

Hard Times

Blue Cross

In some states the non-profit health insurance monopoly uses insurance premiums to run commercial life insurance companies.

THE DEBATE OVER national health insurance comes down to an intricate three-way fight among the commercial insurance companies, Blue Cross and the Social Security Administration over who will administer the program. Nixon's basic plan now, as in the 1950s when he first proposed it as a congressman, would have the government underwrite the insurance industry. The effect would be to continue unchanged the costly, inequitable medical system. More important, it would put a prop under the insurance companies which are having trouble making as much money as they once did because of problems with health, automobile and property insurance.

The outcome of the insurance fight is of particular importance to Blue Cross, the health insurance monopoly. Blue Cross insures against hospital bills and since its inception has functioned as an arm of the hospitals. Blue Cross always has been important in maintaining the status quo, functioning as both collection agency and propaganda arm for the medicine industry.

The Blue Cross system is an amalgam of 74 local, non-profit, tax-exempt insurance organizations chartered under state law. Because of their quasi-public nature, Blue Cross never has been closely regulated. During the '60s this loose federation of local plans became more centralized through the Blue Cross Association. Much of the business is now funneled through and con-

trolled by the association; as a system, Blue Cross resembles AT&T on a small scale. In addition to regular business, the Blue Cross system administers most of the Medicare program and runs Medicaid in 20 states. It also administers the Federal Employees Health Benefits program—an enormous insurance scheme which covers five million government workers—and handles insurance for military dependents as well.

All in all, Blue Cross is a vast health insurance monopoly, insuring or acting as agent for insurance covering 90 million Americans. In terms of dollars, government business represents more than half of all funds handled by Blue Cross. (Over one third of the Association's budget comes from the federal government.) In behalf of the other plans, the Association runs a high-speed computer network which links local Blue Cross offices with the Social Security Administration, owns a stock insurance company which provides insurance for clients where local practice or law forbids the plan to handle it, and runs an interplan bank for sorting out claims involving different plans.

Blue Cross always was closely tied to hospitals. The plans were created by hospitals during the Depression to act as a sort of producer co-op in providing funds for hospitals. The American Hospital Association owns the trademark and name "Blue Cross." Each year plans must submit to standards (including various financial requirements) set

by the hospital association. The American Hospital Association and the Blue Cross Association share the same building in Chicago. Three members of AHA sit on the Blue Cross Association board, and two members of Blue Cross sit on the AHA board. (The two associations even share the same publicity firm in New York—Anna M. Rosenberg Associates.) At the local level, hospital administrators or trustees, along with doctors, make up a majority of Blue Cross plan boards of directors. Sometimes the ties are even more intimate—as in the case of California, where James E. Ludlam serves as counsel to both Blue Cross of Southern California and California Hospital Association. Most Blue Cross plans are self-perpetuating bodies. None call for election of directors by subscribers.

Under the local contracts, hospitals are liable for service should the Blue Cross plan fail. In Kansas City, for example, hospitals had to discount hospital bills by four percent in order to keep the local Blue Cross plan from collapsing. So in historic and legal terms there isn't any question but that Blue Cross's primary role has been to serve as a collection agency for hospitals. And while there is a lot of talk about Blue Cross and its "consumer" orientation, the system functions very much in that manner today, routinely passing along increasing hospital bills to consumers in the form of higher rates. Both Blue Cross and the hospitals

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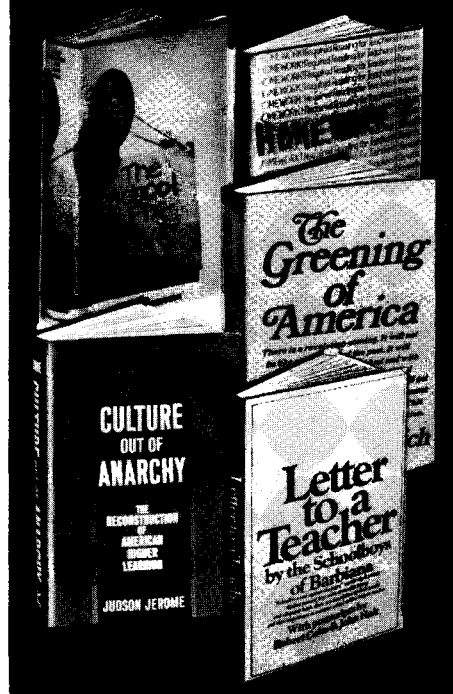
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agree that the system in general pays at least 90 percent of all hospital bills. While Blue Cross plans have a legal right to audit hospital books—one way to fix costs—the plans in general don't make audits. According to the Association, only one-fifth of the 74 plans made audits of hospitals. The Association itself might force the local plans to make audits by inspecting their books and putting pressure on them. But this is seldom done.

