walker off the limb before it is sawed out from under him.

Certainly such a motive should not be the driving force behind any type of legislation, particularly if it affects the future of thousands or even millions of college students.

But there is, perhaps, a hidden reason why Dr. Walker and Mr. Barr are fighting so hard for the placement and conversion fee section of this legislation. Section 426 of the legislation provides that the payment of the \$35 fee shall be retroactive to June 1, 1967.

At first blush, this language seems fairly innocuous but upon closer study it develops that this section of the bill is a hidden banker's bonanza that will cost the taxpayers an additional \$13 million plus.

A check with the Department of Health, Education, and Welfare reveals that from June 1, 1967, through December 31 of the same year, there were 374,946 loans made that would be eligible for the \$35 placement fee if this legislation were passed. That means that the taxpayers are going to have to come up with \$13,123,110 to hand over to the banks. And, additional money will have to be obtained to pay the banks for the loans they have made from December 31 until the bill is enacted.

In light of this hidden bonanza, I think it is clear why the American Bankers Association is pushing so hard for the legislation.

I sincerely wonder, in view of the needs of our boys in Vietnam, if we can justify turning more than \$13 million over to the banks, when it is no part of the contract to pay them this much money or any part of it.

I must congratulate the members of this subcommittee for not being misled or trapped by some of the statements by Secretary Barr in his appearance, particularly with regard to the costs that the banks incur in obtaining funds for lending and investments.

Mr. Barr, in attempting to justify a high acquisition cost for banks, completely left out the billions of dollars the banks receive each year in the form of interest-free demand deposits.

However, Mr. Gibbons was quick to point out this omission of Mr. Barr's. Nor did Mr. Barr mention the millions of dollars that banks receive every year interest free in the form of Federal, State, and local government deposits. Nor did he mention any of the other subsidies that banks receive.

I think that Congressman Gibbons perhaps summed up Secretary Barr's performance in this legislative matter when he suggested that the lending rate for student loans would come down if we quit pushing the panic button. Mr. Gibbons also pointed out that Secretary Barr had, indeed, pushed the panic button.

Madam Chairman, in the past few days, a study conducted by the General Accounting Office, at your request—and I commend you for making that request—concerning the profit and loss incurred on these loans by banks, has been made public. You have done a great service, Madam Chairman, in asking for such a study to clear the air on this matter.

Both Mr. Barr and Dr. Walker have testified in the past that the 6-percent interest received by the banks on student loans is a loss rate.

However, in a recent issue of the respected banking publication, *Bank Stock Quarterly*, a study conducted of 25 banks across the country, concluded that the break-even point for these banks on their loans was 3.89 percent interest.

And in June of last year, the same publication surveyed 50 banks in all size categories across the country and also determined that the break-even point on loans was 3.89 percent interest rate.

I would be the first to admit that a sampling of 75 banks does not represent a full picture of the banking industry but since this is a banking publication and is designed to gather all types of information rather than to provide a specific point, we must give a great deal of credence to the figures compiled by the publication.

I do not want to suggest that the figures presented by the American Bankers Association portraying these loans as losing propositions were fraudulent but perhaps your subcommittee might be interested in looking into the methods used to obtain these figures.

I am certain that if you asked the investigators for the General Accounting Office who conducted the study to testify on the ABA's figure gathering operation, you would be shocked at some of the disclosures.

Also, I cannot understand if banks are making loans that are classified as costing the banks money, why the profit picture of the banks does not reflect these losses.

In 1966, bank earnings topped the \$3 billion mark for the first time in history and indications are that in 1967, bank profits increased by 8 percent over the previous year. Perhaps Dr. Walker or Mr. Barr would be willing to explain to your subcommittee why bank profits have soared if they are making so many loss loans.

Mr. Barr's lack of candor is in keeping with the philosophy of some Treasury officials.

During the 89th Congress—now this is something that is absolutely unbelievable but it happened—during the 89th Congress, the Banking and Currency Committee attempted to obtain some information from the Treasury Department concerning interest rates on various types of debt and savings instruments.

It was information the Treasury was reluctant to supply. After much delay, the committee was finally given what appeared to be the requested information. By mistake, however, the persons submitting the information had overprinted an interoffice memo onto the committee's copy that clearly was not meant for our eyes.

The interoffice memo read:

Attached is a review of developments in the certificates of deposit market which may temporarily answer the question raised by the Patman committee as to the influence of certificates of deposit on our Treasury bill rates. As you note, we have purposefully not answered the question except in a very indirect way.

And we have never gotten the information to this good day.

It would appear the Treasury is continuing its indirect answering methods in its testimony before this subcommittee.

I am certain you will recall last summer that Dr. Walker and Mr. Barr testified that the banks were losing money on student loans and a rather loose set of figures that purportedly justified the American Bankers Association's position was presented to the committee.

I suggested in my appearance that these figures were perhaps not on the up and up but rather were obtained to prove a specific point rather than to lay the full truth before your committee.

According to my calculations at the time, the banks were not losing money as claimed by the American Bankers Association but rather were making money on these loans.

I am, indeed, gratified that the General Accounting Office study strongly questions the accuracy of the American Bankers Association's figures and makes it clear that the banks are making a tidy profit on these loans.

In Commissioner on Education, Harold Howe's testimony, he suggested that consideration should be given to using pension funds as a student loan pool. I personally favor such an idea and feel that if these funds were offered an earning asset of 6 percent a year, they would jump at the opportunity to provide money for the loans.

Or, as an alternative, perhaps consideration should be given to an educational bond that could be sold to the general public with a 6-percent interest rate. These bonds could carry a longer maturity so that they would not compete with savings bonds.

Not only would this make millions, if not billions, of dollars available for student loans, but would greatly aid this country's banking industry so that it would not have to continue making loss loans.

Madam Chairman, I sincerely hope that when your committee has worked its final will on this legislation that it will drop the conversion fee section and give the student loan program an opportunity to function in an atmosphere free of panic button pushers.

In short, the program is just beginning to reach its potential. Let us not take any hasty action while this program is in a period of forward movement. We need a much stronger experience factor before making any drastic alterations.

In closing, I would like to point out that if the conversion fee of \$35 is adopted, and a year or 6 months from now the American Bankers Association decides that it is not enough money for its banks, it will be a simple task for that association to instruct its members not to make additional loans until the fee is raised.

Then we can look for Dr. Walker to put on his mask and strap on his gun and hold up Congress again in the name of higher education. Can we afford to treat our students in this manner?

Thank you very much.

Mrs. GREEN. Thank you very much, Mr. Patman, for your very informative and very provocative testimony. Some time ago I asked the Treasury Department and the Office of Education to make a study of the cost to the Federal Government over a 10-year period of loans under the NDEA and under the guaranteed student loan program with the proposed \$35 conversion fee.

Mr. Patman, what is the interest rate on the FHA mortgages?

Mr. PATMAN. It was $5\frac{1}{2}$ percent. It is about 6 now plus one-half of 1 percent for insurance fee.

Mrs. GREEN. Six and a half?

Mr. PATMAN. Yes, ma'am.

Mrs. GREEN. In the President's message on housing, does he recommend an increase?

Mr. PATMAN. Yes; the President recommends that the ceiling be taken off. I have stated that if it were shown that it would provide more money I would not object to it. But I have been unable to get any proof, documentary or otherwise, that would indicate more money would be available.

I am convinced there would not be any more money available. But if we were going to do it, it should certainly be for a temporary basis,

We just should not take the ceiling off entirely.

Mrs. GREEN. On the FHA home improvement, what is the effective rate there?

Mr. PATMAN. It is up rather high. I do not know what it is right now. That is where all these scandals have been all over the country, where they would doctor the figures and get mortgages on homes when people did not know they were giving mortgages on their homes.

There are more scandals I suspect in that part of the housing program than any of the others, possibly than all the others. It is a very high rate, Madam Chairman.

Mrs. GREEN. What would you say it was?

Mr. PATMAN. I would say 18 to 20 percent. It is not the FHA. This is the home improvement rate that they make for 3 years and 5 years. It was 3 years at first. Then we extended it to 5 years.

Mrs. GREEN. It is your conviction that the banks do break even on the 6 percent on the guaranteed student loan?

Mr. PATMAN. They more than break even, Madam Chairman. They make money on them. Besides, they could not have a better public relations job. Why should not the banks do a little something for the public, especially for education?

You know, the banks have a monopoly, an exclusive monopoly on checking accounts. No other financial institution can do that, only the commercial banks. That means that they get half their capital absolutely free because it was written into the law one time, when nobody was looking, that it should be unlawful to pay interest on demand deposits.

That means half of their money that is available is absolutely free, they don't pay anything for it. No other institution has that favored position.

Mrs. GREEN. You suggested if there is not sufficient money in the guaranteed student loan that the Government should increase the amount and have a direct loan to students?

Mr. PATMAN. That is right; yes, ma'am.

Mrs. GREEN. I am convinced in my own mind that the expansion of the NDEA would be cheaper to the Federal Government over the long haul. I am concerned whether or not the dollars would be available this year of a tight budget.

Is it your judgment that the Congress would be willing to appropriate the necessary hundreds of millions of dollars?

Mr. PATMAN. Well, of course, there are other ways of doing that. You know, if you will permit me to digress just briefly, we have monetary authorities headed by the Federal Reserve. It is their duty to keep interest rates low, not high, in the public interest. They can do that. They can fix the interest rates at whatever they want to on Government obligations and our huge national debt is so large that whatever interest rate is fixed on the national debt becomes the interest rate clear across the board.

That can be demonstrated over a 14-year period, from 1939, June 30, to June 30, 1951, or extend it on to 1953.

During that period of time when we had a Federal Reserve Board operating in the public interest we had very reasonable interest rates. If we had those same interest rates now we would be saving \$8 billion a year this year just on the interest rates on the national debt alone.

