comment on what the majority leader said about the impact on the whole world.

What is happening now impacts on the status of the dollar as the reserve currency of this world. Therefore, it is a matter that we are not only concerned about from a domestic standpoint, but from the standpoint of international monetary stability. I thank the Senator from Texas for his initiative in this and I thank the distinguished majority leader.

Mr. BENTSEN. I thank the distinguished majority leader and the Senator from Texas.

S. 1065—TAX CREDIT ON CORPORATE GIFTS FOR BASIC RESEARCH

Mr. DANFORTH. Mr. President, what I am about to say, I think, fits in very well with my ally in trade matters (Mr. BENTSEN). He and I have worked very closely together with the Senate Committee on Finance on matters relating to international trade.

On March 21, 1979, I introduced S. 700, a bill to provide American businesses a 10-percent tax credit for research and development expenditures. The purpose of that measure is to help U.S. businesses retain the competitive edge in technology that they have historically held in the world marketplace. It also should help to turn around the disturbingly sluggish rate of productivity gains in our economy—a major problem which hampers our ability to increase living standards and which contributes to high rates of inflation.

The target of S. 700 is what is commonly called "applied" research, that is, research intended to lead directly to the creation of profitable products. There is another kind of research, so-called "basic" research, which also plays a major long-term role in technology development and productivity improvements. Basic research refers to the search for fundamental knowledge—knowledge which may or may not lead to commercial applications.

The purpose of the bill I am introducing today together with Senators JAVITS and MOYNIHAN is to encourage more spending on basic research. It would do so by providing a tax credit to corporations which give to colleges and universities grants earmarked for basic research. The tax credit would be equal to 25 percent of the gift.

Basic research is currently funded by the private sector, foundations, and the Federal Government—the Federal share being in excess of two-thirds of the total. U.S. businesses finance approximately 14 percent of basic research (down from 35 percent in 1954), an amount which represents only 4 percent of all corporate R. & D. spending. There is widespread disagreement over whether or not the Federal Government is spending enough on basic research. Although that subject is not the focus of this proposal, certain data on Federal research spending adds useful perspective to the larger issue involved.

Direct Federal spending on R. & D. has barely kept pace with inflation since 1963. In constant (1976) dollars, Federal R. & D. spending is not appreciably higher in 1979 ($13.8 billion) than it was in 1963 ($13.6 billion), and has never been higher than the 1967 level of $16.5 billion. I ask unanimous consent that the attached table on Federal R. & D. spending be printed in the RECORD at this point. It is adapted from Special Analyses, Budget of the U.S. Government, fiscal year 1980.

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

RESEARCH AND DEVELOPMENT
(Federal spending 1963-present)
(Dollars in billions)

Year	Total	Adjusted* total
1963	12.5	13.6
1964	14.2	15.3
1965	14.6	15.5
1966	15.3	15.7
1967	16.5	16.5
1968	15.9	15.3
1969	15.6	14.2
1970	15.3	13.2
1971	15.5	12.8
1972	16.5	13.2
1973	16.8	12.6
1974	17.4	11.8
1975	19.0	11.8
1976	20.7	12.1
1977	23.9	13.2
1978 est.	26.2	13.2
1979 est.	29.4	13.8
1980 est.	30.6	13.5

*CPI=100 in 1967.

Mr. DANFORTH. Mr. President, there is other evidence of no growth in R. & D. spending. Data collected by the National Science Foundation show the following:

In 1964, R. & D. spending constituted 3 percent of GNP. In every year since then, R. & D. spending, as a percent of GNP, has declined. In 1977 it stood at 2.2 percent, and the National Science Foundation Board projects that it will fall to 2 percent of GNP by 1985.

In constant dollars, 1977 outlays were actually 4 percent below 1967 spending levels (this is in contrast to the fact that between 1961 and 1967 R. & D. outlays increased at an annual rate of 6 percent).

There has been no growth in R. & D. since 1968 when measured by the number of scientists and engineers engaged in R. & D. activity.

Meanwhile, our international trading rivals are increasing the share of their economies that they are spending on research and development. In recent years, both Japan and West Germany have outspent the United States (as a percentage of GNP) in nondefense R. & D. Another measure of this trend is patents. U.S. patent rights awarded to foreign interests increased 91 percent between 1966 and 1976; currently 37 percent of all U.S. patents issued annually are awarded to foreign entities.