IF THE BLUE CROSS plans represent the interests of hospitals, they also serve as brokerage for other interests. Last spring Congressman H. L. Fountain's Subcommittee on Intergovernmental Relations opened an investigation into the affairs of the Federal Employees Plan. Fountain took particular interest in the way Group Hospitalization, Inc. (GHI), the Washington, D.C., Blue Cross plan, performed its functions as a control for this program. Under the plan, the federal government paid \$45 million for benefit payments into GHI every month. As it turned out, GHI had deposited \$10 to \$15 million a month in non-interest-bearing checking accounts at the National Savings & Trust Co., a Washington bank whose chairman is and was treasurer of GHI. The subcommittee estimated that the FEP program lost \$5 million in interest over five years as a result.

According to the testimony, in 1960, when the FEP program was set up, F. P. Rawlings, Jr., was chairman of GHI and also a stockholder in, and director of, National Savings & Trust Co. With the approval of the GHI board, Rawlings appointed Douglas R. Smith, then president of the bank, as treasurer of GHI and made him a member of the board as well. At Rawlings's recommendation, the bulk of the FEP benefit payments were placed in non-interest-bearing accounts at National Savings & Trust. Rawlings said the bank was helpful in arranging a line of credit and performed other special services for GHI. From 1960 through 1967, GHI maintained a monthly cash balance at the bank of from \$10–\$15 million.

Not long ago Senator Philip Hart, whose antitrust subcommittee is investigating health costs, looked into the affairs of the Richmond, Virginia, Blue Cross plan, where rates had risen dramatically and where, despite the best

efforts of 25 accountants, costs had jumped from \$11 million in 1969 to \$13.7 million a year later. Among other things, Hart discovered that Richmond Blue Cross officials drove in company cars to a distant resort, then charged the Blue Cross plan for first-class air fare. The plan unwittingly made a \$200,000 contribution to a data processing company which it believed to be non-profit but which in fact was a profit-making concern on whose board of directors sat a member of the Richmond Blue Cross directorate. Richmond Blue Cross bought \$1.2 million of furniture from a company, one of whose officials was a director of Blue Cross, and it casually spent \$30,000 more than necessary to lease cars because the company renting the autos was near the Blue Cross office.

IN RECENT YEARS Blue Cross has expanded in novel ways. While the plans were created as tax-exempt, quasi-public bodies to insure communities against illness, they are now swept up in ruinous competition with commercial insurance companies for the "preferred risks"—those people who seldom, hopefully never, use their insurance policies. (Both Blue Cross and the commercial companies are loath, however, to insure bad risks—those who use insurance and who most need it. They include the poor, the elderly, the chronically ill, those with hazardous occupations, and even the self-employed. Blue Cross doesn't necessarily deny insurance to these groups, but it charges them high rates and limits coverage.) In some instances insurance companies steal business away from Blue Cross by offering employers an insurance package which contains both health and life insurance. They may lose a little on health insurance, but more than make up for it with life insurance.

To meet this challenge, Blue Cross plans, particularly those in the South, have embarked on a novel tack. In two states, Texas and Illinois, non-profit, tax-exempt Blue Cross plans own and operate profit-making commercial life insurance companies. In Texas, Group Hospital Service, Inc., the Dallas Blue Cross plan, bought the charter to a life insurance company in 1960 and renamed it Group Life & Health Insurance Co. While the Texas Blue Cross

plan can only operate within the state its wholly owned commercial life insurance company subsidiary is licensed in Wyoming, Georgia and Louisiana as well. In those states it combines with local Blue Cross plans in offering subscribers package deals of both life and health insurance. The local Blue Cross agents receive commissions for life insurance sales, and the profits are funneled back into the Texas Blue Cross plan. In Chicago, Illinois, Blue Cross-Blue Shield recently established For Dearborn Life Insurance Co., modeled along the lines of the Texas company.

In North Carolina, the Blue Cross plan owns an insurance agency which sells packages of Blue Cross health insurance along with life insurance policies from commercial companies. In Florida, Blue Cross created an insurance agency called Florida Combined Insurance Agency which in turn contracted with American Bankers Life Assurance Co., a commercial Miami firm to provide life policies.