So, the Federal Reserve could be brought into this. In fact, I am contemplating right now offering an amendment soon to require the Federal Reserve to make available at least \$10 billion in credit for housing programs in this country. We have a billion.

Last time it was H.R. 14026 that was passed for 1 year, to September 21, and then we must have had a premonition of something; we decided we would not extend it for more than 1 year which will expire September 21, this year, in which we interrogated Mr. Martin, the Chairman of the Federal Reserve Board about it, and asked him if he would be willing to make available to the housing industry loans in the way of purchasing their paper so that they would have money to make loans.

He said he would not like to do it, personally did not favor it, but that if we wrote it into the law he would carry out the law.

We wrote it into the law but he has not carried it out. I think when we get this bill up for consideration in the near future, the next 30 or 60 days, I have a feeling that our committee will write a direction and a demand that the Federal Reserve make available housing credit like we contemplated when we extended that act.

It can be done and I hope it will be done, and the interest rate could be not 6, 7, or 8 percent—this business of the market fixing the rate is all phony—but the rate could be 3 percent like those good provisions in the Housing Act now, nursing homes and things like that, and they could carry it for 3 percent, there is no question about it. It is just a question of making the Federal Reserve carry out its duties.

Mrs. GREEN. Thank you again, Mr. Patman. It is my understanding that today marks the first day of the 40th year you have served in the Congress, is that right?

Mr. PATMAN. Yes, ma'am; thank you.

Mrs. GREEN. May I, on behalf of the committee, commend you for the fine record you have made and for your very effective service rendered this committee as a member of the Texas delegation and as a watchdog of the purse strings.

Mr. PATMAN. Thank you, ma'am.

Mrs. GREEN. Mr. Quie.

Mr. QUIE. I have received information from some banks showing the cost of student loans. They usually start out with the cost of money to them at 5 percent.

On page 7 you state, Mr. Patman, that in two sets of studies, one for 25 banks and one for 50 banks, the break-even point for these banks was 3.89 percent interest.

Mr. PATMAN. That is the banks' own figures, Mr. Quie. I just took their figures for it.

Now this 5½ percent, my dear sir, is not a correct figure. You divide that by two. You know, half of their deposits are free. Under their franchise with the Federal Government they have a very lucrative franchise. They don't have to pay any interest at all on demand deposit.

When you say 5½ that means time deposits they are paying interest on. When you divide that by two it is 2¾, of course.

Mr. QUIE. Is it a rule of thumb that a bank has half of its money in demand deposits and half that it is paying interest on?

Mr. PATMAN. Considering the past, I guess you could call it a rule of the thumb. It has been that way the last decade or two. I don't see any reason why it should change. It is just like on demand deposits. You see, a bank can make loans like the old goldsmith did, \$10 to every \$1 of reserves. But time deposits as you mentioned, 5½ percent, they can make 33⅓ times as many loans for \$1.

Mr. QUIE. What would you estimate would be the interest charge that a bank should make to break even over and above the cost of the money?

You said the 75 banks but did not indicate that is really the figure for all the banks.

Mr. PATMAN. I am in no position to give you all the information. I am no expert. But the very fact that the banks' profits are going up all the time is pretty good evidence that they are not losing money.

Mr. QUIE. Do you estimate, then, that some banks are actually realizing a profit of 2 percent on the student loans?

Mr. PATMAN. I am in no position to give you the accurate figures on that because I don't know. But why should they not make money on a 6-percent loan. The money cost them nothing. They use the Government's credit absolutely free.

Mr. QUIE. But, you can't say all their money costs them nothing.

Mr. PATMAN. Well, the time deposits cost them some money.

As you say, regulation Q permits 5½ percent. That is what they have been paying. Remember this, on time deposits banks can make loans or investments equal 33⅓ to 1 on time deposits. So that is a pretty lucrative deal, itself.

Mr. QUIE. What about when they make long-term loans, for example, when the banks get into the housing business. Are they then paying the same amount for that money as the savings and loan associations do for their deposits?

Mr. PATMAN. They are paying less on balance than average. They are paying much less.

Mr. QUIE. If they secured additional money to make those loans, the additional money would be the same as they paid for money that was not on demand deposit, would it not?

Mr. PATMAN. It all depends on the situation at the bank. You would have to know more about that before you could evaluate it.

Mr. QUIE. That is all.

Mrs. GREEN. Congressman Brademas.

Mr. BRADEMAs. Thank you, Madam Chairman. I want to add my own congratulations, Mr. Chairman, to the ones you have already heard on your long service in Congress.

Mr. PATMAN. Thank you, sir.

Mr. BRADEMAs. I confess I am puzzled as to the facts in this whole matter, Mr. Patman. On the one hand, you use phrases like "tidy profit" and "bonuses" that the banks are making. On the other hand, the representatives of the American Bankers Association have suggested to us that unless there is some kind of a conversion fee, they will lose money on these loans.

Mrs. Green has referred to a GAO study and I think to other studies that have been made on the profit-and-loss picture of the banks and other private lenders on these loans.

I really am very puzzled because I don't know what the facts are. I wonder if you can elucidate on this problem because I think if we can cut away some of the rhetoric and just ask the simple question, what are banks making or what are banks losing, we will be better able to make intelligent judgments.

Now is there some valid survey or study to which you can point that gives an answer to that question?

Mr. PATMAN. Yes, sir; the GAO study which you mentioned.

Mr. BRADEMAs. What does it say?

Mr. PATMAN. The General Accounting Office study. Remember this, that the General Accounting Office is an agency of Congress, they are part of our body. They are an agency of Congress, you can rely upon them.

Mr. BRADEMAs. What do they say, though?

Mr. PATMAN. They will tell you the truth. They will say that the banks are not losing money.

Mr. BRADEMAs. But what does the report say? What are the facts?

Mr. PATMAN. What is that?

Mr. BRADEMAs. You must have some basis of facts.

Mr. PATMAN. I am quoting GAO. I am willing to rely on them because they are an agency of Congress, traditionally they are reliable, they will tell you the truth.

A loss results only in the case of a single loan of \$750 to a student. The results of the eight examples of loans as computed by the ABA, American Bankers Association, and as recomputed by us using the cost estimates developed by the committee and the Treasury are shown below.

This gives the information, gain or loss. If you will get that report I think you will find it is very convincing.

Mr. BRADEMAs. I am not sure that I am convinced by that. I am not bringing any particular bias to this discussion but I want to simply make clear that I still am not satisfied that we have the facts before this committee from any reputable survey.

I say that without having seen this particular survey. The fact that you have eight loans that you are citing is absolutely unpersuasive to me.

Mr. PATMAN. May I comment on what you have said here.

Mr. BRADEMAs. Please.

Mr. PATMAN. You see, the GAO has no ax to grind.

Mr. BRADEMAs. I understand.

Mr. PATMAN. None in the world. Traditionally they have been honest and reliable and they represent Congress. It is an agency of Congress.

Mr. BRADEMAs. I understand that.

Mr. PATMAN. And we should rely upon it.

Mr. BRADEMAs. I understand that, Mr. Chairman. Let me get to another question because I think this dialog is a bottomless pit.

Mr. QUIE. Will the gentleman yield?

Mr. BRADEMAs. Yes.

Mr. QUIE. Did I understand you to say that a loan of \$750 or less was a loss to the bank?

Mr. PATMAN. They were talking about in some instances. There are too many figures here to begin reading them out but I invite your attention to page 6 of the General Accounting Office report.

Mr. QUIE. So that in some cases there is a loss at 6 percent.

Mr. PATMAN. Probably so, possibly so.

Mr. BRADEMAs. I yield to the chairman of the subcommittee.

Mrs. GREEN. I will ask counsel if we cannot get additional copies and make them available to the members of the committee. Those eight specific studies, as I recall, were eight specific cases that the American Bankers Association used to show profit or loss and this was an analysis of the eight specific cases by the General Accounting Office.

Mr. BRADEMAs. I thank you chairman.

Let me turn to another aspect of this matter with the simple observation that as only one member of the subcommittee I still do not know what the facts are on the question of profits and losses on these loans.

Mr. PATMAN. Stay with GAO; they will tell you what the facts are.

Mr. BRADEMAs. You say that you would prefer to have a program whereby we have a Government loan fund, a revolving fund with which to provide such moneys?

Mr. PATMAN. One alternative.

Mr. BRADEMAs. That is one alternative you suggested. Then on page 4 of your statement you say "perhaps the appropriation the first year would have to be \$500 million."

My question is very much like that of Mrs. Green's; namely, have we any kind of assurance that in a year like this we would get that kind of money?

Mr. PATMAN. It would be difficult. Therefore, I have another alternative, pension funds. If pension funds could get 6 percent you know they would be very happy, the managers of those funds would be.

The only reason they are not doing it now directly is because so many loans are involved. If you had an agency like the commercial banks or the mutual saving banks or the savings and loans or the credit unions whereby they would pick up these in quantity and take them to the pension funds, you could get plenty of money that way because 6 percent is a pretty high rate on pension funds.

Mr. BRADEMAs. You may be right, Mr. Chairman. I just express a great degree of skepticism over whether this Congress at this time would put up a half billion dollars in appropriations.

I think if Congress would not do so, the students who were hoping to get some money with which to go to college would face the real dilemma.

Mr. PATMAN. I hope the gentleman has not overlooked my other alternative, pension funds.

Mr. BRADEMAs. No, sir; I haven't.

Mr. PATMAN. You would not have to appropriate any money at all.

Mr. BRADEMAs. I am openminded on your suggestion.

Another problem that I would be glad to get your comment on, Chairman Patman, is this: The representative of the ABA pointed out the other day that there was considerable competition for loan funds from other forms of activities, for instance, loans on automobiles, which would provide for private lenders like banks considerably higher interest rates than would student loans and that, therefore, without some such conversion fee the banks would simply put their money where they could make the most money on interest rates.