Is this lag in R. & D. spending just a temporary phenomena? Not according to the Treasury Department's international trade expert, Gary Hufbauer. Testifying before a congressional hearing in 1978, he stated:

I think the erosion (of U.S. technological innovation) has, in a sense, just begun. Given the normal course of events, unless there is some fundamental change, it will probably increase in the years to come.

What does this tell us? Corrective action is required immediately. On the basis of available information, it seems unlikely that the Federal Government will provide any significant new infusion of funds into basic R. & D. At the same time, there is no reason to believe that corporations are going to risk their profits (and the wrath of their shareholders) on basic R. & D. in the absence of additional incentives.

That is where this proposal comes in. By providing a tax incentive for corporate giving to universities, we would recognize the key role that universities already play in basic research, (colleges and universities conducted 54 percent of the basic research in our country in 1977) and also tap a significant new source of funds. Under this proposal, all results of basic research conducted with these contributions would be available to the public in general. This assures that commercial opportunities resulting from such research will be realized.

It is important to note that the bill is written in a way which prevents corporations from diverting normal gifts to universities and charities into basic research gifts. This will assure that the proposal does no harm to other worthy organizations which have traditionally benefited from corporate largesse.

Taken by itself, the provision will not solve the country's balance of trade problem, nor will it turn around the troubling stagnation in productivity increases in our economy. It does, however, represent a reasonable, constructive step in getting our economy back on track toward long-term, balanced growth.

Mr. President, I ask unanimous consent that a copy of the bill be printed in the RECORD at this point.

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

S. 1065

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. BASIC RESEARCH CREDIT

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits) is amended by inserting after section 44C the following new section:

"Sec. 44D. *Basic Research Credit*

"(a) In the case of a corporation, other than an electing small business corporation (as defined in section 1371), there shall be allowed a credit against the tax imposed by this chapter for the taxable year an amount equal to 25 percent of—

(1) the excess of the qualified basic research contributions for the taxable year over the average qualified basic research contributions, reduced by

(2) the excess of the average charitable contributions over the charitable contributions for the taxable year.

"(b) APPLICATION WITH OTHER CREDITS

The credit allowed by subsection (a) shall not exceed the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowable under a section of this subpart having a lower number of letter designation than this section, other than credits allowable by sections 31, 39 and 43.

"(c) DEFINITIONS.—For purposes of this section—

(1) QUALIFIED BASIC RESEARCH CONTRIBUTION.—The term 'qualified basic research contribution' means an amount of cash paid during the taxable year for which a deduction is allowed under section 170 to an educational organization (other than a primary or secondary school) and which is required as a condition of the transfer, to be used exclusively for scientific basic research.

"(2) AVERAGE QUALIFIED BASIC RESEARCH CONTRIBUTIONS.—The term 'average qualified basic research contributions' means one fourth of the sum of the qualified basic research contributions made by the taxpayer during the four preceding taxable years.

"(3) AVERAGE CHARITABLE CONTRIBUTIONS.—The term 'average charitable contributions' means one fourth of the sum of the deductions allowable under section 170 to the taxpayer (other than qualified basic research contributions) for the four preceding taxable years.

"(4) CHARITABLE CONTRIBUTIONS.—The term 'charitable contributions' means the amount of deduction allowable under section 170 to the taxpayer (other than deductions allowable for qualified basic research contributions).

"(5) SCIENTIFIC BASIC RESEARCH.—The term 'scientific basic research' means fundamental research in the physical sciences the results of which are freely available to the general public.

"(d) Special rules.—

"(1) CONTROLLED GROUP OF CORPORATIONS.—For purposes of this section, all members of the same controlled group of corporations shall be treated as one corpration to which this sectin applies. In any such case, the credit (if any) allowable by this section to each such member shall be its proportionate contribution of qualified basic research contributions giving rise to such credit. For purposes of this paragraph, the term 'controlled group of corporations' has the meaning given to such term by section 1561(a), except that—

"(i) 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563(a)(1), and

"(ii) the determination shall be made without regard to subsection (a)(4) and (e)(3)(C) of section 1563.

"(2) ADJUSTMENT FOR CERTAIN ACQUISITIONS, ETC.—Under regulations prescribed by the Secretary—

"(i) ACQUISITIONS.—If a taxpayer acquires the major portion of a trade or business of another person (hereinafter in this clause referred to as the 'predecessor') or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section for any year ending after such acquisition, the qualified basic research contributions and the charitable contributions of the taxpayer shall be increased by so much of the qualified basic research contributions and the charitable contributions paid by the predecessor with respect to the acquired trade or business as is attributable to the portion of such trade or business acquired by the taxpayer.