And thus in certain instances premiums paid for health insurance by Blue Cross subscribers are invested in profit making life insurance company subsidiaries or in insurance agencies. The whole idea, of course, is to enable Blue Cross plans to follow the lead of the commercial insurance companies, and seemingly has little to do with supplying sound health insurance.

BLUE CROSS ADMINISTERS Medicare, and considering these basic trends, it is not so surprising that the program costs so much. Blue Cross first opposed Medicare then, when the writing was on the wall changed its line and supported it. Before the Senate had passed the legislation, the hospital association was nominating Blue Cross to act as intermediary between the hospitals and the Social Security Administration. The way the act was written, one insurance organization, the Social Security Administration, employed a second insurance agency, the Blue Cross system, to run the program. This arrangement opened the way for Blue Cross to establish a cordial relationship within the federal government.

Walter McNerney, the former University of Michigan business professor who leads the Blue Cross Association, helped draft the Medicare law and con-

(Continued on Page 46)

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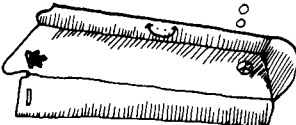
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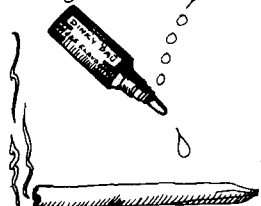
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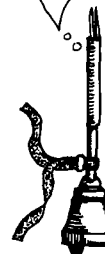
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—Petroleum Engineer Magazine, June 1970

"Ridiculous," said Henry Kissinger to actress and co-chairwoman of Another Mother for Peace, Donna Reed, at a recent Hollywood cocktail party; "there is no oil in Vietnam."

THE THIEU-KY regime has begun negotiations with major Western oil companies to distribute 17 lucrative offshore oil concessions in South Vietnam. The oil companies

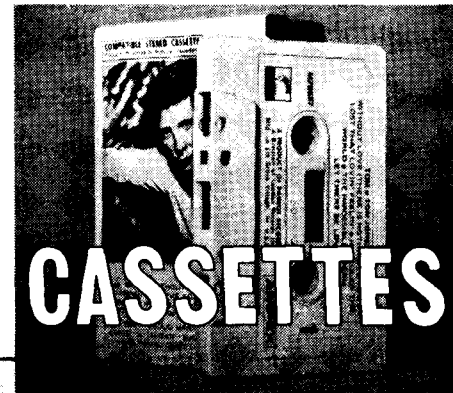
hope to sign long-term contracts before the South Vietnamese elections scheduled for September of this year.

Recent seismic surveys, conducted by a division of Ampex Corporation,

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and Indiana), Mobile Oil, Gulf Oil, Atlantic Richfield, Phillips Petroleum, Tenneco, Continental, Union Oil (California), Dutch Shell, and British Petroleum. The enthusiasm of the oil companies is reflected in Chase Manhattan Bank's estimate that \$6 billion will be spent on exploration and production between now and 1980.

Interviews with middle-level oil officials suggest the oil interests may have secured commitments from the Nixon Administration to preserve the oil fields for Western exploitation only. Although this protection may spell prolonged war and misery for the Vietnamese people, it offers certain "social benefits" to the United States and Japan. According to the March 1970 issue of *Fortune* magazine, "Southeast Asian oil is extremely low in sulphur content and thus is increasingly favored in the pollution-conscious markets of the U.S. and Japan." Thus, in order to win the war on

pollution we must first win the war in Indochina.

The Vietnamese oil discovery has been made the more significant by the attempt of OPEC, the international consortium of oil-producing countries, to force the oil companies to grant them a larger cut of Middle Eastern revenues. According to the *Wall Street Journal* of February 4, 1971, the OPEC action will mean a minimum \$1.2 billion rise in costs to oil companies this year, though in the future the rise may reach \$3 billion.

With the "free" governments of Indochina, however, American oil companies have an excellent chance to negotiate contracts on much more lucrative terms: the Vietnamese leases will give American companies a 45/55 split with the government—a far better deal than the 35/65 split now averaged with OPEC countries.

The fact that the oil companies can

no longer hide their stakes in Indochina has caused some furor on Capitol Hill. A subcommittee has started investigations into the role of oil interests in American foreign policy in Vietnam. This is in response to a massive letter-writing campaign conducted by Another Mother for Peace, which asked the question, "Are American boys dying for ideals or the black profits of oil?" So far the State Department has refused to comply with the subcommittee's request for detailed information on the subject.