Would you comment on that?

Mr. PATMAN. I will be delighted to comment on that.

Remember, the loans that they have mentioned are not Government-guaranteed loans. They are not Government-guaranteed loans.

Now the banks, the reason that we do not have more money in the mortgage market today, are putting their long-term investments in tax-exempt bonds. They own over half of the tax-exempt bonds in our Nation today bought by creating the money on the Government's credit to do it without cost to themselves.

The report of the last 2 months indicates strongly that they are now buying 99 percent of all the tax exempts that come on the market. Why should they not? It is a way of evading taxes and it cuts their whole tax bill down.

The commercial banks do not pay taxes like business and industry pays. Business and industry pay 48 percent, the banks pay 23 or 24 percent because they have so many gimmicks and loopholes and ways of evading it like tax-exempt bonds.

Mr. BRADEMAs. I hope your truth-in-lending bill will help us in this respect, Mr. Chairman.

Mr. PATMAN. I do, too.

Mr. BRADEMAs. As one of my colleagues suggested, I hope we can get support out of the Congressmen from your State on this oil depletion problem which would break loose a lot of money with which to get that \$500 million.

Mr. PATMAN. Why don't you offer a bill to do that? That would be a good way to get consideration.

Mr. BRADEMAs. I might do that but you Texas people have a lot of power around here.

Mr. PATMAN. If they cannot justify it I will support what is justified. If you cannot justify 27½ percent, I will vote for what is justified.

Mr. BRADEMAs. I was distressed, Mr. Chairman, over one thing you said in your statement because it has to do with a former colleague in Congress from my State.

I am confident that I am right in saying that your criticism of Mr. Barr's position in this matter is in no way a reflection on his integrity.

Mr. PATMAN. No; I like Joe Barr. I have liked him ever since he came here. But I think he is way off to the left or right on this one.

Mr. BRADEMAs. Thank you.

Mrs. GREEN. Congressman Erlenborn.

Mr. ERLNBORN. Mr. Patman, I understand in your testimony here that you have suggested that the funds could be made readily available from pension funds.

Your statement was that if they could get 6 percent they would be very happy to invest. Do you think that with the 6-percent interest charged to the student there could be a return of 6 percent of the pension funds?

Mr. PATMAN. No; there would have to be somebody to service these loans because the pension funds do not want to service them on a piecemeal basis. Obviously, they would not. Somebody would have to service them and for that they would be entitled to a reasonable amount. Certainly if they got 4 percent they would be very happy over it. They don't get 4 percent as it is.

Mr. ERLNBORN. You suggest they would be happy to invest their funds at 4 percent?

Mr. PATMAN. Certainly they would. There are lots of pension funds in this Nation that would be glad to do that, or even less.

Mr. ERLNBORN. I have no further questions.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. Thank you, Madam Chairman.

I also want to join my colleagues in commending Mr. Patman for his service in Congress and also want to thank him for mentioning my name in his statement.

I would like to say that I have received unsolicited calls from my district reemphasizing this point as recently as last week, that they do not need this extra money and that they are willing to do this as a public service and they realize in the long run it will be of great benefit to them.

You mentioned that the GAO did point out that in certain cases there was a loss on loans but does this consider their opportunity gains.

Mr. PATMAN. No, that is theoretical loss.

Mr. HATHAWAY. You do point up the fact that loans have been on the increase under the guaranteed loan program. It would seem to me that this fact in itself is pretty good evidence that we should keep the loan program just the way it is until the number of loans starts to fall off.

Mr. PATMAN. May I suggest this: In a half year the loans have been as much as a whole year. A half year recently.

Mr. HATHAWAY. What do you think of the argument that was made yesterday at the hearing that the only reason these loans are increasing is that the bankers have been more or less assured that the Congress would go along with this increase and make it retroactive to last July?

Mr. PATMAN. Who assured them, my dear friend?

Mr. HATHAWAY. That I am not sure of, Mr. Patman.

Mr. PATMAN. They would not take any kind of rumor, would they?

Mr. HATHAWAY. I would not think so. I wanted your comments on it.

Thank you very much.

Mr. PATMAN. I think they would be very poor businessmen, they are not the kind of bankers I have known, if they would take rumors like that.

Mr. HATHAWAY. I agree with you.

Mr. PATMAN. In other words, they would have to say they had Congress in their hip pocket and if they could vote Congress like they wanted to they could guarantee it.

Mr. HATHAWAY. Congress, I know, would be very difficult.

Mr. PATMAN. Yes, sir. I have served with over 3,000 Members of Congress since I have been in Congress and you just do not find finer and better people on earth than you find in the Congress of the United States.

I have never known a Representative that I personally did not like. I realize that when these Representatives get together they get meanness in their heads.

Mrs. GREEN. Congressman Thompson.

Mr. THOMPSON. Thank you, Madam Chairman.

I would like to join with my colleagues in congratulating you on your long service, Mr. Patman.

Mr. PATMAN. Thank you, sir.

Mr. THOMPSON. You have been here since almost before I was born. You have certainly learned a great deal. I am particularly amused by the use of the word "shills" in your statement because I called a group of people shills after a hearing a couple of years ago and it cost me \$3,000 in legal fees to defend myself against a million dollar libel suit. I made the mistake, however, of saying it in the Hall. Ultimately, the decision was handed down in my favor but it cost me that much money.

Mr. PATMAN. I hope you did not lose any votes on it.

Mr. THOMPSON. No. As a matter of fact, I gained some.

Without having the opportunity yet to see the GAO report which I am looking forward to seeing, I have been particularly interested by your statement and also by that of your friend Dr. Walker. I have his statement before me in which he said that each of the examples involving four loans in 1 college year established to him that 6 percent interest is unfair and that it is unproductive to the banks and, therefore, this conversion fee ought to be allowed.

But we are going to have to take a good hard look at that statement and the GAO report before we make our ultimate decision. In my judgment, the possibility of the Congress establishing a multi-million dollar revolving fund and appropriating for it at this time is absolutely out of the question.

Mr. PATMAN. It is just one alternative, my dear sir.

Mr. THOMPSON. I know, and I am intrigued by your pension fund alternative and some other possibilities. I would suppose that if we're to put a Vietnam tag on the revolving fund it would go through on the consent calendar, but very little else will.

I have no further comment except to thank you very, very much for a very thoughtful and provocative, as the chairlady called it, statement. Thank you.

Mrs. GREEN. Thank you very, very much, Mr. Patman. We appreciate your counsel.

Mr. PATMAN. Thank you, Madam Chairman.

Mrs. GREEN. The next witness before the committee is the president of the United Student Aid Funds, Mr. Alan Marshall. He will be accompanied by a friend of this committee, Mr. McCabe.

Mr. Marshall, will you proceed as you wish in presenting your testimony.

STATEMENT OF ALAN D. MARSHALL, PRESIDENT, UNITED STUDENT AID FUND; ACCOMPANIED BY EDWARD A. McCABE, WASHINGTON COUNSEL FOR UNITED STUDENT AID FUND

Mr. MARSHALL. Thank you, Madam Chairman. Mr. McCabe and I are delighted and honored to have the opportunity to appear again before your committee to present our views with respect to the legislation you have before you.

As you know, our organization is a private nonprofit tax-exempt corporation formed 8 years ago to guarantee repayment of low-cost student loans.

United Student Aid Funds, Inc., has endorsed more than 300,000 loans for more than \$185 million in all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

Participants in its regular reserve program now include more than 900 colleges and universities, 100 vocational schools, and more than 9,000 banks and other lenders.

It also operates guarantee programs for 27 States, Puerto Rico, and the Virgin Islands.

We were founded in the belief that an educated citizenry is the greatest asset of any nation. Our purpose was and is to provide the marginal financial assistance that would make it possible for needy and deserving students—I use both adjectives advisedly—to complete their college educations.

We have confined our efforts to guaranteeing student loans even though our charter is broader than that. In that field, I believe the range and diversity of our experience cannot be matched by any other agency—Federal, State, local, or private. This is largely because of the diversity of our operations.

The recommendations I shall make today on the legislation being considered by your committee are based on this experience.

In brief, we endorse recommendations of the Office of Education which simplify operations of the several guaranteed loan programs and make them more equitable. These are the recommendations dealing with—

(a) making terms and conditions of loans to students at vocational schools the same as those to students at institutions of higher education; and

(b) encouraging all guarantee agencies and lenders to defer payment of loans when the borrower is serving in the military, the Peace Corps, or VISTA, or is back in school as a full-time student; and authorizing the full Federal interest subsidy benefits during such period.

THE INTEREST SUBSIDY

We propose repeal of those sections of the Higher Education Act which now prohibit Federal interest subsidies to students from families with adjusted gross incomes of \$15,000 and over.

This would have several advantages. It would be more equitable, since many families with incomes over \$15,000 can need assistance as much as families with lower incomes.

Further, this provision now generates far more annoyance than it can possibly be worth. Repealing it would add about 10 percent to the present inschool interest subsidy costs, since about 90 percent of all families fall below the present \$15,000 cutoff.

We have never been enthusiastic over this whole interest subsidy idea. But we say—if you are going to have a subsidy, apply it to every borrower while in school. Then eliminate it for all after graduation.

You will save substantial amounts of money. You will also simplify loan arrangements for the student, the lender, the guarantor and the college. You will eliminate the form with greatest nuisance value among the many Federal forms which have plagued us all since the Higher Education Act became operational in 1966.

GIVE THE FINANCIAL AID OFFICER AT THE SCHOOL A MEANINGFUL ROLE

We propose that you expressly permit the financial aid officer to counsel with the student and his family, and to take family circumstances into account, and to recommend the amount of the loan which that student should receive.

Clearly, this is one of the most significant of all the changes you could make in the present law.

If this be a so-called “needs” requirement, so be it. We believe there are both moral and practical reasons for writing it into this particular law.