"(ii) DISPOSITIONS.—If—

"(I) a taxpayer disposes of the major portion of any trade or business of the taxpayer or the major portion of a separate unit of a trade or business of the employer in a transaction to which subparagraph (i) applies, and

"(II) the taxpayer furnishes the acquiring person with such information as is necessary for the application of subparagraph (i), then, for purposes of applying this section to any year after such disposition, the amount of qualified basic research contributions and charitable contributions paid by the taxpayer during periods before such disposition shall be decreased by so much of such qualified basic research contributions and charitable contributions as is attributable to such trade or business or separate unit.

"(3) TAX-EXEMPT ORGANIZATIONS.—No credit shall be allowed under this section to any corporation (other than a cooperative described in section 521) which is exempt from income tax under this chapter."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table of sections for Subpart A of Part IV of Subtitle A of the Code is amended by inserting after Sec. 44C the following:

Sec. 44D. Basic Research Credit.

Sec. 2. EFFECTIVE DATE

(a) GENERAL RULE.—The amendment made by section 1 of this Act shall apply to taxable years beginning after December 31, 1979.

(b) TRANSITIONAL RULE.—For taxable years beginning before January 1, 1984, the average qualified basic research contributions shall be determined by dividing the sum of qualified basic research contributions made in preceding taxable years beginning after December 31, 1979, by the number of such preceding taxable years.

Mr. DANFORTH. Mr. President, I am happy to yield to the Senator from Montana.

Mr. MELCHER. Mr. President, I want to join in the remarks that have been made by the junior Senator from Texas, the majority leader, the senior Senator from Texas, and the Senator from Missouri, and commend them on getting at the basic problems of international trade and our relationship, in particular, with Japan.

The junior Senator from Texas spoke about the almost carnivorous attitudes of some of our trading partners. I would like to point out that one of the problems we have with Japan in our trade is to hopefully make them greater eaters of meat, hopefully greater eaters of American beef.

I well recall the sop that was thrown to us in our trading with Japan in the slight increase in the allowable amount of beef that would be imported into Japan almost a year ago and the comment that was made at that time that that was like going from one skinny little hamburger per Japanese citizen to the equivalent of one Big Mac per year, per citizen of Japan.

In a country where beef sells at about $6 a pound for hamburger and $14 a pound for a piece of sirloin steak, it seems to me we are being very reasonable in asking Japan for a little greater interest in purchasing some of the American beef.

Again I commend all the Senators involved in these remarks and join with them in their very astute observation.

I thank the Senator for yielding.

Mr. ROBERT C. BYRD. Mr. President, did the Senator have all the time he needed?

Mr. DANFORTH. Yes. I thank the Senator.

Mr. ROBERT C. BYRD. I thank the Senator.

DEPARTMENT OF DEFENSE SUPPLEMENTAL AUTHORIZATIONS, 1979

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of the pending business, S. 429, which the clerk will state by title.

The assistant legislative clerk read as follows:

Calendar No. 62 (S. 429) a bill to authorize appropriations for fiscal year 1979, in addition to amounts previously authorized for procurement of aircraft, missiles, naval vessels, and other weapons, and for research, development, test, and evaluation for the armed forces, and for other purposes.

The Senate resumed the consideration of the bill.

The ACTING PRESIDENT pro tempore. What is the will of the Senate?

Mr. TOWER. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HEINZ. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

UP AMENDMENT NO. 120

Mr. HEINZ. Mr. President, I offer an amendment to the pending bill. Very simply, my amendment states, in effect, in amending section 302, that no funds be authorized for the purposes of carrying out the service life extension program for the aircraft carrier *Saratoga* unless that funding decision is based on three factors: namely, first, cost, as determined by GAO and other relevant studies; second, considerations of national security; third, such other factors as the Secretary of Defense deems critical.

Mr. President, I send the amendment to the desk and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Pennsylvania (Mr. HEINZ) proposes an unprinted amendment numbered 120.

Mr. HEINZ. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The amendment is as follows:

On page 7, line 11, strike lines 11-17 and insert in lieu thereof the following:

Sec. 302. No funds authorized to be appropriated by this or any other Act may be obligated or expended for the purpose of carrying out the Service Life Extension Program (SLEP) for the aircraft carrier Saratoga unless such program is to be conducted on the basis of cost, considerations of national security, and such other factors as the Secretary of Defense considers appropriate.

UP AMENDMENT NO. 121

Mr. BIDEN. Mr. President, I ask that my perfecting amendment, which is at the desk, be called up and be considered at this point.