The reticence of the State Department, together with the oil companies' present plans for massive development of Southeast Asia oil fields, has an ominous meaning for the people of Indochina. The oil companies have apparently given Nixon the word: hold on to Indochina at any cost.

—ADAM BENNION

Women in Congress

Democratic Congresswoman Martha Griffiths of Michigan wants day care for poor youngsters because she believes the purpose of day care should be "to take the child as many waking hours as you can. Feed it, clean it; show it how to live. Give it some training."

SO FAR THE WOMEN'S liberation movement hasn't made much headway in changing national policies which keep women down. In fact, the only federal legislation purporting to serve women which passed Congress last year was a bill providing that all female employees might name their husbands as beneficiaries of their retirement annuities.

Among the most immediate problems facing women is day care for children. Without some sort of day care, poor working women must choose between quitting jobs or leaving their youngsters in the street. Here the Nixon government sets an example by the way it treats women in the immense federal work force. Except for about 100 youngsters taken care of in demonstration day care units, the government does not provide child care for federal workers. Indeed, women who report late to work because they are held up making babysitter arrangements are

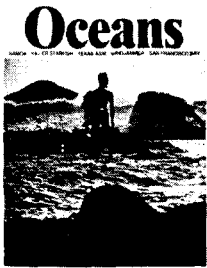
docked the time, and lose vacations. Recently Nixon's Budget Bureau declared as a matter of policy that federal employees would be ineligible for child care unless they qualified under the President's proposed welfare reform program. A memorandum explained: "The [day care] centers already underway or currently planned represent an inequitable situation. . . . Expectation will be built up among other employees and the public as a whole which we cannot fulfill. . . . Nor should taxpayers be asked to subsidize such generous special benefits for a few privileged federal employees."

There are plenty of day care enthusiasts in Congress, but some of them back the scheme for perverse reasons. Democratic Congresswoman Martha Griffiths of Michigan wants day care for poor youngsters because she believes the purpose of day care should be "to take the child as many waking hours as you can. Feed it, clean it; show it

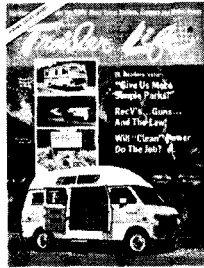
how to live. Give it some training."

For their part, women's groups argue about the terms of their own legislative proposals. Women from the National Welfare Rights Organization believe that day care centers should be opened for children of the poor as soon as possible. But the National Organization of Women, a group composed mainly of professional women, insists that the principle of universal day care should guide any effort towards beginning child care centers. Since the Congress is not likely to appropriate much money for day care, this would give desperately needy women far less chance to receive help. But NOW's legislative vice president, Brenda Fastreau, says, "Maybe it's necessary to sacrifice some poor children for an economic mix. All that welfare kids are going to learn from each other is more about welfare hotels." She believes the 1970s are the beginning of a "child care era" and that "universal child care is a right

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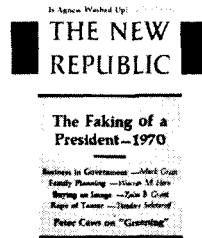
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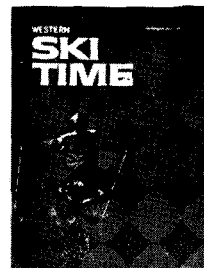
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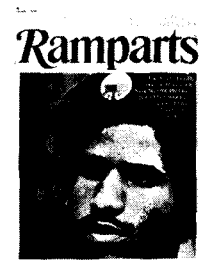
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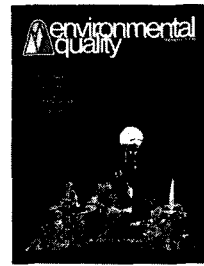
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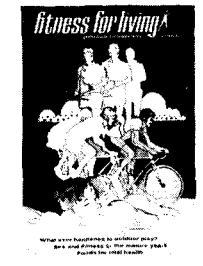
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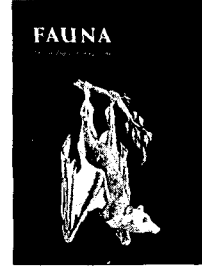
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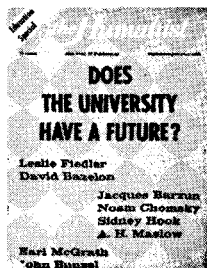
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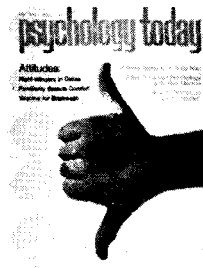
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of all children."