It is wrong for students who could perfectly well remain in school without a guaranteed and subsidized loan to obtain such a loan, purely for the sake of their own or their family’s convenience, at the expense of students who really do need the money.

And since the amount that lenders can set aside for nonprofit loans is obviously limited, this kind of shift from students who have need to students who borrow for convenience is bound to take place under the present law.

Indeed, the law as designed makes it take place. The Office of Education has stated that NDEA loans should care for students from low-income families, leaving middle-income students to be served by the guaranteed loan program.

But this does not mean that it is not perfectly possible to lure higher income students into the guaranteed loan program, and to force lower income students out of it, simply by making it generally known that these low-cost loans are available regardless of financial circumstances. Many financial aid officers report that this is already happening.

WHAT IS OUR FUTURE DIRECTION?

We believe Congress should this year answer a key question for the guidance of all of us who are now engaged in this field of student assistance.

Do you want the guaranteed loan program to become a complete Federal program, administered by the U.S. Office of Education?

Or, do you want to continue a cooperative program, administered by the States and by such private nonprofit organizations as the States and educational institutions may elect, and supported in its

early stages by such repayable Federal financial support as the Congress may decide?

That, it seems to us, is a very crucial question at this time.

Under the act as currently written, authority for the Office of Education to set up new Federal guarantees will expire June 30, 1968.

The bill before you would extend this authority for another 2 years. It would also provide 80-percent coinsurance by the Federal Government of loans guaranteed by the States.

If one thing is sure on the basis of the record, it is that a Federal loan guarantee, whether on a 100-percent basis or an 80-percent basis, will dry up other sources of guarantee funds.

Federal money ready to do the job, is bound to drive out State and private appropriations.

In this case, a paraphrase of Gresham's law certainly applies. Just as bad money is bound to drive out good, so Federal money is bound to drive out State and private guarantee funds.

The examples are abundant; the dominoes are already falling. While it took 10 years, for instance, for 35 States to set up State guarantee programs, just since last August the Federal guarantee program has been activated in 19 States.

The presence of a Federal guarantee makes unnecessary, and certainly eliminates any incentive for, either State programs or State appropriations.

State officials and college officers alike, pressed to find funds to meet all their needs, will not appropriate money for a loan program of any kind if students can borrow under a Federal guarantee without such appropriations.

Indeed, it is easy to see how, with any sizable increase in lending capacity, an open-ended Federal guarantee might take over large segments of the area now occupied by National Defense Education Act loans. And this I want to emphasize.

After all, it would offer a college the incentive to save the \$1 in \$10 it now deposits in its NDEA loan fund, and it would get it completely out of the collection business as far as collecting loans from its alumni is concerned.

Who would continue such a program, when an aid officer, simply by signing a piece of paper, could enable students to borrow under a Federal guarantee at no cost to the college?

And why should a State appropriate money to guarantee 20 percent of the loan amount when, if it takes no action, 100 percent of the loans will be guaranteed by the Federal Government?

As we see it, Congress should give the answer now. Shall there be authority for continued 100-percent Federal guarantees, and authority also to institute an 80-percent Federal coinsurance program as recommended?

Or, shall there be authority to appropriate the relatively small amounts required as repayable seed money to encourage State and private sources to continue to carry this burden, and to give them the lead-time they need to do it?

If you decide now to go the Federal route, you should, of course, eliminate that part of section 421(a) of the Higher Education Act of 1965 which says:

The purpose of this part is * * * to encourage States and nonprofit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions * * *

If, however, you decide to continue your first emphasis on State and private effort then leave that language in, but give some encouragement, some leadtime, and a real sense of continuity to people at the State and private level. To do this we suggest that you authorize an additional increment of the repayable Federal seed money.

This additional Federal seed money, a portion of it to be advanced to the States on a matching basis, should be for the fiscal year ending June 30, 1969.

The best basis in our view would be to provide some of this seed money for all States—say \$10 million—on the basis on which these advances have been made to date.

In addition, further repayable seed money—not to exceed \$15 million—could be made on a matching basis to those States which appropriate their own funds.

This will give a new legislative session to the States, most of whose legislatures meet in odd-numbered years. Thirty-five States have, as Commissioner Howe points out, taken steps to establish State guarantee programs.

It would be nice, indeed, to see what the remaining 15 will do; also, the extent to which all 50 will make appropriations with continuity of encouragement from Washington.

The comparatively small Federal cost involved would be many times offset in a single year if Congress eliminates the subsidy of half the interest after borrowers are out of school.

At the rate of increase in these loans projected by the Office of Education, this after-graduation subsidy will reach an astounding \$330 million a year by 1972.

It is very difficult to see how such a postcollege subsidy can be justified. Graduates are earning their own way, with the income advantages that a college education has brought them.

The effect of the subsidy after graduation is a maximum \$5 monthly saving to a well-paid graduate who borrowed \$2,000 as a student.

Is this enough to justify Government costs of so many million dollars a year, and a staggering paperwork cost as well to everyone else involved? We certainly don't believe it is.

To sum up, our principal recommendations are these:

1. Repeal the \$15,000 income-test provision, and provide that any interest subsidy be paid on behalf of all borrowers, but only while they are in school. Eliminate any interest subsidy after the borrower has finished school.

2. Permit the financial aid officer to consider family circumstances and to recommend the amount of any loan for which a student may apply.

3. Eliminate the provision for an 80 percent Federal guarantee. Provide instead an additional appropriation for repayable seed money, some of it on a matching basis. This would give the necessary leadtime for the State and private action which was the very heart of your 1965 loan guarantee provisions.

4. Permit the existing Federal insurance authority to expire as now scheduled, on June 30, 1968.

We believe adoption of these proposals would enable the guaranteed loan program to meet in full, for the foreseeable future, the genuine needs of the lenders, the colleges, and, above all, the students themselves.

It would accomplish this without miring down the Federal Government in a costly, open-ended operation, and without driving State and private nonprofit agencies from a field where they have been working diligently and well.

Permit me again to emphasize that we who are associated with united student aid funds are truly interested in making it possible for deserving students from families at all income levels to finish their education and to provide this help by utilizing the special talents of all parties involved.

This concludes my formal testimony. I shall be glad to answer any questions.

Mr. BRADEMAs (presiding). Thank you very much, indeed, Mr. Marshall. I have two or three questions.

I take it from your testimony in its early part that you don't have any complaints about the idea of using some sort of index or determination of need in providing for guaranteed loans?

You are not complaining about it but you are complaining about the use of the adjusted gross income of \$15,000 and over as a basis for exemption?

Mr. MARSHALL. That is right, Congressman. My experience in the employee benefit field for a number of years indicates that any sharp cutoff point like this creates problems, both under and over. So that if this is not going to cost much we would prefer the interest subsidy to everyone but then determine whether the student needs the money or not on all the facts involved, not just the income. Because many people with large families in college—I speak with some feeling, I have financed two boys for many years to do college work—need the money even though their incomes may be over \$15,000.

Mr. BRADEMAs. There is one presupposition in your observation that puzzles me. That is you fail, I think, maybe you could comment on this observation, to take into account when you make that statement that it is not just a question of gross income that we are talking about here, it is adjusted gross income.

So that when you use the phrase "there are some people with large families," your observation is redundant.

Mr. CAREY. Will my colleague yield at that point?

Mr. BRADEMAs. I yield to the most redundant colleague on the committee. Mr. Carey has a very large family.

Mr. CAREY. Does the gentleman feel that the \$600 exemption which brings you down to the adjusted income reflects the cost of educating a child?

Mr. BRADEMAs. As a bachelor on the committee, I am the last fellow in the world to comment on that problem.

But you understand my question?

Mr. MARSHALL. Yes, I do. It seems to me that the formula for fixing the adjusted gross income does not give the necessary allowances as Congressman Carey pointed out. If it is \$20,000 you are out anyway.

Mr. BRADEMAs. That is a very helpful response. Obviously, when

we use the adjusted figure we are trying to make some effort to take into account the question of need as determined by the number of children that a family was supporting.

I was a little surprised on page 1 of your statement to hear you say that this question of the \$15,000 cutoff represented the greatest nuisance value among the many Federal forms since 1966.

The reason I say that surprises me is because I have a number of colleges and universities in my State and I have not had the first complaint about that matter.

Mr. MARSHALL. This is the so-called form 1070 that the student has to fill out which provides for a record of high family income, he has to go and ask his father for the tax return.

Usually then he goes to the financial aid officer who gives him some help and finally the loan officer of the bank has to sit down with him and tell him how to fill it out. This would eliminate the need for that form.

Mr. BRADEMAs. As I understand, to get back to the first question I was asking, what you are really trying to do is to come up with a more realistic approach to the determination of the actual need of the student so that we can put the money into the hands of those students who in fact have the greatest need for it rather than in the hands of students who might find it convenient to have such loans rather than necessary. Is that correct?

Mr. MARSHALL. You are correct. We do have cases where the banks tell us that large depositors come in and say, "I want this for my son," and they give it to him. There is another facet which I have not emphasized quite enough that is, that the financial aid officer at the college knows what other aid has been given by the college, work study, scholarships, what the cost of the education is.

He is really in the best position of anybody to say to the student, "Are you going to use this to buy your Mustang with or to pay for your education?"

Mr. BRADEMAs. I have just one other area of questioning. That is with respect to your support for the idea of not continuing the Federal guarantee and relying on States and private agencies.

Are you honestly confident that they will get the job done?

Mr. MARSHALL. I really am. We have evidence almost every day of States that have failed to make appropriations—I have a letter here from the Governor which says why should we make an appropriation by our legislature when the Federal guarantee program is there ready to do business.

Now if that had not been ready I am quite sure that the legislature would have appropriated the money and the Governor would have signed the bill.

Mr. BRADEMAs. I am a little dubious about your conclusion. I am not familiar with State legislatures rushing in to help meet these problems.

