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Dear Speaker,

There seems to be a natural source of revenue for every level of government, including the United Nations. A proposal that oil resources in international waters be used for revenue by the U.N. was proposed by John O. Stoessinger in his book "Financing the United Nations" published by the Brookings Institute on May 25 of this year. He suggests the Gulf of Mexico and the North Sea as possible areas for such operations.

The first step, Mr. Stoessinger indicates, might be a General Assembly resolution declaring sea-bed resources beyond a given distance to be outside of national jurisdiction. Passage of such a measure would open the way for a declaration of United Nations title to the Gulf of Mexico oil, if and when located outside national waters.

He suggests that any revenues accruing could follow a pattern well established in the U.S., which auctions leases to petroleum companies on the basis of competitive bidding and receives royalty payments scaled to production. These payments are economic rent and therefore are a natural source for the U.S. Federal government

Cpunterclaims against any eventual use by the United Nations of sea-bed resources hundreds of miles offshore are not to be expected, sources familiar with the situation said. Beyond the widely irregular limits of the continental shelf, on which international law is fairly universally recognized, no nation can claim jurisdiction in international waters.

In July, 1962, the author comments, it was reported that 21 huge domes, "strikingly resembling the salt domes that had made the coastal region of Texas and Louisiana one of the richest oil-producing areas in the world," were discovered in the Gulf of Mexico. They are 400 miles from the nearest point in the U.S. and 320 miles from Mexico. Several petroleum companies have made preliminary surveys and declare that the site is technically accessible.

In the North Sea, preliminary surveys are more advanced and oil companies are already drilling in the hope of striking huge oil deposits. Here technical accessibility is marked, as the waters are relatively shallow and the site of exploration far from shore.

Six countries - Britain, Belgium, Denmark, Norway, the Netherlands and West Germany can be expected to advance claims for the North Sea oil in the event of a strike, Mr. Stoessinger notes, under a 1958 convention on the continental shelf. If the United Nations were the recipient,animosity, if not worse, between these nations could be avoided.

Credit for previous proposals for U.N. revenue to be obtained from ocean resources is given by Mr. Stoessinger to the Commission to Study the Organization of Peace, and to Dr. Eugene Staley of the Stanford Research Institute.

The following quotes are from a Jamaican travel brochure "Although there is financial poverty among sections of the population, a high unemployment rate and an urgent need for more development, Jamaica carries a number of assets into independence . . rich soil and developing agriculture, the largest deposits of bauxite in the world and, of course, the climate and beauty which have built the tourist trade. . . Land taxes are not high. They are generally based on a valuation of one fifth the true value and the tax rate on this is approximately 5%, which means that the tax is about 1% per annum of the real value."

President Humberto Castelo Branco is facing a sharp battle in Congress over his recent reform proposals. The Brasilian leader has included an amendment to the Constitution to permit the Federal Government to tax rural land. The Federal Tax would be applied on a standard progressive scale so as to discourage the holding of idle unproductive land, and the levies would be turned over to the municipalities where collected.

A Leningrad economic manager, Mr. G. Kulagin, recently gave his views on what was wrong with the present system of running the Soviet economy. Mr. Kulagin, writing in Pravda, the Soviet Communist party newspaper, noted that under the present planning system, a factory's performance was judged primarily on the basis of its fulfillments of its production plan.

As a consequence, plant managers seek to obtain the lowest possible production goals to increase the chances of fulfilling them. "Man seeks to satisfy etc."

Annual output, according to the author, is only one of a wide range of economic indices planned for each factory from above. They include the total wage bill, other expenses, total material stocks, the annual amount of material that may be consumed for repairs, the numbers of administrative personnel and so forth.

Mr. Kulagin wrote that in many cases these economic indicators were poorly coordinated and interfered with normal plant operations. Among the many indicators planned from above is a profit rate, determined as the difference between the planned production cost and the factory wholesale price of a commodity.

The profit rate is now usually calculated as a percentage of costs, which is considered illogical because with an increase of costs the profit should fall, not rise.

Under the new proposal, profit would be made the key index of plant activity instead of the output plan. As envisaged the profit index would replace the gamut of indices employed by central planners.

Moreover, profit would not be calculated as a proportion of the prime costs, as at present, but most likely as a percentage of the capital employed.

Since a greater share of profit would be alloted to the factory for its own use, the manager would be interested in increasing planned and actual profits to a maximum instead of seeking the lowest possible output plan.

To achieve the greatest profits he would invite the largest possible number of orders from other sectors of the economy and would try to keep costs down.

Since factory funds, replenished from profits, would be used both to pay penalities for poor-quality output or delivery delays and to pay bonuses for good work, the employes would have an incentive to produce goods of high quality and to keep costs down.

Sincerely,
Peter Patsakos