While the President promised he would work at ending discrimination against women, nothing much has been done. After a two-year delay the Labor Department issued some guidelines to employers, but Secretary of Labor Hodgson has not established specific employment goals for women. A committee is looking into discrimination against women. At any rate, officials at the Labor Department apparently don't think women should work. Assistant Secretary Jerome Rosow was surprised to find that almost half of all wives of

men in high-income brackets work. He now wants to study the "anxieties" which led these women to seek employment.

The most active and influential women's groups, such as NOW, are primarily concerned that women be trained for more interesting jobs, that they not be stuck at home because they can't find a babysitter, and that they not be relegated to the position of research assistant rather than professor. The kinds of demands middle-class women make are those most likely to find a response, but so far as these women are success-

ful it will probably be at the expense of others to whom such questions have never occurred. The handling of daycare will be manipulated by middle class women in a way that works to their benefit. The Equal Rights Amendment could work out the same way.

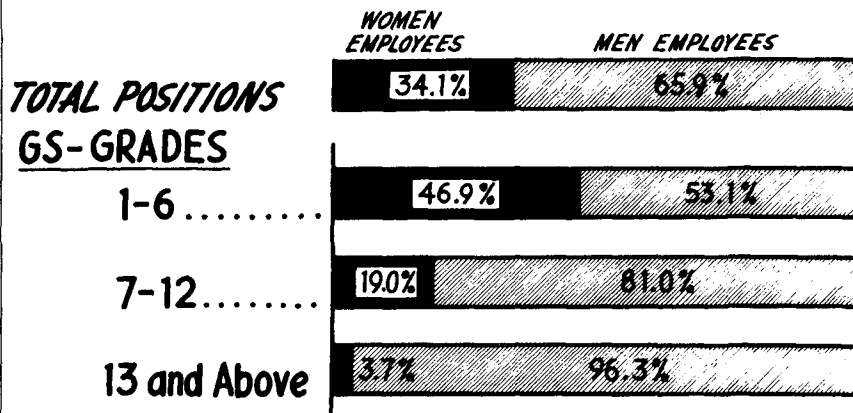
This amendment, introduced by Representative Griffiths, prohibits sex discrimination, and NOW energetically supports the bill. But the amendment would hasten repeal of state protective laws. Some unions fear it would reintroduce the old sweatshop exploitation of women. When Michigan's attorney general ruled that protective hour laws could no longer be enforced in that state, women were put on compulsory overtime in Detroit's Dodge Motor Co. plant. The Hotel and Restaurant Employees' and Bartenders' International Union is suing Hostess Baking Co., an ITT subsidiary. When Michigan's protective laws were withdrawn Hostess began working employees 12 to 14 hours a day, creating two shifts instead of three.

The UAW and other unions with women's departments are lined up behind the equal rights amendment. Even so, women with menial jobs are generally uncertain about the amendment. Those who back it never have shown much interest in poor women. As one union woman put it, "There's not much community of interest between Betty Friedan and her maid."

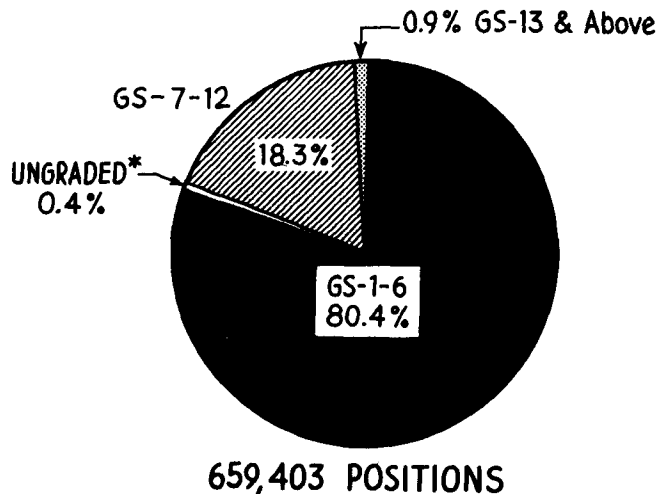
Sometimes, though, the government does nice things for its women employees. HEW agreed to establish an experimental Women's Action Program (WAP) which will run six months and cost \$150,000. Just now getting underway, the program has a host of "program analysts" and "organization consultants." The staff is to tour HEW offices, visiting women to find out whether they enjoy their work; if not, the analysts will assist women in deciding what they would rather be doing. After this, WAP will sponsor sensitivity sessions for both the men and women in the office, in order that the men may understand why the women are unhappy. Then they'll try to figure out whether the programs they work on discriminate against women. However, WAP won't handle actual complaints of discrimination; that's somebody else's job.