Mr. MARSHALL. This is one where the bill was already in the legislature. As a matter of fact, I think it passed.

Mr. BRADEMAs. I am delighted to hear it.

Mr. MARSHALL. The other thing I can tell you about it is that our volume of business has increased during the past few years even with

the threat of the Federal guarantee there, and our deposits from colleges for the first 8 months of this year are larger than in any similar period.

But they would have been several times what they are now, I am sure, if the Federal guarantee had not been in effect, for example, in Indiana where all the colleges in Indiana are in our program and at least one of them has a deposit of as much as \$250,000 with us and was increasing it right along until the Federal guarantee program came in.

Mr. BRADEMAS. How do you explain why a number of States have gone ahead and set up State guarantee programs if, on the basis of your logic, they should get out of the business?

Mr. MARSHALL. Some of them really do prefer to have their own programs rather than have the Federal guarantee program in effect. They tell us that quite frankly.

Mr. BRADEMAS. That is not a response to my question. That is simply restating my question in the form of a sentence.

My question is, on the basis of your logic, the existence of a Federal insurance program should drive a State out of this business, yet 35 States are in this business. Why?

Mr. MARSHALL. Not all 35 States are still in the business. There are 19 that have been taken over. I am like you, I can't really tell what is behind the action of the legislature in any State but we do know that there are some States that prefer to have their own programs.

You see, we take directions from a State officer in every State for whom we administer the program. In many of those States the State officers tell us they prefer their own program rather than have a Federal guarantee.

Mr. BRADEMAS. Therefore, your statement on page 6, where you say—

Just as bad money is bound to drive out good, so Federal money is bound to drive out States and private guarantee funds—

Is not really an accurate statement?

Mr. MARSHALL. I think eventually it will because what has happened, a case in point, this Governor says:

Look, my neighboring States all have this Federal Guarantee Program in effect. Why should I be the only sucker to appropriate money and take money that I need for other educational purposes and appropriate for a reserve fund? My neighboring States are all in the Federal guarantee.

Mr. BRADEMAS. I will not press you further on this. I am still not persuaded that you have given me evidence for your response.

Mr. MARSHALL. Could I read this letter?

Mr. BRADEMAS. Sure.

Mr. MARSHALL. This is a letter from the Governor of South Dakota.

The Legislature of the State of South Dakota which has recently concluded its session, has determined that no further State appropriations will be made with respect to student loans. It was their understanding that under the Federal Loan Insurance Act supervision of this loan program would be assumed, if desired, by the Federal Government, and accordingly the action of our South Dakota Legislature can only be construed to indicate a desire and wish that continuation of our Higher Educational Student Loan Program be implemented and supervised by the Federal Insurance.

Mr. BRADEMAS. I am very hesitant about generalizing for the Republic from the actions of the State of South Dakota.

Mr. MARSHALL. I could take the other 19.

Mr. BRADEMAs. My other question is this, Mr. Marshall: Assuming we did retain the provision under which Federal insurance becomes available where State and private sources fail to supply it, have you any suggestions for incentives that we might write into this law that would encourage a greater degree of State action?

Mr. MARSHALL. I was afraid somebody would ask that question. It is very hard for me to think of an incentive to a State to appropriate money to start in a loan program when they don't have to appropriate anything and the loan program will be started for their students anyway.

There was one suggestion that was made by the administration, I think last summer, in which the proposal was made, I don't think it was passed by this committee, that in States where the Federal guarantee program is put into effect that there be no interest subsidy to students in that State.

Theoretically this put pressure on the Governor and the legislature to appropriate some money on a matching basis or however it was necessary; if you put in the Federal guarantee you would not pay the Federal interest subsidy.

It would be on an either/or basis. I am not too confident, myself, that that would be a sufficient incentive.

Mr. BRADEMAs. Thank you very much.

Mr. Erlernborn?

Mr. ERLERNBORN. On page 3 of your statement, you make the comment that you have never been enthusiastic about the whole idea of the subsidy for interest.

Could I draw the broad conclusion then that though you are suggesting we do away with the half interest subsidy after graduation, you would maybe feel even better if we did away with all interest subsidy?

Mr. MARSHALL. I don't think as a practical matter you could do that now. I think that the recommendation for the interest subsidy came as a surprise to us, but having once had it in there I think it would probably be a mistake now to do away with the interest subsidy as far as the student, himself, is concerned. We have taken no position on that.

Mr. ERLERNBORN. If the interest subsidy during the period the student is in school were removed, would it be possible to make that repayable with the loan rather than during the period the student is in school?

Mr. MARSHALL. That is exactly how our program worked prior to the interest subsidy payment. The interest accumulated while the student was in school and was added to the principal of the note he signed after he graduated.

Mr. ERLERNBORN. If that were true, would it then vary greatly from your suggestion of doing away with the subsidy after your graduation?

Mr. MARSHALL. I did not understand the question.

Mr. ERLERNBORN. Would it be any more difficult under those circumstances to do away with the interest subsidy than it would be to do away with the half interest subsidy after graduation?

Mr. MARSHALL. There is a little distinction. Well, you are right in this respect. The interest payment in either case is made by the graduate who is employed and earning.

The interest accumulated during the college year does add quite a bit more to his payments than does the interest repayable after graduation, particularly if it is only 3 percent.

Mr. ERLNBORN. Because of the interest on the interest?

Mr. MARSHALL. The interest on the interest, that is right.

Mr. ERLNBORN. You suggest that there would be a substantial savings if we took off the half interest subsidy after graduation. Currently there would also be a much more drastic or dramatic savings if we took off the entire interest subsidy?

Mr. MARSHALL. That is right. I submitted in my testimony before this committee on August 23 an appendix which was based on Commissioner Howe's estimate of the borrowers in 1972 when the program presumably would be in full effect and the annual cost to the Government there, if only a third of the students borrowed a thousand dollars, the interest subsidy in school would be \$720 million.

The interest subsidy with 3 percent on the payout notes would be \$330 million.

Mr. ERLNBORN. On page 8, you make a suggestion of providing seed money for States. You have some examples. You say \$10 million on the basis on which these advances have been made to date and, in addition, further repayable seed money is not to exceed \$15 million.

Do you mean these figures in toto or for each State?

Mr. MARSHALL. In total.

Mr. ERLNBORN. For all States?

Mr. MARSHALL. Yes. The 1965 bill appropriated \$17½ million; \$7½ million in 1 year and \$10 million in the other. This is the same figure, \$17½ million in total.

Mr. ERLNBORN. I have no further questions.

Mr. BRADEMAS. Mr. Carey.

Mr. CAREY. Thank you, Mr. Chairman.

There is a great deal of merit, I believe, in your idea that the student aid officer is better able to make a complete judgment on what the mix of aids could be for the student who needs the loan and other assistance in order to pursue a college career. But isn't it true that if you examine the physical distance elements here it may not be quite as workable as it appears on paper.

It is all right where the student and the institution are located in the same community. What about the student located in Long Island, N.Y., or New York City, who is applying for admission to an institution far remote from a metropolitan area which is where a great many students have to go now if they can't gain admission in a local institution?

Here we have two strangers who have never heard of each other before except through correspondence. The student does not write to one institution. The experience I find today is that they are writing to a dozen or more and submitting their college boards and inquiring about financial aid.

Is it not so that the student would have to build up a relationship with maybe a dozen student-aid officers before he finds the one who is going to be able to handle his financing package, whereas, if he is dealing with the local bank in his community he takes his problem to one institution whom he meets face to face, and in a sense the bank becomes the agent of the institution anyway.

Isn't this a very real situation?

MR. MARSHALL. You have put your finger on our problem that has faced the educational institutions for a good many years.

How do you determine, the boy who is entering, whether he needs the money or not? There have been mechanisms set up to do that; the college entrance board, for example, has a mechanism set up. Because you see, colleges have been faced with this problem not only in this program but in the scholarship program that they have been giving out.

The college entrance board has one national mechanism. I know in some large State universities every student who applies for aid is put through this service of the college entrance board to determine his need.

There is another organization whose name I forget now, but is a competitor of the college entrance board that performs the same service for colleges.

You are right, of course, the banker at home, in this case New York, probably knows as much or more about the need of the student.

On the other hand, the banker is not in a position to say, "Well, maybe this student's marks are good enough in high school so that he can get a scholarship."

MR. CAREY. This situation I described, of course, would only obtain insofar as the first-year loan is involved. The second-year loan, assuming, of course, he stays in the same institution, he would be in contact with the student-aid officer on the campus.

Could you envision a situation where the bank might continue to make the initial loan and thereafter the eligibility for further loans could well be carried on by the student-aid officer on the campus?

MR. MARSHALL. When we started our student-aid program, we had those problems to iron out. We had 20 meetings throughout the country where we got together with the bank officer and student-aid officers. We got them to discuss these problems.

I think you are right there but normally we suggest that the financial-aid officer make a recommendation. If the bank-loan officer disagrees with that recommendation, then they get together by telephone and straighten it out.

The two of them together, with the information that the financial-aid officer has with respect to other assistance that the college might furnish and the bank-loan officer knowing the family circumstances, usually make a better judgment than either one of them separately.

The thing we object to is the prohibition in the present act so that the financial-aid officer cannot make a recommendation or does not feel he wants to.

MR. CAREY. I agree we should clear that up so that we could get a greater concert of judgment here instead of unilateral judgment by the banker alone.

MR. MARSHALL. That is right.

MR. CAREY. I can understand your apprehension that given a Federal guarantee program that States will opt out of this program because it is one more appropriation that the hard-put State legislators can well do without.

But is it not true in the State where you are located, which I represent, that the outstanding example of the mix of programs is before us, that in New York the last figures we had in the last Congress showed that New York had extended some \$66 million in student loan funds under the Higher Education Assistance Corp. of New York State, and now we have had the Federal guarantee student loan program in effect since 1965 and this year, with the blend of programs, New York is up to a new high of over \$88 million?