—FRANCES LANG

PERCENT DISTRIBUTION OF ALL FEDERAL GS-POSITIONS, BY SEX AND GRADE, 1967



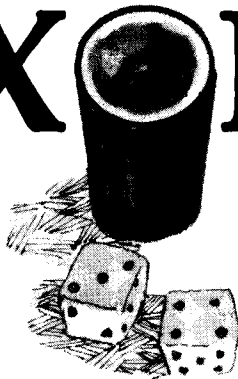
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ated by the MEDIA and EVENT cards, and in unforeseen problems awaiting him on the board. Penalties set at places like CABINET SHAKE-UP, KICKBACK SCANDAL, and CREDIBILITY GAP make the going heavy. There's a place for PEACE, too, but only Nixon wins an Eastern state when he lands there!

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Mayday

SESAME STREET: The Ford Foundation could become an important fourth network if its long-range television plans work out. Ford, of course, already finances most educational television, and now, through Children's Television Workshop, producer of Sesame Street, is investigating the possibility of obtaining cable television franchises in Washington, Seattle, Boston, Los Angeles and Chicago. In Washington, Children's Television Workshop retained Charles Duncan, former corporation counsel and a friend of Mayor Washington, to get the franchise. The corporation counsel's office probably would have to agree to a franchise, so Duncan is a key man. The idea is for a foundation consortium led by Ford to put up \$30-\$50 million in long-term, low-interest loans to a profit-making local cable television corporation. That corporation would be wholly owned by Children's Workshop and some non-profit "community" group created by Children's Workshop. The cable station, with 25-30 channels and a two-way capacity, would run all the Children's Workshop shows, and in addition (hopefully) bring in programs from New York as well as sporting events from Baltimore. It might also provide hook-ups for businessmen, etc. Children's Workshop wants to saturate the market, which might be done at a cost to consumers of from \$1 to \$5 a month. The Workshop is already writing children's books, magazines and comic strips. In addition to the popular pre-school Sesame Street program, it plans to broadcast a reading program for slightly older youngsters. In anticipation of the plunge into cable, a staff works on developing computer-assisted instructional materials.

INDOCHINA WAR CASUALTIES: During the past ten years, 800,000 people in Laos—nearly half the country's population—have become refugees. In 1968 there were 20,000 refugees. Now there are 225,000. Most U.S.-sponsored paramilitary activity in Laos has drawn from the hill tribes. Estimates from the field say that up to 50 percent of all these people—men, wom-

en and children—some 200,000 in all—have been killed.

Here are excerpts from an internal memorandum of the U.S. mission in Vientiane which indicates how the U.S. regards its allies in the hill tribes: "We must recognize that inasmuch as a great measure of the effectiveness of a military force lies in its fighting heart and its numbers, as well as leadership and equipment, the Meos and Lao Teung are no longer the military asset they were in the past—particularly when weighed against the cost of their support in dollars and in all the psychological, social, humanitarian problems that develop from the manner in which they are employed.

"In other words they have been used to the hilt and as many of them are expressing—they have had it! . . .

"Our immediate problem . . . is what to do with the mass of refugees who are moving south and west into the already crowded hill areas of Xieng Khouang and Vientiane provinces. The 1500 Black Thais as well as 39,000 ethnic Lao of Xieng Khouang province have already moved into Vientiane Plain where they are either being absorbed into the population or will show up as a social welfare problem. . . . The hill people . . . are standing on a cliff so to speak, abandoned at present by their Lao government officials and looking to us to help them.

"For the friendly Meo that are located deep in northern areas and are cut off by commie forces, it is prudent that we not aggravate their situation by our continued support or use of them in such manner that will make them targets for enemy counter-measures. They are lost to us: let's leave them alone and not trigger further actions that will worsen their lot and/or have them added to our refugee burden."

This was written before the full-scale invasion began.

In Vietnam, where there are at least one million civilian war casualties (including 300,000 civilian deaths), the U.S. is doing less, not more, to help civilian casualties. Officially, "a primary goal" of USAID is to "ease the suffering of civilians injured by war." But an investigation by the General Accounting Office found that in late 1969 the USAID director of the Office of Health Administration recom-

mended that the project associated with civilian war-related casualties be placed in the lowest category of health concerns.

Since its last investigation of USAID health programs (in 1968), GAO found that budgeted amounts for medical care and the treatment of civilian war casualties decreased from 40 percent of the Public Health Division budget in fiscal 1968 to less than 20 percent in fiscal 1971—even though the number of casualties had not significantly decreased and the capabilities of the Vietnamese military had not increased. The GAO reported that conditions in refugee camps had deteriorated. Hospitals were in worse condition, and the United States persisted in applying its policy of reserving beds in hospitals built to treat civilians for military casualties, a practice which adds to the overcrowding of hospitals.

TAX DODGE: In his study of the West Virginia coal industry, J. Davitt McAteer demonstrates how tax rates are rigged to bolster profits of absentee landlords. A survey of 14 leading coal counties showed that 44 percent of all land was held by 25 major corporations, and of that 25, the great majority were based out of the state. Corporations often contribute to the betterment of communities which suffer them by paying taxes. The 14 coal counties contained land and buildings with an assessed value of \$1.35 billion. Under the state laws, assessed value of property must be 100 percent of its true and actual value. However, tax assessors and officials at the State Tax Commissioner's Office told McAteer that actual assessment was 50 percent of actual value. On further investigation, they discovered that assessed taxes *declined* the greater the coal reserves, not the other way around. In other words, the richest counties paid the lowest taxes. To be more specific, in Boone County the assessed land value was \$15.7 million. According to industry's low estimates, 696 million tons of coal are recoverable. Multiply that by the lowest margin of profit—80 cents a ton—and recoverable coal in Boone would have a net profit of \$556.8 million. But under West Virginia law the maximum actual value that could have been attached to land in Boone in 1968 was \$31.5 million. In fact, the coal is worth

more than 20 times the value attached to the land by the tax assessor. This helps to explain why West Virginia is such a poor state.

TAC-NUKES: Nixon may say he's never going to use tactical nuclear weapons in Indochina, but the fact is that there are some 5500 nuclear weapons in Southeast Asia. Most of these weapons are aboard aircraft carriers and can be brought to Vietnam in short order. A substantial number are located on the Korean mainland, and according to Pentagon officials and military officers, tactical nuclear weapons are located in Thailand. . . .

• Dr. Clarence C. Walton, president of Catholic University, explaining why he could not indulge in "spiritual masochism" by allowing Ti-Grace Atkinson to speak there: "Miss Atkinson appeared at a respected sister institution [Notre Dame] where her public discourse was marred by some vulgarity, but more importantly, by strident attacks on motherhood, marriage, the church, and the virginity of the Blessed Mother. . . . The Virginity of Mary has been formally recognized as an article of faith. The act of faith requires faith to act!" He went on to explain, "William Kunstler spoke here. But that was all right because he was political. If someone disagreed with him about Vietnam, for instance, he could study the issue and decide on the facts. But you take the Virgin Birth. If you say that it's logical that every human being is the result of sexual intercourse between a man and a woman and that Jesus Christ was a human being, ergo . . . well, you can't say that, because the Catholic faith is based on the fact that Mary was a virgin. And at that faith level, when someone doesn't examine the scriptures then they don't have a place in a rational theological discussion. . . . In political matters," Walton continued, "you have institutional mechanisms to follow the issues, but when someone in a non-scholarly way attacks a dogma based on faith, well, she doesn't belong here. I mean, should a church vestibule have pornography in its literature racks?"

• When Nevada welfare recipients protested at being removed from the rolls, case workers actually *told* the women they should investigate employment as prostitutes.

EXPERTS: Section 102 of the 1969 Coal Mine Health & Safety Act requires the Secretary of the Interior to appoint an "Advisory Committee on Coal Mine Safety Research," whose members, according to the law, must be "knowledgeable in the field of coal mine safety research." The idea behind Section 102 was to provide an independent spur to the Bureau of Mines' own sluggish safety research efforts and provide the Secretary with a fresh supply of expertise.

Interior Secretary Walter Hickel never got around to appointing an advisory committee. His replacement, Acting Secretary Fred J. Russell, didn't bother with it either until last week, when a committee selected by Russell's aide, John Rigg, suddenly came into being—ten days after Rogers C. B. Morton had taken over as the new Interior Secretary. Once again, people at Interior seemed to be greatly rushed, all of a sudden, to do something they hadn't considered very urgent before—as with penalty schedules. Morton could have appointed his own people; but apparently he didn't even see the list.