So there has been a 25-percent increase in the State programs even with the input of the Federal guarantee.

Does this not refute some of your notions that this is going to happen?

Mr. MARSHALL. Let me see if I can get the facts straight. In the first place, we have never attempted to operate much in New York State because the Higher Education Assistance Corp. has done an outstanding job and was in place before our organization was started.

Mr. CAREY. Right. The New York corporation antedates your corporation.

Mr. MARSHALL. That is right, by a year, I believe, or 2 years. We do have a few colleges in New York State in our program who make deposits with us because they have students in their colleges coming from other States who are not eligible under the New York program.

The second part is the fact that the Federal guarantee program is not operated in New York State. The only loans made in New York State today are made by the Higher Education Assistance Corp. because they have funds and money and there was no reason to put the Federal guarantee program in the State of New York.

Also, in Connecticut and many other States, because they were appropriating adequate funds and the programs were available. So the Federal guarantee has gone only in those 19 States where the legislature for one reason or another said, "We won't appropriate any money."

Mr. CAREY. If this is an appropriate question, what is the financial arrangement that your organization makes with the State in order to administer its program?

Does it charge a gross fee per contract or so much per loan? How do you operate with the State?

Mr. MARSHALL. You see, what we do, we ask for a 10-percent reserve deposit with us. Then we will eventually, and this year we almost reached that point, get to the point where the interest income on these reserve funds—we deposit those in securities and get a little less than 5-percent rate of return on that.

Mr. CAREY. Are you bound by the legalities?

Mr. MARSHALL. No; we can invest in anything. We get some common stocks.

Mr. CAREY. I think Counsel McCabe ought to improve your portfolio. I doubt whether many corporations would be proud of a 5-percent return in New York.

Mr. MARSHALL. Well, it is pretty good.

Mr. CAREY. It could be higher than that.

Mr. MARSHALL. We want more. We hope to pay our operating expenses with that interest income. So far, the deficit has been made up by gifts to us.

Mr. CAREY. What is the arrangement? Is it so much per loan?

Mr. MARSHALL. We don't charge the State anything.

Mr. CAREY. They deposit with you?

Mr. MARSHALL. They deposit the reserve fund with us. We invest it. Overall, the interest income on our invested reserves pays our operating expenses.

Mr. CAREY. Which makes you self-sustaining with the gifts to make up the difference?

Mr. MARSHALL. Yes. Then the insurance fee covers our defaults we hope, eventually, the half percent that the student pays in insurance we guarantee. So that they know we have something to back up our guarantee with.

Mr. MARSHALL. We operate in all 50 States, but we do the program in 27 States.

Mr. CAREY. Your clients are in 27 States. It is 10 percent reserve of the outstanding amount that the State has in your program?

Mr. MARSHALL. They deposit \$5,000 with us and we agree to guarantee \$50,000 worth of loans. When we get up near that point, we say we need some more money. The reason for that is our contract with the banks. We contract with 9,000 banks and we agree to keep our deposit in cash or marketable securities x percent of the loans that we guarantee. So that they know we have something to back up our guarantee with.

Mr. CAREY. In your experience with these banks, do you find that there is the general availability of money among the banks on a 6-percent return basis?

Mr. MARSHALL. The answer to that is that our loan volume has been increasing. For example, we guaranteed \$64,260,000 worth of loans between July 1 and March 1, 1968, which is the first 8 months of our fiscal year.

For the entire fiscal year ended last June 30, we guaranteed \$58 million, which was also a record. So we are guaranteeing more loans than we ever did before.

Now we do not know, there are difficulties in some parts of the country in getting banks to participate. I have in mind one fair-sized city in the West where only the smaller bank in town will come into the program. The other two banks won't. We put on a campaign there, we tried to get them in. We have other areas in the country where for different reasons there is difficulty for a student to obtain loans.

By and large, the banks have done a splendid job in making these loans available.

Mr. CAREY. From the figures you cite, however, is it not true that one State alone, New York, has extended more loan funds now than all of the States that you service combined?

Mr. MARSHALL. That is right. Well, we don't service California. California and New York are 20 percent in total. If you take those two major States out—I guess Indiana has a Federal and State program which we did not service last year, too. Indiana was one of our big States.

Mr. CAREY. It is fairly evident, though, that there is a very big sector of market for loans and need for loans among students that we are not serving now.

Mr. MARSHALL. We are not serving. The States are, except for the 19 States where the Federal guarantee has been put into effect.

Mr. CAREY. Thank you very much.

Mr. BRADEMAs. Thank you again, Mr. Marshall, for your extremely helpful testimony. It has been most useful to the committee.

Mr. MARSHALL. Thank you.

Mr. BRADEMAs. Our final witness this morning is Mr. Robert J. Murphy, Jr., president of the Knickerbocker Federal Savings & Loan Association, who is testifying on behalf of the National League of Insured Savings Associations. Mr. Murphy, we have about 15 minutes before the House comes into session. If it is agreeable with you, sir, perhaps you could summarize your testimony and it will be printed in its entirety in the record.

**STATEMENT OF ROBERT J. MURPHY, JR., PRESIDENT, KNICKER-
BOCKER FEDERAL SAVINGS & LOAN ASSOCIATION, NEW YORK,
ON BEHALF OF THE NATIONAL LEAGUE OF INSURED SAVINGS
ASSOCIATIONS**

Mr. MURPHY. I will start formally, at least. My name is Robert J. Murphy, Jr. I am president of the Knickerbocker Federal Savings & Loan Association of New York City.

It is my privilege to appear today on behalf of the National League of Insured Savings Associations, a nationwide trade association.

There are basically four points. Overall, members of the national league support this legislation, but there are four points in particular that we would like to draw your attention to which we believe would facilitate a larger flow of savings and loan money into the student loan program.

First of all, we fully support that part of the bill which would authorize the Federal associations to make loans for vocational education. At this time, we are only authorized to make loans for college students, and we feel that it should be broadened, that it seems unfair that people who do not wish to go to college cannot reach their own fulfillment in the area in which they have capacity.

Under the New York State plan, the State associations can make these vocational loans. We are fully behind your suggestion that we be given authority to make vocational loans.

We support the Federal reinsurance plan, because we think it is probably less expensive for the Government than doing it directly or totally, and it would make more insurance available.

For every dollar laid out by the State, in the event of default, the Federal Government would pay \$4, which is a total of \$5 in insurance.

Furthermore, the thought in this is that you keep the State in the picture, too, and the lending institution.

A third point has to do the tax law and is possibly outside the interest of this committee at this time, but I think it is very important that you should at least know that in the definition of a domestic savings and loan, building and loan association—

Mr. CAREY. Mr. Chairman, may I interrupt the witness at this point.

I think you should be on notice that this whole matter of the unavailability of your funds in the nonconforming sector of your deposits has been taken up in our subcommittee hearings prior to this time with Under Secretary of the Treasury Joseph Barr. He totally agrees with your analysis here that these funds should be placed in the conforming loan sector as far as your 18-percent factor and other factors are concerned.

He agrees that he will go to the Ways and Means Committee and his own Treasury Department to seek whatever change in legislation is necessary to bring about just what you seek in this particular point.

I think we can promise you that this makes sense.

Mr. MURPHY. This would make a tremendous difference because right now we are limited in a 18-percent category of assets. The student loan is competing with nonresidential like nursing homes, motels, hotels on which we can get 7½ or 8 percent.

Take it out of the narrow stream of 18 percent of assets and put it into our main flow of money where a 6-percent loan can begin to compete with the FHA or the VA or it can compete with the ordinary mortgage we make of 6 percent and no points in our neighborhood.

The final point is that the league, speaking on a national basis, believes that there should be some form of fee. Again from an underwriting point of view, you have selection of loans to make, FHA, VA, we get 6 percent, we get something to offset the expense.

In the local conventional loan in New York, we cannot charge more than 6 percent, it is usurious to charge anything over that. However, we can charge them for the appraisal and credit report. So there is something there.

With the fee you take the student loan out of a third position and move it up to second and maybe first.

That is as quickly and as succinctly as I can put it.

Mr. BRADEMAS. Thank you, indeed. In effect, do I take it you are sharing the general point of view of the bankers that without such a fee of some kind you are going to find it difficult to make these loans, or are you saying that though hard pressed, you would be able to continue making such loans without such a fee?

Mr. MURPHY. We would only be able to make less of them. Right now we receive no fee from New York State, I am talking about New York State. We make them on an accommodation basis. We will not turn one down for any student that comes in from our territory.

We do not seek them or advertise them overtly, just on location. We would like to get into it. We would like to see our moneys diverted to that.

You are dealing with underwriters, you are dealing with people who have to take the money of their depositors and put it out as best they can. It is helpful if we can make a comparison and say this is as good an investment as that one. That is my real point.

Mr. BRADEMAS. Thank you. I would like, if I may, to call next on Mr. Carey, if it is agreeable with Mr. Erlenborn. Mr. Carey comes from your State, and is one of the ablest members of our subcommittee.

Mr. CAREY. Thank you, Mr. Chairman.

I find it a real pleasure to welcome Mr. Murphy here today in his capacity as head of the trade associations, also as chief executive officer of the Knickerbocker Savings & Loan.

I think it is true, is it not, Mr. Murphy, that your institution in the metropolitan area among the savings and loans is the lead institution in the number of student loans provided to college students in the area today?

MR. MURPHY. I don't know whether I can claim that for the Knickerbocker but we are as active as we can be in it. I think that there are some figures in here that—

MR. CAREY. I did not want to make you unpopular in your own association, but I have conferred with Mr. Hollister who administers the higher education assistance program in New York State and we were talking about various institutions who cooperate in the program and he seemed to indicate a great pride in the contribution your institution was making.

That is why I brought this up.

MR. MURPHY. We are very active with him and I must say the cooperation we get is marvelous. There is no real problem.