The group put together by Rigg and Russell was notable for the shortage of members "knowledgeable in the field," as required by law. Moreover, questions were raised immediately about whether the committee meets another requirement of Section 102—that the chairman of the committee and a majority of the members must have no economic interest in the coal mining industry, and must not be operators, miners, or government officials. The Russell-Rigged Committee includes:

Jo Ann Gray, Denver, Colorado: Former airline stewardess; Republican National Committeewoman from Colorado. (Rigg is a former lobbyist for the Colorado Mining Association; Mrs. Gray describes herself as a long-time friend of his.) Qualifications for the job: none, by her account; an Interior spokesman said, "Her mother's folks were coal miners."

William D. Carlson, Laramie, Wyoming: President, University of Wyoming. A veterinarian, he knows little or nothing about coal mining. But his university just bagged a \$200,000 federal contract for research on converting

coal to oil, a pet project of Rigg's boss, Interior Deputy Secretary Hollis Dole; and a friend, Congressman Teno Roncalio of Wyoming, has just introduced a bill to double coal's ten percent depletion allowance.

Mrs. Sara Abernethy, Altus, Oklahoma: Vice Chairman, Jackson County Republican Committee, and a salaried employee of Sen. Henry Bellmon [R-Okla.], who suggested her for the Interior Committee. Her qualifications: she is the widow of a doctor and "knows a lot about medicine," according to Interior.

Robert F. Ziems, Arlington, Virginia: Recommended for the job by Representative Broyhill [R-Va.]. Outgoing Republican Campaign Chairman of Fairfax County, contributor to Broyhill's 1970 campaign. No knowledge of mining, but grew up in copper-mining section of Michigan and hopes to make "an active contribution."

At least six other members of the committee don't meet Section 102's requirement for members free of economic ties to the coal industry. H. L. Barber, Cincinnati, is a retired operator; Cloyd McDowell, Harlan, Kentucky, is president of the Harlan County Coal Operators Association; F. J. Robbins of Illinois is chief executive of a steel company—which relies on coal production and could not be expected to make safety its first priority; Lewis Evans is an aide to UMW president Tony Boyle; Harold Suter, Morgantown, West Virginia, is a vice president of Consolidation Coal, which suffered the worst mining disaster in two decades and was found afterward to have violated 50 federal safety regulations; and Ted Q. Wilson of Tennessee, lawyer lobbyist for the operator-dominated Southern Labor Union, worked with McDowell and others last year to try to have small mines exempted from the new law's tougher safety regulations.

(From Coal Patrol, February 15, 1971. This excellent bi-weekly provides inside dope on the industry. Subscriptions are \$5 a year from Appalachia Information, 741 National Press Building, Washington, D.C.)



The Profit Motive and the Public Interest: Wright Patman vs. the Bankers

“The half dozen largest banks in New York could acquire the six largest insurance companies and through fractional reserves could have enough money to then buy up almost all the profitable manufacturing and industrial corporations in America.”

THERE WAS A CERTAIN low-key drama on that November afternoon in 1969 when Congressman Wright Patman, a diminutive white-haired 77-year-old populist from Texas, strode onto the House floor in defense of his bill which sought to regulate American banking.

At issue was a 1956 law permitting a single bank to form a holding company with itself as the principal subsidiary which could use the bank's resources to enter such industrial glamour fields as data processing, insurance, mutual funds and equipment rental. The mild, bespectacled Patman wanted to close this loophole by law; the powerful banking lobby wanted it left open.

Patman had seen the strong regulatory legislation he had introduced nine months earlier diluted in committee by one amendment after another offered by pro-banking forces. And on that Wednesday afternoon—with confident bank lobbyists interspersed in the House gallery with tourists unaware of the conflict taking place down below—Patman

seemed very much the underdog as discussion began.

Four hours later, only three lines of the compromised committee bill were intact. Substituted were 13 pages of tough language based on Patman's original measure, containing a lengthy and explicit “laundry list” of prohibited activities for bank holding companies formed after the original legislation of 1956.

Although his surprising triumph was evanescent and shows the virtual impossibility even for a watchdog Congress to effectively regulate the giants in the modern American economy, Patman's temporary victory was a benchmark in his own career—whose ideological consistency rivals that of the Catholic Church. It is a career with strong populist roots. Born to Fundamentalist parents in the now-vanished Texas town called Patman's Switch, Patman came to Congress in 1928, representing 18 dirt-poor counties. This move to Congress followed two terms in the Texas legislature with Lyndon Johnson's father and then a term as a gun-toting district attorney out to clean up “wide-open” Texarkana.

by Walter Shapiro