MR. CAREY. Isn't it true, also, that all institutions do not have a uniform policy on the acceptability of these loans?

It is true that one neighboring institution which I will not name, actually will only make loans to depositors or families of depositors who have had accounts in that institution for more than 2 or 3 years, it is a really low level of eligibility and this could be improved if we had some sort of uniform degree of acceptability of these loans.

I think I should tell you, that the mood or the current thinking of this subcommittee, as I sense it in regard to the \$35 conversion fee, is about as sympathetic to it right now as we would be to Father Knickerbocker in full dress coming into the room in midsummer.

It just does not seem to be selling in the subcommittee. Now I can appreciate it is very hard with your portfolio to justify 6-percent high cost service loans even though they are serving a public purpose.

Is there any other alternative that you might suggest that might give us some leverage to get more institutions into the program and to get more of the assets of these institutions pledged to the program rather than this conversion fee idea?

Is there any other instrumentation that you can think of that would serve the same purpose?

MR. MURPHY. I think it is a matter of giving them justification for where to place the money. I don't say it has to be \$35. To whatever degree that can be an offset.

MR. CAREY. You understand the objectionable feature of this, that the student has to pay the fee?

MR. MURPHY. I did not understand that.

MR. CAREY. Who is going to pay it? It will be added to the cost of the loan somewhere.

MR. MURPHY. I assume it will be paid by the Commissioner of Education.

MR. CAREY. Since it is going to be paid by the Federal Government, certainly the student payment—

MR. MURPHY. I do not agree that it should be passed on to the student.

Mr. CAREY. Since the Federal Government will be paying the fees, is it possible that we could use an option such as this, that the Federal Government might reimburse the State up to, say, 1 percent or 1 percent in a given year where the State was unable to attract enough lenders into the program or where the portfolio in the lenders' hands was not sufficiently attractive to commit more of his assets, that we could use this 1 percent on the outstanding amount in a given year as an inducement to be used by the State to get its institutions in the program? Would this be acceptable?

Mr. MURPHY. I think as it is implied in this testimony, it is more or less of a formula where it could be demonstrated that an institution, and it is going to vary across the Nation, is not getting a return—

Mr. CAREY. If a State has enough lending institutions to do the job, they are meeting the demand and requirement, then the \$35 fee becomes a bonus that is not necessary. But if the experience in the estimate of the Federal officials of the State is a straining for money and there are not sufficient assets in the institutions to make the loans, then is it not possible to give the institution some inducement in terms of a percentage of the outstanding at the end of the given loan program could be used as an inducement?

Mr. MURPHY. Absolutely. I think it is a workable plan. It is a motivator.

Mr. CAREY. To stimulate it in the areas where the lending is not sufficient to meet the need.

Mr. MURPHY. It would provide something over and above just the 6 percent to offset the operating expense that they do have and thereby making it more competitive with the loans we do make.

Mr. CAREY. It could be used in a year where money is tight but it would not obtain in a year where interest rates are more attractive instead of this flat \$35 conversion which would apply whether money is available or not?

Mr. MURPHY. That is right.

Mr. CAREY. Thank you, Mr. Murphy.

Mr. BRADEMAs. Thank you, Mr. Murphy. We appreciate your coming to testify.

(The document referred to follows:)

STATEMENT BY ROBERT J. MURPHY, JR., PRESIDENT, KNICKERBOCKER FEDERAL SAVINGS & LOAN ASSOCIATION, ON BEHALF OF THE NATIONAL LEAGUE OF INSURED SAVINGS ASSOCIATIONS

Madam Chairman and members of the Special Subcommittee, my name is Robert J. Murphy, Jr. I am President of Knickerbocker Federal Savings and Loan Association of New York, New York. It is my privilege to appear today on behalf of the National League of Insured Savings Associations, a nationwide trade association serving the savings and loan industry.

Our members would like to be more active in the field of making loans for vocational, college and university education. As noted by the President in his Special Message on Education delivered to the Congress on February 5, 1968, it is highly desirable in the public interest that work continue toward achieving what he called the Fifth Freedom—freedom from ignorance. The savings and loan industry wants to do its share toward breaking down the barriers of deficient income that deprive many worthy and talented potential students of the practical opportunity to obtain an education that will enable them to contribute more fully to the development of our nation—whether that education be vocational or collegiate in nature. I think it is axiomatic that ever-

increasing costs of vocational and collegiate education make it ever more difficult for even middle-income families to bear the costs of helping their children to obtain that education.

I would like briefly to invite your attention to four legislative actions that could be taken to turn into actuality the potential participation of a larger number of savings and loan associations in this program.

1. *Authority to Make Loans for Vocational Education.*—The savings and loan industry operates under a dual system of State and Federal charters. State-chartered associations derive their lending authority from the laws of the respective States under which they are chartered. Federal savings and loan associations, such as Knickerbocker Federal, obtain their authority to make loans from the Congress. State laws vary regarding the authority of State-chartered savings and loan associations to make loans to students for the purpose of defraying educational expenses. In the Federal field, the Housing Act of 1964 for the first time authorized Federal savings and loan associations to make student loans for college and university education up to the amount of 5 per cent of an association's assets. But this authority to this day does not empower Federal savings and loan associations to make student loans for vocational education. This vacuum of authority should be quickly filled by appropriate amendment of section 5(c) of the Home Owners' Loan Act of 1933, the statute under which Federal savings and loan associations have been chartered and have been enabled to perform many and varied services in the public interest over a span of 35 years. Such action becomes even more appropriate in view of the proposed merger of the National Vocational Student Loan Insurance Act of 1965 with the low-interest insured loan program of the Higher Education Act of 1965, as set forth in section 430 of the Higher Education Amendments of 1968 (H.R. 15067) introduced on February 5, 1968 by Chairman Perkins of the Committee on Education and Labor for himself and Chairman Green of the Special Subcommittee.

The National League therefore vigorously supports the provisions of Section 429 of H.R. 15067 that would grant any Federal savings and loan association authority to invest in loans for the payment of expenses of vocational education as well as continuing its authority to invest in loans for the payment of expenses of college or university education, all within a total limitation of 5 per cent of its assets. The Subcommittee might well give consideration to increasing the 5 per cent of assets limit to 10 per cent of assets in order to provide leeway for handling vocational loans in addition to college and university loans.

2. *Reimbursement of State or Nonprofit Private Insurance.*—Section 423 of H.R. 15067 would authorize the U.S. Commissioner of Education to agree with either a State or a nonprofit private institution or organization to reimburse it 80 per cent of the amount of insurance proceeds it pays out under its student loan insurance program undertaken pursuant to the Higher Education Act of 1965 and what was the National Vocational Student Loan Insurance Act of 1965. This arrangement, sometimes referred to as reinsurance, would have the desirable effect of stretching each dollar of State or private nonprofit insurance reserves so that it would provide a total of \$5 in insurance reserves. Under it the State or private nonprofit entity would be reimbursed \$4 for every \$5 it pays out of its insurance reserve fund as insurance proceeds on account of losses on the outstanding unpaid principal balance of an insured student loan that result from default by the student borrower. Since this arrangement would place the Federal Government in the position of an indemnitor to the extent agreed, it would not be called upon to make any disbursement under this partial reimbursement arrangement unless and until defaults on repayment of a student loan persisted uncured to the extent that funds are actually paid out of insurance reserves by a State or a private nonprofit entity. This should obviously be less expensive to the Federal Government than if it serves as direct insurer of these student loans with an obligation to pay out 100 per cent of the insurance proceeds that become due because of default in loan repayments. Moreover, the administrative work and costs involved in handling insurance claims under the partial reimbursement method would be borne by the State or private nonprofit entity rather than by the Federal Government. The National League supports enactment of section 423 of H.R. 15067.

3. *Limitations Imposed By Tax Definition of Domestic Building and Loan Association.*—Statistics gathered by the Federal Home Loan Bank Board show that savings and loan associations located in the State of New York have

made more student educational loans than such associations situated in any other State. I am certain this is partly due to the fact that in New York State, State-chartered savings and loan associations have authority to make student loans and so do Federal savings and loan associations. It is also due in part to the fact that the State of New York has long had an effective State guarantee program for student loans that are made to pay the expenses of higher education.

The Federal Home Loan Bank Board's latest available statistics show that as of June 30, 1967 all FSLIC-insured savings and loan associations in the United States had \$18,047,000 outstanding in unsecured educational loans (those not secured by any lien on property). This compares with \$15,383,000 of such loans held by these insured institutions at the end of 1966.

Of this total, insured institutions in New York State had outstanding at the end of 1966, \$11,913,000; and on June 30, 1967, \$10,469,000. While these statistics show the predominant position held by New York savings and loan lenders in the industry as to educational loans, they also indicate a decrease in net outstanding educational loans in New York State in the first half of 1967. This decrease may well be due in part to the limitations placed on savings and loan associations by the Internal Revenue Code's definition of a "domestic building and loan association".

All savings and loan associations, whether Federally- or State-chartered, must confine their portfolios to the percentage limitations set forth in Section 7701(a)(19) of the Internal Revenue Code of 1954 as amended in 1962 and the regulations issued thereunder, if they wish to preserve their status as "domestic building and loan associations" for Federal income tax treatment of permissible additions to bad debt reserves. I would like to point out two limitations this definition places on educational loans.

Section 7701(a)(19)(E) of the Internal Revenue Code disqualifies as a domestic building and loan association for Federal income tax bad debt reserve purposes any association that has more than 18 per cent of its total assets as of the close of a taxable year in assets that are not in one of the following categories:

- (1) cash;
- (2) Federal or State obligations, obligations of a State political subdivision, obligations or stock of an instrumentality of the United States, a State or a political subdivision, or obligations of or certificates of deposit in a State-chartered corporation that insures deposits or share accounts of its member associations;
- (3) loans secured by an interest in residential or church real property;
- (4) loans made to improve residential or church real property;
- (5) property acquired by the association because of default in loans secured by residential or church real property or improvement loans on residential or church real property;
- (6) passbook loans, or
- (7) office property used by the association to conduct its business.

Obviously loans to students for educational purposes do not fall within any of these categories, so they must come within the overall 18 per cent of assets limit. But many other loans that savings and loan associations may make must also fit within this same 18 percent of assets limit, such as, for example, loans secured by a lien on nonresidential property and loans made to improve non-residential property, like shopping centers or nonresidential portions of urban renewal projects. Consequently some savings and loan associations in New York State find that they cannot make any more educational loans without exceeding that overall 18 per cent limit.

Section 7701(a)(19)(C) of the Internal Revenue Code of 1954 requires at least 90 per cent of the assets of a "domestic building and loan association" to be held in assets that do not include guaranteed educational loans under the Higher Education Act of 1965 or the National Vocational Student Loan Insurance Act of 1965. Therefore, this particular provision has the effect of limiting such educational loans to not more than 10 per cent of the assets of a domestic building and loan association. Paradoxically, this may not present as great a problem to savings and loan associations as the 18 per cent of assets limit previously mentioned. This is because nonresidential real property mortgages use up part of the 18 per cent limit but are not counted against the 10 per cent limit. Nonresidential real property mortgages qualify as part of the 90 per cent

of assets test a savings and loan must meet, thus leaving the 10 per cent of assets category free for making loans and investments in other than nonresidential real property mortgages that is to say in such loans as guaranteed educational loans.

Since the 10 per cent of assets limit must include all loans and investments except those that qualify toward the 90 per cent of assets test, it is not exclusively available for guaranteed student loans. Therefore, even while remaining within the 5 per cent of assets limit that demarcates the extent of educational loans that may be made by Federal savings and loan associations, such an association may find itself unable to make any more educational loans without piercing either the 10 per cent of assets limit or the 18 per cent of assets limit noted above. For while the 5 per cent of assets limit applies only to educational loans, other types of loans and investments count against both the 10 per cent of assets limit and the 18 per cent of assets limit.

I realize that this Subcommittee does not have within its own jurisdiction the amendment of the Internal Revenue Code. But its members each have a vote on any such amendment as a member of the House of Representatives and a certain amount of opportunity to converse with members of the tax-writing Ways and Means Committee. Therefore at an appropriate time and place, your support is enlisted toward amending the tax definition of a "domestic building and loan association" in order to provide savings and loan associations more practical flexibility than they now have in making student loans and in engaging in other activities permitted to them by law.

4. *Administration Fees.*—A fourth barrier to more participation in the student loan program by savings and loan associations is the fact that this program results in nonprofit loans in today's money market. The combination of an interest rate on the loans that is limited by current law to 6 per cent per annum on the unpaid principal balance of the loan and the administrative costs inherent in handling loans presently limited to \$1,000 per academic year for undergraduate students and \$1,500 per academic year for graduate students results in a net yield on the loans below the cost of money to the lending association itself. It is realized that section 422 of H.R. 15067 would raise the \$1,000 limit to \$1,500 for all eligible students, but this will not overcome the problem of disproportionately high costs of administering the loan program.

Savings and loan associations that make these loans do so on the basis of providing a community service in order to project a good image for the association. They do not expect to make profit on the loans, but they would hope to be able to handle them on a break-even basis. As in the case of advertising, an association can allot a portion of its expenditures to the making of student loans. But in today's competitive market, there is a practical limit beyond which an association cannot absorb losses resulting from a student loan program. The savers in the association who expect returns on their savings accounts in the range from $4\frac{1}{2}$ to 5 per cent per annum on passbook accounts and from 5 to $5\frac{1}{4}$ per cent per annum on savings certificates are inclined to become impatient with an association that does not realize an income yield on its investments sufficient to pay such dividend rates on savings plus all operating and overhead costs of the association, including reserves that must be set aside to meet supervisory requirements. They have at hand a ready way to demonstrate their impatience by withdrawing money from the association, thus decreasing its capital available for loans and investments. Any thrift institution must operate on the spread between the cost of money to it and the yield it receives on its investment. The amount of that spread necessarily influences the manner and the media in which an association invests its funds. Today's very narrow spread is not conducive to making a large volume of loans that result in net loss, no matter how much an association would like to contribute to a good cause in the public interest.

Therefore enactment of section 426 in H.R. 15067 would enable more savings and loan associations to take part in the student loan program on a break-even basis. That section would authorize the U.S. Commissioner of Education from time to time to establish appropriate schedules of maximum application fees and loan consolidation or other loan conversion fees to be paid by the Commissioner to eligible lenders with respect to student loans they make that are insured under a State or private nonprofit or Federal program. A \$35 limit would be placed on any such application fee or other such fee. Only one application fee could be paid for all loans to an individual student borrower in one academic year. Only one consolidation or conversion fee could be paid for all insured debt incurred by an individual student during his entire study program.

In determining the amount of the fees to be so paid the Commissioner is to consider, among other factors, the lender's reasonable and necessary placement and servicing costs not adequately compensated through interest charges.

Federal Home Loan Bank Board statistics show that the prevailing interest rate on real estate mortgages is well above the 6 per cent simple annual interest rate allowable on student loans under the Federal statutes here under discussion. Real estate mortgage investments make major demands on available funds of savings and loan associations. Providing handling fees such as those contemplated in section 426 would make it practical for savings and loan associations to make more student loans than present conditions make feasible. The National League supports the Administration's request that the Congress authorize the payment of such fees as required to place the insured student loan program on a break-even basis.

I appreciate the opportunity of presenting these views on behalf of the National League.

Mr. BRADEMAS. The hearing is adjourned.

(Whereupon, at 12 o'clock noon, the subcommittee recessed, to reconvene at 10 a.m., Wednesday, March 6, 1968.)

HIGHER EDUCATION AMENDMENTS OF 1968

WEDNESDAY, MARCH 6, 1968

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 10:30 a.m., pursuant to recess, in room 2257, Rayburn House Office Building, Hon. John Brademas presiding.

Present: Representatives Carey, Quile, Reid, and Erlenborn.

Staff members present: William F. Gaul, associate general counsel, and W. Phillips Rockefeller, minority research specialist.

Mr. BRADEMAS. The subcommittee will come to order. The Chair would like to suggest that because we have a fairly lengthy list of witnesses this morning and would like to give everyone an opportunity to be heard and to respond to questions, it would be helpful if the witnesses could summarize their statements.

The statements in their entirety as prepared will nonetheless be inserted in the record. This procedure will give the members of the subcommittee a greater opportunity to raise questions with you.

The Chair would first like to call upon our distinguished colleague, a very widely respected Member of the House of Representatives, the gentleman from Florida, Mr. Herlong, to present a witness.

STATEMENT OF HON. A. S. HERLONG, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. HERLONG. Thank you, Mr. Chairman. I appreciate the privilege of being before the committee this morning to announce to the committee that you have several distinguished Floridians here with you, among whom is Dr. John Allen, who is president of the University of South Florida who will testify later, and Dean Frank Maloney of the University of Florida Law School, the law school from which I was graduated some 38 years ago.

They have been generous enough to give me a degree in law. I am sure that I can commend to you the statements that they will make.

I would like to associate myself with their remarks and endorse what they have to say. It is my privilege, Mr. Chairman, to present Dean Frank Maloney.

Mr. BRADEMAS. Thank you very much, Mr. Herlong.

Dean, won't you come up with your colleagues and proceed? Would you identify yourself, sir, for the subcommittee?

STATEMENT OF FRANK E. MALONEY, DEAN, COLLEGE OF LAW, UNIVERSITY OF FLORIDA; CHAIRMAN, AALS COMMITTEE ON GOVERNMENT RELATIONS, ON BEHALF OF THE ASSOCIATION OF AMERICAN LAW SCHOOLS; ACCOMPANIED BY MICHAEL H. CARDOZO, EXECUTIVE DIRECTOR, ASSOCIATION OF AMERICAN LAW SCHOOLS

Mr. MALONEY. Thank you, Mr. Chairman and gentlemen.

My name is Frank Maloney. I am the dean of the law school at the University of Florida. I am chairman of the Government Relations Committee of the Association of American Law Schools.

I have with me our executive director of the Association of American Law Schools, Mr. Michael Cardozo.

I am here to speak on behalf of the Association of American Law Schools on the higher education amendments of 1968. The association, whose membership consists of 118 law schools in the United States, supports these amendments because of their very great importance to the national welfare and the institutions of higher education, including law schools that will be assisted by them.

This assistance makes it possible for them to carry out their responsibilities to society effectively and contributes to the aim of insuring that no student will be denied an opportunity to attend an institution of higher learning because of lack of personal resources.

Our association recognizes that law schools are among the institutions to which the President's message of February 5, 1968, was addressed when he said that—

The prosperity and well-being of the United States and thus our national interest are vitally affected by America's colleges and universities, junior colleges, and technical institutes.

And we welcome his assertion that—

Their problems are not theirs alone but the Nation's.

We believe, sir, that this legislation reflects the Nation's aim to help solve these problems.

Now if I may comment on some specific provisions of the bill that have particular significance for legal education and I will summarize those comments.

Title II of the bill dealing with libraries extends the college library resources program and we certainly support it.

Title III, dealing with developing institutions and graduate programs, is of particular interest to us because it does provide for the improvement of graduate programs.

We believe that law study is a graduate program which is designed to train students to become members of the legal profession. We believe that it should be made clear that the provision of the bill which includes programs leading to the degree of doctor of philosophy or equivalent degrees should include professional degrees which would embrace all candidates for a law degree who have previously received a college baccalaureate degree.

Clearly we think it embraces programs leading to the S.J.D. degree and legal education should be able to receive meaningful support under this provision to meet its very great needs.